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 September 30, 2023

☐ **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	**11-1890605**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
2211 South 47th Street, Phoenix, Arizona	**85034**
(Address of principal executive offices)	(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 28, 2023, the total number of shares outstanding of the registrant's Common Stock was 90,485,363 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)

	September 30, 2023	July 1, 2023
	(Thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 278,679	$ 288,230
Receivables	4,679,691	4,763,788
Inventories	5,755,051	5,465,031
Prepaid and other current assets	197,720	233,804
Total current assets	10,911,141	10,750,853
Property, plant and equipment, net	470,971	441,557
Goodwill	759,848	780,629
Operating lease assets	220,657	221,698
Other assets	283,845	282,422
Total assets	$ 12,646,462	$ 12,477,159
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 68,601	$ 70,636
Accounts payable	3,445,711	3,373,820
Accrued expenses and other	722,409	753,130
Short-term operating lease liabilities	53,657	51,792
Total current liabilities	4,290,378	4,249,378
Long-term debt	3,101,903	2,988,029
Long-term operating lease liabilities	186,745	190,621
Other liabilities	244,853	297,462
Total liabilities	7,823,879	7,725,490
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Common stock $1.00 par; authorized 300,000,000 shares; issued 90,983,772 shares and 91,504,053 shares, respectively	90,984	91,504
Additional paid-in capital	1,702,065	1,691,334
Retained earnings	3,532,676	3,378,212
Accumulated other comprehensive loss	(503,142)	(409,381)
Total shareholders' equity	4,822,583	4,751,669
Total liabilities and shareholders' equity	$ 12,646,462	$ 12,477,159

See notes to consolidated financial statements.

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

	First Quarters Ended	
	September 30, 2023	October 1, 2022
	(Thousands, except per share amounts)	
Sales	$ 6,335,648	$ 6,750,133
Cost of sales	5,587,542	5,981,960
Gross profit	748,106	768,173
Selling, general and administrative expenses	487,286	477,636
Restructuring, integration and other expenses	7,051	—
Operating income	253,769	290,537
Other income, net	5,960	323
Interest and other financing expenses, net	(70,796)	(45,098)
Gain on legal settlements and other	86,499	—
Income before taxes	275,432	245,762
Income tax expense	66,164	61,501
Net income	$ 209,268	$ 184,261
Earnings per share:		
Basic	$ 2.29	$ 1.96
Diluted	$ 2.25	$ 1.93
Shares used to compute earnings per share:		
Basic	91,495	94,051
Diluted	93,178	95,636
Cash dividends paid per common share	$ 0.31	$ 0.29

See notes to consolidated financial statements.

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

	First Quarters Ended	
	September 30, 2023	October 1, 2022
	(Thousands)	
Net income	$ 209,268	$ 184,261
Other comprehensive income (loss), net of tax:		
Foreign currency translation and other	(107,036)	(201,663)
Cross-currency swap	11,808	—
Pension adjustments, net	1,467	9,866
Total other comprehensive loss, net of tax	(93,761)	(191,797)
Total comprehensive income (loss), net of tax	$ 115,507	$ (7,536)

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, July 1, 2023	91,504	$ 91,504	$ 1,691,334	$ 3,378,212	$ (409,381)	$ 4,751,669
Net income	—	—	—	209,268	—	209,268
Other comprehensive loss	—	—	—	—	(93,761)	(93,761)
Cash dividends	—	—	—	(28,320)	—	(28,320)
Repurchases of common stock	(559)	(559)	—	(26,484)	—	(27,043)
Stock-based compensation	39	39	10,731	—	—	10,770
Balance, September 30, 2023	90,984	$ 90,984	$ 1,702,065	$ 3,532,676	$ (503,142)	$ 4,822,583

	Common Stock-Shares	Common Stock-Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
				(Thousands)		
Balance, July 2, 2022	95,702	$ 95,702	$ 1,656,907	$ 2,921,399	$ (481,248)	$ 4,192,760
Net income	—	—	—	184,261	—	184,261
Other comprehensive loss	—	—	—	—	(191,797)	(191,797)
Cash dividends	—	—	—	(26,998)	—	(26,998)
Repurchases of common stock	(3,445)	(3,445)	—	(144,457)	—	(147,902)
Stock-based compensation	72	72	8,939	—	—	9,011
Balance, October 1, 2022	92,329	$ 92,329	$ 1,665,846	$ 2,934,205	$ (673,045)	$ 4,019,335

See notes to consolidated financial statements.

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

	First Quarters Ended	
	September 30, 2023	October 1, 2022
	(Thousands)	
Cash flows from operating activities:		
Net income	$ 209,268	$ 184,261
Non-cash and other reconciling items:		
Depreciation	20,639	19,640
Amortization	878	2,755
Amortization of operating lease assets	13,271	13,141
Deferred income taxes	5,575	(7,296)
Stock-based compensation	9,355	8,924
Other, net	(20,171)	8,224
Changes in (net of effects from businesses acquired and divested):		
Receivables	30,190	(419,852)
Inventories	(371,604)	(559,044)
Accounts payable	111,489	120,938
Accrued expenses and other, net	(50,184)	(16,840)
Net cash flows used for operating activities	(41,294)	(645,149)
Cash flows from financing activities:		
Borrowings (repayments) under accounts receivable securitization, net	(92,100)	152,200
Borrowings under senior unsecured credit facility, net	243,613	701,987
Repayments under bank credit facilities and other debt, net	(133)	(85,432)
Repurchases of common stock	(24,324)	(152,408)
Dividends paid on common stock	(28,320)	(26,998)
Other, net	1,414	(964)
Net cash flows provided by financing activities	100,150	588,385
Cash flows from investing activities:		
Purchases of property, plant and equipment	(76,089)	(28,208)
Other, net	300	7,303
Net cash flows used for investing activities	(75,789)	(20,905)
Effect of currency exchange rate changes on cash and cash equivalents	7,382	4,857
Cash and cash equivalents:		
— decrease	(9,551)	(72,812)
— at beginning of period	288,230	153,693
— at end of period	$ 278,679	$ 80,881

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. Certain reclassifications have been made to fiscal 2023 balances to correspond to the fiscal 2024 consolidated financial statement presentation.

