


Welcome to Avnet's Second Quarter Fiscal Year 2014 Teleconference and Webcast



January 23, 2014 2:00 p.m. Eastern Time

Safe Harbor Statement

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

Business Highlights



Rick Hamada
Chief Executive Officer

Q2 FY14 Avnet, Inc. Highlights

- Sales **↑** 10.8% Y/Y to \$7.4B; organic⁽¹⁾ **↑** 8.1% (C\$⁽³⁾)
 - Three consecutive quarters of improving Y/Y organic growth
 - Q/Q organic⁽¹⁾ sales **↑** 13.9%(C\$⁽³⁾); seasonal +8% to +12%
- Gross Profit% **↓** 4 BPS Y/Y; GP% **↓** 16 BPS Q/Q
- Adj. Operating Inc⁽²⁾\$ **↑** 15.2% Y/Y; OI%⁽²⁾ **↑** 14 BPS Y/Y
 - Q/Q Adj. Operating Inc⁽²⁾\$ **↑** 31.9%; OI%⁽²⁾ **↑** 41 BPS Q/Q
- Adj. EPS⁽²⁾ of \$1.17 **↑** 11.4% Y/Y; **↑** 30.0% Q/Q
- Cash used for Operations = \$28M in Q2; TTM = + \$134.6M

Q2 FY14 EM Highlights

- Sales **↑** 13.1% Y/Y to \$4.2B; organic⁽¹⁾ **↑** 11.4% (C\$⁽²⁾)
 - Q/Q organic⁽¹⁾ sales **↑** 1.6% (C\$⁽²⁾); seasonal 0% to -3%
- Gross Profit% flat Y/Y; **↑** 26 BPS Q/Q
 - Q/Q **↑** due to the MSC acquisition in EMEA
- Operating Inc% **↑** 24 BPS Y/Y to 4.1%; **↓** 33 BPS Q/Q
 - Y/Y **↑** due to improvements in Americas and Asia
 - Q/Q **↓** due to fulfillment business in Asia and the MSC acquisition where synergies have yet to be realized
- ROWC⁽³⁾ **↑** 236 BPS Y/Y

