

# AVNET INC

## FORM 10-Q (Quarterly Report)

Filed 10/30/17 for the Period Ending 09/30/17

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CIK 0000008858  
Symbol AVT  
SIC Code 5065 - Wholesale-Electronic Parts and Equipment, Not Elsewhere Classified  
Industry Electronic Equipment & Parts  
Sector Technology  
Fiscal Year 06/28

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

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**FORM 10-Q**

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

**For the quarterly period ended September 30, 2017**

Commission File #1-4224

**AVNET, INC.**

Incorporated in New York

IRS Employer Identification No. 11-1890605  
2211 South 47<sup>th</sup> Street, Phoenix, Arizona 85034  
(480) 643-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  
Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of October 19, 2017, the total number of shares outstanding of the registrant's Common Stock was 120,927,437 shares, net of treasury shares.

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AVNET, INC. AND SUBSIDIARIES  
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**PART I**  
**FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**AVNET, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

|  | <b>September 30,</b>                     | <b>July 1,</b>      |
|--|--|---------------------|
|  | <b>2017</b>                              | <b>2017</b>         |
|  | <b>(Thousands, except share amounts)</b> |                     |
| <b>ASSETS</b>  |  |                     |
| Current assets:  |  |                     |
| Cash and cash equivalents  | \$ 539,679                               | \$ 836,384          |
| Marketable securities  | 197,949                                  | 281,326             |
| Receivables, less allowances of \$49,505 and \$47,272, respectively  | 3,417,427                                | 3,337,624           |
| Inventories  | 3,129,032                                | 2,824,709           |
| Prepaid and other current assets   | 261,600                                  | 253,765             |
| Total current assets   | <u>7,545,687</u>                         | <u>7,533,808</u>    |
| Property, plant and equipment, net   | 510,303                                  | 519,575             |
| Goodwill   | 1,178,005                                | 1,148,347           |
| Intangible assets, net   | 290,962                                  | 277,291             |
| Other assets   | 248,201                                  | 220,568             |
| Total assets   | <u>\$ 9,773,158</u>                      | <u>\$ 9,699,589</u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |  |                     |
| Current liabilities:   |  |                     |
| Short-term debt  | \$ 195,498                               | \$ 50,113           |
| Accounts payable   | 1,917,749                                | 1,861,635           |
| Accrued expenses and other   | 598,456                                  | 542,023             |
| Total current liabilities  | <u>2,711,703</u>                         | <u>2,453,771</u>    |
| Long-term debt   | 1,495,139                                | 1,729,212           |
| Other liabilities  | 322,213                                  | 334,538             |
| Total liabilities  | <u>4,529,055</u>                         | <u>4,517,521</u>    |
| Commitments and contingencies (Note 7)   |  |                     |
| Shareholders' equity:  |  |                     |
| Common stock \$1.00 par; authorized 300,000,000 shares; issued 121,235,396 shares and 123,080,952 shares, respectively | 121,235                                  | 123,081             |
| Additional paid-in capital   | 1,511,461                                | 1,503,490           |
| Retained earnings  | 3,765,491                                | 3,799,363           |
| Accumulated other comprehensive loss   | (154,084)                                | (243,866)           |
| Total shareholders' equity   | <u>5,244,103</u>                         | <u>5,182,068</u>    |
| Total liabilities and shareholders' equity   | <u>\$ 9,773,158</u>                      | <u>\$ 9,699,589</u> |

See notes to consolidated financial statements.

**AVNET, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

|   | <b>First Quarters Ended</b>                  |                                  |
|---|--|----------------------------------|
|   | <b>September 30,</b><br><b>2017</b>          | <b>October 1,</b><br><b>2016</b> |
|   | <b>(Thousands, except per share amounts)</b> |                                  |
| Sales   | \$ 4,660,943                                 | \$ 4,118,104                     |
| Cost of sales                                     | 4,048,388                                    | 3,595,449                        |
| Gross profit                                      | 612,555                                      | 522,655                          |
| Selling, general and administrative expenses      | 496,206                                      | 363,672                          |
| Restructuring, integration and other expenses     | 46,394                                       | 29,469                           |
| Operating income                                  | 69,955                                       | 129,514                          |
| Other income (expense), net                       | 15,579                                       | (13,734)                         |
| Interest expense                                  | (24,060)                                     | (27,236)                         |
| Income from continuing operations before taxes    | 61,474                                       | 88,544                           |
| Income tax expense                                | 3,292  | 20,856                           |
| Income from continuing operations, net of tax     | 58,182                                       | 67,688                           |
| Income from discontinued operations, net of tax   | 121  | 1,155                            |
| Net income  | 58,303                                       | 68,843                           |
| <b>Earnings per share - basic:</b>                |  |                                  |
| Continuing operations                             | \$ 0.48                                      | \$ 0.53                          |
| Discontinued operations                           | 0.00   | 0.01                             |
| Net income per share basic                        | 0.48   | 0.54                             |
| <b>Earnings per share - diluted:</b>              |  |                                  |
| Continuing operations                             | \$ 0.47                                      | \$ 0.52                          |
| Discontinued operations                           | 0.00   | 0.01                             |
| Net income per share diluted                      | 0.47   | 0.53                             |
| <b>Shares used to compute earnings per share:</b> |  |                                  |
| Basic   | 122,685                                      | 127,531                          |
| Diluted   | 123,984                                      | 129,763                          |
| Cash dividends paid per common share              | \$ 0.18                                      | \$ 0.17                          |

See notes to consolidated financial statements.

**AVNET, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Unaudited)**

|  | <b>First Quarters Ended</b>   |                            |
|--|-------------------------------|----------------------------|
|  | <b>September 30,<br/>2017</b> | <b>October 1,<br/>2016</b> |
|  | <b>(Thousands)</b>            |                            |
| Net income   | \$ 58,303                     | \$ 68,843                  |
| Other comprehensive income (loss), net of tax:     |                               |                            |
| Foreign currency translation adjustments and other | 88,843                        | 31,661                     |
| Pension adjustments, net                           | 939                           | 619                        |
| Total comprehensive income                         | <u>\$ 148,085</u>             | <u>\$ 101,123</u>          |

See notes to consolidated financial statements.

**AVNET, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

|  | <b>Three Months Ended</b>     |                            |
|--|-------------------------------|----------------------------|
|  | <b>September 30,<br/>2017</b> | <b>October 1,<br/>2016</b> |
|  | <b>(Thousands)</b>            |                            |
| <b>Cash flows from operating activities:</b>                                     |                               |                            |
| Net income   | \$ 58,303                     | \$ 68,843                  |
| Less: Income from discontinued operations, net of tax                            | 121                           | 1,155                      |
| Income from continuing operations  | 58,182                        | 67,688                     |
| <b>Non-cash and other reconciling items:</b>                                     |                               |                            |
| Depreciation   | 38,263                        | 19,694                     |
| Amortization   | 25,506                        | 1,930                      |
| Deferred income taxes  | (23,436)                      | 6,412                      |
| Stock-based compensation   | 8,609                         | 17,576                     |
| Other, net   | 4,902                         | 10,714                     |
| <b>Changes in (net of effects from businesses acquired and divested):</b>        |                               |                            |
| Receivables  | (32,409)                      | (64,587)                   |
| Inventories  | (266,998)                     | 182,240                    |
| Accounts payable   | 37,252                        | (164,777)                  |
| Accrued expenses and other, net  | 22,140                        | 33,522                     |
| Net cash flows (used) provided by operating activities - continuing operations   | (127,989)                     | 110,412                    |
| Net cash flows used by operating activities - discontinued operations            | —                             | (110,548)                  |
| Net cash flows used by operating activities                                      | (127,989)                     | (136)                      |
| <b>Cash flows from financing activities:</b>                                     |                               |                            |
| Repayment of notes   | —                             | (300,000)                  |
| Borrowings (repayments) under accounts receivable securitization, net            | 28,000                        | (150,265)                  |
| Borrowings (repayments) under senior unsecured credit facility, net              | (92,471)                      | —                          |
| Borrowings (repayments) under bank credit facilities and other debt, net         | (24,888)                      | 669,803                    |
| Repurchases of common stock  | (68,113)                      | —                          |
| Dividends paid on common stock   | (22,012)                      | (21,676)                   |
| Other, net   | (579)                         | 682                        |
| Net cash flows (used) provided by financing activities - continuing operations   | (180,063)                     | 198,544                    |
| Net cash flows used by financing activities - discontinued operations            | —                             | (4,756)                    |
| Net cash flows (used) provided by financing activities                           | (180,063)                     | 193,788                    |
| <b>Cash flows from investing activities:</b>                                     |                               |                            |
| Purchases of property, plant and equipment                                       | (26,659)                      | (34,729)                   |
| Acquisitions of businesses, net of cash acquired (Note 2)                        | (14,661)                      | —                          |
| Other, net   | 1,211                         | 432                        |
| Net cash flows used for investing activities - continuing operations             | (40,109)                      | (34,297)                   |
| Net cash flows provided (used) by investing activities - discontinued operations | 45,391                        | (95)                       |
| Net cash flows provided (used) by investing activities                           | 5,282                         | (34,392)                   |
| Effect of currency exchange rate changes on cash and cash equivalents            | 6,065                         | 5,807                      |
| <b>Cash and cash equivalents:</b>  |                               |                            |
| — (decrease) increase  | (296,705)                     | 165,067                    |
| — at beginning of period   | 836,384                       | 1,031,478                  |
| — at end of period   | \$ 539,679                    | \$ 1,196,545               |

See notes to consolidated financial statements.

**AVNET, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of presentation and new accounting pronouncements**

In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments necessary to present fairly Avnet, Inc.'s and its consolidated subsidiaries' (collectively, the "Company" or "Avnet") financial position, results of operations, comprehensive income (loss) and cash flows. All such adjustments are of a normal recurring nature.

The preparation of financial statements in accordance with generally accepted accounting principles in the U.S. ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results may differ from these estimates.

Interim results of operations are not necessarily indicative of the results to be expected for the full fiscal year. The information included in this Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the fiscal year ended July 1, 2017.

Certain reclassifications have been made in prior periods and the fiscal year to date current periods to conform to the current period presentation.

*New accounting pronouncements*

In August 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2017-12, *Derivatives and Hedging (Topic 815) - Targeted Improvements to Accounting for Hedging Activities* ("ASU 2017-12"), which improves the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and makes certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP. This update is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of ASU 2017-12 on its consolidated financial statements.

There have been no material changes or additions to the recently issued accounting pronouncements as previously reported in Part II, Item 7, of the Company's Annual Report on Form 10-K for the fiscal year ended July 1, 2017 that affect or may affect the Company's financial statements.

**2. Acquisitions**

*Premier Farnell*

On October 17, 2016, the Company acquired all of the outstanding shares of Premier Farnell Plc ("PF"), a global distributor of electronic components and related products. The cash consideration paid for the acquisition was approximately \$841 million, which consisted of £1.85 per share of PF common stock. Additionally, Avnet assumed \$242.8 million of debt at fair value.

The PF acquisition was accounted for as a business combination. The purchase price of this acquisition was allocated to the assets acquired and liabilities assumed based on their estimated fair values on the transaction date. During the first quarter of fiscal 2018, the Company finalized its estimated acquisition date fair values for assets acquired and liabilities assumed, which resulted in a decrease in goodwill of \$15.3 million, a net increase in intangible assets of \$24.9 million, and an increase in other long-term liabilities of \$9.6 million.

**AVNET, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

The following table summarizes the final purchase price allocation (in thousands):

|   |    |                |
|---|----|----------------|
| Cash  | \$ | 46,354         |
| Trade and other receivables, net                                    |    | 187,303        |
| Inventories   |    | 328,037        |
| Property, plant and equipment                                       |    | 52,621         |
| Intangible assets   |    | 319,966        |
| Total identifiable assets acquired                                  | \$ | <u>934,281</u> |
| Accounts payable, accrued liabilities and other current liabilities | \$ | 160,572        |
| Short-term debt   |    | 242,814        |
| Other long-term liabilities   |    | 150,109        |
| Total identifiable liabilities acquired                             | \$ | <u>553,495</u> |
| Net identifiable assets acquired                                    |    | <u>380,786</u> |
| Goodwill  |    | <u>460,534</u> |
| Net assets acquired   | \$ | <u>841,320</u> |

Approximately \$10.0 million of goodwill associated with the PF acquisition is expected to be deductible for tax purposes.

