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

# FORM 8-K

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

**Date of Report (Date of earliest event reported) January 23, 2014**

# AVNET, INC.
**(Exact name of registrant as specified in its charter)**

| | | |
|---|---|---|
| **New York** | **1-4224** | **11-1890605** |
| **(State or other jurisdiction Of incorporation)** | **(Commission File Number)** | **(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 and former address, if changed since last report.)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13.e-4(c))

**Item 2.02. Results of Operations and Financial Condition.**

On January 23, 2014, Avnet, Inc. (the “Company”) issued a press release announcing its second quarter results of operations for fiscal 2014. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

Also attached is the CFO Review of Fiscal 2014 Second Quarter Results as Exhibit 99.2 and incorporated by reference herein.

The information in this Current Report on Form 8-K and the exhibits attached hereto are being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933 except as shall be expressly set forth in such filing.

**Item 9.01 Financial Statements and Exhibits.**

**(d) Exhibits.**

The following materials are attached as exhibits to this Current Report on Form 8-K:

| Exhibit Number | Description |
|---|---|
| 99.1 | Press Release, dated January 23, 2014. |
| 99.2 | CFO Review of Fiscal 2014 Second Quarter Results. |

## SIGNATURES

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 hereunto duly authorized.

Date: January 23, 2014

**AVNET, INC.**
Registrant

By: /s/ Kevin Moriarty
Name: Kevin Moriarty
Title: Senior Vice President and
Chief Financial Officer

**Exhibit 99.1**

**Avnet, Inc.**
**2211 South 47th Street**
**Phoenix, AZ 85034**

**PRESS RELEASE**

# Avnet, Inc. Reports Second Quarter Fiscal Year 2014 Results
## Year-Over-Year Growth Drives Increase in Earnings and Returns

***Phoenix, January 23, 2014***—Avnet, Inc. (NYSE:AVT) today announced results for the second quarter fiscal year 2014 ended December 28, 2013.

**Q2 Fiscal 2014 Results**

| | SECOND QUARTERS ENDED | | |
|---|---|---|---|
| | December 28, 2013 | December 29, 2012 | Change |
| | $ in millions, except per share data | | |
| Sales | $ 7,421.9 | $ 6,699.5 | 10.8% |
| GAAP Operating Income | 221.6 | 195.6 | 13.3% |
| Adjusted Operating Income (1) | 263.2 | 228.5 | 15.2% |
| GAAP Net Income | 124.9 | 137.5 | (9.2)% |
| Adjusted Net Income (1) | 163.9 | 145.6 | 12.6% |
| GAAP Diluted EPS | $ 0.89 | $ 0.99 | (10.1)% |
| Adjusted Diluted EPS (1) | $ 1.17 | $ 1.05 | 11.4% |

(1) A reconciliation of non-GAAP financial measures to GAAP financial measures is presented in the Non-GAAP Financial Information section in this press release.

- Sales for the quarter ended December 28, 2013 increased 10.8% year over year to record sales of $7.4 billion; organic sales (as defined later in the document) grew 8.2% year over year and 8.1% in constant currency
- Adjusted operating income of $263.2 million increased 15.2% and adjusted operating income margin of 3.6% increased 14 basis points year over year. Sequentially, adjusted operating income and adjusted operating income margin were up 31.9% and 41 basis points, respectively
- Adjusted net income of $163.9 million increased 12.6% and adjusted diluted earnings per share of $1.17 increased 11.4% year over year. Sequentially, adjusted net income and adjusted diluted earnings per share increased 30.1% and 30.0%, respectively, driven by the significant profit growth typically associated with the strong seasonal sales performance in the Technology Solutions (TS) segment

Rick Hamada, Chief Executive Officer, commented, “We are encouraged by the overall progress in our financial performance this quarter as we exceeded our original expectations for both revenue and earnings while also experiencing continued momentum in our year-over-year organic growth. In the December quarter, strong demand for IT infrastructure in our TS Americas region and continued growth in our Asia components business drove revenue above our expectations at both operating groups.

Revenue grew 17.0% sequentially to a record $7.4 billion and year-over-year organic growth improved for a third consecutive quarter to 8.2%. The growth in revenue, combined with continued expense and working capital discipline, drove operating margins and return on working capital to 3.6% and 24.0%, respectively, our highest level in six quarters. With growth now evident in many of our served markets, we expect to build on this performance and leverage future growth into higher margins and returns across our portfolio."

**Avnet Electronics Marketing Results**

| | Q2 FY14 Sales (in millions) | Year-over-Year Growth Rates Reported Sales | Year-over-Year Growth Rates Organic Sales |
|---|---|---|---|
| EM Total | $ 4,154.8 | 13.1% | 11.9% |
| *Excluding FX* [(1)] | | *12.7%* | *11.4%* |
| Americas | $ 1,204.4 | -4.8% | 3.2% |
| EMEA | $ 1,217.0 | 33.1% | 18.0% |
| *Excluding FX* [(1)] | | *27.4%* | *13.0%* |
| Asia | $ 1,733.4 | 16.0% | 14.4% |

| | Q2' FY14 | Q2' FY13 | Change |
|---|---|---|---|
| Operating Income | $ 171.7 | $ 143.0 | 20.1% |
| *Operating Income Margin* | *4.1%* | *3.9%* | *24 bps* |

(1) Year-over-year sales growth rate excluding the impact of changes in foreign currency exchange rates.

- Reported sales increased 13.1% year over year to $4.2 billion while organic sales were up 11.4% in constant currency
- Sequential sales growth of 1.6% (in constant currency) was above the Company's expectations and the high end of normal seasonality due to better than expected growth in the high volume fulfillment business in Asia
- Operating income margin increased 24 basis points year over year to 4.1% primarily due to improvements in the Americas and Asia regions
- Working capital (defined as receivables plus inventory less accounts payables) increased 5.2% sequentially due to the acquisition of MSC and a decrease in payables as EM continued its strong inventory management discipline; excluding acquisitions and the impact of currency, inventory declined 4.9%
- Return on working capital (ROWC) increased 236 basis points year over year primarily due to higher operating income

Mr. Hamada added, "Our selective participation in certain high volume fulfillment engagements in EM Asia drove revenue above expectations as revenue in this region grew 5.7% sequentially and 16.0% year over year. This growth in turn drove EM's sequential organic sales growth above normal seasonality and year-over-year organic sales growth in constant currency increased to 11.4%. At the regional level, organic sales were up 13.0% in constant currency in EMEA, while Asia and the Americas were up 14.4% and 3.2%, respectively. This growth in revenue when combined with the impact of expense actions implemented in fiscal 2013 drove operating income up 20.1%, which resulted in operating income margin increasing 24 basis points to 4.1%. During the quarter, EM also completed its acquisition of MSC, which will provide new profitable growth opportunities in our EMEA region as we integrate the operations and realize the expected competitive benefits and synergies in the coming quarters. Given two consecutive quarters of year-over-year expansion in margins and returns, we feel confident that we can leverage our expected growth in our higher margin western regions and build on this performance in the seasonally stronger quarters of March and June at EM."

**Avnet Technology Solutions Results**

| | Q2 FY14 Sales (in millions) | Year-over-Year Growth Rates Reported Sales | Organic Sales |
|---|---|---|---|
| TS Total | $ 3,267.1 | 8.0% | 3.8% |
| *Excluding FX* [(1)] | | *8.3%* | *4.1%* |
| Americas | $ 1,859.2 | 16.3% | 8.0% |
| EMEA | $ 936.0 | -2.9% | -2.9% |
| *Excluding FX*[(1)] | | *-5.8%* | *-5.8%* |
| Asia | $ 471.9 | 1.7% | 2.0% |

| | Q2' FY14 | Q2' FY13 | Change |
|---|---|---|---|
| Operating Income | $ 120.2 | $ 113.1 | 6.3% |
| *Operating Income Margin* | *3.7%* | *3.7%* | *-6 bps* |

(1) Year-over-year sales growth rate excluding the impact of changes in foreign currency exchange rates.

- Reported sales increased 8.0% year over year to $3.3 billion and organic sales increased 3.8% in reported dollars and 4.1% in constant currency
- Sequential sales growth of 35.7% (34.6% on an organic basis in constant currency) was above the Company's expectations and the high end of normal seasonality
- Operating income margin decreased 6 basis points year over year and was up 108 basis points sequentially to 3.7%, driven by the strong sales growth
- ROWC decreased 432 basis points year over year primarily due to investments in working capital and increased over 1,500 basis points sequentially due to strong profit growth
- At a product level, software, storage and services grew over 30% sequentially while software and storage drove the year- over-year growth

Mr. Hamada further added, "TS revenue exceeded our original expectations and normal seasonality driven by strong demand in our Americas region, which grew 44% sequentially. When combined with seasonal growth in EMEA and Asia, organic sales in constant currency increased 35% sequentially and 4.1% year over year. This strong sequential sales growth drove operating income dollars and margin up 92% and 108 basis points, respectively. On a year-over-year basis, TS' organic revenue growth turned positive for the first time in eight quarters and operating income grew 6.3%. We remain confident that our continuing investments in higher growth markets, including converged solutions, software and professional services, will allow us to develop and deliver incremental value to our partners. With end users remaining highly focused on optimizing their data center investments, including the growing interest in hybrid cloud solutions, the breadth of tools and services that TS has developed will help navigate this dynamic landscape to accelerate progress to results. While we are pleased to see year-over-year growth return to TS at the global level, it is not consistent at this time across all regions. However, we believe our competitive position including our strong supplier and customer relationships, position us well for continued progress in improving margins and returns."

