

Avnet Fiscal Second Quarter 2020 Financial Results

Bill Amelio
Chief Executive Officer
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Safe harbor statement

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

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

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

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

Bill Amelio
Chief Executive Officer

AVNET®
Reach Further™



Q2 2020 financial results



- Delivered quarterly sales of \$4.5B, in line with guidance
- Adjusted diluted EPS of \$0.40⁽¹⁾, in line with guidance
- Positive indicators signal a likely bottoming of downturn
- Expecting a return to growth in second half of 2020

Q2 2020 highlights



- Net Promoter Scores improved 97% since May 2017
- Won significant accounts in aerospace and defense
- Acquired focused line card distributor Phoenixics
- Completed construction of new Farnell DC in Europe
- Completed Witekio acquisition

Q2 2020 highlights, cont.



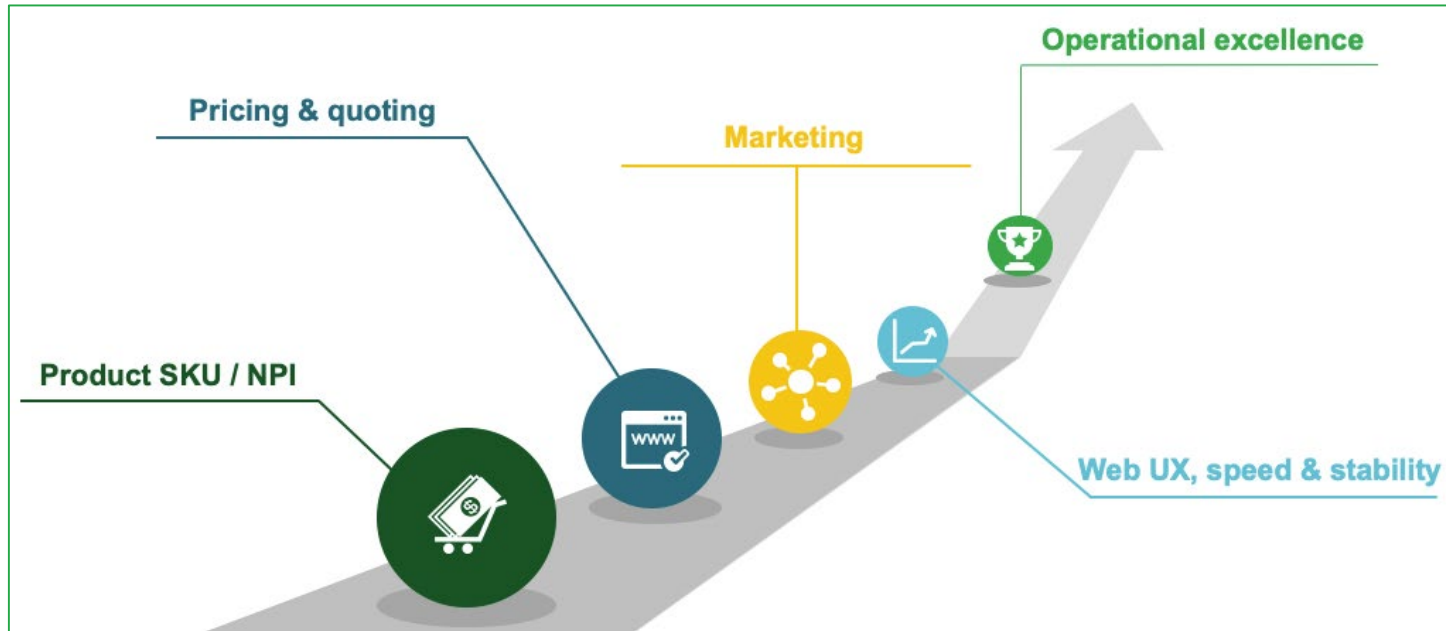
- Achieved targeted operating expense reductions
- Launched MaaXBoard
- Announced Avnet Guardian 100
 - Powered by Microsoft Azure Sphere
- Launched new IoT Partner Program

Accelerating electronic components business

- Quarterly sales of \$4.2B as we continue to navigate demand correction
- Operating margins of 2.2%
- Phoenix:
 - Strong track record of best-in-class experience for customers and suppliers
 - Focused line card with complementary solutions
- Plan for replacing Texas Instruments gross profit dollars already underway

Farnell: scaling higher profit margin business

- Pricing, sales and margin pressures showing signs of receding
- Gaining traction on five-pronged plan for long-term success:



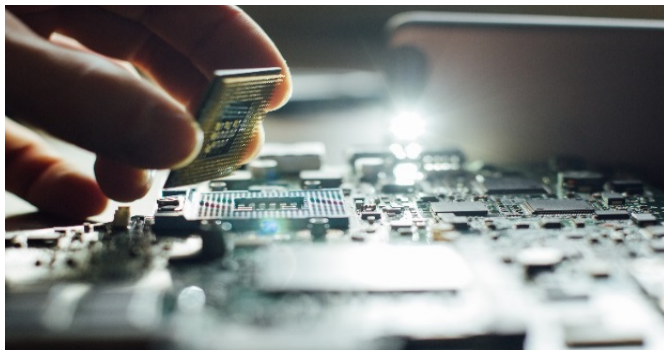
Farnell: scaling higher profit margin business, cont.