*Dragon Innovation*

In August 2017, the Company acquired Dragon Innovation, Inc. (“Dragon”), a provider of manufacturing logistics services to entrepreneurs. The impact of this acquisition was not material to the Company’s consolidated balance sheets or statements of operations.

**3. Discontinued operations and gain on sale**

In February 2017, the Company completed the sale of its Technology Solutions (“TS”) business to Tech Data Corporation (the “Buyer”). Included in the gain on sale recorded in fiscal 2017 were estimates for certain income taxes due on the gain and additional cash consideration expected from the Buyer related to a closing date net working capital sales price adjustment (the “closing date adjustment”). The Company is finalizing the closing date adjustment with the Buyer as provided for in the sales agreement and has included an estimate of this amount as the principal component of the \$261.6 million of prepaid and other current assets as of September 30, 2017. The final closing date adjustment, as determined through the established process outlined in the sales agreement, may be materially different from the Company’s estimate. The impact of any probable changes in the closing date adjustment will be recorded as an adjustment to the gain on sale from discontinued operations in the period such change occurs. Additionally, the income taxes associated with the gain will be impacted by the final geographic allocation of the sales price, which must be agreed to with the Buyer as required in the sales agreement and may be materially different from the Company’s estimates. The impact of any changes in estimated income taxes on the gain will be recorded as an adjustment to the gain on sale from discontinued operations in the period such change in estimate occurs. The Company expects the closing date adjustment and the income tax on the gain to be finalized by the end of fiscal 2018.

**AVNET, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

The Company received 2.8 million shares of the Buyer's common stock at closing (the "Shares"), which has been recorded within "Marketable securities" on the Company's Consolidated Balance Sheets. Unrealized and realized gains or losses due to changes in fair value based upon Level 1 quoted active market prices of the Shares are recorded in "Other income (expense), net" on the Consolidated Statements of Operations. The sales agreement includes time based contractual restrictions related to the Company's sale of the Shares and as such, the Company entered into economic hedges to reduce the Company's exposure to price fluctuations of the Shares during the restricted period, which fixes the net amount that the Company will realize upon the sale of the Shares at approximately \$247 million. The Company records changes in fair value related to the economic share price hedges within "Other income (expense), net", offsetting the changes in fair value of the underlying Shares. During the three months ended September 30, 2017, the Company sold 0.6 million Shares, the net proceeds of which have been included in Cash flows from investing activities – discontinued operations.

In connection with the sale of the TS business, the Company entered into a Transition Services Agreement ("TSA"), pursuant to which the Buyer will pay the Company to provide certain information technology, distribution, facilities, finance and human resources related services for various periods of time depending upon the services not to exceed approximately two years from the closing date. Expenses incurred by the Company to provide such services under the TSA are classified within selling, general and administrative expenses and amounts billed to the Buyer to provide such services are classified as a reduction of such expenses. As of September 30, 2017, the Buyer terminated substantially all TSA services outside of certain information technology services and all remaining TSA services are expected to be terminated by the end of fiscal 2018.

Financial results of the TS business for the first quarter ended October 1, 2016 are presented as "Income from discontinued operations, net of tax" on the Consolidated Statements of Operations and are summarized as follows:

|   | <b>First Quarter Ended<br/>October 1, 2016</b> |
|---|--|
|   | <b>(Thousands)</b>                             |
| Sales   | \$ 1,922,202                                   |
| Cost of sales   | 1,728,929                                      |
| Gross profit  | 193,273  |
| Selling, general and administrative expenses            | 166,025  |
| Restructuring, integration and other expenses           | 4,224  |
| Operating income  | 23,024   |
| Interest and other expense, net                         | 5  |
| Income from discontinued operations before income taxes | 23,029   |
| Income tax expense                                      | 21,874   |
| Income from discontinued operations, net of taxes       | \$ 1,155                                       |

Included within selling, general and administrative expenses of discontinued operations was \$12.5 million of estimated corporate expenses, excluding general overhead, specific to or benefiting the TS business for the first quarter ended October 1, 2016.

**AVNET, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**4. Goodwill and long-lived assets**

*Goodwill*

The following table presents the change in goodwill by reportable segment for the three months ended September 30, 2017. All of the accumulated impairment was recognized in fiscal 2009.

|                                      | <b>Electronic<br/>Components</b> | <b>Premier<br/>Farnell</b> | <b>Total</b>        |
|--------------------------------------|----------------------------------|----------------------------|---------------------|
|                                      | <b>(Thousands)</b>               |                            |                     |
| Gross goodwill                       | \$ 1,680,158                     | \$ 513,299                 | \$ 2,193,457        |
| Accumulated impairment               | (1,045,110)                      | —                          | (1,045,110)         |
| Carrying value at July 1, 2017       | <u>635,048</u>                   | <u>513,299</u>             | <u>1,148,347</u>    |
| Additions from acquisitions          | 21,539                           | —                          | 21,539              |
| Foreign currency translation         | 5,772                            | 17,739                     | 23,511              |
| Measurement period adjustments       | (64)                             | (15,328)                   | (15,392)            |
| Carrying value at September 30, 2017 | <u>\$ 662,295</u>                | <u>\$ 515,710</u>          | <u>\$ 1,178,005</u> |
| Gross goodwill                       | \$ 1,707,405                     | \$ 515,710                 | \$ 2,223,115        |
| Accumulated impairment               | (1,045,110)                      | —                          | (1,045,110)         |
| Carrying value at September 30, 2017 | <u>\$ 662,295</u>                | <u>\$ 515,710</u>          | <u>\$ 1,178,005</u> |

The Company's reporting units passed goodwill impairment testing using a quantitative impairment model in the fourth quarter of fiscal 2017, however, the Company's Electronic Components ("EC") Americas reporting units had an estimated fair value that was not substantially in excess of its carrying value. The Company evaluates each quarter if facts and circumstances indicate that it is more likely than not that the fair value of reporting units is less than its carrying value, which would require the Company to perform an interim goodwill impairment test. Indicators the Company evaluates to determine whether an interim goodwill impairment test is necessary include, but are not limited to (i) a sustained decrease in share price or market capitalization, (ii) changes in the macroeconomic or industry environments, (iii) the results of and the amount of time passed since the last goodwill impairment test and (iv) the long-term expected financial performance of its reporting units. During the first quarter of fiscal 2018, the Company concluded that an interim goodwill impairment test was not required.

*Intangible Assets*

The following table presents the Company's acquired intangible assets at September 30, 2017, and July 1, 2017, respectively.

|                      | <b>September 30, 2017</b>  |                                     |                           | <b>July 1, 2017</b>        |                                     |                           |
|----------------------|----------------------------|-------------------------------------|---------------------------|----------------------------|-------------------------------------|---------------------------|
|                      | <b>Acquired<br/>Amount</b> | <b>Accumulated<br/>Amortization</b> | <b>Net Book<br/>Value</b> | <b>Acquired<br/>Amount</b> | <b>Accumulated<br/>Amortization</b> | <b>Net Book<br/>Value</b> |
|                      | <b>(Thousands)</b>         |                                     |                           |                            |                                     |                           |
| Customer related     | \$ 307,712                 | \$ (101,512)                        | \$ 206,200                | \$ 277,865                 | \$ (79,578)                         | \$ 198,287                |
| Trade name           | 55,947                     | (10,122)                            | 45,825                    | 46,915                     | (6,720)                             | 40,195                    |
| Technology and other | 53,580                     | (14,643)                            | 38,937                    | 50,369                     | (11,560)                            | 38,809                    |
|                      | <u>\$ 417,239</u>          | <u>\$ (126,277)</u>                 | <u>\$ 290,962</u>         | <u>\$ 375,149</u>          | <u>\$ (97,858)</u>                  | <u>\$ 277,291</u>         |

**AVNET, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

Intangible asset amortization expense from continuing operations was \$25.5 million and \$1.9 million for the first quarters of fiscal 2018 and 2017, respectively. Intangible assets have a weighted average remaining useful life of approximately 4 years. The following table presents the estimated future amortization expense for the remainder of fiscal 2018, the next five fiscal years and thereafter (in thousands):

| <b>Fiscal Year</b>       |                   |
|--------------------------|-------------------|
| Remainder of fiscal 2018 | 65,198            |
| 2019                     | 85,462            |
| 2020                     | 83,476            |
| 2021                     | 40,219            |
| 2022                     | 12,677            |
| 2023                     | 3,693             |
| Thereafter               | 237               |
| Total                    | <u>\$ 290,962</u> |

**5. Debt**

Short-term debt consists of the following (in thousands):

|  | <u>September 30, 2017</u> | <u>July 1, 2017</u> | <u>September 30, 2017</u> | <u>July 1, 2017</u> |
|--|---------------------------|---------------------|---------------------------|---------------------|
|  | <u>Interest Rate</u>      |                     | <u>Carrying Balance</u>   |                     |
| Bank credit facilities and other           | 2.15 %                    | 2.27 %              | \$ 25,498                 | \$ 50,113           |
| Accounts receivable securitization program | 1.70 %                    | —                   | 170,000                   | —                   |
| Short-term debt                            |                           |                     | <u>\$ 195,498</u>         | <u>\$ 50,113</u>    |

Bank credit facilities and other consists primarily of various committed and uncommitted lines of credit and other forms of bank debt with financial institutions utilized primarily to support the working capital requirements of the Company including its foreign operations.

The Company has an accounts receivable securitization program (the "Program") in the United States with a group of financial institutions to allow the Company to transfer, on an ongoing revolving basis, an undivided interest in a designated pool of trade accounts receivable, to provide security or collateral for borrowings up to a maximum of \$400.0 million. The Program does not qualify for off balance sheet accounting treatment and any borrowings under the Program are recorded as debt in the consolidated balance sheets. Under the Program, the Company legally sells and isolates certain U.S. trade accounts receivable into a wholly owned and consolidated bankruptcy remote special purpose entity. Such receivables, which are recorded within "Receivables" in the consolidated balance sheets, totaled \$734.2 million and \$807.5 million at September 30, 2017, and July 1, 2017, respectively. The Program contains certain covenants relating to the quality of the receivables sold. The Program also requires the Company to maintain certain minimum interest coverage and leverage ratios, which the Company was in compliance with as of September 30, 2017, and July 1, 2017. The Program expires in August 2018 and as a result the Company has classified outstanding balances as short-term debt as of September 30, 2017. Interest on borrowings is calculated using a base rate or a commercial paper rate plus a spread of 0.40% with a facility fee of 0.40%.

**AVNET, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

Long-term debt consists of the following (in thousands):

|  | <u>September 30, 2017</u> | <u>July 1, 2017</u> | <u>September 30, 2017</u> | <u>July 1, 2017</u> |
|--|---------------------------|---------------------|---------------------------|---------------------|
|  | <u>Interest Rate</u>      |                     | <u>Carrying Balance</u>   |                     |
| <b>Revolving credit facilities:</b>                    |                           |                     |                           |                     |
| Accounts receivable securitization program             | —                         | 1.53 %              | \$ —                      | \$ 142,000          |
| Credit Facility  | 4.30 %                    | 2.77 %              | 7,500                     | 99,970              |
| <b>Notes due:</b>                                      |                           |                     |                           |                     |
| June 2020  | 5.88 %                    | 5.88 %              | 300,000                   | 300,000             |
| December 2021  | 3.75 %                    | 3.75 %              | 300,000                   | 300,000             |
| December 2022  | 4.88 %                    | 4.88 %              | 350,000                   | 350,000             |
| April 2026   | 4.63 %                    | 4.63 %              | 550,000                   | 550,000             |
| Other long-term debt                                   | 1.36 %                    | 1.36 %              | 532                       | 642                 |
| Long-term debt before discount and debt issuance costs |                           |                     | 1,508,032                 | 1,742,612           |
| Discount and debt issuance costs - unamortized         |                           |                     | (12,893)                  | (13,400)            |
| Long-term debt   |                           |                     | <u>\$ 1,495,139</u>       | <u>\$ 1,729,212</u> |

The Company has a five-year \$1.25 billion senior unsecured revolving credit facility (the “Credit Facility”) with a syndicate of banks, consisting of revolving credit facilities and the issuance of up to \$150.0 million of letters of credit, which expires in July 2019. Subject to certain conditions, the Credit Facility may be increased up to \$1.50 billion. Under the Credit Facility, the Company may select from various interest rate options, currencies and maturities. The Credit Facility contains certain covenants including various limitations on debt incurrence, share repurchases, dividends, investments and capital expenditures. The Credit Facility also includes financial covenants requiring the Company to maintain minimum interest coverage and leverage ratios, which the Company was in compliance with as of September 30, 2017, and July 1, 2017. As of September 30, 2017, and July 1, 2017, there were \$2.0 million and \$3.1 million, respectively, in letters of credit issued under the Credit Facility.