Q2 FY14 TS Highlights

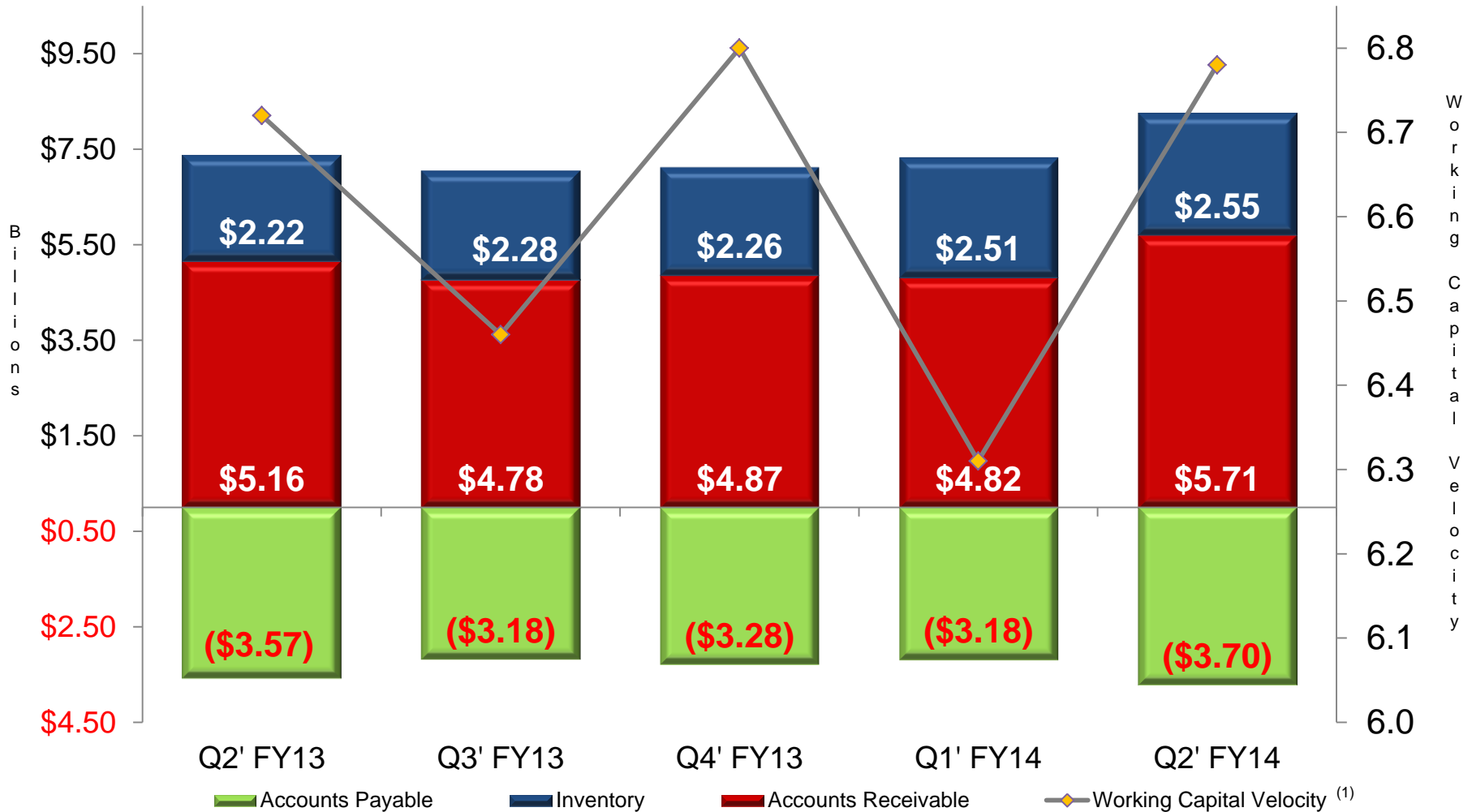
- Sales **↑** 8.0% Y/Y to \$3.3B; organic⁽¹⁾ **↑** 4.1% (C\$⁽²⁾)
 - Q/Q organic⁽¹⁾ sales **↑** 34.6% (C\$⁽²⁾); seasonal +20% to +26%
- Gross Profit% **↓** 18 BPS Y/Y; GP%, **↓** 34 BPS Q/Q
 - Q/Q **↓** due to Americas and Asia regions
- Operating Inc% **↓** 6 BPS Y/Y to 3.7%; **↑** 108 BPS Q/Q
 - Q/Q **↑** due to improved profitability in the western regions
- ROWC⁽³⁾ **↑** 1,568 BPS Q/Q
- Software, Storage & Services **↑** > 30% Q/Q
 - Software & Storage drove Y/Y growth

Additional Financial Highlights



Kevin Moriarty
Chief Financial Officer

Working Capital



March 2014 Quarter Outlook (Q3 FY14) ⁽¹⁾

- Group Sales
 - EM: \$4.0 to \$4.3 billion
 - TS: \$2.6 to \$2.9 billion
- Adjusting for currency, the midpoint of EM guidance is flat vs. normal seasonality of +4% to +7%
 - EM guidance reflects normal seasonality in the western regions and below normal seasonality in the Asia region due to an expected decline in the high volume fulfillment business
- Adjusting for currency, the midpoint of TS guidance is -16% vs. normal seasonality of -20% to -16%
- Enterprise Sales: \$6.6 to \$7.2 billion
- Adjusted EPS⁽²⁾: \$1.02 to \$1.12
 - Assumes 140.1 million average diluted shares outstanding and a tax rate of 27% to 31%



Question and Answer Session

*Please feel free to contact
Avnet's Investor Relations Personnel at:*

480-643-7394
investorrelations@avnet.com
www.ir.avnet.com

Non-GAAP Financial Information and Reconciliation

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 (EPS), 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. The Company occasionally refers to comparative results in both reported dollars and constant dollars. Reported dollars reflect the GAAP results while constant dollars reflect the adjustment for fluctuations in foreign currency exchange rates between the two comparative periods.

Management believes that operating income adjusted for (i) restructuring, integration and other expenses, and (ii) amortization of acquired intangible assets, 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 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 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.

