

Avnet Fiscal Third Quarter 2020 Financial Results

April 27, 2020



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: the scope and duration of the COVID-19 outbreak and its impact on global economic systems, financial markets and Avnet’s operations, employees, customers and supply chain; 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; disruptions to the business resulting from pandemics, epidemics or other health related crisis (such as COVID-19 outbreak); 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.

Executive Overview

Bill Amelio
Chief Executive Officer



Q3 FY20 Earnings



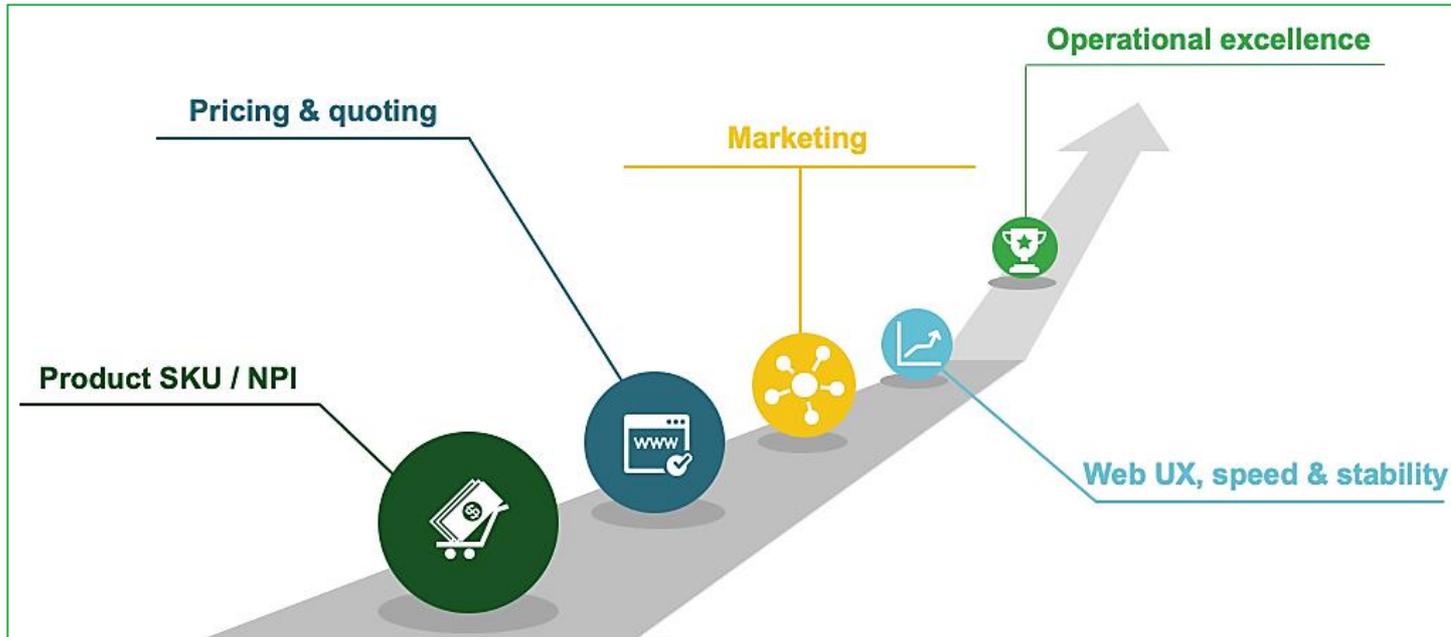
- Managing through COVID-19 outbreak
- Q3 revenues and EPS were down QoQ and YoY
- Quarterly results impacted by:
 - Softer demand, particularly in Asia
 - Softer pricing
 - Increased costs due to COVID-19 impacts on logistics
- Q3 revenues in Americas and EMEA up QoQ
- Acted quickly to conserve cash and manage debt
- Working capital focus; positive operating cash flow

Electronic components business

- Revenues and operating margins down QoQ and YoY
 - Most notable impact in Asia: Chinese New Year and COVID-19
- Most distribution centers remained operational
 - Implemented business continuity plans to ensure employee safety
 - Experienced some longer lead times and delays
 - Book-to-bill ratio at end of Q3 above parity
 - Increased activity in aerospace, defense, and medical vertical segments

Farnell: Scaling higher profit margin business

- Q3 sales and operating income margins were up slightly sequentially
- Continued to execute on five-pronged plan, but ramping up new facility will be slower



FY20 priorities intact, but adapted near-term priorities



Successful execution will add value for our customers, suppliers, investors, and employees