As of September 30, 2017, the carrying value and fair value of the Company’s total debt was \$1.69 billion and \$1.76 billion, respectively. At July 1, 2017, the carrying value and fair value of the Company’s total debt was \$1.78 billion and \$1.85 billion, respectively. Fair value for the notes was estimated based upon quoted market prices and for other forms of debt fair value approximates carrying value due to the market based variable nature of the interest rates on those debt agreements.

#### **6. Derivative financial instruments**

Many of the Company’s subsidiaries purchase and sell products in currencies other than their functional currencies. This subjects the Company to the risks associated with fluctuations in foreign currency exchange rates. The Company reduces this risk by utilizing natural hedging (e.g., offsetting receivables and payables in the same foreign currency) as well as by creating offsetting positions through the use of derivative financial instruments, primarily forward foreign exchange contracts typically with maturities of less than 60 days (“economic hedges”), but no longer than one year. The Company continues to have exposure to foreign currency risks to the extent they are not economically hedged. The Company adjusts any economic hedges to fair value through the consolidated statements of operations primarily within “other income (expense), net.” The fair value of forward foreign exchange contracts, which are based upon Level 2 criteria under the ASC 820 fair value hierarchy, are classified in the captions “other current assets” or “accrued expenses and other,” as applicable, in the accompanying consolidated balance sheets as of September 30, 2017, and July 1, 2017. The Company’s master netting and other similar arrangements with various financial institutions related to derivative financial instruments allow for the right of offset. The Company’s policy is to present derivative financial instruments with the same counterparty as either a net asset or liability when the right of offset exists.

**AVNET, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

The Company generally does not hedge its investments in its foreign operations. The Company does not enter into derivative financial instruments for trading or speculative purposes and monitors the financial stability and credit standing of its counterparties.

The Company's foreign currency exposure relates primarily to international transactions where the currency collected from customers can be different from the currency used to purchase from suppliers. The Company's foreign operations transactions are denominated primarily in the following currencies: U.S. Dollar, Euro, British Pound, Canadian Dollar, Japanese Yen, Chinese Yuan, Taiwan Dollar and Mexican Peso. The Company also, to a lesser extent, has foreign operations transactions in other European and Asia/Pacific foreign currencies.

The fair values of derivative financial instruments in the Company's consolidated balance sheets are as follows:

|   | <b>September 30,<br/>2017</b> | <b>July 1,<br/>2017</b> |
|---|-------------------------------|-------------------------|
|   | <b>(Thousands)</b>            |                         |
| Forward foreign currency exchange contracts not receiving hedge accounting treatment recorded in: |                               |                         |
| Other current assets  | \$ 3,653                      | \$ 7,297                |
| Accrued expenses  | 5,108                         | 4,142                   |

In addition to amounts included in the above table, there was approximately \$0.1 million and \$34.0 million as of September 30, 2017 and July 1, 2017, respectively, of accrued expenses related to an economic hedge derivative financial instrument used to hedge the fair value changes in marketable securities discussed further in Note 3.

The amounts recorded to other income (expense), net related to derivative financial instruments for economic hedges are as follows:

|   | <b>First Quarters Ended</b>   |                            |
|---|-------------------------------|----------------------------|
|   | <b>September 30,<br/>2017</b> | <b>October 1,<br/>2016</b> |
|   | <b>(Thousands)</b>            |                            |
| Net derivative financial instrument (loss) gain | \$ 1,859                      | \$ (9,508)                 |

For the three months ended October 1, 2016, \$8.0 million of derivative financial instrument losses in other income (expenses), net, have been excluded from the above table associated with foreign currency derivative financial instruments purchased to economically hedge the British Pound purchase price of the PF acquisition in fiscal 2017.

Under the Company's economic hedging policies, gains and losses on the derivative financial instruments are classified within the same line item in the consolidated statements of operations and as the underlying assets or liabilities being economically hedged.

#### **7. Commitments and contingencies**

From time to time, the Company may become a party to, or be otherwise involved in various lawsuits, claims, investigations and other legal proceedings arising in the ordinary course of conducting its business. While litigation is subject to inherent uncertainties, management does not anticipate that any such matters will have a material adverse effect on the Company's financial condition, liquidity or results of operations.

**AVNET, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

The Company is also currently subject to various pending and potential legal matters and investigations relating to compliance with governmental laws and regulations, including import/export and environmental matters. For certain of these matters it is not possible to determine the ultimate outcome, and the Company cannot reasonably estimate the maximum potential exposure or the range of possible loss for such matters due primarily to being in the early stages of the related proceedings and investigations. The Company currently believes that the resolution of such matters will not have a material adverse effect on the Company's financial position or liquidity, but could possibly be material to its results of operations in any one reporting period.

As of September 30, 2017, the Company had aggregate estimated liabilities of \$14.2 million, classified within accrued expenses and other for such compliance-related matters that were reasonably estimable as of such dates.

#### **8. Income taxes**

The Company's effective tax rate on its income before income taxes from continuing operations was 5.4% in the first quarter of fiscal 2018 as compared with 23.6% in the first quarter of fiscal 2017. During the first quarter of fiscal 2018, the Company's effective tax rate was favorably impacted primarily by (i) the mix of income in lower tax jurisdictions and (ii) the release of unrecognized tax benefit reserves primarily due to the negotiation of a favorable outcome in a foreign jurisdiction. During the first quarter of fiscal 2017, the Company's effective tax rate was favorably impacted primarily by the mix of income in lower tax jurisdictions.

#### **9. Pension plan**

The Company has a noncontributory defined benefit pension plan (the "Plan") that covers substantially all U.S. employees excluding U.S. employees of the acquired PF business and a closed noncontributory defined benefit pension plan in the U.S. covering all U.S. PF employees (collectively, the "Plans"). Components of net period pension cost for the Plans were as follows:

|                                       | <b>First Quarters Ended</b>   |   |
|---------------------------------------|-------------------------------|---|
|                                       | <b>September 30,<br/>2017</b> | <b>October 1,<br/>2016 <sup>(1)</sup></b> |
|                                       | <b>(Thousands)</b>            |   |
| Service cost                          | \$ 3,868                      | \$ 10,848                                 |
| Interest cost                         | 5,783                         | 3,774                                     |
| Expected return on plan assets        | (13,757)                      | (10,588)                                  |
| Amortization of prior service credits | (393)                         | (393)                                     |
| Recognized net actuarial loss         | 3,746                         | 3,851                                     |
| Net periodic pension (benefit) cost   | \$ (753)                      | \$ 7,492                                  |

(1) Includes discontinued operations

The Company contributed \$8.0 million to the Plans during the first quarter of fiscal 2018 and expects to make an additional contribution to the Plans of \$8.0 million in the remainder of fiscal 2018. No contributions were made to the acquired PF plan as that plan has been closed. The Company expects to combine the Plans into a single plan to provide pension benefits to eligible U.S. employees beginning in January 2018.

The Plans meet the definition of defined benefit plans and as a result, the Company applies ASC 715 pension accounting to the Plans. The Plans, however, are cash balance plans that are similar in nature to defined contribution plans in that a participant's benefit is defined in terms of stated account balances. The cash balance plans provides the Company with the benefit of applying any earnings on the Plan's investments beyond the fixed return provided to participants, toward the Company's future cash funding obligations.

**AVNET, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

Amounts reclassified out of accumulated other comprehensive income (loss), net of tax, to operating expenses during the first quarters of fiscal 2018 and fiscal 2017 were not material and substantially all related to net periodic pension costs including recognition of actuarial losses and amortization of prior service credits.

In connection with the sale of the TS business, a significant number of former employees became terminated vested employees under the Plan. If the aggregate amount of former employee withdrawals from their Plan balances reach a certain threshold during a fiscal year, a settlement charge is required under ASC 715 pension accounting in the period that such aggregate withdrawals exceed the threshold. The Company expects that this threshold will be exceeded in fiscal 2018 resulting in settlement charges of up to approximately \$15 million.

**10. Shareholders' equity**

*Share repurchase program*

In February 2017, the Company's Board of Directors amended the Company's existing share repurchase program to authorize the repurchase of up to \$1.75 billion of common stock in the open market or through privately negotiated transactions. The timing and actual number of shares repurchased will depend on a variety of factors such as share price, corporate and regulatory requirements, and prevailing market conditions. During the three months ended September 30, 2017, the Company repurchased 1.9 million shares under this program for a total cost of \$72.1 million.

*Common stock dividend*

In August 2017, the Company's Board of Directors approved a dividend of \$0.18 per common share and dividend payments of \$22.0 million were made in September 2017.

**AVNET, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**11. Earnings per share**

|  | <b>First Quarters Ended</b>   |                            |
|--|-------------------------------|----------------------------|
|  | <b>September 30,<br/>2017</b> | <b>October 1,<br/>2016</b> |
| <b>(Thousands, except per share data)</b>  |                               |                            |
| <b>Numerator:</b>  |                               |                            |
| Income from continuing operations  | \$ 58,182                     | \$ 67,688                  |
| Income from discontinued operations  | 121                           | 1,155                      |
| Net income   | <u>\$ 58,303</u>              | <u>\$ 68,843</u>           |
| <b>Denominator:</b>  |                               |                            |
| Weighted average common shares for basic earnings per share                            | 122,685                       | 127,531                    |
| Net effect of dilutive stock based compensation awards                                 | 1,299                         | 2,232                      |
| Weighted average common shares for diluted earnings per share                          | <u>123,984</u>                | <u>129,763</u>             |
| Basic earnings per share - continuing operations                                       | \$ 0.48                       | \$ 0.53                    |
| Basic earnings per share - discontinued operations                                     | 0.00                          | 0.01                       |
| Basic earnings per share   | <u>\$ 0.48</u>                | <u>\$ 0.54</u>             |
| Diluted earnings per share - continuing operations                                     | \$ 0.47                       | \$ 0.52                    |
| Diluted earnings per share - discontinued operations                                   | 0.00                          | 0.01                       |
| Diluted earnings per share   | <u>\$ 0.47</u>                | <u>\$ 0.53</u>             |
| Stock options excluded from earnings per share calculation due to anti-dilutive effect | 2,033                         | 674                        |

See Note 3 for additional information on income from discontinued operations.

**12. Additional cash flow information**

Non-cash investing activities and supplemental cash flow information were as follows:

|  | <b>Three Months Ended</b>     |                            |
|--|-------------------------------|----------------------------|
|  | <b>September 30,<br/>2017</b> | <b>October 1,<br/>2016</b> |
| <b>(Thousands)</b>                         |                               |                            |
| <b>Non-cash Investing Activities:</b>      |                               |                            |
| Capital expenditures incurred but not paid | \$ 23,176                     | \$ 7,406                   |
| <b>Supplemental Cash Flow Information:</b> |                               |                            |
| Interest                                   | \$ 5,107                      | \$ 18,840                  |
| Income taxes                               | \$ 18,362                     | \$ 15,216                  |

Non-cash financing activities of \$4.0 million related to share repurchases that have been accrued, but not yet paid for as of September 30, 2017. Non-cash investing activities of \$4.1 million related to share sales that have been accrued, but not yet received, as of September 30, 2017.

