

CFO Review of Fiscal 2017 Third Quarter Results

	Q3' FY16	Q3' FY17	Y/Y Chg
Sales	\$ 4,082.0	\$ 4,441.9	\$ 359.9
Gross Profit	\$ 520.9	\$ 630.0	\$ 109.0
<i>Gross Profit Margin</i>	12.8 %	14.2 %	142 bps
Operating Income	\$ 150.0	\$ 114.3	\$ (35.7)
Adjusted Operating Income ⁽¹⁾	\$ 161.3	\$ 172.3	\$ 11.0
<i>Operating Income Margin</i>	3.7 %	2.6 %	(110) bps
<i>Adjusted Operating Income Margin ⁽¹⁾</i>	4.0 %	3.9 %	(7) bps
Income from continuing operations	\$ 107.8	\$ 89.9	\$ (17.9)
Adjusted Income from continuing operations ⁽¹⁾	\$ 107.1	\$ 114.3	\$ 7.2
Diluted EPS from continuing operations	\$ 0.82	\$ 0.69	(15.9)%
Adjusted Diluted EPS from continuing operations ⁽¹⁾	\$ 0.81	\$ 0.88	8.6 %
Return on Working Capital (ROWC) ⁽¹⁾	19.2 %	16.4 %	(282) bps
Return on Capital Employed (ROCE) ⁽¹⁾	12.0 %	9.2 %	(282) bps
Working Capital Velocity ⁽¹⁾	4.9	4.2	(0.64)

(1) Non-GAAP measures. See the definitions and reconciliation of non-GAAP financial information attached as exhibit 99.2 to the Form 8-K filed with the Securities Exchange Commission on April 27, 2017 ("Exhibit 99.2").

- Sales for the third quarter of fiscal 2017 increased 10.6% in constant currency year over year to \$4.4 billion. Organic sales increased 1.8% in constant currency year over year.
- Adjusted operating income increased 6.8% year over year to \$172.3 million and adjusted operating margin declined 7 basis points.
- Adjusted diluted earnings per share from continuing operations of \$0.88 increased 8.6% year over year, with the increase primarily due to the acquisition of Premier Farnell.
- Cash flow used in continuing operations was \$163 million in the third quarter of fiscal 2017.
- During the third quarter of fiscal 2017, the Company paid a dividend of \$0.18 per share, or \$23.1 million.

Avnet Regional Sales Results

			Year-over- Year Growth Rates
	Q3' FY16	Q3' FY17	Reported
Avnet Total	\$ 4,082.0	\$ 4,441.9	8.8 %
<i>Constant Currency</i> ⁽¹⁾			10.6 %
Americas	\$ 1,227.2	\$ 1,328.6	8.3 %
EMEA	\$ 1,330.8	\$ 1,615.9	21.4 %
<i>Constant Currency</i> ⁽¹⁾			27.0 %
Asia	\$ 1,524.0	\$ 1,497.4	(1.7)%
<i>Constant Currency</i> ⁽¹⁾			(1.6)%

⁽¹⁾ Year-over-year sales growth rate excludes the impact of changes in foreign currency exchange rates. Refer to Exhibit 99.2.

- Avnet's third quarter fiscal 2017 sales of \$4.44 billion increased 8.8% year over year, or 10.6% in constant currency, primarily due to the addition of Premier Farnell.
 - Americas' sales increased 8.3% year over year as reported, and organic sales declined 2.8% from the year ago quarter.
 - EMEA's sales increased 27.0% in constant currency from the prior year quarter, and organic sales increased 12.3% in constant currency.
 - Asia's sales decreased 1.6% in constant currency from the prior year quarter, and organic sales decreased 4.1% in constant currency, primarily due to the decision to exit select high volume supply chain engagements.
- Excluding Premier Farnell and select high volume supply chain engagements in the Asia region, organic sales increased 3.5% sequentially in constant currency, which is at the high end of the normal seasonal range of -1% to +3%.

Operating Income

	Q3' FY16	Q3' FY17	Y/Y Change
Business Unit Operating Income ⁽¹⁾	\$ 184.1	\$ 197.1	\$ 13.0
Business Unit Operating Income Margin	4.5 %	4.4 %	(7) bps

⁽¹⁾ Excludes operating expenses of corporate functions.