Preparing 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 do not necessarily indicate 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 July 1, 2023.

Recently adopted accounting pronouncements

In September 2022, the FASB issued ASU No. 2022-04, Liabilities (subtopic 405-50): Supplier Finance Programs ("ASU No. 2022-04") to enhance the transparency of certain supplier finance programs to assist financial statement users in understanding the effect of such programs on a company's working capital, liquidity and cash flows. The new guidance requires qualitative and quantitative disclosure sufficient to enable users of the financial statements to understand the nature, activity during the period, changes from period to period, and potential magnitude of such programs. The Company adopted this guidance in the first quarter of fiscal 2024, except for the amendment on roll-forward information, which is effective for the Company in fiscal 2025. The Company's adoption of ASU No. 2022-04 did not have a material impact on the Company's consolidated financial statements.

2. Receivables

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

	September 30, 2023	July 1, 2023
	(Thousands)	
Receivables	$ 4,793,180	$ 4,876,631
Allowance for Credit Losses	$ (113,489)	$ (112,843)

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

The Company had the following activity in the allowance for credit losses during the first quarters of fiscal 2024 and fiscal 2023:

	September 30, 2023	October 1, 2022
	(Thousands)	
Balance at beginning of the period	$ 112,843	$ 113,902
Credit Loss Provisions	4,157	1,442
Credit Loss Recoveries	(364)	(216)
Receivables Write Offs	(959)	(3,378)
Foreign Currency Effect and Other	(2,188)	(5,127)
Balance at end of the period	$ 113,489	$ 106,623

3. Goodwill

The following table presents the change in goodwill by reportable segment for the first quarter ended September 30, 2023.

	Electronic Components	Farnell	Total
		(Thousands)	
Carrying value at July 1, 2023 (1)	$ 296,829	$ 483,800	$ 780,629
Foreign currency translation	(4,748)	(16,033)	(20,781)
Carrying value at September 30, 2023 (1)	$ 292,081	$ 467,767	$ 759,848

(1) Includes accumulated impairments of $1,482,677 from prior fiscal years.

4. Debt

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

	September 30, 2023	July 1, 2023	September 30, 2023	July 1, 2023
	Interest Rate		Carrying Balance	
Other short-term debt	5.59 %	5.08 %	$ 68,601	$ 70,636
Short-term debt			$ 68,601	$ 70,636

Other short-term debt consists primarily of various committed and uncommitted lines of credit and other forms of bank debt with financial institutions utilized primarily to support the ongoing working capital requirements of the Company, including its foreign operations.

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

	September 30, 2023	July 1, 2023	September 30, 2023	July 1, 2023
	Interest Rate		Carrying Balance	
Revolving credit facilities:				
Accounts receivable securitization program (due December 2024)	6.17 %	5.99 %	$ 463,700	$ 555,800
Credit Facility (due August 2027)	5.48 %	4.85 %	1,002,024	796,552
Public notes due:				
April 2026	4.63 %	4.63 %	550,000	550,000
May 2031	3.00 %	3.00 %	300,000	300,000
June 2032	5.50 %	5.50 %	300,000	300,000
March 2028	6.25 %	6.25 %	500,000	500,000
Long-term debt before discount and debt issuance costs			3,115,724	3,002,352
Discount and debt issuance costs – unamortized			(13,821)	(14,323)
Long-term debt			$ 3,101,903	$ 2,988,029

The Company has a trade accounts receivable securitization program (the “Securitization Program”) in the United States with a group of financial institutions. The Securitization Program allows 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 of up to $700 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 $1.31 billion and $1.27 billion at September 30, 2023, and July 1, 2023, respectively. The Securitization Program contains certain covenants relating to the quality of the receivables sold.

The Company has a five-year $1.50 billion revolving credit facility (the “Credit Facility”) with a syndicate of banks, which expires in August 2027. It consists 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. As of September 30, 2023, and July 1, 2023, there were $0.9 million in letters of credit issued under the Credit Facility. 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 a financial covenant requiring the Company to maintain a leverage ratio not to exceed a certain threshold, which the Company was in compliance with as of September 30, 2023, and July 1, 2023.

As of September 30, 2023, the carrying value and fair value of the Company’s total debt was $3.17 billion and $3.05 billion, respectively. At July 1, 2023, the carrying value and fair value of the Company’s total debt was $3.06 billion and $2.98 billion, respectively. Fair value for the public notes was estimated based upon quoted market prices (Level 1) 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 (Level 2).

5. 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 15 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	
	September 30, 2023	October 1, 2022
Operating lease cost	$ 15,539	$ 16,566
Variable lease cost	7,167	6,313
Total lease cost	$ 22,706	$ 22,879

Future minimum operating lease payments as of September 30, 2023, are as follows (in thousands):

Fiscal Year	
Remainder of fiscal 2024	$ 46,377
2025	52,620
2026	41,715
2027	25,110
2028	19,758
Thereafter	97,740
Total future operating lease payments	283,320
Total imputed interest on operating lease liabilities	(42,918)
Total operating lease liabilities	$ 240,402

Other information pertaining to operating leases consists of the following:

	First Quarters Ended	
	September 30, 2023	October 1, 2022
Operating Lease Term and Discount Rate		
Weighted-average remaining lease term in years	8.0	8.5
Weighted-average discount rate	3.8 %	3.9 %

Supplemental cash flow information related to the Company's operating leases was as follows (in thousands):

	First Quarters Ended	
	September 30, 2023	October 1, 2022
Supplemental Cash Flow Information:		
Cash paid for operating lease liabilities	$ 13,856	$ 14,062
Operating lease assets obtained from new operating lease liabilities	$ 15,132	$ 20,796

6. Derivative financial instruments

Many of the Company's subsidiaries purchase and sell products in currencies other than their functional currencies, which subjects the Company to the risks associated with fluctuations in currency exchange rates. This 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 Asian foreign currencies.