**AVNET, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

Included in cash and cash equivalents as of September 30, 2017, and July 1, 2017, was \$5.5 million and \$208.3 million, respectively, of cash equivalents, which was primarily comprised of investment grade money market funds and overnight time deposits.

**13. Segment information**

Electronic Components (“EC”) and Premier Farnell (“PF”) are the Company’s reportable segments (“operating groups”). EC markets and sells semiconductors and interconnect, passive and electromechanical devices and integrated components to a diverse customer base serving many end-markets. PF distributes electronic components and related products to the electronic system design community utilizing multi-channel sales and marketing resources.

|  | <b>First Quarters Ended</b>   |                            |
|--|-------------------------------|----------------------------|
|  | <b>September 30,<br/>2017</b> | <b>October 1,<br/>2016</b> |
|  | <b>(Thousands)</b>            |                            |
| Sales:   |                               |                            |
| Electronic Components                                | \$ 4,307,251                  | \$ 4,118,104               |
| Premier Farnell                                      | 353,692                       | —                          |
|  | <u>4,660,943</u>              | <u>4,118,104</u>           |
| Operating income (loss):                             |                               |                            |
| Electronic Components                                | \$ 139,601                    | \$ 185,051                 |
| Premier Farnell                                      | 34,795                        | —                          |
|  | <u>174,396</u>                | <u>185,051</u>             |
| Corporate <sup>(1)</sup>                             | (32,462)                      | (23,690)                   |
| Restructuring, integration and other expenses        | (46,394)                      | (29,469)                   |
| Amortization of acquired intangible assets and other | (25,585)                      | (2,378)                    |
| Operating Income                                     | <u>\$ 69,955</u>              | <u>\$ 129,514</u>          |
| Sales, by geographic area:                           |                               |                            |
| Americas <sup>(2)</sup>                              | \$ 1,185,485                  | \$ 1,250,508               |
| EMEA <sup>(3)</sup>                                  | 1,692,985                     | 1,265,294                  |
| Asia/Pacific <sup>(4)</sup>                          | <u>1,782,473</u>              | <u>1,602,302</u>           |
| Sales  | <u>\$ 4,660,943</u>           | <u>\$ 4,118,104</u>        |

<sup>(1)</sup> Corporate is not a reportable segment and represents certain centrally incurred overhead expenses and assets that are not included in the EC and PF measures of profitability or assets. Corporate amounts represent a reconciling item between segment measures and total Avnet amounts reported in the consolidated financial statements.

<sup>(2)</sup> Includes sales from the United States of \$1.10 billion and \$1.17 billion for the first quarters ended September 30, 2017, and October 1, 2016, respectively.

<sup>(3)</sup> Includes sales from Germany and Belgium of \$681.0 million and \$262.5 million, respectively, for the first quarter ended September 30, 2017. Includes sales from Germany and Belgium of \$521.4 million and \$202.7 million, respectively, for the first quarter ended October 1, 2016.

<sup>(4)</sup> Includes sales from China (including Hong Kong) and Taiwan of \$655.4 million and \$657.5 million, respectively, for the first quarter ended September 30, 2017. Includes sales from China (including Hong Kong) and Taiwan of \$624.8 million and \$589.5 million, respectively, for the first quarter ended October 1, 2016.

**AVNET, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

|  | September 30,<br>2017 | July 1,<br>2017   |
|--|-----------------------|-------------------|
|  | (Thousands)           |                   |
| Property, plant, and equipment, net, by geographic area: |                       |                   |
| Americas <sup>(1)</sup>                                  | \$ 278,435            | \$ 296,038        |
| EMEA <sup>(2)</sup>                                      | 193,756               | 186,127           |
| Asia/Pacific   | 38,112                | 37,410            |
| Property, plant, and equipment, net                      | <u>\$ 510,303</u>     | <u>\$ 519,575</u> |

<sup>(1)</sup> Includes property, plant and equipment, net, of \$272.5 million and \$289.1 million as of September 30, 2017, and July 1, 2017, respectively, in the United States.

<sup>(2)</sup> Includes property, plant and equipment, net, of \$91.9 million, \$52.2 million and \$40.6 million in Germany, UK and Belgium, respectively, as of September 30, 2017, and \$85.6 million, \$52.1 million and \$39.8 million in Germany, UK and Belgium, respectively, as of July 1, 2017.

#### 14. Restructuring expenses

##### *Fiscal 2018*

During fiscal 2018, the Company took certain restructuring actions in an effort to integrate acquisitions and reduce future operating expenses. Restructuring expenses are included as a component of restructuring, integration and other expenses in the consolidated statements of operations. The activity related to the restructuring liabilities established during fiscal 2018 is presented in the following table:

|   | Severance        | Facility<br>Exit Costs | Asset<br>Impairments | Other         | Total            |
|---|------------------|------------------------|----------------------|---------------|------------------|
|   | (Thousands)      |                        |                      |               |                  |
| Fiscal 2018 restructuring expenses              | \$ 20,583        | —                      | 583                  | 120           | \$ 21,286        |
| Cash payments                                   | (3,054)          | —                      | —                    | (13)          | (3,067)          |
| Non-cash amounts                                | —                | —                      | (583)                | —             | (583)            |
| Other, principally foreign currency translation | (39)             | —                      | —                    | (1)           | (40)             |
| Balance at September 30, 2017                   | <u>\$ 17,490</u> | <u>\$ —</u>            | <u>\$ —</u>          | <u>\$ 106</u> | <u>\$ 17,596</u> |

Severance expense recorded in the first quarter of fiscal 2018 related to the reduction, or planned reduction of 461 employees, primarily in executive management, operations, warehouse, sales and business support functions. Facility exit costs (if any) primarily consist of liabilities for remaining lease obligations for exited facilities. Asset impairments relate to the impairment of property, plant and equipment as a result of the underlying restructuring activities. Other restructuring costs related primarily to other miscellaneous restructuring and exit costs. Of the \$21.3 million in restructuring expenses recorded during the first quarter of fiscal 2018, \$17.7 million related to EC, \$2.4 million related to PF and \$1.2 million related to corporate executive and business support functions. The Company expects the majority of the remaining amounts to be paid by the end of fiscal 2018.

**AVNET, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

*Fiscal 2017*

During fiscal 2017, the Company incurred restructuring expenses related to various restructuring actions intended to achieve planned synergies from acquired businesses and to reduce future operating expenses. The following table presents the activity during the first three months of fiscal 2018 related to the remaining restructuring liabilities from continuing operations established during fiscal 2017:

|   | <b>Severance</b>   | <b>Facility<br/>Exit Costs</b> | <b>Other</b> | <b>Total</b>    |
|---|--------------------|--------------------------------|--------------|-----------------|
|   | <b>(Thousands)</b> |                                |              |                 |
| Balance at July 1, 2017                         | \$ 12,186          | \$ 76                          | \$ —         | \$ 12,262       |
| Cash payments                                   | (4,506)            | (73)                           | —            | (4,579)         |
| Changes in estimates, net                       | 64                 | —                              | —            | 64              |
| Non-cash amounts                                | —                  | —                              | —            | —               |
| Other, principally foreign currency translation | 132                | 2                              | —            | 134             |
| Balance at September 30, 2017                   | <u>\$ 7,876</u>    | <u>\$ 5</u>                    | <u>\$ —</u>  | <u>\$ 7,881</u> |

The Company expects the majority of the remaining amounts to be paid by the end of fiscal 2018.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

For a description of the Company's critical accounting policies and an understanding of the significant factors that influenced the Company's performance during the quarter ended September 30, 2017, this *Management's Discussion and Analysis of Financial Condition and Results of Operations* ("MD&A") should be read in conjunction with the consolidated financial statements, including the related notes, appearing in Item 1 of this Quarterly Report on Form 10-Q, as well as the Company's Annual Report on Form 10-K for the fiscal year ended July 1, 2017.

There are references to the impact of foreign currency translation 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 that follows, results excluding this impact, primarily for subsidiaries in Europe, the Middle East and Africa ("EMEA") and Asia/Pacific, are referred to as "excluding the translation impact of changes in foreign currency exchange rates" or "constant currency."

In addition to disclosing financial results that are determined in accordance with generally accepted accounting principles in the U.S. ("GAAP"), the Company also discloses certain non-GAAP financial information, including:

- Sales adjusted for certain items that impact the year-over-year analysis, which includes the impact of certain acquisitions by adjusting Avnet's prior periods to include the sales of acquired businesses, as if the acquisitions had occurred at the beginning of the earliest period presented. Sales taking into account these adjustments are referred to as "organic sales."
- Operating income excluding (i) restructuring, integration and other expenses (see *Restructuring, Integration and Other Expenses* in this MD&A), and (ii) amortization of acquired intangible assets and other. Operating income excluding such amounts is referred to as "adjusted operating income."

The reconciliation of operating income to adjusted operating income is presented in the following table:

|  | <b>First Quarters Ended</b>   |                            |
|--|-------------------------------|----------------------------|
|  | <b>September 30,<br/>2017</b> | <b>October 1,<br/>2016</b> |
|  | <b>(Thousands)</b>            |                            |
| Operating income                                     | \$ 69,955                     | \$ 129,514                 |
| Restructuring, integration and other expenses        | 46,394                        | 29,469                     |
| Amortization of acquired intangible assets and other | 25,585                        | 2,378                      |
| Adjusted operating income                            | <u>\$ 141,934</u>             | <u>\$ 161,361</u>          |

Management believes that providing this additional information is useful to readers to better assess and understand operating performance, especially when comparing results with prior periods or forecasting performance for future periods, primarily because management typically monitors the business both including and excluding these adjustments to GAAP results. Management also uses these non-GAAP measures to establish operational goals and, in many cases, for measuring performance for compensation purposes. However, any analysis of results on a non-GAAP basis should be used as a complement to, and in conjunction with, results presented in accordance with GAAP.

## OVERVIEW

### *Organization*

Avnet, Inc., founded in 1921 and incorporated in New York in 1955, together with its consolidated subsidiaries (the “Company” or “Avnet”), is a global value-added distributor of electronic components. Avnet creates a vital link in the technology supply chain that connects the world’s leading electronic component manufacturers with a global customer base primarily comprised of original equipment manufacturers, electronic manufacturing services providers and original design manufacturers. Avnet distributes electronic components, as received from its suppliers or through a customized integrated solution, and offers assembly and other value-added services.

Avnet’s two operating groups – Electronic Components (“EC”) and Premier Farnell (“PF”) - have operations in each of the three major economic regions of the world: the Americas; EMEA; and Asia/Pacific, consisting of Asia, Australia and New Zealand (“Asia”). A summary of each operating group is provided in Note 13, “Segment information” to the Company’s consolidated financial statements included in this Quarterly Report on Form 10-Q.

### **Results of Operations**

#### *Executive Summary*

Avnet’s sales and gross profit increased year-over-year primarily as a result of the Company’s acquisition of PF and improvements in the EMEA and Asia regions, partially offset by declines in the Americas region.

Sales of \$4.66 billion in the first quarter of fiscal 2018 increased 13.2% over the first quarter of fiscal 2017 sales of \$4.12 billion and increased 11.8% in constant currency. Excluding the impact of the PF acquisition, Avnet’s organic sales increased 4.8% or 3.5% in constant currency.

Gross profit margin of 13.1% increased 45 basis points over the prior year first quarter as increases from the acquisition of PF were partially offset by declines across all three EC regions.

Operating income margin was 1.5% in the first quarter of fiscal 2018 as compared with 3.1% in the first quarter of fiscal 2017 and adjusted operating income margin was 3.0% in the first quarter of fiscal 2018 as compared to 3.9% in the first quarter of fiscal 2017. The decline in adjusted operating income margin was driven by the western EC regions, partially offset by the acquisition of PF.