**Cash Flow/Dividend**

- Cash used for operations was $28.0 million for the quarter
- Cash generated from operations on a trailing 12 months was $134.6 million
- The Company paid a quarterly dividend of $0.15 per share ($20.6 million) or $41.3 million fiscal year to date
- Cash and cash equivalents at the end of the quarter was $779.3 million; net debt (total debt less cash and cash equivalents) was approximately $1.4 billion

Kevin Moriarty, Chief Financial Officer, stated, “Although our team delivered higher operating income with improved working capital velocity, the stronger than expected revenue close at the end of December at TS drove a higher than expected increase in accounts receivable. As a result, we used $28 million of cash for operations to support the resultant increase in working capital. The Avnet team continues to do a good job managing working capital velocity as we invest in profitable organic growth while maintaining our disciplined approach to capital allocation, including value creating M&A.”

**Outlook for Third Quarter of Fiscal 2014 Ending on March 29, 2014**

- EM sales are expected to be in the range of $4.0 billion to $4.3 billion and TS sales are expected to be between $2.6 billion to $2.9 billion
- After adjusting for the changes in foreign currency exchange rates, the midpoint of the above guidance would represent essentially flat sequential growth for EM and -16% for TS. For the March quarter, EM’s normal seasonality is +4% to +7% and TS’ normal seasonality is -20% to -16%
  - This guidance for EM reflects normal seasonality in our western regions and below normal seasonality in our Asia region due to an expected decline in the high volume fulfillment business
- Avnet sales are forecasted to be between $6.6 billion and $7.2 billion
- Adjusted diluted earnings per share (“EPS”) is expected to be in the range of $1.02 to $1.12 per share
- The EPS guidance assumes 140.1 million average diluted shares outstanding and a tax rate of 27% to 31%

The above EPS guidance excludes the amortization of intangibles and any potential restructuring charges or any charges related to acquisitions and post-closing integration activities. In addition, the above guidance assumes that the average Euro to U.S. Dollar currency exchange rate for the third quarter of fiscal 2014 is $1.36 to €1.00. This compares with an average exchange rate of $1.32 to €1.00 in the third quarter of fiscal 2013 and $1.36 to €1.00 in the second quarter of fiscal 2014.

**Forward-Looking Statements**

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,” “estimate,” “forecast,” “expect,” “feel,” “believe,” and “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 vary 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 Company’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, 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.

## Non-GAAP Financial Information

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 in this document certain non-GAAP financial information including adjusted operating income, adjusted net income and adjusted diluted earnings per share, as well as sales adjusted for the impact of acquisitions and other items (as defined in the Organic Sales section of this document). Management believes organic sales is a useful measure for evaluating current period performance as compared with prior periods and for understanding underlying trends.

Management believes that operating income adjusted for (i) restructuring, integration and other expenses, and (ii) amortization of acquired intangible assets and other, is a useful measure to help investors better assess and understand the Company’s operating performance, especially 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 without the impact of these items 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 some cases, for measuring performance for compensation purposes.

Management believes net income and diluted EPS adjusted for (i) the impact of the items described above, (ii) certain items impacting income tax expense and (iii) the gain on legal settlement, bargain purchase and other is useful to investors because it provides a measure of the Company’s net profitability on a more comparable basis to historical periods and provides a more meaningful basis for forecasting future performance. Additionally, because of management’s focus on generating shareholder value, of which net profitability is a primary driver, management believes net income and diluted EPS excluding the impact of these items provides an important measure of the Company’s net results of operations for the investing public.

Other metrics management monitors in its assessment of business performance include return on working capital (ROWC), return on capital employed (ROCE) and working capital velocity (WC velocity).

- ROWC is defined as annualized adjusted operating income (as defined above) divided by the sum of the monthly average balances of receivables and inventory less accounts payable.
- ROCE is defined as annualized, tax effected adjusted operating income (as defined above) divided by the monthly average balances of interest-bearing debt and equity (including the impact of adjustments to operating income discussed above) less cash and cash equivalents.
- WC velocity is defined as annualized sales divided by the sum of the monthly average balances of receivable and inventory less accounts payable.

Any analysis of results and outlook on a non-GAAP basis should be used as a complement to, and in conjunction with, results presented in accordance with GAAP.

### Second Quarter Fiscal 2014

| | Second Quarter Fiscal 2014 | | | |
|---|---|---|---|---|
| | Operating Income | Income Before Income Taxes | Net Income | Diluted EPS |
| | *$ in thousands, except per share data* | | | |
| **GAAP results** | **$221,572** | **$188,552** | **$124,864** | **$ 0.89** |
| Restructuring, integration and other Expenses | 28,442 | 28,442 | 21,746 | 0.15 |
| Amortization of intangible assets and other | 13,194 | 13,194 | 9,125 | 0.07 |
| Income tax adjustments | — | — | 8,158 | 0.06 |
| Total adjustments | 41,636 | 41,636 | 39,029 | 0.28 |
| **Adjusted results** | **$263,208** | **$230,188** | **$163,893** | **$ 1.17** |

Items impacting the second quarter of fiscal 2014 consisted of the following:

- restructuring, integration and other expenses of $28.4 million pre-tax consisted of $19.3 million for severance, $1.4 million for facility exit related costs, $0.5 million for other charges, $1.5 million for other costs including acquisition costs, $4.3 million for integration-related costs, and a charge of $1.5 million to adjust prior year restructuring reserves. Restructuring, integration and other expenses after tax was $21.7 million;
- amortization expense and other primarily related to acquired intangible assets of $13.2 million pre-tax and $9.1 million after tax; and
- an income tax adjustment of $8.2 million primarily related to certain items impacting the effective income tax rate in the second quarter of fiscal 2014.

### First Quarter Fiscal 2014

| | First Quarter Fiscal 2014 | | | |
|---|---|---|---|---|
| | Operating Income | Income Before Income Taxes | Net Income | Diluted EPS |
| | *$ in thousands, except per share data* | | | |
| **GAAP results** | **$178,987** | **$171,942** | **$120,624** | **$ 0.86** |
| Restructuring, integration and other expenses | 12,099 | 12,099 | 8,851 | 0.06 |
| Gain on legal settlement, bargain purchase and other | — | (19,137) | (11,686) | (0.08) |
| Amortization of intangible assets and other | 8,394 | 8,394 | 5,702 | 0.04 |
| Income tax adjustments | — | — | 2,496 | 0.02 |
| Total adjustments | 20,493 | 1,356 | 5,363 | 0.04 |
| **Adjusted results** | **$199,480** | **$173,298** | **$125,987** | **$ 0.90** |

Items impacting the first quarter of fiscal 2014 consisted of the following:

- restructuring, integration and other expenses of $12.1 million pre-tax consisted of $4.2 million for severance, $1.2 million for facility exit related costs, $0.3 million for other charges, $3.0 million for other costs including acquisition costs, $4.2 million for integration-related costs, and a benefit of $0.8 million to adjust prior year restructuring reserves. Restructuring, integration and other expenses after tax was $8.9 million;

- a gain on legal settlement of $19.1 million pre-tax and $11.7 million after tax related to an award payment received during the first quarter;
- amortization expense related to acquired intangible assets of $8.4 million pre-tax and $5.7 million after tax; and
- an income tax adjustment of $2.5 million primarily related to certain items impacting the effective income tax rate in the first quarter of fiscal 2014.

**Second Quarter Fiscal 2013**

| | Second Quarter Fiscal 2013 | | | |
|---|---|---|---|---|
| | Operating Income | Income Before Income Taxes | Net Income | Diluted EPS |
| | *$ in thousands, except per share data* | | | |
| **GAAP results** | **$195,573** | **$168,894** | **$137,481** | **$ 0.99** |
| Restructuring, integration and other expenses | 24,906 | 24,906 | 19,885 | 0.14 |
| Gain on legal settlement, bargain purchase and other | — | (59) | (23) | 0.00 |
| Amortization of intangible assets and other | 8,010 | 8,010 | 5,607 | 0.04 |
| Income tax adjustments | — | — | (17,366) | (0.12) |
| Total adjustments | 32,916 | 32,857 | 8,103 | 0.06 |
| **Adjusted results** | **$228,489** | **$201,751** | **$145,584** | **$ 1.05** |

Items impacting the second quarter of fiscal 2013 consisted of the following:

- restructuring, integration and other expenses of $24.9 million pre-tax consisted of $8.5 million for facility exit-related costs, $7.6 million for integration-related costs, $7.3 million for severance, $3.0 million for transaction costs associated with recent acquisitions, $0.3 million for other charges, and a benefit of $1.8 million to adjust prior year restructuring reserves no longer required;
- a net gain consisting of an adjustment of $1.7 million pre-tax to increase the gain on bargain purchase recorded in the first quarter of fiscal 2013, partially offset by a loss on divestiture of $1.7 million pre-tax related to a small business in TS Asia;
- amortization expense related to acquired intangible assets of $8.0 million pre-tax and $5.6 million after tax; and
- an income tax adjustment of $17.4 million primarily related to a favorable settlement of a U.S. income tax audit for an acquired company.