The Company uses economic hedges to reduce this risk utilizing natural hedging (*i.e.*, offsetting receivables and payables in the same foreign currency) and creating offsetting positions through the use of derivative financial instruments (primarily forward foreign exchange contracts typically with maturities of less than 60 days, 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 fair value of forward foreign exchange contracts is based upon Level 2 criteria under the ASC 820 fair value hierarchy. 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. 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.

In fiscal 2023, the Company entered into a fixed-to-fixed rate cross currency swap (the "cross-currency swap") with a notional amount of $500.0 million, or €472.6 million, that is set to mature in March 2028. The Company designated this derivative contract as a net investment hedge of its European operations and elected the spot method for measuring hedge effectiveness. Changes in fair value of the cross-currency swap is presented in "Accumulated other comprehensive income" in the consolidated balance sheets. Amounts related to the cross-currency swap recognized directly in net income represent net periodic interest settlements and accruals, which are recognized in "Interest and other financing expenses, net", on the consolidated statements of operations. The fair value of the cross-currency swaps are based upon Level 2 criteria under the ASC 820 fair value hierarchy.

The Company uses these derivative financial instruments to manage risks associated with foreign currency exchange rates and interest rates. The Company does not enter derivative financial instruments for trading or speculative purposes and monitors the financial stability and credit standing of its counterparties.

The locations and fair values of the Company's derivative financial instruments in the Company's consolidated balance sheets are as follows:

	September 30, 2023	July 1, 2023
	(Thousands)	
Economic hedges		
Prepaid and other current assets	$ 17,171	$ 69,104
Accrued expenses and other	$ 37,890	$ 68,594
Cross-currency swap		
Other liabilities	$ 11,041	$ 22,849

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

The locations of derivative financial instruments on the Company's consolidated statements of operations are as follows:

		First Quarters Ended	
		September 30, 2023	October 1, 2022
		(Thousands)	
Economic hedges	Other income, net	$ (2,103)	$ (359)
Cross currency swap	Interest and other financing expense, net	$ 1,013	—

7. 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. 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, particularly regarding to matters in early stages. 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 single reporting period.

As of September 30, 2023, and July 1, 2023, the Company had aggregate estimated liabilities of $22.7 million classified within accrued expenses and other for such compliance-related matters that were reasonably estimable as of such dates.

Gain on Legal Settlements and Other

During the first quarter of fiscal 2024, the Company recorded a gain on legal settlements and other of $86.5 million in connection with a settlement of a claim filed against a manufacturer of capacitor.

8. Income taxes

The below discussion of the effective tax rate for the periods presented in the statements of operations is in comparison to the 21% U.S. statutory federal income tax rate.

The Company's effective tax rate on its income before taxes was 24.0% in the first quarter of fiscal 2024. During the first quarter of fiscal 2024, the Company's effective tax rate was unfavorably impacted primarily by (i) increases to unrecognized tax benefit reserves net of settlements, (ii) U.S. state taxes, and (iii) the mix of income in higher tax jurisdictions.

During the first quarter of fiscal 2023, the Company's effective tax rate on its income before taxes was 25.0%. During the first quarter of fiscal 2023, the Company's effective tax rate was unfavorably impacted primarily by (i) increases to unrecognized tax benefit reserves and (ii) the mix of income in higher tax jurisdictions.

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

9. 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	
	September 30, 2023	October 1, 2022
	(Thousands)	
Service cost within selling, general and administrative expenses	$ 2,563	$ 3,004
Interest cost	6,145	6,682
Expected return on plan assets	(9,985)	(12,215)
Amortization of prior service cost	1	1
Recognized net actuarial loss	56	617
Total net periodic pension benefit within other income, net	(3,783)	(4,915)
Net periodic pension benefit	$ (1,220)	$ (1,911)

The Company made $4.0 million of contributions during the first quarter of fiscal 2024 and expects to make additional contributions to the Plan of $4.0 million in the remainder of fiscal 2024.

10. Shareholders’ equity

Share repurchase program

During the first quarter of fiscal 2024, the Company repurchased 0.6 million shares under existing programs for a total cost of $27.0 million. As of September 30, 2023, the Company had $291.5 million remaining under its share repurchase authorization.

Common stock dividend

In August 2023, the Company’s Board of Directors approved a dividend of $0.31 per common share and dividend payments of $28.3 million were made in September 2023.

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

11. Earnings per share

	First Quarters Ended	
	September 30, 2023	October 1, 2022
	(Thousands, except per share data)	
Numerator:		
Net income	$ 209,268	$ 184,261
Denominator:		
Weighted average common shares for basic earnings per share	91,495	94,051
Net effect of dilutive stock-based compensation awards	1,683	1,585
Weighted average common shares for diluted earnings per share	93,178	95,636
Basic earnings per share	$ 2.29	$ 1.96
Diluted earnings per share	$ 2.25	$ 1.93
Stock options excluded from earnings per share calculation due to an anti-dilutive effect	122	146

12. Additional cash flow information

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

	First Quarters Ended	
	September 30, 2023	October 1, 2022
	(Thousands)	
Non-cash Investing Activities:		
Capital expenditures incurred but not paid	$ 13,967	$ 11,916
Non-cash Financing Activities:		
Unsettled share repurchases	$ 2,718	$ 4,449
Supplemental Cash Flow Information:		
Interest	$ 81,446	$ 32,855
Income tax payments, net	$ 78,357	$ 57,426

Included in cash and cash equivalents as of September 30, 2023, and July 1, 2023, was $11.4 million and $3.7 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)

13. Segment information

Electronic Components ("EC") and Farnell ("Farnell") are the Company's reportable segments ("operating groups").