#### **Sales**

The following tables present the reconciliation of reported sales to organic sales for the first quarters of fiscal 2018 and fiscal 2017.

|                  | First Quarters Ended                                     |   |  | Sales<br>As Reported<br>Year-Year<br>% Change | Sales<br>As Reported<br>Year-Year %<br>Change in<br>Constant<br>Currency | Organic<br>Sales<br>Year-Year<br>% Change | Organic<br>Sales<br>Year-Year %<br>Change in<br>Constant<br>Currency |
|------------------|--|---|--|---|--|---|--|
|                  | Sales<br>As Reported<br>and Organic<br>Q1-Fiscal<br>2018 | Sales<br>As Reported<br>Q1-Fiscal<br>2017 | Sales<br>Organic<br>Q1-Fiscal<br>2017 <sup>(1)</sup> |   |  |   |  |
|                  | (Dollars in thousands)                                   |   |  |   |  |   |  |
| Avnet            | \$ 4,660,943   | \$ 4,118,104                              | \$ 4,446,817   | 13.2 %  | 11.8 %   | 4.8 %                                     | 3.5 %  |
| Avnet by region  |  |   |  |   |  |   |  |
| Americas         | \$ 1,185,485   | \$ 1,250,508                              | \$ 1,386,652   | (5.2)%  | —  | (14.5)%                                   | —  |
| EMEA             | 1,692,985  | 1,265,294                                 | 1,417,615  | 33.8  | 28.0 %   | 19.4                                      | 14.3 %   |
| Asia             | 1,782,473  | 1,602,302                                 | 1,642,550  | 11.2  | 12.3   | 8.5                                       | 9.6  |
| Avnet by segment |  |   |  |   |  |   |  |
| EC               | \$ 4,307,251   | \$ 4,118,104                              | \$ 4,118,104   | 4.6 %   | 3.3 %  | 4.6 %                                     | 3.3 %  |
| PF               | 353,692  | —   | 328,713  | —   | —  | —   | —  |

(1) Includes PF acquired on October 17, 2016, which has operations in each Avnet region.

|                  | First Quarter Ended           |                             |              |                              |
|------------------|-------------------------------|-----------------------------|--------------|------------------------------|
|                  | As<br>Reported<br>Fiscal 2017 | Acquisitions <sup>(1)</sup> |              | Organic Sales<br>Fiscal 2017 |
|                  | (Dollars in thousands)        |                             |              |                              |
| Avnet            | \$ 4,118,104                  | \$ 328,713                  | \$ 4,446,817 |                              |
| Avnet by region  |                               |                             |              |                              |
| Americas         | \$ 1,250,508                  | \$ 136,144                  | \$ 1,386,652 |                              |
| EMEA             | 1,265,294                     | 152,321                     | 1,417,615    |                              |
| Asia             | 1,602,302                     | 40,248                      | 1,642,550    |                              |
| Avnet by segment |                               |                             |              |                              |
| EC               | \$ 4,118,104                  | \$ —                        | \$ 4,118,104 |                              |
| PF               | —                             | 328,713                     | 328,713      |                              |

(1) Includes PF acquired on October 17, 2016, which has operations in each Avnet region.

Sales for the first quarter of fiscal 2018 were \$4.66 billion, as compared to the first quarter of fiscal 2017 sales of \$4.12 billion. The increase in sales was primarily due to the acquisition of PF and increased sales in the EMEA and Asia EC regions, offset by declines in the Americas EC region primarily as a result of supplier channel changes and year over year sales impacts from an ERP implementation at the end of fiscal 2016.

Organic sales in constant currency increased 14.3% in EMEA and 9.6% in Asia and decreased 14.5% in the Americas region. PF sales were \$353.7 million in the first quarter of fiscal 2018, which is an increase of 2.3% over the fourth quarter of fiscal 2017.

### Gross Profit and Gross Profit Margins

Gross profit for the first quarter of fiscal 2018 was \$612.6 million, an increase of \$89.9 million, or 17.2%, from the first quarter of fiscal 2017 gross profit of \$522.7 million. Gross profit margin of 13.1% increased 45 basis points from the first quarter of fiscal 2017 as a result of the Company's acquisition of PF. Gross profit margin for EC declined in both the Americas and EMEA regions due primarily to supplier channel and program changes that negatively impacted gross profit margin.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A expenses") were \$496.2 million in the first quarter of fiscal 2018, an increase of \$132.5 million, or 36.4%, from the first quarter of fiscal 2017. The year-over-year increase in SG&A expenses was primarily due to the acquisition of PF and the related PF operating expenses, including \$23.2 million of

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additional expense for the amortization of intangible assets. SG&A expenses also increased as a result of changes in foreign currency exchange rates year over year, which was offset by cost savings from restructuring actions taken since the first quarter of fiscal 2017.

Metrics that management monitors with respect to its operating expenses are SG&A expenses as a percentage of sales and as a percentage of gross profit. In the first quarter of fiscal 2018, SG&A expenses as a percentage of sales were 10.6% and as a percentage of gross profit were 81.0%, as compared with 8.8% and 69.6%, respectively, in the first quarter of fiscal 2017. The increases in SG&A expenses as a percentage of sales and as a percentage of gross profit is due primarily to the acquisition of PF and from the decline in gross profit margin in the western EC regions discussed further above.

### **Restructuring, Integration and Other Expenses**

As a result of the aforementioned supplier channel changes, the focus on lowering overall operating costs, and the integration of PF, the Company has incurred certain restructuring costs. In addition, the Company incurred integration, accelerated depreciation, acquisition/divestiture and other costs. Integration costs are primarily related to the integration of acquired businesses including PF, the integration of certain regional and global businesses including Avnet after the TS divestiture, and incremental costs incurred as part of the consolidation, relocation, and closure of warehouse and office facilities. Accelerated depreciation relates to the incremental depreciation expense incurred related to the shortening of the estimated useful life of the Company's enterprise resource planning ("ERP") system in the Americas compared to depreciation expense based on the original useful life of such ERP system. Acquisition/divestiture costs consist primarily of professional fees and other costs incurred related to the acquisition, divestiture and closure of businesses including the acquisition of PF and the divestiture of TS. Other costs consist primarily of any other miscellaneous costs that relate to restructuring, integration and other expenses.

The Company recorded restructuring, integration and other expenses of \$46.4 million during the first quarter of fiscal 2018. The Company recorded \$21.3 million of restructuring costs in the first quarter of fiscal 2018 and expects to incur up to an additional \$10.0 million of costs in the remainder of fiscal 2018 in order to realize approximately \$41.7 million in expected annualized operating cost savings once such restructuring actions initiated in the first quarter of fiscal 2018 are completed. Integration, accelerated depreciation and other costs including acquisition/divestiture costs were \$8.2 million, \$16.4 million and \$0.5 million, respectively in the first quarter of fiscal 2018. The after tax impact of restructuring, integration and other expenses were \$29.6 million and \$0.24 per share on a diluted basis.

Comparatively, in the first quarter of fiscal 2017, restructuring, integration and other expenses were \$29.5 million. The after tax impact of restructuring, integration, and other expenses was \$20.2 million and \$0.16 per share on a diluted basis.

See Note 14 "Restructuring Expenses" to the Company's consolidated financial statements included in this Quarterly Report on Form 10-Q.

### **Operating Income**

Operating income for the first quarter of fiscal 2018 was \$70.0 million, a decrease of \$59.6 million, or 46.0%, from the first quarter of fiscal 2017 operating income of \$129.5 million. Adjusted operating income for the first quarter of fiscal 2018 was \$141.9 million, a decrease of \$19.4 million, or 12.0%, from the first quarter of fiscal 2017 adjusted operating income of \$161.4 million. Operating income margin was 1.5% in the first quarter of fiscal 2018 as compared with 3.1% in the first quarter of fiscal 2017. Adjusted operating income margin for the first quarter of fiscal 2018 was 3.0% compared to 3.9% in the first quarter of fiscal 2017. The decrease in adjusted operating income margin year over year was primarily driven by declines in the EC western regions, partially offset by the acquisition of PF.

### **Interest Expense and Other Income (Expense), Net**

Interest expense in the first quarter of fiscal 2018 was \$24.1 million, a decrease of \$3.2 million or 11.7%, as compared with interest expense of \$27.2 million in the first quarter of fiscal 2017. The decrease in interest expense in the first quarter

of fiscal 2018 compared to the first quarter of fiscal 2017 was primarily related to the impact of the Company's repayments of certain long-term debt during fiscal 2017.

During the first quarter of fiscal 2018, the Company had \$15.6 million of other income, net, as compared with \$13.7 million of other expense, net, in the first quarter of fiscal 2017. In the first quarter of fiscal 2018, the Company had foreign currency gains primarily due to the strengthening of the Euro compared to the U.S. Dollar and British Pound. In the first quarter of fiscal 2017, the Company incurred additional financing and economic foreign currency hedging costs associated with the PF acquisition.

#### **Income Tax Expense**

The Company's effective tax rate on its income before income taxes from continuing operations was 5.4% in the first quarter of fiscal 2018 as compared with 23.6% in the first quarter of fiscal 2017. During the first quarter of fiscal 2018, the Company's effective tax rate was favorably impacted primarily by (i) the mix of income in lower tax jurisdictions and (ii) the release of unrecognized tax benefit reserves primarily due to the negotiation of a favorable outcome in a foreign jurisdiction. During the first quarter of fiscal 2017, the Company's effective tax rate was favorably impacted primarily by the mix of income in lower tax jurisdictions.

#### **Income from Discontinued Operations**

Income from discontinued operations was \$0.1 million in the first quarter of fiscal 2018 primarily as a result of certain income tax adjustments related to the TS business.

Income from discontinued operations was \$1.2 million in the first quarter of fiscal 2017 due to the operations of the TS business prior to its sale in the third quarter of fiscal 2017.

See Note 3, "Discontinued operations" to the Company's consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information and detail on the financial results of discontinued operations.

#### **Net Income**

As a result of the factors described in the preceding sections of this MD&A, the Company's net income for the first quarter of fiscal 2018 was \$58.3 million, or \$0.47 per share on a diluted basis, as compared with \$68.8 million, or \$0.53 per share on a diluted basis, in the first quarter of fiscal 2017.

### **LIQUIDITY AND CAPITAL RESOURCES**

#### **Cash Flow**

##### *Cash Flow from Operating Activities*

During the first quarter of fiscal 2018, the Company used \$128.0 million of cash from its operating activities compared to \$0.1 million in the first quarter of fiscal 2017. These operating cash flows were comprised of: (i) cash flow generated from net income from continuing operations, adjusted for the impact of non-cash and other items, which includes depreciation and amortization expenses, deferred income taxes, stock-based compensation expense and other non-cash items (including provisions for doubtful accounts and periodic pension costs), (ii) cash flows used for, or generated from, working capital and other, excluding cash and cash equivalents, and (iii) operating cash flows used for, or generated from, the TS business, which is classified as a discontinued operation. Cash used for working capital and other was \$240.0 million during the first quarter of fiscal 2018, including increases in inventories and accounts receivable of \$267.0 million and \$32.4 million, respectively. The Company utilized cash to invest in inventory levels primarily as a result of a strong book to bill and lengthening purchasing lead times. These increases were partially offset by increases in accounts payable and accrued expenses and other of \$37.3 million and \$22.1 million, respectively. Comparatively, cash used for working capital and other was \$13.6 million during the first quarter of fiscal 2017, including an increase in accounts receivable of

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\$64.6 million and a decrease in accounts payable of \$164.8 million, substantially offset by a decrease in inventories of \$182.2 million and an increase in accrued expenses and other of \$33.5 million.

Cash used for operating activities of discontinued operations was \$110.5 million in the first quarter of fiscal 2017.

### *Cash Flow from Financing Activities*

During the first quarter of fiscal 2018, the Company received net proceeds of \$28.0 million under the Company's accounts receivable securitization program. During the first quarter of fiscal 2018, the Company repaid \$24.9 million from borrowings of various bank credit facilities and \$92.5 million under the Company's senior unsecured credit facility. During the first quarter of fiscal 2018, the Company paid dividends on common stock of \$22.0 million and repurchased \$68.1 million of common stock.