**Organic Sales**

Organic sales is defined as reported sales adjusted for (i) the impact of acquisitions and divestitures by adjusting Avnet’s prior periods to include the sales of acquired businesses and exclude the sales of divested businesses as if the acquisitions and divestitures had occurred at the beginning of the earliest period presented and (ii) the impact of the transfer of a portion of certain operations between the EM and TS operating groups, which did not have an impact to Avnet on a consolidated basis but did impact the organic sales for the TS and EM operating groups. Sales taking into account the combination of these adjustments are referred to as “organic sales.”

| | Sales as Reported | Acquisition/ (Divestiture) Sales | Organic Sales |
|---|---|---|---|
| | | *(in thousands)* | |
| Q1 Fiscal 2014 | $ 6,345,475 | $ 119,950 | $ 6,465,425 |
| Q2 Fiscal 2014 | 7,421,854 | — | 7,421,854 |
| Fiscal year 2014 | $13,767,329 | $ 119,950 | $13,887,279 |
| Q1 Fiscal 2013 | $ 5,870,057 | $ 362,053 | $ 6,232,110 |
| Q2 Fiscal 2013 | 6,699,465 | 162,481 | 6,861,946 |
| Q3 Fiscal 2013 | 6,298,699 | 143,992 | 6,442,691 |
| Q4 Fiscal 2013 | 6,590,703 | 124,741 | 6,715,444 |
| Fiscal year 2013 | $25,458,924 | $ 793,267 | $26,252,191 |

"Acquisition/ (Divestiture) Sales" as presented in the preceding table includes the effects of the acquisitions and divestitures included below:

*Fiscal 2014*

MSC Investoren GmbH, in October 2013 in the EM EMEA region

Seamless Technologies, Inc., in July 2013 in the TS Americas region

Nisko Semiconductors Ltd., in July 2013 in the EM EMEA region

*Fiscal 2013*

RTI Holdings, in April 2013 in the EM Asia Region

Divestiture in March 2013 of a small business in the EM Americas region

TSSLink, Inc., in January 2013 in the TS Americas region

Universal Semiconductor, Inc., in January 2013 in the EM Americas region

Genilogix, in November 2012 in the TS Americas region

Divestiture in December 2012 of a small business in the TS Asia region

Brightstar Partners, Inc., in November 2012 in the TS Americas region

Magirus AG, in October 2012 in the TS EMEA region

Tekdata Interconnections, Limited, in October 2012 in the EM EMEA region

Internix, Inc., in August 2012 in the EM Asia region

C.R.G. Electronics, Ltd., in August 2012 in the EM EMEA region

Pepperweed Consulting, in August 2012 in the TS Americas region

**ROWC, ROCE and WC Velocity**

The following table presents the calculation for ROWC, ROCE and WC velocity.

| | | Q2 FY14 | Q2 FY13 |
|---|---|---|---|
| Sales | | $ 7,421,854 | $ 6,699,465 |
| Sales, annualized | (a) | $29,687,416 | $26,797,859 |
| Adjusted operating income (1) | | $ 263,208 | $ 228,489 |
| Adjusted annualized operating income | (b) | $ 1,052,832 | $ 913,956 |
| Adjusted effective tax rate (2) | | 28.2% | 27.5% |
| Adjusted annualized operating income, after tax | (c) | $ 756,355 | $ 662,801 |
| Average monthly working capital | | | |
| Accounts receivable | | $ 5,036,079 | $ 4,662,211 |
| Inventory | | $ 2,632,361 | $ 2,362,990 |
| Accounts payable | | $ (3,289,709) | $ (3,037,915) |
| Average working capital | (d) | $ 4,378,731 | $ 3,987,286 |
| Average monthly total capital | (e) | $ 5,912,624 | $ 5,405,464 |
| ROWC = (b) / (d) | | 24.0% | 22.9% |
| WC Velocity = (a) / (d) | | 6.8 | 6.7 |
| ROCE = (c) / (e) | | 12.8% | 12.3% |

(1) See reconciliation to GAAP amounts in the preceding tables in this Non-GAAP Financial Information section.

(2) Adjusted effective tax rate for each quarterly period in a fiscal year is based upon the currently anticipated annual effective tax rate, excluding the tax effect of the items described above in the reconciliation to GAAP amounts in this Non-GAAP Financial Information Section.

**Teleconference Webcast and Upcoming Events**

Avnet will host a Webcast of its quarterly teleconference today at 2:00 p.m. Eastern Time. The live Webcast event, as well as other financial information including financial statement reconciliations of GAAP and non-GAAP financial measures, will be available through www.ir.avnet.com. Please log onto the site 15 minutes prior to the start of the event to register or download any necessary software. An archive copy of the presentation will also be available after the Webcast.

For a listing of Avnet's upcoming events and other information, please visit Avnet's investor relations website at www.ir.avnet.com.

**About Avnet**

Avnet, Inc. (NYSE:AVT), a Fortune 500 company, is one of the largest distributors of electronic components, computer products and embedded technology serving customers globally. Avnet accelerates its partners' success by connecting the world's leading technology suppliers with a broad base of customers by providing cost-effective, value-added services and solutions. For the fiscal year ended June 29, 2013, Avnet generated sales of $25.5 billion. For more information, visit www.avnet.com. (AVT_IR)

**Investor Relations Contact:**

Avnet, Inc.
Vincent Keenan
Investor Relations
(480) 643-7053
investorrelations@avnet.com

**AVNET, INC.**
**FINANCIAL HIGHLIGHTS**
**(MILLIONS EXCEPT PER SHARE DATA)**
**(UNAUDITED)**

| | Second Quarters Ended | | Six Months Ended | |
|---|---|---|---|---|
| | December 28, 2013 | December 29, 2012 | December 28, 2013 | December 29, 2012 |
| **Sales** | $ 7,421.9 | $ 6,699.5 | $ 13,767.3 | $ 12,569.5 |
| **Income before income taxes** | 188.6 | 168.9 | 360.5 | 277.8 |
| **Net income** | 124.9 | 137.5 | 245.5 | 237.8 |
| **Net income per share:** | | | | |
| **Basic** | $ 0.91 | $ 1.01 | $ 1.78 | $ 1.71 |
| **Diluted** | $ 0.89 | $ 0.99 | $ 1.75 | $ 1.69 |

**AVNET, INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(THOUSANDS EXCEPT PER SHARE DATA)**
**(UNAUDITED)**

| | Second Quarters Ended | | Six Months Ended | |
|---|---|---|---|---|
| | December 28, 2013 | December 29, 2012 | December 28, 2013 | December 29, 2012 |
| Sales | $ 7,421,854 | $ 6,699,465 | $ 13,767,329 | $ 12,569,522 |
| Cost of sales | 6,573,221 | 5,931,002 | 12,183,526 | 11,116,682 |
| Gross profit | 848,633 | 768,463 | 1,583,803 | 1,452,840 |
| Selling, general and administrative expenses | 598,619 | 547,984 | 1,142,703 | 1,094,980 |
| Restructuring, integration and other expenses | 28,442 | 24,906 | 40,541 | 62,314 |
| Operating income | 221,572 | 195,573 | 400,559 | 295,546 |
| Other income (expense), net | (4,794) | 1,060 | (3,999) | 2,543 |
| Interest expense | (28,226) | (27,798) | (55,203) | (51,688) |
| Gain on legal settlement, bargain purchase and other | — | 59 | 19,137 | 31,350 |
| Income before income taxes | 188,552 | 168,894 | 360,494 | 277,751 |
| Income tax provision | 63,688 | 31,413 | 115,006 | 39,965 |
| Net income | $ 124,864 | $ 137,481 | $ 245,488 | $ 237,786 |
| Net earnings per share: | | | | |
| Basic | $ 0.91 | $ 1.01 | $ 1.78 | $ 1.71 |
| Diluted | $ 0.89 | $ 0.99 | $ 1.75 | $ 1.69 |
| Shares used to compute earnings per share: | | | | |
| Basic | 137,702 | 136,776 | 137,558 | 138,772 |
| Diluted | 140,144 | 138,575 | 139,934 | 140,967 |
| Cash dividends paid per common share | $ 0.15 | $ — | $ 0.30 | $ — |

**AVNET, INC.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(THOUSANDS)**
**(UNAUDITED)**

| | December 28, 2013 | June 29, 2013 |
|---|---|---|
| **Assets:** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 779,331 | $ 1,009,343 |
| Receivables, net | 5,708,345 | 4,868,973 |
| Inventories | 2,549,323 | 2,264,341 |
| Prepaid and other current assets | 198,739 | 214,221 |
| Total current assets | 9,235,738 | 8,356,878 |
| Property, plant and equipment, net | 511,759 | 492,606 |
| Goodwill | 1,358,451 | 1,261,288 |
| Intangible assets, net | 209,076 | 172,212 |
| Other assets | 170,274 | 191,696 |
| Total assets | $11,485,298 | $10,474,680 |
| **Liabilities and Shareholders' Equity:** | | |
| Current liabilities: | | |
| Short-term borrowings | $ 968,757 | $ 838,190 |
| Accounts payable | 3,704,570 | 3,278,152 |
| Accrued expenses and other | 777,146 | 705,102 |
| Total current liabilities | 5,450,473 | 4,821,444 |
| Long-term debt | 1,227,575 | 1,206,993 |
| Other long-term liabilities | 178,834 | 157,118 |
| Total liabilities | 6,856,882 | 6,185,555 |
| Shareholders' equity | 4,628,416 | 4,289,125 |
| Total liabilities and shareholders' equity | $11,485,298 | $10,474,680 |