	First Quarters Ended	
	September 30, 2023	October 1, 2022
	(Thousands)	
Sales:		
Electronic Components	$ 5,914,405	$ 6,324,223
Farnell	421,243	425,910
	6,335,648	6,750,133
Operating income:		
Electronic Components	$ 272,751	$ 267,253
Farnell	17,671	51,611
	290,422	318,864
Corporate expenses	(28,724)	(25,568)
Restructuring, integration and other expenses	(7,051)	—
Amortization of acquired intangible assets and other	(878)	(2,759)
Operating income	$ 253,769	$ 290,537
Sales, by geographic area:		
Americas	$ 1,573,521	$ 1,678,903
EMEA	2,308,051	2,129,539
Asia	2,454,076	2,941,691
Sales	$ 6,335,648	$ 6,750,133

14. Restructuring expenses

During fiscal 2023, the Company's Farnell operating group incurred restructuring expenses primarily related to the planned closure of a distribution center intended to reduce future operating expenses. The following table presents the activity during the first quarter of fiscal 2024 related to the restructuring liabilities established during fiscal 2024 and the remaining restructuring liabilities established during fiscal 2023:

	Severance	Facility Exit Costs	Total
		(Thousands)	
Balance at July 1, 2023	$ 15,507	$ 504	$ 16,011
Fiscal 2024 restructuring expenses	2,678	—	2,678
Cash payments	(196)	—	(196)
Other, principally foreign currency translation	(221)	—	(221)
Balance at September 30, 2023	$ 17,768	$ 504	$ 18,272

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. Many of these statements can be found by looking for words like "believes," "projected," "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. The following important factors, in addition to those discussed elsewhere in this Quarterly Report, and the Company's Annual Report on Form 10-K for the fiscal year ended July 1, 2023, and subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, 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: geopolitical events and military conflicts; pandemics and other health-related crises; competitive pressures among distributors of electronic components; an industry down-cycle in semiconductors, including supply shortages; relationships with key suppliers and allocations of products by suppliers, including increased non-cancellable/non-returnable orders; accounts receivable defaults; risks relating to the Company's international sales and operations, including risks relating to repatriating cash, foreign currency fluctuations, inflation, duties and taxes, sanctions and trade restrictions, 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 military conflicts, terrorist attacks, natural and weather-related disasters, pandemics and health related crises, warehouse modernization, and relocation efforts; risks related to cyber security attacks, other privacy and security incidents, and information systems failures, including related to current or future implementations, integrations, and upgrades; 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, liquidity, and access to financing; constraints on employee retention and hiring; and legislative or regulatory changes.

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 Avnet and the significant factors that influenced the Company's performance during the quarter ended September 30, 2023, 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 July 1, 2023.

The discussion of the Company's results of operations includes references to the impact of foreign currency translation. When the U.S. Dollar strengthens and the stronger exchange rates are used to translate the results of operations of Avnet's subsidiaries denominated in foreign currencies, the result is a decrease in U.S. Dollars of reported results. Conversely, when the U.S. Dollar weakens, the weaker exchange rates result in 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:

- Operating income excluding (i) restructuring, integration and other expenses, and (ii) amortization of acquired intangible assets is referred to as "adjusted operating income."

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

	First Quarters Ended	
	September 30, 2023	October 1, 2022
	(Thousands)	
Operating income	$ 253,769	$ 290,537
Restructuring, integration and other expenses	7,051	—
Amortization of acquired intangible assets and other	878	2,759
Adjusted operating income	$ 261,698	$ 293,296

Management believes that providing this additional information is useful to financial statement users 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., including its consolidated subsidiaries (collectively, the “Company” or “Avnet”), is a leading global electronic component technology distributor and solutions provider that has served customers’ evolving needs for more than a century. Founded in 1921, the Company works with suppliers in every major technology segment to serve 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. EC markets, sells, and distributes (i) semiconductors, (ii) interconnect, passive and electromechanical components, and (iii) other integrated and embedded components, to a diverse customer base serving many end-markets. Farnell distributes electronic components and industrial products to a diverse customer base utilizing multi-channel sales and marketing resources.

Results of Operations

Executive Summary

Consolidated sales for the first quarter of fiscal 2024 were $6.34 billion, a decrease of $414.5 million or 6.1% compared to sales of $6.75 billion in the prior year first quarter.

Gross profit of $748.1 million and gross profit margin of 11.8% in the first quarter of fiscal 2024 compared to gross profit of $768.2 million and gross profit margin of 11.4% in the first quarter of fiscal 2023.

Operating income of $253.8 million was $36.8 million or 12.7% lower than the prior year first quarter operating income of $290.5 million. Operating income margin was 4.0% in the first quarter of fiscal 2024, as compared to 4.3% in the first quarter of fiscal 2023, a decrease of 29 basis points.

Sales

The following table presents sales growth rates for the first quarter of fiscal 2024 as compared to fiscal 2023 by geographic region and operating group.

	Quarter Ended September 30, 2023	
	Sales Year-Year % Change	Sales Year-Year % Change in Constant Currency
Avnet	(6.1)%	(7.8)%
Avnet by region		
Americas	(6.3)%	(6.3)%
EMEA	8.4	1.9
Asia	(16.6)	(15.8)
Avnet by operating group		
EC	(6.5)%	(8.1)%
Farnell	(1.1)	(3.8)

Sales were $6.34 billion, down $414.5 million or 6.1% from the prior year first quarter sales of $6.75 billion. Sales decreased by 7.8% in constant currency in the first quarter of fiscal 2024 year over year with both operating groups contributing to this decrease.

EC sales of $5.91 billion in the first quarter of fiscal 2024 decreased $409.8 million or 6.5% from the prior year first quarter sales of $6.32 billion. EC sales decreased 8.1% year over year in constant currency. The decrease in sales in the Company's EC operating group is primarily due to lower demand as a result of the normalization of supply of electronic components when compared to the prior year.

Farnell sales for the first quarter of fiscal 2024 were $421.2 million, a decrease of $4.7 million or 1.1% from the prior year first quarter sales of $425.9 million. Farnell sales in constant currency in the first quarter of fiscal 2024 decreased by 3.8% year over year due primarily to a decline in demand for electronic components from high service distributors and as a result of competitive pricing pressures.