During the first quarter of fiscal 2017, the Company repaid upon maturity the \$300 million of 6.63% notes due September 2016. Additionally, the Company received net proceeds of \$669.8 million from borrowings of bank and other debt. During the first quarter of fiscal 2017, the Company made net repayments of \$150.3 million under the Company's accounts receivable securitization program. During the first quarter of fiscal 2017, the Company paid dividends on common stock of \$21.7 million.

### *Cash Flow from Investing Activities*

During the first quarter of fiscal 2018, the Company used \$26.7 million for capital expenditures primarily related to information system development costs, computer hardware and software purchases and facilities costs compared to \$34.7 million for capital expenditures in the first quarter of fiscal 2017. During the first quarter of fiscal 2018, the Company used \$14.7 million of cash for acquisitions, which is net of the cash acquired.

During the first quarter of fiscal 2018, the Company sold \$45.4 million of marketable securities obtained through the sale of the TS business, which have been included in Cash flows from investing activities – discontinued operations.

## **Contractual Obligations**

For a detailed description of the Company's long-term debt and lease commitments for the next five years and thereafter, see *Long-Term Contractual Obligations* appearing in Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended July 1, 2017. With the exception of the Company's debt transactions discussed herein, there are no material changes to this information outside of normal borrowings and repayments of long-term debt and operating lease payments. The Company does not currently have any material non-cancellable commitments for capital expenditures or inventory purchases.

## **Financing Transactions**

See Note 5, "Debt" to the Company's consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information on financing transactions including the Credit Facility, the Program, and other outstanding long-term debt as of September 30, 2017. The Company was in compliance with all covenants under the Credit Facility and the Program as of September 30, 2017.

The Company has various lines of credit and other forms of bank debt in the U.S. and various foreign locations to fund the short-term working capital, foreign exchange, overdraft and letter of credit needs of its wholly owned subsidiaries. Avnet generally guarantees its subsidiaries' obligations under such debt facilities. Outstanding borrowings under such forms of debt at the end of first quarter of fiscal 2018 was \$1.0 million.

## Liquidity

The Company held cash and cash equivalents of \$539.7 million as of September 30, 2017, of which \$513.0 million was held outside the United States. As of July 1, 2017, the Company held cash and cash equivalents of \$836.4 million, of which \$619.5 million was held outside of the United States.

As of the end of the first quarter of fiscal 2018, the Company had a combined total borrowing capacity of \$1.65 billion under the Credit Facility and the Program. There were \$7.5 million in borrowings outstanding and \$2.0 million in letters of credit issued under the Credit Facility and \$170.0 million in borrowings outstanding under the Program, resulting in approximately \$1.42 billion of total availability as of September 30, 2017. Availability under the Program is subject to the Company having sufficient eligible trade accounts receivable to support desired borrowings. During the first quarter of fiscal 2018, the Company had an average daily balance outstanding of approximately \$10.3 million under the Credit Facility and approximately \$166.0 million under the Program. During the first quarter of fiscal 2017, the Company had an average daily balance outstanding of approximately \$450.5 million under the Credit Facility and approximately \$719.0 million under the Program.

During periods of weakening demand in the electronic components industry, the Company typically generates cash from operating activities. Conversely, the Company is more likely to use operating cash flows for working capital requirements during periods of higher growth. The Company used \$17.4 million in cash flows from operating activities over the trailing four fiscal quarters ended September 30, 2017 for continuing operations.

Liquidity is subject to many factors, such as normal business operations as well as general economic, financial, competitive, legislative, and regulatory factors that are beyond the Company's control. To the extent the cash balances held in foreign locations cannot be remitted back to the U.S. in a tax efficient manner, those cash balances are generally used for ongoing working capital, capital expenditure needs and to support acquisitions, and are currently expected to be permanently reinvested outside the United States. If these funds were needed for general corporate use in the United States, the Company would incur significant income taxes. In addition, local government regulations may restrict the Company's ability to move funds among various locations under certain circumstances. Management does not believe such restrictions would limit the Company's ability to pursue its intended business strategy. Management believes that Avnet's available borrowing capacity, its current cash on hand including the remaining proceeds and marketable securities from the sale of the TS business and the Company's expected ability to generate operating cash flows in the future will be sufficient to meet its future liquidity needs. The Company also may issue debt or equity securities in the future and management believes the Company will have adequate access to the capital markets, if needed.

During the first quarter of fiscal 2018, the Company has made, and expects to continue to make, strategic investments through acquisition activity to the extent the investments strengthen Avnet's competitive position and meet management's return on capital thresholds. The Company also expects to make capital expenditures, including expenditures over the next two fiscal years to implement a global ERP system. Additionally, as the Company integrates PF and restructures to transform Avnet into an electronic components focused business, the Company expects to use cash for restructuring, integration and other expenses.

In addition to continuing to make investments in acquisitions, as of September 30, 2017, the Company may repurchase up to an aggregate of \$327.0 million of shares of the Company's common stock through a \$1.75 billion share repurchase program approved by the Board of Directors. The Company may repurchase stock from time to time at the discretion of management, subject to strategic considerations, market conditions and other factors. The Company may terminate or limit the share repurchase program at any time without prior notice. The timing and actual number of shares repurchased will depend on a variety of factors such as share price, corporate and regulatory requirements, and prevailing market conditions. Additionally, the Company currently expects to pay quarterly cash dividends on shares of its common stock, subject to approval of the Board of Directors. During the first quarter of fiscal 2018, the Board of Directors approved a dividend of \$0.18 per share, which resulted in \$22.0 million of dividend payments during the quarter.

***Recently Issued Accounting Pronouncements***

See Note 1, “Basis of presentation and new accounting pronouncements” to the Company’s consolidated financial statements included in this Quarterly Report on Form 10-Q for a description of recently issued accounting pronouncements.

**Item 3. *Quantitative and Qualitative Disclosures About Market Risk***

The Company seeks to reduce earnings and cash flow volatility associated with changes in foreign currency exchange rates by entering into financial arrangements that are intended to provide an economic hedge against all or a portion of the risks associated with such volatility. The Company continues to have exposure to such risks to the extent they are not economically hedged.

See Item 7A, *Quantitative and Qualitative Disclosures About Market Risk*, in the Company’s Annual Report on Form 10-K for the fiscal year ended July 1, 2017, for further discussion of market risks associated with foreign currency exchange rates and interest rates. Avnet’s exposure to such risks has not changed materially since July 1, 2017, as the Company continues to economically hedge the majority of its foreign currency exchange exposures. Thus, any increase or decrease in fair value of the Company’s forward foreign currency exchange contracts is generally offset by an opposite effect on the related hedged position. For interest rate risk, the Company continues to maintain a combination of fixed and variable rate debts to mitigate the exposure to fluctuation in market interest rates. The Company’s exposure to market price risk related to marketable securities is mitigated through the purchase of a derivative financial instrument that fixes the value of the marketable securities.

See Liquidity and Capital Resources — Financing Transactions appearing in Item 2 of this Quarterly Report on Form 10-Q for further discussion of the Company’s financing transactions and capital structure. As of September 30, 2017, 88% of the Company’s debt bears interest at a fixed rate and 12% of the Company’s debt bears interest at variable rates. Therefore, a hypothetical 1.0% (100 basis points) increase in interest rates would result in a \$0.5 million decrease in income from continuing operations before income taxes in the Company’s consolidated statement of operations for the first quarter of fiscal 2018.

**Item 4. *Controls and Procedures***

The Company’s management, including its Chief Executive Officer and Interim Chief Financial Officer, have evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the reporting period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company’s disclosure controls and procedures are effective such that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission’s rules and forms and is accumulated and communicated to management, including the Company’s principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

During the first quarter of fiscal 2018, there were no changes to the Company’s internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

**PART II**

**OTHER INFORMATION**

**Item 1. *Legal Proceedings***

As a result primarily of certain former manufacturing operations, Avnet has incurred and may have future liability under various federal, state and local environmental laws and regulations, including those governing pollution and

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exposure to, and the handling, storage and disposal of, hazardous substances. For example, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended and similar state laws, Avnet is and may be liable for the costs of cleaning up environmental contamination on or from certain of its current or former properties, and at off-site locations where the Company disposed of wastes in the past. Such laws may impose joint and several liability. Typically, however, the costs for clean up at such sites are allocated among potentially responsible parties based upon each party's relative contribution to the contamination, and other factors.

Pursuant to SEC regulations, including but not limited to Item 103 of Regulation S-K, the Company regularly assesses the status of and developments in pending environmental and other compliance related legal proceedings to determine whether any such proceedings should be identified specifically in this discussion of legal proceedings, and has concluded that no particular pending legal proceeding requires public disclosure. Based on the information known to date, management believes that the Company has appropriately accrued in its consolidated financial statements for its share of the estimable costs of environmental and other compliance related matters.

The Company is also currently subject to various pending and potential legal matters and investigations relating to compliance with governmental laws and regulations, including import/export and environmental matters. The Company currently believes that the resolution of such matters will not have a material adverse effect on the Company's financial position or liquidity, but could possibly be material to its results of operations in any one reporting period.

### **Item 1A. Risk Factors**

This Quarterly Report on Form 10-Q ("Quarterly Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act with respect to the financial condition, results of operations and business of the Company. You can find many of these statements by looking for words like "believes," "plans," "expects," "anticipates," "should," "will," "may," "estimates" or similar expressions in this Quarterly Report or in documents incorporated by reference in this Quarterly Report. These forward-looking statements are subject to numerous assumptions, risks and uncertainties. You should understand that the following important factors, in addition to those discussed elsewhere in this Quarterly Report and in the Company's Annual Report on Form 10-K for the fiscal year ended July 1, 2017, could affect the Company's future results of operations, and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements:

- the effect of global economic conditions, including the current global economic uncertainty;
- competitive pressures among distributors of electronic components and computer products;
- an industry down-cycle in semiconductors;
- relationships with key suppliers and allocations of products by suppliers;
- risks relating to the Company's international sales and operations, including risks relating to the ability to repatriate cash, foreign currency fluctuations, duties and taxes, and compliance with international and U.S. laws;
- risks relating to acquisitions, divestitures and investments;
- adverse effects on the Company's supply chain, shipping costs, third-party service providers, customers and suppliers, including as a result of issues caused by natural and weather-related disasters;
- risks related to cyber attacks and the Company's information systems, including related to current or future implementations;
- general economic and business conditions (domestic and foreign) affecting Avnet's financial performance and, indirectly, Avnet's credit ratings, debt covenant compliance, and liquidity and access to financing; and
- legislative or regulatory changes affecting Avnet's businesses.

Any forward-looking statement speaks only as of the date on which that statement is made. Except as required by law, the Company assumes no obligation to update any forward-looking statement to reflect events or circumstances that occur after the date on which the statement is made.

The discussion of Avnet's business and operations should be read together with the risk factors contained in Item 1A of its Annual Report on Form 10-K for the fiscal year ended July 1, 2017, which describe various risks and uncertainties to which the Company is or may become subject. These risks and uncertainties have the potential to affect Avnet's business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner. As of September 30, 2017, there have been no material changes to the risk factors set forth in the Company's Annual Report on Form 10-K for the fiscal year ended July 1, 2017.