**AVNET, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(THOUSANDS)**
**(UNAUDITED)**

| | First Halves Ended | |
|---|---|---|
| | December 28, 2013 | December 29, 2012 |
| Cash flows from operating activities: | | |
| Net income | $ 245,488 | $ 237,786 |
| Non-cash and other reconciling items: | | |
| Depreciation | 44,731 | 42,764 |
| Amortization | 20,903 | 15,076 |
| Deferred income taxes | 11,925 | 532 |
| Stock-based compensation | 28,940 | 27,684 |
| Gain on bargain purchase | — | (31,350) |
| Other, net | 51,616 | 30,829 |
| Changes in (net of effects from businesses acquired): | | |
| Receivables | (771,728) | (399,943) |
| Inventories | (158,470) | 246,192 |
| Accounts payable | 348,521 | 250,862 |
| Accrued expenses and other, net | 23,875 | (13,024) |
| Net cash flows (used) provided by operating activities | (154,199) | 407,408 |
| Cash flows from financing activities: | | |
| Issuance of notes in public offering, net of issuance cost | — | 349,258 |
| Borrowings (repayments) under accounts receivable securitization program, net | 60,000 | (366,000) |
| Borrowings (repayments) of bank and other debt, net | 55,436 | (171,834) |
| Repurchases of common stock | — | (207,192) |
| Dividends paid on common stock | (41,263) | — |
| Other, net | 4,293 | 3,351 |
| Net cash flows provided (used) by financing activities | 78,466 | (392,417) |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (47,024) | (55,298) |
| Acquisitions of businesses, net of cash acquired | (116,882) | (170,960) |
| Cash proceeds from divestitures, net of cash divested | — | 3,613 |
| Other, net | 1,800 | 37 |
| Net cash flows used for investing activities | (162,106) | (222,608) |
| Effect of exchange rate changes on cash and cash equivalents | 7,827 | 16,032 |
| Cash and cash equivalents: | | |
| — (decrease) increase | (230,012) | (191,585) |
| — at beginning of period | 1,009,343 | 1,006,864 |
| — at end of period | $ 779,331 | $ 815,279 |

**AVNET, INC.**
**SEGMENT INFORMATION**
**(MILLIONS)**
**(UNAUDITED)**

| | Second Quarters Ended | | Six Months Ended | |
|---|---|---|---|---|
| | December 28, 2013 | December 29, 2012 | December 28, 2013 | December 29, 2012 |
| **Sales:** | | | | |
| Electronics Marketing | $ 4,154.8 | $ 3,673.5 | $ 8,092.9 | $ 7,326.6 |
| Technology Solutions | 3,267.1 | 3,026.0 | 5,674.4 | 5,242.9 |
| Consolidated | $ 7,421.9 | $ 6,699.5 | $ 13,767.3 | $ 12,569.5 |
| **Operating Income:** | | | | |
| Electronics Marketing | $ 171.7 | $ 143.0 | $ 347.5 | $ 292.1 |
| Technology Solutions | 120.2 | 113.1 | 182.8 | 151.8 |
| Corporate | (28.7) | (27.6) | (67.6) | (70.9) |
| | 263.2 | 228.5 | 462.7 | 373.0 |
| Restructuring, integration and other expenses | (28.4) | (24.9) | (40.5) | (62.3) |
| Amortization of intangible assets and other | (13.2) | (8.0) | (21.6) | (15.1) |
| Consolidated Operating Income | $ 221.6 | $ 195.6 | $ 400.6 | $ 295.6 |

**Exhibit 99.2**

Avnet, Inc. Q2 Fiscal Year 2014
$ in millions - except per share data
January 23, 2014

**CFO Review of Fiscal 2014 Second Quarter Results**

| | Q2' FY13 | Q1' FY14 | Q2' FY14 | Y/Y Chg | Seq. Chg |
|---|---|---|---|---|---|
| Sales | $6,699.5 | $6,345.5 | **$7,421.9** | $ 722.4 | $1,076.4 |
| Gross Profit | $ 768.5 | $ 735.2 | **$ 848.6** | $ 80.2 | $ 113.5 |
| *GP Margin* | 11.5% | 11.6% | **11.4%** | (4) bps | (16) bps |
| SG&A Expenses | $ 548.0 | $ 544.1 | **$ 598.6** | $ 50.6 | $ 54.5 |
| *SG&A as % of Sales* | 8.2% | 8.6% | **8.1%** | (11) bps | (50) bps |
| *SG&A as % of GP* | 71.3% | 74.0% | **70.5%** | (77) bps | (347) bps |
| GAAP Operating Income | $ 195.6 | $ 179.0 | **$ 221.6** | $ 26.0 | $ 42.6 |
| Adjusted Operating Income (1) | $ 228.5 | $ 199.5 | **$ 263.2** | $ 34.7 | $ 63.7 |
| Adjusted Operating Income Margin (1) | 3.4% | 3.1% | **3.6%** | 14 bps | 41 bps |
| GAAP Net Income | $ 137.5 | $ 120.6 | **$ 124.9** | $ (12.6) | $ 4.2 |
| Adjusted Net Income (1) | $ 145.6 | $ 126.0 | **$ 163.9** | $ 18.3 | $ 37.9 |
| GAAP Diluted EPS | $ 0.99 | $ 0.86 | **$ 0.89** | (10.1)% | 3.5% |
| Adjusted Diluted EPS (1) | $ 1.05 | $ 0.90 | **$ 1.17** | 11.4% | 30.0% |
| Return on Working Capital (ROWC) (1) | 22.9% | 19.8% | **24.0%** | 112 bps | 420 bps |
| Return on Capital Employed (ROCE) (1) | 12.3% | 10.4% | **12.8%** | 53 bps | 243 bps |
| Working Capital Velocity (1) | 6.72 | 6.31 | **6.78** | 0.06 | 0.47 |

(1) A reconciliation of non-GAAP financial measures is presented in the Non-GAAP Financial Information section of the press release attached as Exhibit 99.1 included in this Current Report on Form 8-K.

**Key Highlights**

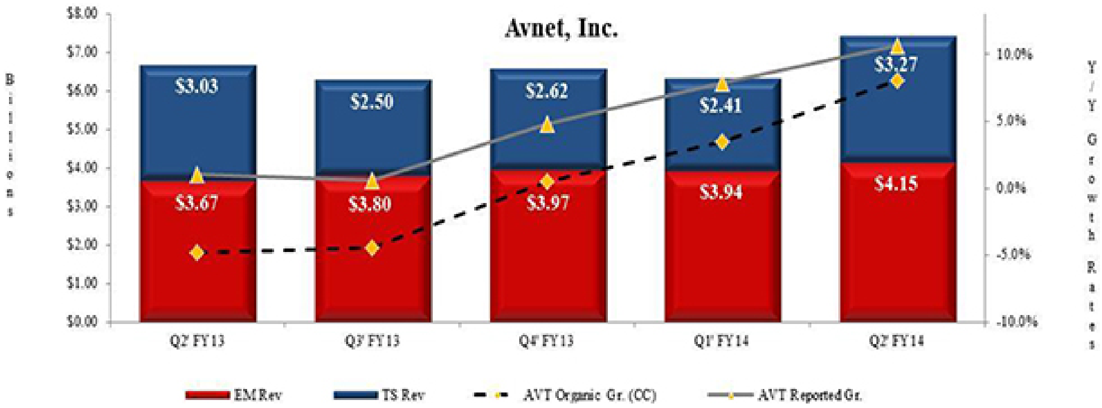
- Sales exceeded expectations at both operating groups in the second quarter of fiscal 2014, increasing 10.8% year over year to a record $7.4 billion; organic sales (defined later in this document) grew 8.2% year over year and 8.1% excluding the translation impact of changes in foreign currency exchange rates (also referred to as "constant dollars" or "constant currency" and referenced to as "CC" in the graphs that follow).
  - Sequentially, sales exceeded expectations and were above normal seasonality as reported sales increased 17.0% and organic sales increased 13.9% in constant dollars.
- Adjusted operating income increased 15.2% year over year primarily due to a combination of higher sales and cost reduction initiatives implemented in fiscal 2013. Both operating groups contributed to this improvement.
  - Sequentially, Technology Solutions (TS) was the primary driver as operating income grew 92.1% and operating margin increased 108 basis points.
- Adjusted diluted earnings per share of $1.17 increased 11.4% year over year, primarily due to the improvement in operating income, partially offset by a decrease in other income.
- Avnet ROWC improved 112 basis points and ROCE was up 53 basis points year over year, primarily due to the improvement in operating income at both operating groups.
- Cash used for operations was $28.0 million in the quarter as working capital increased approximately 9.8% sequentially primarily due to an increase in accounts receivables related to stronger than expected sales at the end of December at TS. Cash flow from operations for the trailing twelve months was $134.6 million and working capital velocity improved year over year and sequentially.
- During the quarter, the Company paid a quarterly cash dividend of $0.15 per share or $20.6 million and has paid $41.3 million for the fiscal year to date.