- Business unit operating income increased 7.1% from the year ago quarter, primarily due to the addition of Premier Farnell. On a sequential basis, business unit operating income increased 3.4%, in part due to having a full quarter of Premier Farnell sales in Q3 as compared to a partial quarter in Q2.
- Business unit operating income margin of 4.4% decreased 7 basis points from the year ago quarter primarily due to higher ongoing operating costs incurred as a result of the ERP in the Americas region. Sequentially, operating income margin decreased 2 basis points due to declines in the Americas and Asia regions, partially offset by an increase in the EMEA region.

Interest Expense, Other Income (Expense) and Income Taxes

	Q3' FY16	Q3' FY17	Y/Y Change
Interest Expense	\$ 21.4	\$ 27.5	\$ 6.1
Other Income	\$ 1.5	\$ 19.4	\$ 18.0
Income Tax Expense	\$ 22.3	\$ 16.3	\$ (6.0)
Adjusted Income Tax Expense ⁽¹⁾	\$ 34.3	\$ 36.1	\$ 1.8
Effective Tax Rate	17.1 %	15.3 %	(182) bps
Adjusted Effective Tax Rate ⁽¹⁾	24.3 %	24.0 %	(25) bps

⁽¹⁾ Refer to Exhibit 99.2.

- Interest expense increased by \$6.1 million from the prior year quarter primarily due to the increase in debt year over year, including an increase to fund the acquisition of Premier Farnell, partially offset by the decrease in interest expense from repayments of debt at the end of the quarter with the proceeds from the sale of the TS business.
- Other income increased 18.0 million primarily due to unrealized gains on marketable securities received as proceeds from the sale of the TS business.
- The adjusted effective tax rate was 24.0% in the third quarter of fiscal 2017 compared to 24.3% in the year ago quarter.

Working Capital

	Q2' FY17	Q3' FY17	Q/Q Change
Accounts Receivable	\$ 2,996.1	\$ 3,237.4	\$ 241.3
Inventories	\$ 2,697.8	\$ 2,771.2	\$ 73.4
Accounts Payable	\$ (1,774.0)	\$ (1,731.3)	\$ 42.7
Working Capital	\$ 3,919.9	\$ 4,277.4	\$ 357.5

- Working capital (accounts receivable plus inventories less accounts payable) from continuing operations increased \$357.5 million sequentially, or 9.1%, primarily due to an increase in the EMEA and Asia regions.
- Inventories increased \$73.4 million sequentially, or 2.7%, primarily due to an increase in the Asia region.

Cash Flow

	YTD Q3' FY16	YTD Q3' FY17	Y/Y Change
Net Income	\$ 318.9	\$ 190.1	\$ (128.8)
Non-Cash Items	\$ 137.1	\$ 134.8	\$ (2.3)
Working Capital and Other	\$ (273.8)	\$ (184.4)	\$ 89.5
Cash Flow from (used) in Operations	\$ 182.1	\$ 140.5	\$ (41.6)

- The Company used \$162.7 million of cash for continuing operations during the third quarter of fiscal 2017.
 - During the third quarter of fiscal 2017, the Company repurchased 3.1 million shares under its share repurchase program for a total cost of \$140.1 million. Entering the fourth quarter of fiscal 2017, the Company had approximately \$534.8 million remaining under the current repurchase authorization.
- During the third quarter of fiscal 2017, the Company paid a dividend of \$0.18 per share, or \$23.1 million in total.
- Cash and cash equivalents at the end of the third quarter of fiscal 2017 was \$1.13 billion, of which \$1.09 billion was held outside the United States; net debt (total debt less cash and cash equivalents) was approximately \$0.63 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,” “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 and transitioning to a global ERP system, supplier losses and changes to supplier programs, the sale of the TS business, 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 Avnet’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 Definitions and Reconciliations

A discussion on the impact of foreign currency on the Company’s results of operations, the definition of non-GAAP measures and a reconciliation of non-GAAP financial information is attached as Exhibit 99.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 27, 2017.