Non-GAAP Financial Information and Reconciliation

Second Quarter Fiscal 2014

| | Operating Income | Income Before Income Taxes | Net Income | Diluted EPS |
|---|---------------------|-------------------------------|-------------------|----------------|
| <i>\$ in thousands, except per share data</i> | | | | |
| 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 |

First Quarter Fiscal 2014

| | Operating Income | Income Before Income Taxes | Net Income | Diluted EPS |
|--|---------------------|-------------------------------|-------------------|----------------|
| <i>\$ in thousands, except per share data</i> | | | | |
| 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 |

Non-GAAP Financial Information and Reconciliation

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."

| | <u>Sales as Reported</u> | <u>Acquisition / (Divestiture) Sales</u> <i>(in thousands)</i> | <u>Organic Sales</u> |
|------------------|------------------------------|---|--------------------------|
| Q1 Fiscal 2014 | \$ 6,345,475 | \$ 119,950 | \$ 6,465,425 |
| Q2 Fiscal 2014 | 7,421,854 | — | 7,421,854 |
| Fiscal year 2014 | <u>\$ 13,767,329</u> | <u>\$ 119,950</u> | <u>\$ 13,887,279</u> |
| 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 | <u>\$ 25,458,924</u> | <u>\$ 793,267</u> | <u>\$ 26,252,191</u> |

Non-GAAP Financial Information and Reconciliation

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) | <u>\$ 4,378,731</u> | <u>\$ 3,987,286</u> |
| Average monthly total capital | (e) | <u>\$ 5,912,624</u> | <u>\$ 5,405,464</u> |
| 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 and reconciliation section.

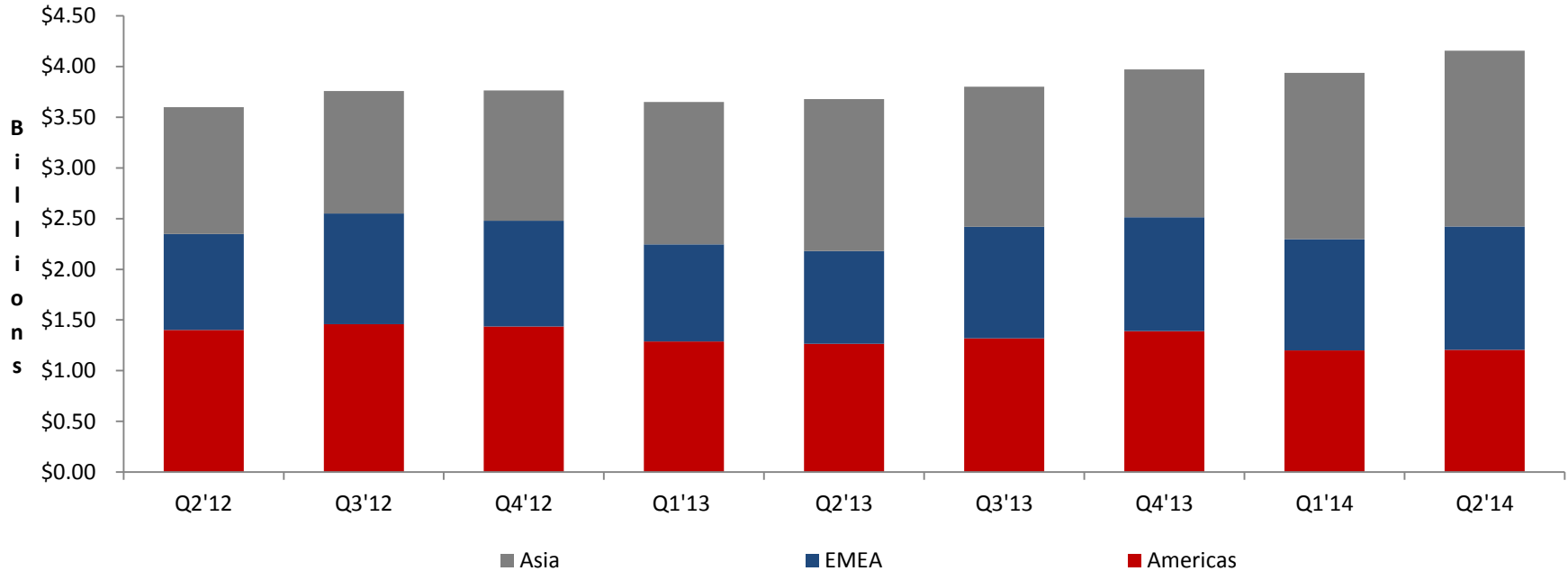
(2) Adjusted effective tax rate for each quarterly period in a fiscal year is based upon the currently anticipated annual effective tax rate, excluding the tax effect of the items described above in the reconciliation to GAAP amounts in this Non-GAAP Financial Information and reconciliation section.