## **Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds***

The Company's Board of Directors has approved the repurchase of up to \$1.75 billion of the Company's common stock under the Company's share repurchase program. The following table includes the Company's monthly purchases of the Company's common stock during the first quarter of fiscal 2018, under the share repurchase program, which is part of a publicly announced plan.

| <b>Period</b> | <b>Total<br/>Number<br/>of Shares<br/>Purchased</b> | <b>Average<br/>Price<br/>Paid per<br/>Share</b> | <b>Total Number of<br/>Shares Purchased<br/>as Part of Publicly<br/>Announced Plans<br/>or Programs</b> | <b>Approximate Dollar<br/>Value of Shares That<br/>May Yet Be<br/>Purchased under the<br/>Plans or Programs</b> |
|---------------|---|---|---|---|
| July          | —   | \$ —  | —   | \$ 399,062,000  |
| August        | 615,000   | \$ 36.90  | 615,000   | \$ 376,365,000  |
| September     | 1,290,000   | \$ 38.27  | 1,290,000   | \$ 326,994,000  |

**Item 6. Exhibits**

| <b>Exhibit<br/>Number</b> | <b>Exhibit</b>   |
|---------------------------|--|
| 10.1*                     | <a href="#">Avnet Executive Severance Plan, effective August 10, 2017.</a>               |
| 31.1*                     | <a href="#">Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a> |
| 31.2*                     | <a href="#">Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a> |
| 32.1**                    | <a href="#">Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a> |
| 32.2**                    | <a href="#">Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a> |
| 101.INS*                  | XBRL Instance Document.  |
| 101.SCH*                  | XBRL Taxonomy Extension Schema Document.   |
| 101.DEF*                  | XBRL Taxonomy Extension Definition Linkbase Document.                                    |
| 101.CAL*                  | XBRL Taxonomy Extension Calculation Linkbase Document.                                   |
| 101.LAB*                  | XBRL Taxonomy Extension Label Linkbase Document.   |
| 101.PRE*                  | XBRL Taxonomy Extension Presentation Linkbase Document.                                  |

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\* Filed herewith.

\*\* Furnished herewith. The information in these exhibits shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to liability under that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

**SIGNATURE**

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, thereunto duly authorized.

AVNET, INC.  
(Registrant)

By: /s/ KEN JACOBSON  
Ken Jacobson  
*Interim Chief Financial Officer*

Date: October 30, 2017

# AVNET EXECUTIVE SEVERANCE PLAN

Effective August 10<sup>th</sup>, 2017

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## Avnet Executive Severance Plan

### 1. Introduction

The purpose of the Avnet Executive Severance Plan (the “Plan”) is to provide for the payment of severance benefits to designated executives resident in the United States upon a qualifying termination. Non-U.S. executive severance (if any) will be per the terms of the executive’s employment agreement in the country in which they reside. References to “Avnet” or the “Company” in this Plan refer to Avnet, Inc.

This plan description describes the features of the Plan and also serves as the official Plan document. This Plan applies to employees designated as eligible (as described in the Plan Eligibility Section) on or after August 10<sup>th</sup>, 2017.

This Plan takes the place of any oral or written communication on the subject of severance pay, other than an individual employment agreement, separation agreement or change of control agreement. If any oral or written representations made by any Avnet representative, other than an individual employment agreement, separation agreement or change of control agreement, conflict or are inconsistent with this Plan, the Plan will control.

This Plan is not intended to create a separate contractual right to employment by Avnet or any affiliate. Unless you have a written, executed employment agreement with Avnet, your employment is “at will,” which means that your employer may terminate your employment at any time, for any reason or for no reason.

The Avnet Board of Directors has adopted the Plan and delegates the authority to amend, modify, suspend or terminate the Plan to the Company’s Compensation Committee. The Compensation Committee may amend, modify, suspend or terminate the Plan or the Severance Benefits described in this Plan at any time, with or without notice, and with or without the consent of any active or former employee.

If you have questions about the benefits described in this Plan, please contact the Vice President, Global Compensation & Benefits.

### 2. Plan Eligibility

Plan eligibility is limited to “Executives” of Avnet, Inc.

### 3. Severance Definitions

“Base Salary Amount” means the Executive’s base salary as determined on a monthly basis at the time of the termination multiplied by twelve (12).

“Executive” means an employee elected to the office of Chief Executive Officer or Senior Vice President of Avnet, Inc. by the Company’s Board of Directors (the “Board”) who is not entitled to severance payments under any other employment, severance or similar plan or agreement.

“Health Care Severance Benefit” means medical, dental and vision coverage under the Company’s health care plans as the Executive had elected prior to the Executive’s termination of employment.

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To be eligible for the Health Care Severance Benefit, Executive must timely and properly elect continuation coverage under the applicable health plans pursuant to Section 4980B (“COBRA”) of the Internal Revenue Code of 1986, as amended (the “Code”). The Health Care Severance Benefit shall be for a period of 2 years for the Chief Executive Officer and 1 year for a Senior Vice President. The Health Care Severance Benefit period shall run concurrently with the applicable COBRA continuation period and shall not extend the maximum period under which Executive may receive continued group health insurance benefits pursuant to COBRA. Executive may not elect to receive cash or any other allowance in lieu of any medical, dental or vision coverage provided by the Plan.

“Incentive Payment” means any annual incentive payments for the performance period in which the Executive’s employment is terminated. Any Incentive Payment due shall be paid at the end of the performance period, at the time prescribed by the Incentive Plan, or if no time is prescribed, within 90 days following the end of the performance period. The Incentive Payment will be based on (and subject to) actual achievement of the applicable performance goals and pro-rated if Executive’s employment terminates before the end of the performance period.

“Severance Benefit” means the Severance Benefit provided in Section 5 of the Plan.

#### **4. Eligibility for Severance Benefit**

A. Eligibility for Severance Benefits. An Executive is eligible for a Severance Benefit if any of the following occur:

a. Executive Termination For Good Reason. The Executive is eligible to receive a Severance Benefit in the event that the Executive terminates employment with the Company as the result of an “Adverse Action” without the Executive’s consent. “Adverse Action” means:

- (i) a material diminution of the Executive’s authorities, duties or responsibilities, including, without limitation, title and reporting relationship;
- (ii) a material change in the geographic location at which the Executive is primarily required to perform services for the Company;
- (iii) a material reduction in the Executive’s base compensation; or
- (iv) any other action or inaction that constitutes a material breach by the Company under its letter agreement setting forth the terms of employment with the Executive;

provided, however, that the Executive shall notify the Company in writing within 90 days of the initial occurrence of the Adverse Action of his/her desire to terminate employment on account of such Adverse Action, and the Company shall have 30 days to remedy the Adverse Action. If the Company fails to remedy the Adverse Action within 30 days, the Executive shall terminate employment and shall receive a Severance Benefit.

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- b. Company Termination Without Cause. If the Executive's employment is terminated by the Company for a reason other than "Cause," "Death" or "Disability" (as each term is defined below), the Company shall provide to Executive written notice of the termination and shall provide a Severance Benefit.
- A. Circumstances Resulting in Ineligibility for a Severance Benefit. The Executive is not eligible for a Severance Benefit under the Plan if any of the following occur:
  - a. Executive Voluntary Termination. An Executive's voluntary termination shall not be deemed a qualifying termination under this Plan, and does not qualify for a Severance Benefit. The Company shall pay to Executive any accrued and unpaid base salary due, for service through the date of termination, within the time prescribed by applicable law and no later than thirty (30) days thereafter. Executive also shall receive a pro-rated Incentive Payment for the performance period in which the Executive's employment is terminated, unless the applicable Incentive Plan provides to the contrary. Any Incentive Payment due shall be paid at the end of the performance period, at the time prescribed by the Incentive Plan, or if no time is prescribed, within 90 days following the end of the performance period. The Incentive Payment will be based on (and subject to) actual achievement of the applicable performance goals and pro-rated if Executive's employment terminates before the end of the performance period.
  - b. Death of Executive. In the event of the death of Executive, the Executive shall not qualify for a Severance Benefit. If the Executive dies while employed, the Company shall pay to Executive's legal representative as soon as practicable all accrued and unpaid base salary due, for service through the date of death and a pro-rated portion of the Incentive Payment for the performance period in which Executive's death occurs. Such amounts shall be paid within thirty (30) days after Executive's death, on a date determined by the Company; provided, however, that any pro-rated Incentive Payment shall be paid at the end of the performance period, at the time prescribed by the applicable incentive plan, based on (and subject to) actual achievement of the applicable performance goals.
  - c. Disability of Executive. If the Executive becomes Disabled (as defined below) and the Executive's employment terminates, the Executive shall not qualify for a Severance Benefit. In the alternative to a Severance Benefit, Executive shall be entitled to any disability benefits payable under Company-sponsored disability benefit plans made available to Company employees generally, subject to the terms of those plans. Executive shall be entitled to a pro-rated Incentive Payment for the performance period in which his/her employment terminates; such Incentive Payment shall be paid at the end of the performance period, at the time prescribed by the relevant incentive plan, based on (and subject to) actual achievement of the applicable performance goals. "Disabled" and "Disability" shall mean that Executive has been totally disabled by injury or illness, mental or physical, as a result of which Executive is prevented from

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- further performance of his or her duties, and that such disability is likely to be permanent and continuous during the remainder of Executive's life. In the event of a dispute over whether Executive has become Disabled, such dispute shall be resolved through arbitration under American Arbitration Association rules, in Phoenix, Arizona.
- d. Company Termination With Cause. If the Executive's employment is terminated by the Company for "Cause," the Executive shall not qualify for a Severance Benefit. The Company shall pay to Executive any salary due, for service through the date of termination, within the time prescribed by applicable law and no later than thirty (30) days thereafter, and Executive shall forfeit any right to receive Incentive Payment or a bonus. For purposes of this Plan, "Cause" means, but is not limited to, Executive's gross misconduct, habitual neglect or wanton disregard of his or her duties, or conviction of any criminal act as determined by the Company's Chief Executive Officer or, in the case of the Chief Executive Officer, the Company's Board of Directors.
- e. Retirement. Executive's termination of employment under this Plan by reason of retirement shall be treated as a voluntary termination by Executive pursuant to, and subject to the requirements of, Section 4(B)(a) above.

### **5. Amount of Severance Benefit**

The Severance Benefit is the amount described in the chart below based on the Executive's position with the Company at the time of the Executive's termination of employment. The Base Salary Amount shall be paid in a lump sum within sixty (60) days following the Executive's termination of employment. The Severance Benefit is contingent on the Executive executing and not revoking the Release called by for Section 9.

| <b>Position</b>         | <b>Severance Benefit</b>  |
|-------------------------|---|
| Chief Executive Officer | 2.0 times Base Salary Amount, plus the Health Care Severance Benefit, plus the Incentive Payment. |
| Senior Vice President   | 1.0 times Base Salary Amount, plus the Health Care Severance Benefit, plus the Incentive Payment. |

### **6. Section 409A and Cash in Lieu of Benefits**

- A. Intent to Comply With Section 409A. This Plan shall be administered in accordance with Section 409A of the Code, or an exception thereto, and each provision of the Plan shall be interpreted, to the extent possible, to comply with Section 409A of the Code or an exception thereto.
- B. Separation From Service. Except as otherwise expressly provided, references in this Plan to Executive's termination of employment, termination date, and similar terms

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- related to Executive's termination of employment or separation from service shall refer to the date of Executive's "separation from service" within the meaning of Section 409A(a)(2)(A)(i) of the Code, as determined by the Company.
- C. Six-Month Delay Rule. If, as of Executive's termination date, Executive is a "specified employee" (as determined by the Company in accordance with its guidelines established pursuant to Treas. Reg. § 1.409A-1(i)), any amount payable to Executive upon or by reason of his/her termination of employment (including expense reimbursements and in-kind benefits that are includible in income) shall be subject to the six (6) month delay required by Section 409A(a)(2)(B)(i) of the Code; provided, however, that such six (6) month delay shall not be required with respect to any payment that the Company determines is not subject to Section 409A by reason of the "short-term deferral" rule described in Treas. Reg. § 1.409A-1(b)(4), the "two-year, two-time" rule described in Treas. Reg. § 1.409A-1(b)(9)(iii), or any other exemption. If payment of any amount is delayed by reason of this six (6) month delay, such amount shall be paid with interest on the Company's first pay date for the seventh (7th) month that starts after Executive's termination date (or, if earlier, within 90 days after Executive's death). Except as otherwise provided in a governing document for an applicable benefit plan, program, or other arrangement, interest shall be calculated using the prime rate of interest in effect at Bank of America, N.A. (or another bank designated by the Company that is one of its principal banks) on Executive's termination date.
- D. Installments Treated as Separate Payments. For purposes of Section 409A of the Code, except as otherwise expressly provided, each installment of payments and benefits due under this Plan shall be treated as a separate payment.
- E. Payment Date. To the extent that any payment under this Plan may be made during a payment window, the date of payment shall be determined by the Company, in its sole discretion, and not by Executive or any other individual entitled to receive the payment. If the Release consideration period plus any applicable revocation period spans two calendar years, any Severance Benefits that are subject to Section 409A shall be paid in the second calendar year. No Executive has any right to make any election regarding the time or form of any payment due under this Plan.
- F. Expense Reimbursements and In-Kind Benefits. To the extent that any expense reimbursement or in-kind benefit is subject to Section 409A ( e.g. , the expense reimbursement is includible in income and is not required to be paid by the end of the "applicable 2½-month period" described in Treas. Reg. § 1.409A-1(b)(4)(i)(A)), such reimbursement or benefit shall be subject to the conditions set forth in Treas. Reg. § 1.409A-3(i)(1)(iv). Accordingly:
- a. The amount of such expenses eligible for reimbursement, or in-kind benefits provided, during a taxable year of Executive shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year;