Gross Profit

Gross profit for the first quarter of fiscal 2024 was $748.1 million, a decrease of $20.1 million or 2.6% from the first quarter of fiscal 2023 gross profit of $768.2 million. Gross profit margin of 11.8% increased 43 basis points compared to the first quarter of fiscal 2023 gross profit margin of 11.4%. EC gross profit margin increased year over year primarily due to a larger proportion of sales coming from the higher-margin western regions. Sales in western regions represented approximately 60% of sales in the first quarter of fiscal 2024 as compared to 55% during the first quarter of fiscal 2023. Farnell gross profit margin decreased year over year largely due to the unwinding of component shortage pricing premiums, a lower sales mix of on the board electronic components and from competitive pricing pressures.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (“SG&A expenses”) were $487.3 million in the first quarter of fiscal 2024, an increase of $9.6 million or 2.0% from the first quarter of fiscal 2023. The year-over-year increase in SG&A expenses was primarily a result of foreign currency translation.

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 2024, SG&A expenses were 7.7% of sales and

65.1% of gross profit, as compared with 7.1% and 62.2%, respectively, in the first quarter of fiscal 2023. The year-over-year increase in SG&A expense as a percentage of both sales and gross profit is primarily due the decrease in sales and gross profit.

Restructuring, Integration and Other Expenses

The Company recorded restructuring, integration and other expenses of $7.1 million during the first quarter of fiscal 2024. Restructuring expenses consisted of severance costs of $2.7 million related to the reduction, or planned reduction of over 50 employees in the Company's Farnell operating group. Additionally, during the first quarter of fiscal 2024 the Company recorded $4.4 million in other expenses. The after-tax impact of restructuring, integration, and other expenses were $5.3 million and $0.06 per share on a diluted basis. As of September 30, 2023 the Company does not anticipate any material adjustments relating to the aforementioned restructuring and integration plans.

Operating Income

Operating income for the first quarter of fiscal 2024 was $253.8 million, a decrease of $36.8 million or 12.7%, from the first quarter of fiscal 2023 operating income of $290.5 million. The year-over-year decrease in operating income was primarily driven by the decrease in sales, higher SG&A expenses, and restructuring, integration and other expenses, partially offset by the favorable impact from foreign currency exchange rates. Adjusted operating income for the first quarter of fiscal 2024 was $261.7 million, a decrease of $31.6 million or 10.8% from the first quarter of fiscal 2023. Operating income margin was 4.0% in the first quarter of fiscal 2024, a decrease of 29 basis points compared to 4.3% in the prior year first quarter.

EC operating income margin increased 38 basis points year over year to 4.6% and Farnell operating income margin decreased 792 basis points year over year to 4.2%. EC's improvement in operating income margin is a result of higher gross profit margins and lower overall SG&A expenses year over year primarily in the western regions. The decrease in operating income margin at Farnell is primarily driven by lower sales and declines in gross profit margin as discussed further above.

Interest and Other Financing Expenses, Net

Interest and other financing expenses in the first quarter of fiscal 2024 was $70.8 million, an increase of $25.7 million, as compared with interest and other financing expenses of $45.1 million in the first quarter of fiscal 2023. The increases in interest and other financing expenses in the first quarter of fiscal 2024 compared to the first quarter of fiscal 2023 is primarily a result of higher outstanding borrowings and increases in average borrowing rates during the first quarter of fiscal 2024 as compared to the first quarter of fiscal 2023.

Gain on Legal Settlements and other

During the first quarter of fiscal 2024, the Company recorded a gain on legal settlements and other of $86.5 million before tax, $66.1 million after tax, and $0.71 per share on a diluted basis, in connection with the settlement of claims filed against certain manufacturers of capacitors.

Income Tax

The below discussion of the effective tax rate for the periods presented in the statements of operations is in comparison to the 21% U.S. statutory federal income tax rate.

The Company's effective tax rate on its income before taxes was 24.0% in the first quarter of fiscal 2024. During the first quarter of fiscal 2024, the Company's effective tax rate was unfavorably impacted primarily by (i) increases to unrecognized tax benefit reserves net of settlements, (ii) U.S. state taxes, and (iii) the mix of income in higher tax jurisdictions.

During the first quarter of fiscal 2023, the Company's effective tax rate on its income before taxes was 25.0%. During the first quarter of fiscal 2023, the Company's effective tax rate was unfavorably impacted primarily by (i) increases to unrecognized tax benefit reserves and (ii) the mix of income in higher tax jurisdictions.

Net Income

As a result of the factors described in the preceding sections of this MD&A, the Company's net income for the first quarter of fiscal 2024 was $209.3 million, or $2.25 per share on a diluted basis, as compared with $184.3 million, or $1.93 per share on a diluted basis, in the first quarter of fiscal 2023.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Cash Flow from Operating Activities

During the first quarter of fiscal 2024, the Company used $41.3 million of cash flow for operations compared to $645.1 million of cash used for operations in the first quarter of fiscal 2023. 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 working capital and other, excluding cash and cash equivalents. Cash used for working capital and other was $280.1 million during the first quarter of fiscal 2024, including an increase in inventories of $371.6 million, and a decrease in accrued expenses and other of $50.2 million, offset by an increase in accounts payable of $111.5 million, and a decrease in accounts receivable of $30.2 million. Comparatively, cash used for working capital and other was $874.8 million during the first quarter of fiscal 2023, including increases in accounts receivable of $419.9 million, and in inventories of $559.0 million, and a decrease in accrued expenses and other of $16.8 million, partially offset by an increase in accounts payable of $120.9 million.

Cash Flow from Financing Activities

During the first quarter of fiscal 2024, the Company received net proceeds of $243.6 million under the Credit Facility, and repaid $92.1 million under the Securitization Program, and $0.1 million under other short-term debt. During the first quarter of fiscal 2024, the Company paid dividends on common stock of $28.3 million and repurchased $24.3 million of common stock.