Avnet, Inc. Q2 Fiscal Year 2014
$ in millions - except per share data
January 23, 2014

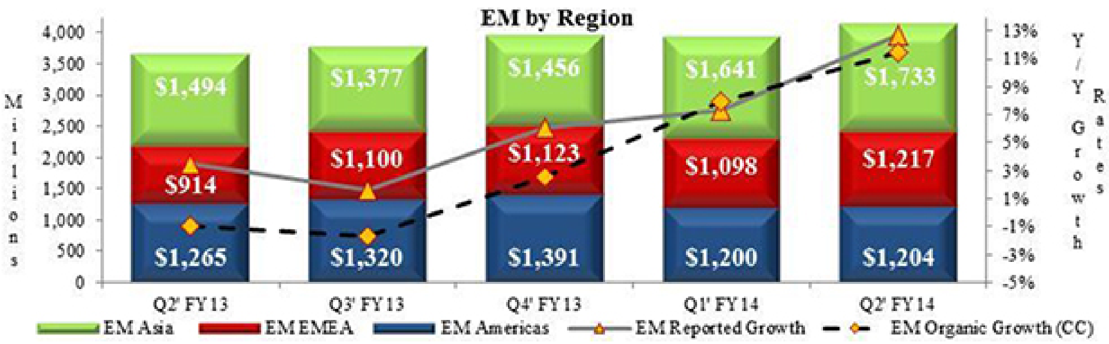
## Sales

| | Q2' FY13 | Q3' FY13 | Q4' FY13 | Q1' FY14 | Q2' FY14 | Year-over-Year Growth Rates Reported | Organic (2) |
|---|---|---|---|---|---|---|---|
| Avnet, Inc. | $6,699.5 | $6,298.7 | $6,590.7 | $6,345.5 | **$7,421.9** | 10.78% | 8.16% |
| Excluding FX (1) | | | | | | *10.68%* | *8.06%* |
| **Electronics Marketing (EM) Total** | **$3,673.5** | **$3,797.2** | **$3,970.6** | **$3,938.1** | **$4,154.8** | 13.10% | 11.86% |
| Excluding FX (1) | | | | | | 12.67% | 11.44% |
| Americas | $1,264.9 | $1,320.1 | $1,391.0 | $1,199.7 | **$1,204.4** | (4.78)% | 3.16% |
| EMEA | $ 914.3 | $1,100.1 | $1,123.2 | $1,097.9 | **$1,217.0** | 33.10% | 18.04% |
| Excluding FX (1) | | | | | | 27.37% | 12.96% |
| Asia | $1,494.3 | $1,377.0 | $1,456.4 | $1,640.5 | **$1,733.4** | 16.00% | 14.36% |
| **Technology Solutions (TS) Total** | **$3,026.0** | **$2,501.5** | **$2,620.1** | **$2,407.4** | **$3,267.1** | 7.97% | 3.79% |
| Excluding FX (1) | | | | | | 8.27% | 4.08% |
| Americas | $1,598.3 | $1,300.1 | $1,389.8 | $1,288.9 | **$1,859.2** | 16.32% | 8.01% |
| EMEA | $ 963.8 | $ 783.0 | $ 799.6 | $ 694.3 | **$ 936.0** | (2.89)% | (2.89)% |
| Excluding FX (1) | | | | | | (5.84)% | (5.84)% |
| Asia | $ 463.9 | $ 418.4 | $ 430.7 | $ 424.2 | **$ 471.9** | 1.74% | 2.04% |

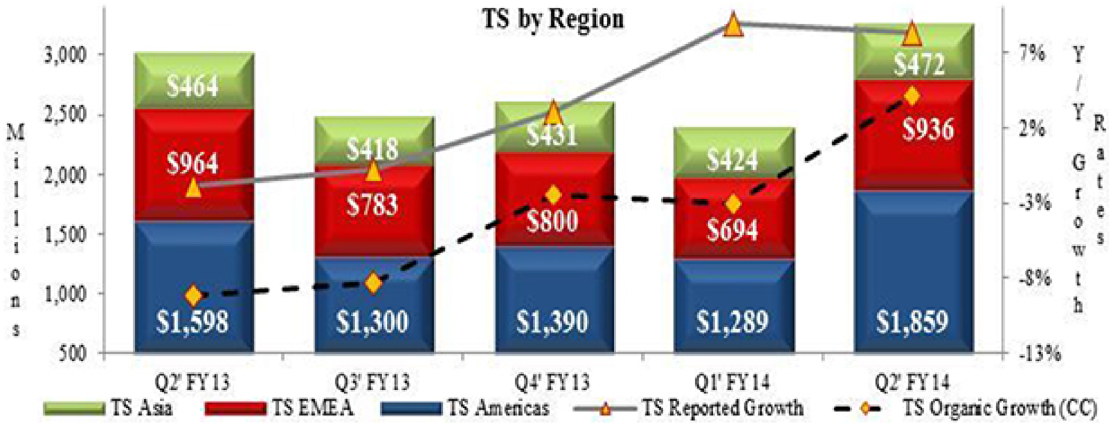
(1) Year-over-year sales growth rate excluding the impact of changes in foreign currency exchange rates.
(2) Organic sales as defined in this document.




- Avnet, Inc. quarterly reported sales of $7.4 billion increased 10.8% year over year (10.7% in constant dollars) with both operating groups contributing towards this growth.
  - Year-over-year organic sales increased 8.2% (8.1% in constant dollars), which represents the third consecutive quarter of improving organic growth.
  - On a sequential basis, organic sales increased 13.9% in constant dollars, as both operating groups delivered results above expectations and normal seasonality. The normal seasonal range for the December quarter is +8% to +12%.




- EM's quarterly reported sales of $4.2 billion exceeded the high end of expectations driven by better than expected sales in the high volume fulfillment business in Asia. Reported sales increased 13.1% year over year (12.7% in constant dollars) and organic sales grew 11.9% (11.4% in constant dollars) with both the EMEA and Asia regions reporting double digit growth.
- EM's organic sales grew 1.6% sequentially in constant dollars, above the normal seasonal range of -3% to 0%.
  - Americas' organic sales increased 3.2% year over year and 0.4% sequentially.
  - EMEA's organic sales increased 13.0% year over year and decreased 2.7% sequentially in constant dollars.
  - Asia's organic sales increased 14.4% year over year and 5.7% sequentially. This represents the sixth consecutive quarter of year-over-year organic growth.

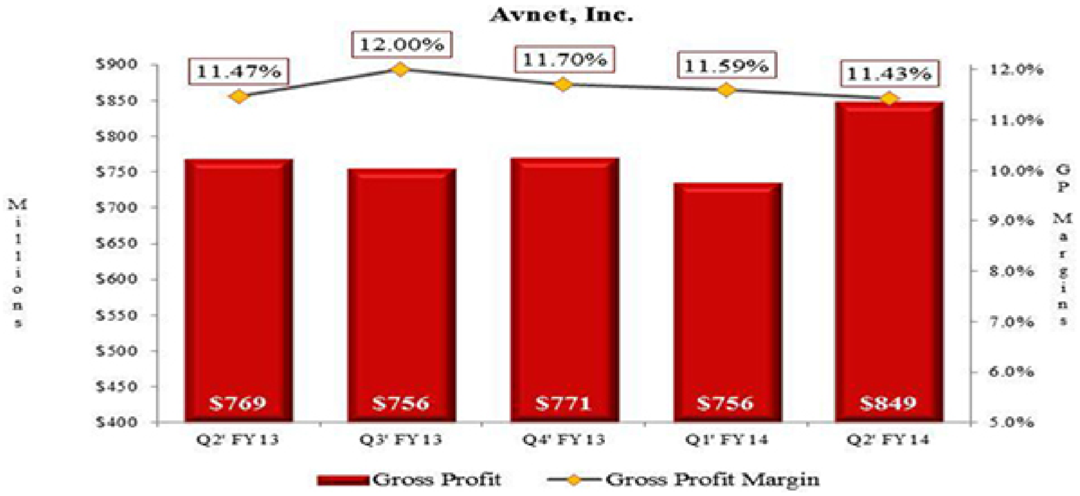



- TS' reported sales increased 8.0% year over year (8.3% in constant dollars) to $3.3 billion, primarily due to the strength in the Americas region; organic sales increased 3.8% and 4.1% in constant dollars; the first positive organic growth in eight quarters.
- TS' organic sales increased 34.6% sequentially in constant dollars, which exceeded the high end of expectations and normal seasonality of +20% to +26%.
  - Americas' organic sales increased 8.0% year over year and 44.2% sequentially.
  - EMEA's organic sales decreased 5.8% year over year in constant dollars and increased 30.6% sequentially.
  - Asia's organic sales increased 2.0% year over year and 11.3% sequentially.
- At a product level, software, storage and services grew over 30% sequentially while software and storage drove the year over year growth.