Appendix



EM Revenue

Sales

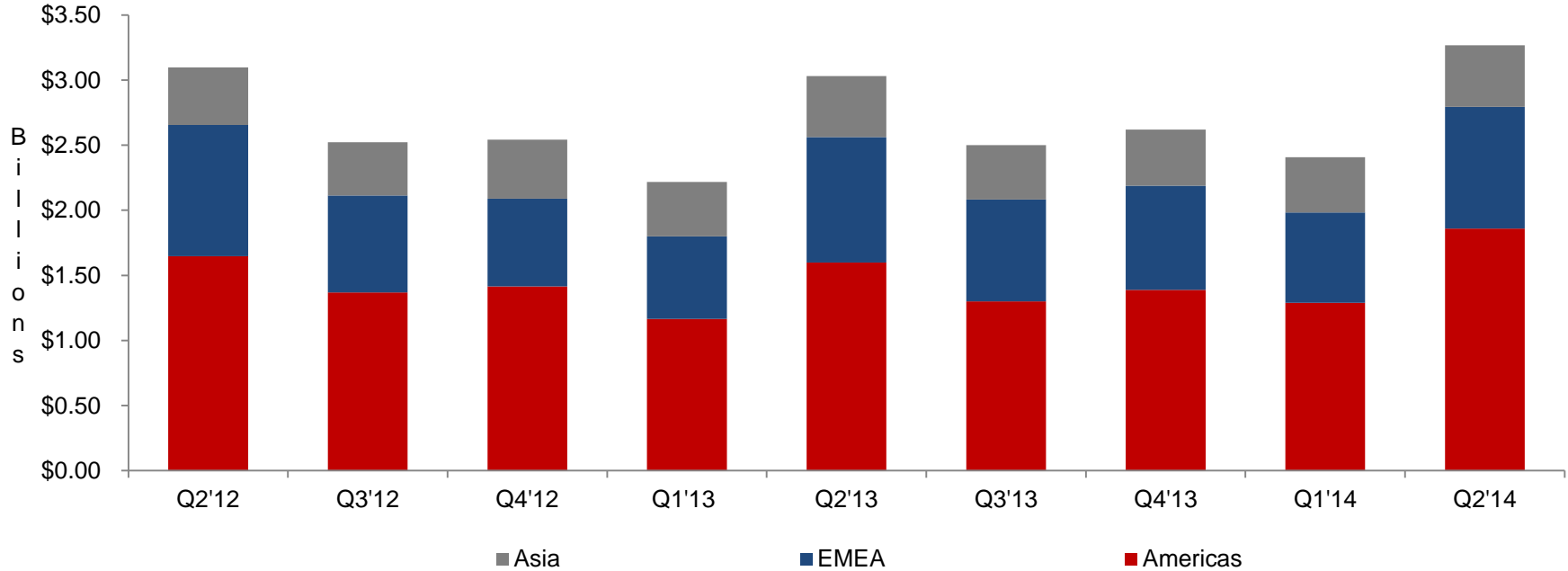


EM Sales Breakdown (In Billions)

| | Q2'12 | Q3'12 | Q4'12 | Q1'13 | Q2'13 | Q3'13 | Q4'13 | Q1'14 | Q2'14 |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Americas | \$1.40 | \$1.46 | \$1.44 | \$1.29 | \$1.26 | \$1.32 | \$1.39 | \$1.20 | \$1.20 |
| EMEA | \$0.95 | \$1.09 | \$1.04 | \$0.96 | \$0.91 | \$1.10 | \$1.12 | \$1.10 | \$1.22 |
| Asia | \$1.25 | \$1.21 | \$1.28 | \$1.40 | \$1.50 | \$1.38 | \$1.46 | \$1.64 | \$1.73 |
| Total | \$3.60 | \$3.76 | \$3.76 | \$3.65 | \$3.67 | \$3.80 | \$3.97 | \$3.94 | \$4.15 |

TS Revenue

Sales



TS Sales Breakdown (In Billions)

| | Q2'12 | Q3'12 | Q4'12 | Q1'13 | Q2'13 | Q3'13 | Q4'13 | Q1'14 | Q2'14 |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Americas | \$1.65 | \$1.37 | \$1.41 | \$1.16 | \$1.60 | \$1.30 | \$1.39 | \$1.29 | \$1.86 |
| EMEA | \$1.01 | \$0.74 | \$0.68 | \$0.64 | \$0.96 | \$0.78 | \$0.80 | \$0.70 | \$0.94 |
| Asia | \$0.44 | \$0.41 | \$0.45 | \$0.42 | \$0.47 | \$0.42 | \$0.43 | \$0.42 | \$0.47 |
| Total | \$3.10 | \$2.52 | \$2.54 | \$2.22 | \$3.03 | \$2.50 | \$2.62 | \$2.41 | \$3.27 |