During the first quarter of fiscal 2023, the Company received net proceeds of $702.0 million and $152.2 million under the Credit Facility and the Securitization Program, respectively, and a repayment of $85.4 million under the other short-term debt. During the first quarter of fiscal 2023, the Company paid dividends on common stock of $27.0 million and repurchased $152.4 million of common stock.

Cash Flow from Investing Activities

During the first quarter of fiscal 2024, the Company used $76.1 million for capital expenditures as compared to $28.2 million for capital expenditures in the first quarter of fiscal 2023. The increase in capital expenditures is primarily due to distribution and warehouse expansions in EMEA.

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 July 1, 2023. 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 4, “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 September 30, 2023. The Company was in compliance with all covenants under the Credit Facility and the Securitization Program as of September 30, 2023, and July 1, 2023.

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 2024 was $68.6 million.

As an alternative form of liquidity outside of the United States, the Company sells certain of its trade accounts receivable on a non-recourse basis to 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 to the consolidated financial statements.

Liquidity

The Company held cash and cash equivalents of $278.7 million as of September 30, 2023, of which $183.2 million was held outside the United States. As of July 1, 2023, the Company held cash and cash equivalents of $288.2 million, of which $194.5 million was held outside of the United States.

During periods of weakening demand in the electronic components industry, the Company typically generates cash from operating activities. Conversely, the Company will use cash for working capital requirements during periods of higher growth. The Company used $109.8 million in cash flows for operating activities over the trailing four fiscal quarters ended September 30, 2023.

Liquidity is subject to many factors, such as normal business operations and general economic, financial, competitive, legislative, and regulatory factors that are beyond the Company’s control. 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, including the need to purchase inventories, 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.

As of the end of the first quarter of fiscal 2024, the Company had a combined total borrowing capacity of $2.20 billion under the Credit Facility and the Securitization Program. There were $1.00 billion of borrowings outstanding and $0.9 million in letters of credit issued under the Credit Facility, and $463.7 million outstanding under the Securitization Program, resulting in approximately $733.3 million of total committed availability as of September 30, 2023. Availability under the Securitization Program is subject to the Company having sufficient eligible trade accounts receivable in the United States to support desired borrowings.

During the first quarter of fiscal 2024, the Company had an average daily balance outstanding of approximately $1.15 billion under the Credit Facility and approximately $624.9 million under the Securitization Program.

As of September 30, 2023, the Company may repurchase up to an aggregate of $291.5 million of shares of the Company’s common stock through the 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 including share price and other factors. The Company may terminate or limit the share repurchase program at any time without prior notice. During the first quarter of fiscal 2024, the Company repurchased $27.0 million of common stock.

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 2024, the Board of Directors approved a dividend of $0.31 per share, which resulted in $28.3 million of dividend payments during the quarter.

The Company continually monitors and reviews its liquidity position and funding needs. Management believes that the Company's ability to generate operating cash flows through the liquidation of working capital 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. Additionally, the Company believes that it has sufficient access to additional liquidity from the capital markets if necessary.

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 interest rates and foreign currency exchange rates by entering into financial arrangements, from time to time, that are intended to provide an economic hedge against some or all, 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 July 1, 2023, 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 July 1, 2023, 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 September 30, 2023, approximately 52% of the Company's debt bears interest at a fixed rate and 48% 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 $3.8 million decrease in income before income taxes in the Company's consolidated statement of operations for the first quarter of fiscal 2024.

Item 4. *Controls and Procedures*

The Company's management, including its 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 Securities Exchange Act of 1934 (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 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 2024, 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 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 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 legal proceedings.

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 single reporting period.

Item 1A. *Risk Factors*

The discussion of the Company's business and operations should be read together with the risk factors contained in Item 1A of its Annual Report on Form 10-K for the fiscal year ended July 1, 2023, 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. As of September 30, 2023, 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 July 1, 2023.

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

The Company's Board of Directors has approved the repurchase plan of up to an aggregate of $600 million of common stock. The following table includes the Company's monthly purchases of the Company's common stock during the first quarter of fiscal 2024, under the share repurchase program, which is part of a publicly announced plan.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased under the Plans or Programs
July 2 – July 29	—	—	—	$ 318,511,000
July 30 – August 26	—	—	—	$ 318,511,000
August 27 – September 30	558,695	$ 48.40	558,695	$ 291,469,000

Item 6. ***Exhibits***

Exhibit Number	Exhibit
10.1*	Form of Indemnification Agreement. The Company enters into this form of agreement with each of its directors and officers.
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: November 3, 2023

AVNET, INC.

By: /s/ KENNETH A. JACOBSON

Kenneth A. Jacobson
Chief Financial Officer

Exhibit 10.1

Indemnification Agreement

This Indemnification Agreement (“Agreement”), dated __________, is made by and between Avnet, Inc., a New York corporation (the “**Company**” or “**Avnet**”) and __________ (the “**Indemnitee**”).

Recitals

A. As permitted by Section 721 of the Business Corporation Law of the State of New York, Section 6.6 of Avnet’s By-Laws require Avnet to indemnify its directors and officers to the fullest extent permitted by law.

B. Indemnitee has provided, or will provide, valuable service to Avnet and, consequently, may be subject to claims, actions, lawsuits, or other proceedings.

C. Avnet has determined that it is in its best interest to enter into this Agreement, to induce Indemnitee to serve or continue to serve as a director or officer of Avnet or an Avnet subsidiary, or to serve another enterprise at Avnet’s request.