Third quarter results demonstrate Avnet's strengths

- Focus on employees' safety while keeping business running efficiently
- Resilience of business model; strength of counter-cyclical balance sheet
- Flexibility to adapt quickly to changing market conditions
- Success in activating global business continuity plans
- Ability to withstand challenges and navigate market turmoil
 - **99 years** of bringing technology to market
- Commitment to use Avnet ecosystem to accelerate COVID-19 relief efforts
 - Accelerated customers' abilities to provide life-saving medical solutions

Financial Overview

Tom Liguori
Chief Financial Officer



Avnet's role and near-term financial priorities



Critical role in the supply chain

- Supply electronic components to 100+ countries
- Stock inventory and ship components to customers
- One-stop-shop for customers' procurement staff
- Give customers inventory and receivables financing

Near-term financial priorities

- Retain critical internal resources and capabilities
- Maintain strong and healthy balance sheet
- Ensure liquidity and financial flexibility
 - No matter the economic environment

Q3 2020 Financial highlights

- \$4.3B** Revenues within original guidance ranges provided on January 23, 2020
- 12.0%** Gross margin was higher than last quarter
- \$449M** Adjusted operating expenses⁽¹⁾ were higher than expected due to COVID-19
- 1.6%** Adjusted operating margin⁽¹⁾, down 18bps from the previous quarter
- 12.8%** Tax rate was lower than previous quarter
- \$0.38** Adjusted EPS⁽¹⁾, helped by lower tax rate and interest expense
- \$401M** TI revenue, flat sequentially and down \$50M year over year
- \$160M** Impairment from COVID-19 impacts; incl. \$15M equity investment impairment
- 99.5M** Diluted shares

Key metrics by business segment and region

Electronic Components

- Revenues of **\$4.0B**, down 5.5% sequentially and 8.2% YoY
- Operating margins of **2.1%** compared to 2.2% last quarter

Americas

- Revenues of **\$1.2B**, up 1.4% sequentially and down 7.2% YoY
- Revenues up sequentially despite current macro environment

EMEA

- Revenues of **\$1.5B**, up 6.1% sequentially and down 13.1% YoY
- Constant currency down 10.4% YoY

Asia

- Revenues of **\$1.6B**, down 17.1% sequentially and 4.0% YoY
- Constant currency down 4.2% YoY

Farnell

- Revenues of **\$335M**, up 1.2% sequentially and down 8.8% YoY
- Operating margins of 7.0%, up 94bps sequentially and down 545bps YoY

Q3 2020 Balance sheet and cash flow performance

\$403M Cash

\$1.6B Debt

2.8 Gross debt leverage ratio at end of quarter

2.1 Net debt leverage ratio at end of quarter

\$37 Net book value / share, decrease sequentially due to impairment charge

\$29 Tangible book value / share

\$4B Working capital

Liquidity profile

- \$2B of cash and credit facilities to fund near to medium-term operations
- Debt maturity dates are spread out over time
 - \$300M Notes due in December 2021
 - \$350M Notes due in December 2022
 - \$550M Notes due in April 2026
- Cash flow from operations of \$98M

Lines of credit			
<u>Credit facility</u>	<u>Maturity date</u>	<u>Commitment</u>	<u>Available</u>
Revolver	June 28, 2023	\$1.3B	\$1.3B
Receivable securitization facility	August 19, 2020	\$0.5B	\$0.3B
		<hr/> \$1.8B	<hr/> \$1.6B

Actions to assure liquidity

- Continue to focus on managing inventories, receivables, and generating cash
- Suspended buyback program as a result of the economic uncertainties
- Paused M&A activities and curtailed non-essential outside services and hires
- Implementing actions to manage our debt
 - \$300M Note due in June, which Avnet will redeem at the end of April

Avnet does not have another debt maturity due for the next 21 months.

Business outlook for Q4 FY20

(ending on June 27, 2020)

- Not providing guidance for Q4 FY20 due to uncertainty of current environment
- Current conditions are as follows:
 - Greater China is operational and appears to be recovering from COVID-19
 - Southeast Asia, India, and Japan have areas where some uncertainty remains
 - EMEA is expecting a drop-off in revenues
 - Farnell is experiencing a fairly sizeable downturn in revenues
 - Americas is cautious; COVID-19 cases and government restrictions
- Expect to continue to incur higher operating expenses
 - Managing through government-imposed travel and commerce restrictions

Q&A Session

Thank you

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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 April 27, 2020, which can be found on the Company's website at 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 other expense and 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. Adjustments to income tax expense and the effective income tax rate include the effect of changes in tax laws including recent tax law changes in the U.S., changes in valuation allowances and unrecognized tax benefits, income tax audit settlements and adjustments to the adjusted interim effective tax rate based upon the expected annual adjusted effective tax rate. 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.