Avnet Fiscal Third Quarter 2019 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.

Executive Overview

Bill Amelio
Chief Executive Officer

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Q3 2019 overall highlights

- Solid quarter of execution
- Ecosystem strategy gaining momentum
  - Drives deeper customer engagements
  - Well-positioned to capitalize on long-term trends
- Innovation expanding our addressable market
- Solutions pipeline continues to grow
  - Including more non-traditional customers

Q3 2019 performance highlights
(all comparisons are YoY)

- Continuing to grow in a mixed macro environment
  - Western regions steady
  - Continued weakness in Asia
- Sales down slightly due primarily to decline in Asia
- Adjusted operating income margin[1] up 23 bps
- Adjusted earnings per share[1] increased by 7%
- Strong positive cash flow

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

Q3 2019 performance highlights

- Notable strength in defense and aerospace
- Industrial and automotive slowed slightly
- Passive and interconnect revenues up YoY
- OpEx trending down and improving profitability
  - Remain disciplined in spending and investments
- Most Ethical Company for 6th consecutive year

1 Accelerating electronic components business

- Americas recovery continues
  - Best design win quarterly performance in six quarters
  - Positive book-to-bill ratio in the region
- EMEA saw another steady, solid quarter
  - Abacus business (IP&E) had a record quarter
- Asia team performed well despite macro downturn
  - Starting to see signs of market stabilization
  - Book-to-bill in the region improving

2 Scaling higher profit margin businesses

Farnell Q3 2019

$367.5M	Sales flat sequentially; down 1.5% YoY in constant currency
12.4%	Operating margin up YoY & sequentially
+3	New global suppliers added

Farnell:
New suppliers added

Ultimaker

ALPSALPINE
ALPS ALPINE GROUP

Sensata Technologies

Looking forward:

- Investments in additional inventory and SKUs
- New quoting and pricing tools
- Making investments in infrastructure and web speed

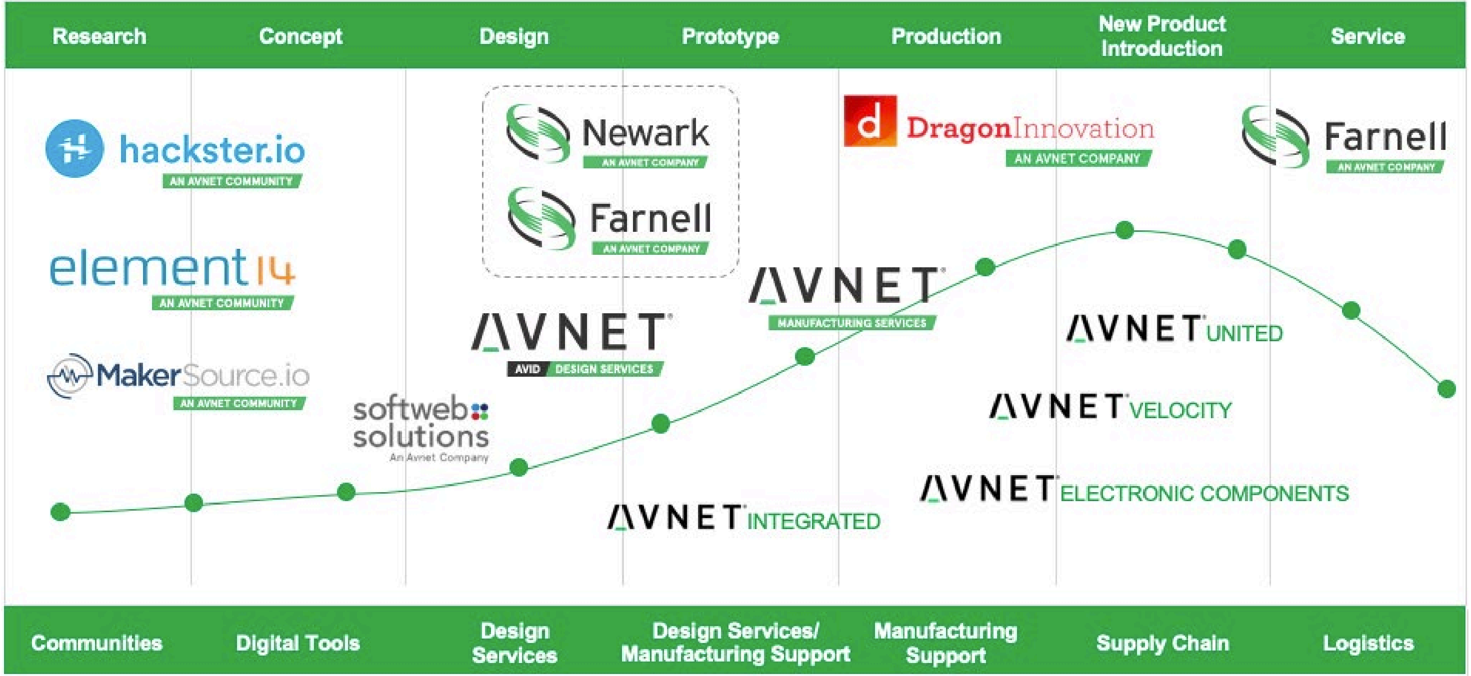
3 Digital capabilities driving growth and efficiency