Agreement

The parties hereto agree as follows:

I.Indemnification

a. Scope. Avnet shall, to the fullest extent permitted by law, indemnify Indemnitee from and against Expenses in a Proceeding (both terms defined below). This indemnification obligation includes, without limitation, claims for monetary damages against Indemnitee in respect of an alleged breach of fiduciary duties, to the fullest extent permitted by law.

i. “**Expenses**” means all expenses, judgements, fines, and settlement payments that are actually and necessarily incurred by Indemnitee or on Indemnitee’s behalf, and includes, without limitation, (a) attorneys’ fees, costs, disbursements, and retainers, (b) experts’ or advisors’ fees, costs, disbursements, and retainers, (c) court, arbitrator, and mediator costs, disbursements, transcript costs, duplication, printing and binding costs, and postage and delivery costs, and (d) excise taxes assessed with respect to an employee benefit plan. Expenses also includes any additional income tax liability that Indemnitee incurs because of receiving indemnification hereunder.

ii. “**Proceeding**” means any threatened, pending, or completed suit, action, proceeding, arbitration, mediation, or alternative dispute resolution process, whether civil, criminal, administrative, arbitrative or investigative, whether formal or informal, and any appeal therefrom, or any claim, issue, or matter therein, that Indemnitee is or was made, or is threatened to be made, a party to by reason of Indemnitee’s Service (as defined below) to Avnet.

iii. “**Service**” means past or present service (a) as a director or officer of Avnet or an Avnet Subsidiary (as defined below), or (b) at Avnet’s request, as a director, officer, employee, or agent (which includes a trustee, partner or manager, or similar capacity) of any other corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise.

iv. "**Avnet Subsidiary**" means any entity of any type in which Avnet is the beneficial owner (as defined in Rule 13d-3 promulgated under the Securities and Exchange Act of 1934, as amended) of at least 50% or more of the voting power of the capital stock, partnership interest, membership interest, or other equity securities.

b. Good Faith. The indemnification provided by Section I.a shall be provided if (i) Indemnitee acted in good faith for a purpose that Indemnitee reasonably believed to be in, or not opposed to, Avnet's best interests, and (ii) with respect to any criminal Proceeding, Indemnitee had no reasonable cause to believe Indemnitee's conduct was unlawful ("**Good Faith**"). Indemnitee shall, to the fullest extent permitted by law, be presumed to have acted in Good Faith, which presumption may be overcome only by clear and convincing evidence. The termination of any Proceeding by judgment, order, settlement, conviction, or plea of nolo contendere or its equivalent, shall not create a presumption that Indemnitee (i) failed to act in Good Faith or (ii) with respect to any criminal Proceeding, had reasonable cause to believe that Indemnitee's conduct was unlawful.

c. Participation in a Proceeding as a Non-Party. If Indemnitee is required to participate as a non-party (as a deponent, witness, or otherwise) in any Proceeding due to Indemnitee's Service, then Indemnitee shall be entitled to indemnification against all Expenses actually and necessarily incurred to the fullest extent permitted by law.

d. Limitation Regarding Recoupment of Compensation. Notwithstanding any other provision herein, Indemnitee shall not be entitled to indemnification under Section I.a for recoupment of incentive-based compensation pursuant to either Avnet's incentive-based compensation recoupment policy (as Avnet may amend from time to time) or applicable law.

II.Advancement of Expenses

Avnet shall, to the fullest extent permitted by law, advance Expenses actually and necessarily incurred by Indemnitee in connection with any Proceeding, including, without limitation, a Proceeding to enforce Indemnitee's rights, or Avnet's obligations, under this Agreement. Advancement of Expenses shall not be conditioned on the posting of a bond or surety and shall be unsecured and interest-free. Indemnitee shall repay any such amounts if, and only to the extent that, it is ultimately determined that Indemnitee is not entitled to indemnification under this Agreement or otherwise. Indemnitee shall not be required to demonstrate financial ability to make any such repayment. As required under New York law, Avnet shall provide advancement of expenses upon receipt of an undertaking by or on behalf of Indemnitee to repay such amounts to the extent required by law.

III.Process for Granting Advancement of Expenses and Indemnification

a. Notification: Indemnitee shall promptly notify Avnet of any Proceeding for which Indemnitee intends to seek indemnification under Section I.a or advancement of Expenses under Section II. Indemnitee's failure to promptly notify Avnet will not relieve Avnet from any liability that it may have to Indemnitee, except to the extent that such failure materially prejudices Avnet's defense of such Proceeding. Notification to Avnet shall be in writing and delivered to the following address (or at such other addresses as Avnet may specify):

Avnet, Inc.
2211 South 47th Street
Phoenix, AZ 85034
Attn: General Counsel

b. Decision Maker. The Avnet Board of Directors (the "**Board**"), acting by a quorum of directors who are disinterested in the relevant Proceeding, shall determine whether Indemnitee is entitled to advancement of Expenses and indemnification. If such a quorum is not obtainable, then the Board shall make the determination upon the written opinion of independent legal counsel, who shall be appointed by the Board and approved by Indemnitee (which approval shall not be unreasonably denied or delayed).

c. Determination Regarding Advancement of Expenses. Advancement of expenses shall be deemed appropriate if the Board or independent legal counsel determines that a Proceeding exists. The Board or independent legal counsel shall make such determination within 30 calendar days after Indemnitee requests advancement of Expenses. If a determination is not made within that time frame, then Indemnitee shall be entitled to advancement of Expenses.

d. Determination Regarding Indemnification.

i. Full Indemnification for Good Faith. Avnet shall indemnify Indemnitee against all Expenses in connection with a Proceeding if the Board or independent legal counsel determines that Indemnitee acted in Good Faith, regardless of the outcome of the Proceeding. The Board or independent legal counsel shall make such determination within 120 calendar days after the relevant Proceeding is fully resolved. If a determination is not made within that time frame, then Indemnitee shall be entitled to indemnification.

ii. Full Indemnification if Wholly Successful. Avnet shall indemnify Indemnitee against all Expenses in connection with a fully resolved Proceeding if Indemnitee is wholly successful in a Proceeding. In such case, it shall not be necessary for the Board or independent legal counsel to make a Good Faith determination under III.d.i. Indemnitee shall be considered wholly successful in a Proceeding if it is fully resolved with (i) no finding adverse to Indemnitee, (ii) no plea of guilty or nolo contendere by Indemnitee, and (iii) no finding that Indemnitee failed to act in Good Faith.