Avnet, Inc. Q2 Fiscal Year 2014
$ in millions - except per share data
January 23, 2014

**Gross Profit**

| | Q2' FY13 | Q3' FY13 | Q4' FY13 | Q1' FY14 | Q2' FY14 | Y/Y Change |
|---|---|---|---|---|---|---|
| Gross Profit | $ 768.5 | $ 756.0 | $ 770.9 | $ 735.2 | **$ 848.6** | $ 80.2 |
| Gross Profit Margin | 11.47% | 12.00% | 11.70% | 11.59% | **11.43%** | (4) bps |

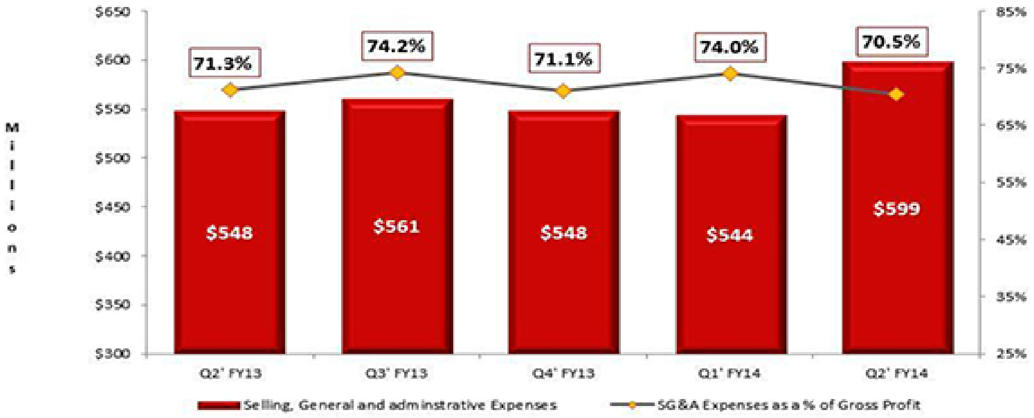



- Gross profit was $848.6 million, up 10.4% year over year and 15.4% sequentially.
  - Gross profit margin of 11.4% was essentially flat with the year ago quarter and declined 16 basis points sequentially due to the business mix shift as the lower gross profit margin TS business grew to represent 44% of the enterprise as compared to 38% in the first fiscal quarter.
- EM gross profit margin was essentially flat with the year ago quarter and improved 26 basis points sequentially. The sequential improvement was primarily driven by the acquisition of MSC, which has higher gross profit margins, partially offset by a higher percent of lower gross profit margin fulfillment business in the Asia region.
- TS gross profit margin declined 18 basis points year over year and 34 basis points sequentially. The sequential decline was primarily driven by the Americas and Asia regions.

Avnet, Inc. Q2 Fiscal Year 2014
$ in millions - except per share data
January 23, 2014

## Operating Expenses

| | Q2' FY13 | Q3' FY13 | Q4' FY13 | Q1' FY14 | Q2' FY14 | Y/Y Change |
|---|---|---|---|---|---|---|
| Selling, General and Administrative Expenses | $ 548.0 | $ 561.1 | $ 548.3 | $ 544.1 | **$ 598.6** | $ 50.6 |
| SG&A Expenses as a % of Gross Profit | 71.3% | 74.2% | 71.1% | 74.0% | **70.5%** | (77) bps |



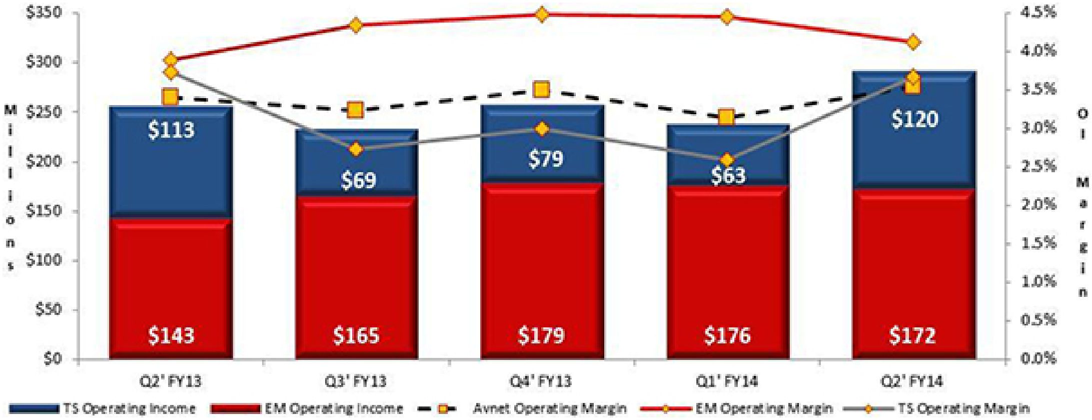

- Selling, general and administrative expenses ("SG&A expenses") increased approximately 9.2% year over year to $598.6 million.
  - The year-over-year increase consisted primarily of a net increase of approximately $41 million related to operating expenses from acquired businesses, and an increase of approximately $3 million related to the translation impact of changes in foreign currency exchange rates between the periods.
- SG&A expenses, excluding amortization of acquired intangibles, as a percentage of gross profit decreased 129 basis points to 69.0% from the year ago quarter.
  - EM SG&A expenses, excluding amortization of acquired intangibles, as a percent of gross profit decreased 192 basis points from the year ago quarter reflecting improved operating leverage from recent restructuring actions and increased gross profit.
  - TS SG&A expenses, excluding amortization of acquired intangibles, as a percent of gross profit decreased 10 basis points from the year ago quarter and decreased 1,220 basis points sequentially due to strong growth in sales and the corresponding gross profits dollars.

Avnet, Inc. Q2 Fiscal Year 2014
$ in millions - except per share data
January 23, 2014

## Operating Income

| | Q2' FY13 | Q3' FY13 | Q4' FY13 | Q1' FY14 | Q2' FY14 | Y/Y Chg |
|---|---|---|---|---|---|---|
| Avnet, Inc. GAAP Operating Income | $ 195.6 | $ 167.6 | $ 162.8 | $ 179.0 | **$ 221.6** | $ 26.0 |
| Adjusted Operating Income (1) | $ 228.5 | $ 203.7 | $ 231.2 | $ 199.5 | **$ 263.2** | $ 34.7 |
| Adjusted Operating Income Margin (1) | 3.41% | 3.23% | 3.51% | 3.14% | **3.55%** | 14 bps |
| **Electronics Marketing (EM) Total** | | | | | | |
| Operating Income | $ 143.0 | $ 165.0 | $ 178.5 | $ 175.8 | **$ 171.7** | $ 28.7 |
| Operating Income Margin | 3.89% | 4.35% | 4.49% | 4.46% | **4.13%** | 24 bps |
| **Technology Solutions (TS) Total** | | | | | | |
| Operating Income | $ 113.1 | $ 68.6 | $ 78.7 | $ 62.6 | **$ 120.2** | $ 7.1 |
| Operating Income Margin | 3.74% | 2.74% | 3.01% | 2.60% | **3.68%** | (6) bps |

(1) A reconciliation of non-GAAP financial measures is presented in the Non-GAAP Financial Information section of the press release attached as Exhibit 99.1 included in this Current Report on Form 8-K.




- Avnet adjusted operating income of $263.2 million increased 15.2% year over year with both operating groups contributing to the improvement; sequentially adjusted operating income increased 31.9% primarily due to the strong sales growth at TS.
  - Adjusted operating income margin of 3.6% at the Avnet level increased 14 basis points year over year and 41 basis points sequentially.
- EM operating income margin increased 24 basis points from the year ago quarter to 4.1% primarily due to the increase in gross profit and from recent cost reduction initiatives, which were partially offset by increases in operating expenses related to the acquisition of MSC. Operating income margin declined 33 basis points sequentially, primarily due to a higher percent of lower margin fulfillment business in the Asia region and the impact of the MSC acquisition in EMEA where the Company has yet to fully realize the expected synergies.
- TS operating income margin was essentially flat from the year ago quarter and increased 108 basis points sequentially primarily due to the improved profitability related to the strong sales growth in the western regions.

$ in millions - except per share data

## Interest Expense, Other Income and Income Taxes

| | Q2' FY13 | Q3' FY13 | Q4' FY13 | Q1' FY14 | Q2' FY14 | Y/Y Change |
|---|---|---|---|---|---|---|
| Interest Expense | $ (27.8) | $ (27.3) | $ (28.6) | $ (27.0) | **$ (28.2)** | $ (0.4) |
| Other Income (Expense) | $ 1.1 | $ 4.1 | $ (6.7) | $ 0.8 | **$ (4.8)** | $ (5.9) |
| GAAP Income Taxes | $ 31.4 | $ 58.2 | $ 1.0 | $ 51.3 | **$ 63.7** | $ 32.3 |
| Adjusted Income Taxes (1) | $ 56.2 | $ 49.0 | $ 54.0 | $ 47.3 | **$ 66.3** | $ 10.1 |
| GAAP Effective Tax Rate | 18.60% | 40.30% | 0.82% | 29.85% | **33.78%** | 1518 bps |
| Adjusted Effective Tax Rate (1) | 27.84% | 27.15% | 27.59% | 27.30% | **28.80%** | 96 bps |

(1) A reconciliation of non-GAAP financial measures is presented in the Non-GAAP Financial Information section of the press release attached as Exhibit 99.1 included in this Current Report on Form 8-K.