My Digital Assistant: enables sales team to unearth new opportunities for customers

Robotic Process Automation: improves productivity and customer experience

New Pricing & CRM: positive margin impact, significant quote time improvements

4 Leveraging ecosystem to expand opportunities



- Total IoT/non-traditional customer pipeline now exceeds $600M
- Avnet uniquely positioned to bring complex solutions together for partners

4 Leveraging ecosystem to expand opportunities

Microsoft Partnership – Azure Sphere Starter Kit

- Supports rapid prototyping of IoT implementations
- Will create new opportunities for Avnet

Microsoft, ST Micro & Octonion – SmartEdge Agile

- Avnet’s first artificial intelligence-based solution
- Provides key automated insights to customers

Softweb Solutions Acquisition

- Integration on track

5 Driving performance and operational excellence

through continuous improvement

- Transformation enabled improved margins and profitability despite slowdown
  - IT organization is being resized and restructured
  - Lower-cost regions utilized for certain functions
  - Upgraded and improved efficiencies of Asia and EMEA distribution centers
- Savings provide for strategic reinvestment in digital tools and capabilities

On track to deliver $245M in overall savings

Financial Overview

Tom Liguori
Chief Financial Officer

Q3 2019 Financial highlights

$4.7B	Revenues in-line with expectations, up YoY in constant currency
3.8%	Adjusted operating income margin[1] up YoY & sequentially
+6.9%	Increase in adjusted diluted EPS[1] YoY to $1.09
$269M	Operational cash flow; working capital reduction contributed
-6 days	Net working capital days declined sequentially, excluding Asia
9%	Reduction in diluted share count YoY
$0.20	Quarterly dividend payment, up 5% from prior year quarter

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

Key metrics by business segment and region

Electronic Components	• Sales of **$4.3B**, sequential and YoY decline due primarily to Asia • Operating margin improved 15 bps sequentially to **3.5%**
Farnell	• Sales of **$367.5M**, flat sequentially, down 1.5% YoY in constant currency • OI margin improved ~160 bps sequentially and YoY to **12.4%**
Asia	• Sales of **$1.7B**, down 20.2% sequentially and 2.7% YoY • Market demand beginning to stabilize in the region
EMEA	• Sales of **$1.7B,** declined YoY due to FX impact • In constant currency, sales up 4.7% sequentially and 3.8% YoY
Americas	• Sales of **$1.3B,** flat sequentially, up 1.6% YoY • Components sales growth up high single digits YoY

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Q3 2019 Income statement key metrics (YoY)

13.3%	Gross margin up 80 bps sequentially and down 35 bps YoY
$37.3M	Reduction in SG&A expenses; ~half from impact of FX
$178.1M	Adjusted operating income[1] up 4.3%
3.8%	Adjusted operating income margin[1], up 23 bps
21%	Adjusted tax rate[1]

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

Q3 2019 Balance sheet and cash flow performance

$269M	Cash provided by operations
$41M	Non-operating cash flow from sale of real estate in Europe
$139M	Cash returned to shareholders through dividend & share repurchases
$1.35B	Net debt at end of quarter
2.5	Gross debt leverage; compared to 2.4 sequentially
-6	Net working capital days declined sequentially, excluding Asia

Financial scorecard: Q3 FY19 progress report

($M)	Target	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Progress
Growing higher margin business							
% of AVT revenue from higher margin business	45%	41.8%	40.6%	38.3%	38.4%	40.4%	
Optimizing cost and operating income							
Adjusted op expense as % of sales (1)		10.1%	9.5%	8.9%	8.9%	9.5%	
Adjusted op expense as % of GP$ (1)	65%	73.9%	72.7%	71.3%	71.6%	71.5%	
Adjusted op income % (1)	4.5% - 5.0%	3.56%	3.56%	3.59%	3.54%	3.79%	
Adjusted op income (1)		$171	$180	$183	$179	$178	
Deploying capital to highest returns							
Net working capital days(2)	< 70 days	90	84	83	86	91	
Share repurchase $M		70.0	117.5	156.9	175.1	117.2	
# dilutive shares (M)		119.6	117.9	116.5	111.5	108.8	

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

(2) Excluding Asia, Net Working Capital Days were down 6 days sequentially

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Outlook for Q4 FY19

(ending on June 29, 2019)

Metric	Guidance Range	Midpoint
Sales	$4.5B - $4.9B	$4.7B
Adjusted Diluted EPS[1]	$1.00 - $1.08	$1.04
Estimated Tax Rate	19% - 23%	21%

- Q4 guidance reflects revenues similar to Q3 with a change in mix
  - Slight sequential uptick in Asia revenues
  - Macro headwinds in Western regions
  - With change in mix, expect sequential decline in EPS
- At midpoint, guidance represents:
  - 6.6% decline in sales YoY
  - 5.1% adjusted diluted EPS[1] growth YoY

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

Q&A Session

Appendix

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 25, 2019, 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.

Thank you

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