iii. Partial Indemnification. If the Board or independent legal counsel determines under Section II.d.i that Indemnitee failed to act in Good Faith, but Indemnitee is partially successful in defense of any fully resolved Proceeding (*i.e.*, successful in defense of one or more (but not all) discrete claims, issues, or matters therein), then Avnet shall indemnify Indemnitee against Expenses related to Indemnitee's partial success in the Proceeding.

e. Information Supporting Determinations. Indemnitee shall timely submit to the Board or independent legal counsel, as applicable, any requested documents and information that are reasonably available and necessary to determine whether Indemnitee is entitled to advancement of Expenses or indemnification. Notwithstanding the foregoing, Indemnitee shall not be required to submit documentation and information to the extent that it would (i) result in the loss of attorney-client or work product privilege, (ii) be prohibited by applicable law, or (iii) be prohibited by any agreement to which Indemnitee is a party.

f. Reimbursement of Expenses Related to Determinations. Avnet shall reimburse Indemnitee for Expenses reasonably and necessarily incurred in connection with Indemnitee’s request for advancement of expenses or indemnification under this Agreement, under any provision of Avnet’s Certificate of Incorporation or By-laws, or any directors’ and officers’ liability insurance provided by Avnet. Avnet shall provide such reimbursement regardless of whether Indemnitee is determined to be entitled to advancement of Expenses or indemnification hereunder.

IV.Defense of Claim

If Avnet becomes obligated to provide advancement of Expenses with respect to a Proceeding as provided in this Agreement, then Avnet shall be entitled (but not obligated) to assume the defense of such Proceeding, with counsel reasonably satisfactory to Indemnitee. Indemnitee shall have the right to employ Indemnitee’s own counsel in such Proceeding at Indemnitee’s expense. Once Avnet assumes the defense of such Proceeding, then Avnet will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Proceeding, unless (i) Avnet has expressly authorized Indemnitee to employ counsel at Avnet’s expense, or (ii) Indemnitee reasonably concludes that there is a conflict of interest between Avnet and Indemnitee with respect to the Proceeding.

V.Submitting Expenses

If Indemnitee is deemed to be entitled to advancement of Expenses under Section III.c, then Indemnitee shall timely submit to Avnet a written request that includes such documentation and information as is reasonably available and necessary to verify Expenses that are eligible for advancement. Avnet shall respond within 30 days by (i) providing payment, (ii) seeking additional information, or (iii) explaining why the request (or any portion thereof) is denied.

VI.Insurance and Subrogation

Avnet may purchase and maintain insurance on behalf of Indemnitee with respect to Indemnitee’s Service. Avnet shall be subrogated to all rights of recovery of Indemnitee with respect to any insurance policy, and Indemnitee shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable Avnet to bring suit to enforce such rights. Avnet shall pay or reimburse all Expenses actually and reasonably incurred by Indemnitee in connection with such subrogation.

VII.Settlement Provisions

a. Indemnitee shall not be entitled to indemnification under Section I.a with respect to a Proceeding that has been settled to the extent that such indemnification would be inconsistent with any settlement condition imposed by the court in approving settlement.

b. Avnet shall have no obligation to indemnify Indemnitee under this Agreement for amounts paid in settlement of any Proceeding settled by Indemnitee without Avnet's prior written consent, which shall not be unreasonably withheld or delayed. Avnet shall not settle any Proceeding in any manner that would impose any fine or other obligation on Indemnitee, or includes an admission of fault by Indemnitee, without Indemnitee's prior written consent, which shall not be unreasonably withheld or delayed.

VIII.Non-Exclusivity

The rights to advancement of Expenses and indemnification granted to Indemnitee under this Agreement are not exclusive of, or in limitation of, any other rights to which Indemnitee is entitled, including any rights under applicable law, Avnet's Restated Certificate of Incorporation, Avnet's By-Laws, any agreement, any resolution of shareholders or directors, or otherwise. However, Avnet shall not be liable to provide advancement of Expenses or indemnification under this Agreement to the extent that Indemnitee has otherwise actually received indemnification, reimbursement, or coverage for Expenses under any insurance policy, contract, agreement, or otherwise.

IX.Miscellany

a. <u>Savings Clause</u>. If a court of competent jurisdiction finds that any portion of this Agreement is invalid, then Avnet shall advance Expenses and indemnify Indemnitee under any applicable portions of this Agreement that have not been invalidated, to the fullest extent permitted by law.

b. <u>Amendment, Integration</u>. This Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof and no waiver or modification its terms shall be valid unless in writing signed by both Avnet and Indemnitee. This Agreement supersedes and replaces any prior indemnification agreements entered into by and between Avnet and Indemnitee and any such prior agreements shall be terminated upon execution of this Agreement.

c. <u>Successors and Assigns</u>. This Agreement shall be binding upon Indemnitee and Avnet and shall inure to the benefit of Indemnitee, his or her heirs, personal representatives, and assigns, and to the benefit of Avnet and its successors and assigns.

d. <u>Governing Law</u>. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed wholly within New York, without giving effect to conflict of laws principles thereof.

e. <u>Counterparts</u>. This Agreement may be executed in two counterparts, each of which shall be deemed to be an original and which together shall be one instrument.

f. <u>Headings</u>. The section and subsection headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Each of the parties hereto has executed this Agreement to be effective as of the day and year first above written.

Avnet, Inc.	Indemnitee
By: ______________________	______________________
Michael R. McCoy	[Name]
Sr. Vice President	[Title]
Chief Legal 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: November 3, 2023

/s/ PHILIP R. GALLAGHER

Philip R. Gallagher
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Kenneth A. Jacobson, 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: November 3, 2023

/s/ KENNETH A. JACOBSON

Kenneth A. Jacobson
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 September 30, 2023 (the “Report”), I, Philip R. Gallagher, 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: November 3, 2023

/s/ PHILIP R. GALLAGHER
Philip R. Gallagher
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 September 30, 2023 (the “Report”), I, Kenneth A. Jacobson, 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: November 3, 2023

/s/ KENNETH A. JACOBSON
Kenneth A. Jacobson
Chief Financial Officer