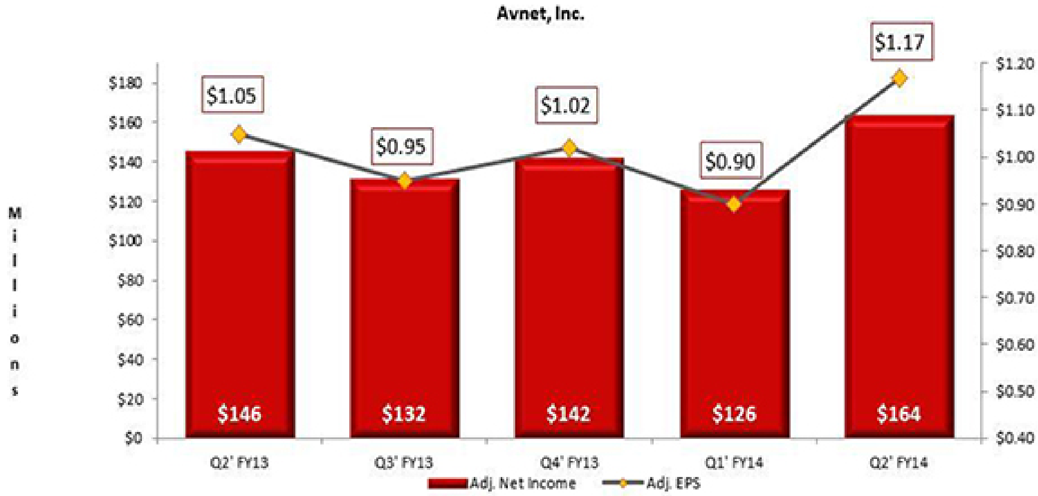
- Interest expense was $28.2 million, up $0.4 million from the year ago period. The increase in interest expense was primarily due to the issuance in November 2012 of $350 million of 4.875% Senior Notes due December 1, 2022, partially offset by lower average borrowings under the 2012 Credit Facility and the accounts receivable securitization program between the periods.
- The Company reported $4.8 million of other expense during the second fiscal quarter, which was primarily related to foreign exchange losses.
- The GAAP effective tax rate was 33.8% in the second quarter of fiscal 2014 as compared with 18.6% in the second quarter of fiscal 2013. During the second quarter of fiscal 2014, the Company's effective tax rate was negatively impacted primarily by increases to valuation allowances, reserves, an investment in a foreign subsidiary, and to a lesser extent, by the mix of income earned in the higher tax rate jurisdictions. During the second quarter of fiscal 2013, the Company's effective tax rate was favorably impacted primarily by the settlement of an audit by the U.S. Internal Revenue Services for an acquired company and the recognition of a U.S. tax benefit on the closure of a foreign operation.

Avnet, Inc. Q2 Fiscal Year 2014
$ in millions - except per share data
January 23, 2014

**Net Income and EPS**

| | Q2' FY13 | Q3' FY13 | Q4' FY13 | Q1' FY14 | Q2' FY14 | Y/Y Change |
|---|---|---|---|---|---|---|
| GAAP Net Income | $ 137.5 | $ 86.2 | $ 126.1 | $ 120.6 | **$ 124.9** | $ (12.6) |
| Adjusted Net Income [1] | $ 145.6 | $ 131.5 | $ 141.8 | $ 126.0 | **$ 163.9** | $ 18.3 |
| GAAP Diluted EPS | $ 0.99 | $ 0.62 | $ 0.91 | $ 0.86 | **$ 0.89** | (10.1)% |
| Adjusted Diluted EPS [1] | $ 1.05 | $ 0.95 | $ 1.02 | $ 0.90 | **$ 1.17** | 11.4% |

(1) A reconciliation of non-GAAP financial measures is presented in the Non-GAAP Financial Information section of the press release attached as Exhibit 99.1 included in this Current Report on Form 8-K.

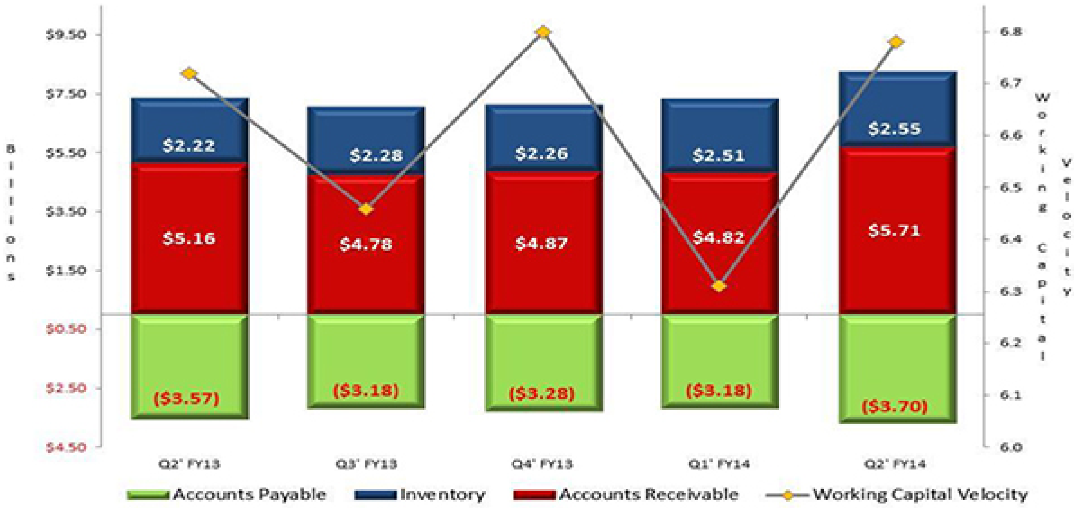



- GAAP net income decreased by $12.6 million year over year to $124.9 million or $0.89 per share on a diluted basis, and increased 3.5% sequentially primarily due to the improvement in profitability discussed above offset somewhat by the impact of restructuring, integration and other charges and intangibles amortization expense.
- Adjusted net income for the second quarter of fiscal 2014 was $163.9 million, or $1.17 per share on a diluted basis.
  - On an adjusted basis, net income and diluted earnings per share increased from the year ago quarter by 12.6% and 11.4%, respectively, primarily due to higher profitability at both operating groups.
  - Adjusted diluted earnings per share of $1.17 increased $0.27 or 30.0% sequentially primarily due to the improvement in profitability at TS.

Avnet, Inc. Q2 Fiscal Year 2014
$ in millions - except per share data
January 23, 2014

**Working Capital**

| | Q2' FY13 | Q3' FY13 | Q4' FY13 | Q1' FY14 | Q2' FY14 | Y/Y Change |
|---|---|---|---|---|---|---|
| Accounts Receivable | $ 5,161.5 | $ 4,778.1 | $ 4,869.0 | $ 4,820.1 | **$ 5,708.3** | $ 546.9 |
| Inventory | $ 2,223.8 | $ 2,284.7 | $ 2,264.3 | $ 2,510.8 | **$ 2,549.3** | $ 325.5 |
| Accounts Payable | $(3,565.4) | $(3,175.5) | $(3,278.1) | $(3,184.1) | **$(3,704.5)** | $ (139.2) |
| Working Capital | $ 3,819.9 | $ 3,887.3 | $ 3,855.2 | $ 4,146.8 | **$ 4,553.1** | $ 733.2 |
| Working Capital Velocity | 6.72 | 6.46 | 6.80 | 6.31 | **6.78** | 0.06 |