- European distribution center completed in December 2019
- Added more than 47,000 SKUs to inventory in first half of fiscal 2020
- Rolled out new ways for customers to pay in Europe and China
- eCommerce global order penetration continues to benefit Farnell
- Consolidated private label products under one unifying brand: Multicomp Pro
- Raspberry Pi sales were strong with sales up 11% YoY

Digital Transformation and Avnet Integrated

Digital Transformation

Making it easier for customers
to do business with us



Avnet Integrated

Exited quarter with strong
order trends

IoT update

- Diversifying business to maximize higher-margin opportunities
 - Reduces exposure to fulfillment-type revenue fluctuations
 - Remain committed to our core component value proposition
 - Focused on leveraging new technologies of supplier partners
 - Established team of IoT experts around the globe accelerates progress
- Completed Witekio acquisition
 - Strengthened overall solutions offering
 - New IoT capabilities enabled immediate customer wins

IoT partner program overview

AVNET® Partner Program

A program that enables partners to build and scale their IoT solutions businesses by leveraging Avnet's IoTConnect Platform and our ecosystem of experts.



Marketplace

*Coming spring 2020

Access trusted and certified IoT devices and Smart Applications through a curated experience. Developers can write to and sell from our Marketplace.



Secure and scalable platform for smart cities

The Solution: Smart water metering solution

- All-in-one metering solution for U.S. cities with:
 - Valve control
 - Rechargeable power
 - Remote on/off capabilities

Avnet's Role

- Developed PoC on Avnet IoTConnect platform
- Enabled switch from AWS for better data security

Impact to customer

- More powerful data and analytics
- Improved security for customer data
- Reduced risk of regulatory non-compliance
- Business model change – water-as-a-service



FY20 corporate strategy



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

Financial Overview

Tom Liguori
Chief Financial Officer



Q2 2020 Financial highlights

\$4.5B	Revenues slightly above midpoint of guidance
11.6%	Gross margin held steady sequentially
\$443M	Adjusted operating expenses ⁽¹⁾ , up \$7M sequentially due to one-time costs
\$50M	Annual cost reduction
83	Net working capital days down one day sequentially
\$149M	Cash flow from operations this quarter
\$88M	Common stock repurchased, or 2.1M shares
99.3M	Common shares outstanding at end of 2Q20, achieving goal of below 100M
0.99	Book-to-bill ratio, with all regions showing improvement

Key metrics by business segment and region

Electronic Components

- Revenues of **\$4.2B**, down 2.1% sequentially and 10.2% YoY
- Operating margins of **2.2%** compared to 3.4% last year

Americas

- Revenues of **\$1.2B**, down 2.4% sequentially and 8.8% YoY
- Revenues appear to be stabilizing, signaling near-bottom of downturn

EMEA

- Revenues of **\$1.4B**, down 3.1% sequentially and 14.6% YoY
- Constant currency down 2.9% sequentially and 12.1% YoY

Asia

- Revenues of **\$1.9B**, down 1.1% sequentially and 7.6% YoY
- Constant currency down 0.9% sequentially and 7.7% YoY

Farnell

- Revenues of **\$331M**, down 10.1% YoY and relatively flat sequentially
- Operating margins of 6.0% appear to be stabilizing

Q2 2020 Balance sheet and cash flow performance

\$149M Cash flow generated from operations; \$948M total over four quarters

\$109M Cash returned to shareholders through stock buybacks and dividends

\$51M Invested in acquisitions of Witekio and Phoenixics

\$144M Revolving debt reduction

2.6 Gross debt leverage ratio at end of quarter

\$506M Remaining in the share repurchase authorization

Strategic Focus

- Returning Farnell to double digit operating margins
- Expanding Electronic Components revenues and margin while transitioning TI
- Growing higher margin businesses including Farnell and IoT
- Managing costs and generating cash

Outlook for Q3 FY20

(ending on March 28, 2020)

Metric	Guidance Range	Midpoint
Sales	\$4.1B - \$4.5B	\$4.3B
Non-GAAP Adjusted Diluted EPS ⁽¹⁾	\$0.38 – \$0.48	\$0.43
Estimated Annual Tax Rate	19% - 23%	21%

Reflects similar market conditions to Q2 and estimated impact of the Texas Instruments transition

Q&A Session

Thank you



Non-GAAP Definitions

In addition to disclosing financial results that are determined in accordance with generally accepted accounting principles in the United States (“GAAP”), the Company also discloses certain non-GAAP financial information including (i) adjusted operating income, (ii) adjusted operating expenses, (iii) adjusted other income (expense), (iv) adjusted income tax expense, (v) adjusted income from continuing operations, and (vi) adjusted diluted earnings per share. See additional discussion, definitions and reconciliations of Non-GAAP measures included as Exhibit 99.1 to the Current Report on Form 8-K filed with the Securities Exchange Commission on January 23, 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.