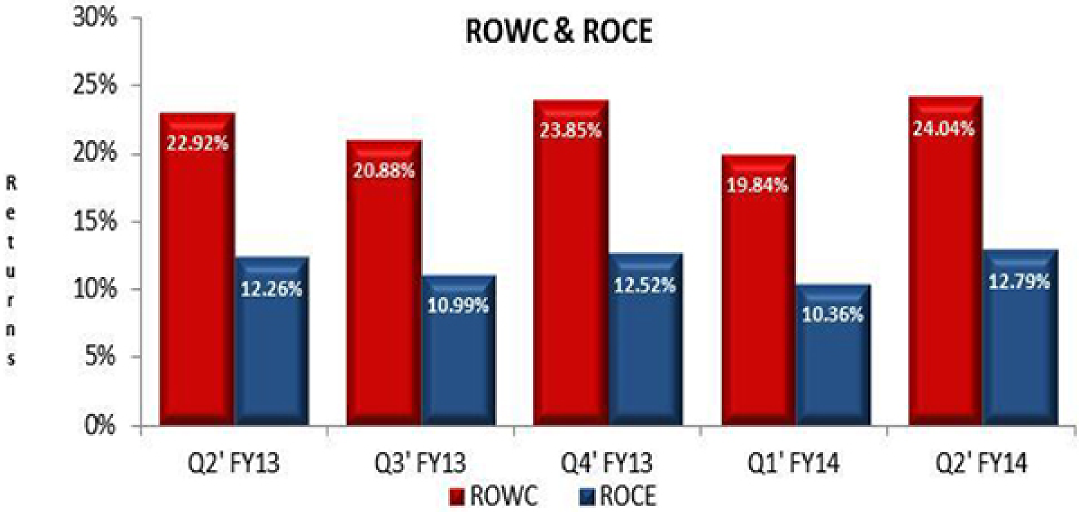

- Working capital velocity increased 0.47 turns sequentially, primarily due to above seasonal sales growth at both operating groups and was essentially flat with the year ago quarter.
- Working capital (accounts receivable plus inventory less accounts payable) increased $733.2 million, or 19.2%, year over year and 16.6% when adjusted for acquisitions and the translation impact of changes in foreign currency exchange rates. The increase is related to the year over year growth in sales at both operating groups as well as the stronger than anticipated growth in receivables at TS at the end of December and a decrease in payables at EM related to a decline in inventory.
  - On a sequential basis, working capital increased $406.3 million or 9.8% and 7.8% when adjusted for acquisitions and currency, primarily due to the $888.3 million increase in accounts receivable. TS represented over 90% of the growth in accounts receivable including approximately half of the growth being driven by the TS Americas region, primarily due to the stronger than anticipated close at the end of the December quarter.
- Inventory increased $325.5 million or 14.6% year over year and 8.9% when adjusted for acquisitions and the translation impact of changes in foreign currency exchange rates and is in-line with the organic year over year growth in sales of 8.1% in constant dollars.
  - On a sequential basis, inventory increased $38.5 million or 1.5% and decreased 2.4% after adjusting for acquisitions and the translation impact of changes in foreign currency exchange rates. The sequential organic decrease in inventory was primarily due to a 4.9% decrease at EM where all three regions reduced inventory sequentially.

Avnet, Inc. Q2 Fiscal Year 2014
$ in millions - except per share data
January 23, 2014

**Returns**

| | Q2' FY13 | Q3' FY13 | Q4' FY13 | Q1' FY14 | Q2' FY14 | Y/Y Change |
|---|---|---|---|---|---|---|
| Return on Working Capital (ROWC) (1) | 22.92% | 20.88% | 23.85% | 19.84% | **24.04%** | 112 bps |
| Return on Capital Employed (ROCE) (1) | 12.26% | 10.99% | 12.52% | 10.36% | **12.79%** | 53 bps |

(1) A reconciliation of non-GAAP financial measures is presented in the Non-GAAP Financial Information section of the press release attached as Exhibit 99.1 included in this Current Report on Form 8-K.

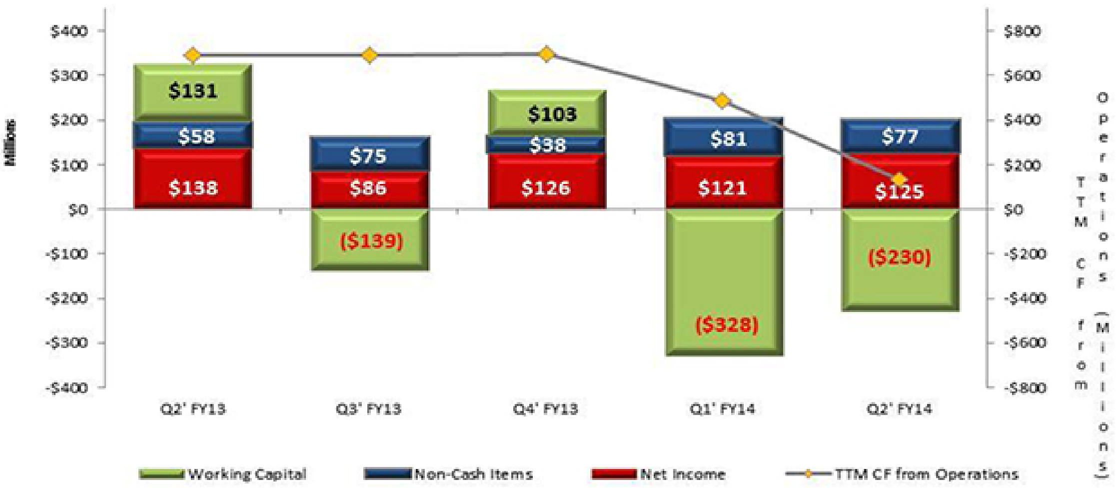



- ROWC for the second quarter of fiscal 2014 was 24.0%, an increase of 112 basis points year over year and an increase of 420 basis points sequentially.
  - The year-over-year and sequential increase were primarily due to the increase in operating income noted above.
- ROCE of 12.8% was up 53 basis points from the year ago quarter and 243 basis points sequentially.

Avnet, Inc. Q2 Fiscal Year 2014
$ in millions - except per share data
January 23, 2014

## Cash Flow

| | Q2' FY13 | Q3' FY13 | Q4' FY13 | Q1' FY14 | Q2' FY14 | Y/Y Change |
|---|---|---|---|---|---|---|
| Net Income | $ 137.5 | $ 86.2 | $ 126.1 | $ 120.6 | **$ 124.9** | $ (12.6) |
| Non-Cash Items | $ 57.6 | $ 75.0 | $ 38.1 | $ 81.4 | **$ 76.7** | $ 19.1 |
| Working Capital and Other | $ 131.3 | $ (139.2) | $ 102.6 | $ (328.2) | **$ (229.6)** | $ (360.9) |
| Cash Flow from Operations | $ 326.4 | $ 22.0 | $ 266.8 | $ (126.2) | **$ (28.0)** | $ (354.4) |
| TTM CF from Operations | $ 690.3 | $ 688.7 | $ 696.2 | $ 489.0 | **$ 134.6** | $ (555.7) |




- During the second quarter of fiscal 2014, cash flow used for operations was $28.0 million and over the trailing twelve months cash flow generated from operations was $134.6 million. The use of cash was primarily driven by an increase in working capital as the stronger than expected close at the end of the December quarter at TS drove a significant increase in accounts receivables.
- The Company did not purchase any shares under the $750 million share repurchase program during the quarter. As of the end of the quarter, the Company had approximately $225 million remaining in the program.
- During the quarter, the Company paid a dividend of $0.15 per share or $20.6 million in total and $41.3 million fiscal year to date.
- Cash and cash equivalents at the end of the quarter were $779.3 million, of which $677.9 million was held outside the United States; net debt (total debt less cash and cash equivalents) was approximately $1.4 billion.

**Forward-Looking Statements**

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,” “estimate,” “forecast,” “expect,” “believe,” and “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 vary 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 Company’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, 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.

**Organic Sales**

Organic sales is defined as reported sales adjusted for (i) the impact of acquisitions and divestitures by adjusting Avnet’s prior periods to include the sales of acquired businesses and exclude the sales of divested businesses as if the acquisitions and divestitures had occurred at the beginning of the earliest period presented and (ii) the impact of the transfer of a portion of certain operations between the EM and TS operating groups, which did not have an impact to Avnet on a consolidated basis but did impact the organic sales for the TS and EM operating groups. Sales taking into account the combination of these adjustments are referred to as “organic sales.”

**Non-GAAP Financial Information**

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 in this document certain non-GAAP financial information including adjusted operating income, adjusted net income and adjusted diluted earnings per share, as well as sales adjusted for the impact of acquisitions and other items (as defined in the Organic Sales section of this document). Management believes organic sales is a useful measure for evaluating current period performance as compared with prior periods and for understanding underlying trends.

Management believes that operating income adjusted for (i) restructuring, integration and other expenses, and (ii) amortization of acquired intangible assets and other, is a useful measure to help investors better assess and understand the Company’s operating performance, especially 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 without the impact of these items 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 some cases, for measuring performance for compensation purposes.

Management believes net income and diluted EPS adjusted for (i) the impact of the items described above, (ii) certain items impacting income tax expense and (iii) the gain on legal settlement, bargain purchase and other is useful to investors because it provides a measure of the Company’s net profitability on a more comparable basis to historical periods and provides a more meaningful basis for forecasting future performance. Additionally, because of management’s focus on generating shareholder value, of which net profitability is a primary driver, management believes net income and diluted EPS excluding the impact of these items provides an important measure of the Company’s net results of operations for the investing public.

Other metrics management monitors in its assessment of business performance include return on working capital (ROWC), return on capital employed (ROCE) and working capital velocity (WC velocity).

- ROWC is defined as annualized adjusted operating income (as defined above) divided by the sum of the monthly average balances of receivables and inventory less accounts payable.
- ROCE is defined as annualized, tax effected adjusted operating income (as defined above) divided by the monthly average balances of interest-bearing debt and equity (including the impact of adjustments to operating income discussed above) less cash and cash equivalents.

- WC velocity is defined as annualized sales divided by the sum of the monthly average balances of receivable and inventory less accounts payable.

Any analysis of results and outlook on a non-GAAP basis should be used as a complement to, and in conjunction with, results presented in accordance with GAAP. A reconciliation of the non-GAAP financial measures to the GAAP financial measures is included in the Company's press release dated January 23, 2014.