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- b. The reimbursement of each such expense shall be paid no later than the last day of Executive's taxable year next following the taxable year in which the expense was incurred; and
  - c. The right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.
- G. Limited Indemnity for Company Error. If (and only if) Executive becomes subject to adverse tax consequences under Section 409A of the Code as a result of (a) the Company's failure to administer this Plan in accordance with its terms; (b) the Company's failure to administer any "nonqualified deferred compensation plan" (within the meaning of Section 409A of the Code) other than this Plan in accordance with its terms or the requirements of Section 409A; or (c) the Company's failure to satisfy the Section 409A document requirements for any nonqualified deferred compensation plan other than this Plan, the Company shall pay to Executive an amount such that after all required income and employment tax withholding, the net amount paid to Executive is equal to the tax imposed under Section 409A of the Code as a result of the applicable error. Such amount shall be calculated by a certified public accounting firm selected and paid by the Company (the "Accounting Firm"), and shall be paid no later than the last day of Executive's taxable year next following the taxable year in which Executive remits the applicable taxes to the U.S. Treasury. Any determination by the Accounting Firm shall be binding upon the Company and Executive.

### **7. Governing Law**

This Plan shall be construed, interpreted and governed by the law of the State of Arizona, without giving effect to Arizona principles regarding conflict of laws. Reference to any provision of the Code or other law shall include all regulations and other guidance of general applicability issued thereunder, and shall be deemed to include any successor provision.

### **8. Miscellaneous Provisions**

- A. Tax Withholding. All amounts payable under this Plan are subject to withholding for all federal, state, and local taxes, and all other amounts relating to tax or other payroll deductions, as the Company may reasonably determine should be withheld. Regardless of the amount withheld, Executive shall be solely responsible for paying all required taxes (other than the Company's share of employment taxes) on all payments and other compensation (including imputed compensation) and benefits provided under this Plan.
- B. Succession. This Plan shall extend to and be binding upon Executive, the Executive's legal representatives, heirs, and distributees, and upon the Company, its successors and assigns.
- C. Waiver of Breach. The waiver of breach of any term or condition of this Plan shall not be deemed to constitute a waiver of any other term or condition of this Plan.

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- D. Severability. If any provision of this Plan is held to be invalid, illegal, or unenforceable, such provision shall be reformed to resolve the applicable issue while still achieving the intent of the provision to the maximum extent possible, and no other provision of the Plan shall be affected or impaired in any way. With respect to any restrictive covenant, it is understood and agreed that if a court of competent jurisdiction or a duly constituted arbitration panel refuses to enforce any part of such restrictive covenant because it is unreasonable (whether as to geographic scope, duration, activity, subject, or otherwise), the unenforceable provision shall not be void but rather shall be deemed reduced or limited to the minimum extent necessary to permit enforcement of the covenant. For this purpose, the geographic scope, duration, activity, and subject are divisible.
- E. Forfeiture of Certain Parachute Payments.
- a. Notwithstanding any other provision of this Plan, if paragraph b, below, applies, Executive shall forfeit amounts payable to Executive under this Plan to the extent that the Accounting Firm determines is necessary to ensure that Executive is not reasonably likely to receive a “parachute payment” within the meaning of Section 280G(b)(2) of the Code. The Accounting Firm’s determination shall be conclusive and binding upon the Company and Executive.
  - b. This paragraph b shall apply if (and only if) (i) any payment to be made under this Plan is reasonably likely to result in Executive receiving a “parachute payment” (as defined in Section 280G(b)(2) of the Code), and (ii) Executive’s forfeiture of payments due under this Plan would result in the aggregate after-tax amount that Executive would receive being greater than the aggregate after-tax amount that Executive would receive if there were no such forfeiture.
  - c. Neither the Company nor Executive shall have any discretion to determine which payments are forfeited. The forfeiture shall apply in reverse chronological order—*e.g.*, the last payment in any series of payments shall be forfeited before any part of an earlier payment is forfeited.
- F. Recoupment Policy. Any payment made to Executive pursuant to this Plan shall be subject to the terms and conditions of the Company’s recoupment or clawback policy, as in effect and amended from time to time, including disgorgement or repayment to the extent required by such policy.
- G. Headings. The headings of the sections and subsections are inserted for convenience only and shall not be deemed to constitute a part hereof or to affect the meaning thereof.
- H. No Duplication of Benefits. The right to receive any benefits under this Plan by any Executive is specifically conditioned upon such Executive either waiving or being ineligible for any and all severance benefits under any other employment, change in control, severance, retention or other plan or agreement otherwise available to the Executive. The Company does not intend to provide any Executive with benefits

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under both this Plan and benefits under any other employment, severance, retention, change in control or other plan or agreement sponsored by the Company or any affiliate. The Company may override this provision by expressly stating in the other employment, change in control, severance, retention or other plan or agreement that some or all of the benefits provided by the other employment, change in control, severance retention or other plan or agreement are intended to supplement the benefits provided by this Plan.

### **9. Restrictive Covenants and Release**

Your right to a Severance Benefit under the Plan is conditioned on your executing a Release that is acceptable to Avnet by the deadline that Avnet establishes, and not revoking the Release. A sample Release appears at the end of this document, beginning on page A-1. Avnet may require you to sign a Release that is different from the sample.

Your Severance Benefit also is conditioned on you agreeing to certain restrictive covenants that are acceptable to Avnet by the deadline that Avnet establishes. A sample of the restrictive covenants appear at the end of this Plan, beginning on page B-1. Avnet may require you to sign this document that is different from the sample.

If you do not sign a Release that is satisfactory to Avnet by the deadline that Avnet establishes, or if you revoke the Release or breach an obligation under the Release or restrictive covenant, your right to a Severance Benefit will be forfeited. If your Severance Benefit is forfeited after you have received a severance payment, you will be required to repay the amount to Avnet.

### **10. Rehire After Receiving Severance Benefits**

If you receive a Severance Benefit under the Plan and are rehired before the end of your Severance Period, you must return a prorated portion of your Severance Benefit. For the Chief Executive Officer, the Severance Period is two years. For all other Executives, the Severance Period is one year.

### **11. Claim and Appeal Procedures and Lawsuits**

- A. Filing a Claim. If you disagree with the amount of your Severance Benefit or how your Severance Benefit was calculated, or you otherwise believe you are entitled to additional benefits under the Plan, you may file a claim in accordance with the procedures below. Before filing a lawsuit, you must file a claim and appeal by the deadlines set forth in these procedures. You may authorize someone else to represent you in pursuing your claim and/or appeal; references to “you” and “your” in this section should be read to include any person authorized to represent you. The Compensation Committee may request reasonable proof of your representative’s authority to act on your behalf.

Your claim must be in writing, identify the specific benefit that you seek, and be filed with the Compensation Committee at the following address:

Compensation Committee

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Avnet Executive Severance Plan  
2211 S. 47th Street  
Phoenix, Arizona 85034

In general, the Compensation Committee will notify you of its decision within 90 days after your claim is received. If necessary, however, the Compensation Committee may extend the initial 90-day period for up to an additional 90 days. If the Compensation Committee needs an extension, you will be notified in writing before the end of the initial 90-day period. Any notice of an extension will explain the reason(s) for the extension and the date by which the Compensation Committee expects to notify you of its decision.

The period for deciding any claim begins when the Compensation Committee receives your claim, even if all of the information needed to resolve the claim is not submitted with that first filing. However, if the Compensation Committee needs more information to decide your claim, you and the Compensation Committee may agree to extend the time period for making a decision, so that you can provide the additional information.

The Compensation Committee will notify you of its decision in writing or by electronic means. Unless your claim is completely granted, the notice will explain the specific reason(s) that your claim (or part of the claim) was denied and include:

- References to the Plan provisions on which the decision is based;
- A description of any additional material or information that you should provide to complete the claim and the reasons this additional material or information is needed;
- An explanation of the Plan's claim review procedures, including the relevant time limits; and
- A statement that you have a right to bring a lawsuit under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), if the claim is denied after it is reviewed on appeal (subject to the restrictions described under "Time Limit for Filing a Lawsuit," below).

If the Compensation Committee does not resolve your claim within the time periods described above (including any extensions), you may contact the Compensation Committee to check on the status of your claim, file an appeal in accordance with the procedures that apply if your claim is denied, or bring a lawsuit under ERISA.

- B. Appealing a Denied Claim. If you wish to appeal a denial of your claim, you must file your request in writing within 60 days after the earlier of (a) the date you receive written notice denying all or part of your claim, or (b) the expiration of the period within which the Compensation Committee is required to render its decision. You should file your appeal with the Compensation Committee at the address above.

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You have the right to review relevant documents regarding the claim and the denial of the claim, and you may submit additional documents or written arguments in support of the appeal.

In general, the Compensation Committee will notify you of its decision on your appeal within 60 days after the request for review is received. If necessary, however, the Compensation Committee may extend the initial 60-day period for up to an additional 60 days. If the Compensation Committee needs an extension, the Compensation Committee will notify you in writing before the end of the initial 60-day period. Any notice of an extension will explain the reason(s) for the extension and the date by which the Compensation Committee expects to notify you of the decision.

The period for deciding an appeal begins when the Compensation Committee receives your claim, even if all of the information needed to review the appeal is not included in that initial filing. However, if the Compensation Committee cannot decide your appeal because you have not submitted necessary information, the period for the Compensation Committee to decide the appeal will be automatically extended by the amount of time between when the Compensation Committee notifies you that more information is needed and the date when you provide the information (or, if you fail to respond, the date on which the information was due).

The Compensation Committee will notify you of its decision in writing or by electronic means. Unless your appeal is completely granted, the notice will explain the specific reason(s) that the claim (or part of the claim) was denied and include:

- References to the Plan provisions on which the decision is based;
- A statement of your right to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits; and
- A statement that you have a right to bring a lawsuit under ERISA (subject to the restrictions described under “Time Limit for Filing a Lawsuit, below”). You may not bring a lawsuit unless your appeal has been denied or your claim or appeal is not resolved in a timely fashion.

Except as otherwise required by law, the decision of the Compensation Committee on review of the claim denial is binding on all parties.

- C. Time Limit for Filing a Lawsuit. Any lawsuit or other action related to the Plan—such as an action to recover additional benefits or to enforce or clarify your rights under the Plan or applicable law—must be filed in a court with jurisdiction by the earlier of (a) 180 days after the Compensation Committee makes its final decision on appeal or (b) two years after the following date:

- If you seek to recover benefits from the Plan or to clarify your right to benefits under the Plan, the two-year period starts on the earliest of (a) the date when the

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first benefit payment was actually made, (b) the date the first benefit payment was allegedly due, or (c) the date when Avnet, the Compensation Committee, or the Plan first repudiated its alleged obligation to provide the benefit. For purposes of this rule, “repudiation” means a communication (which could be oral or in writing) indicating that you are not entitled to the particular benefit. A repudiation can be made in the form of a direct communication to you (such as a response to a claim or other inquiry, or a separation agreement) or a more general communication about the benefits payable under the Plan—for example, a summary of material modifications.

- In any other case, the two-year period starts on the earliest date as of which you knew or should have known of the material facts on which your lawsuit or other action is based (without regard to whether you understood the legal theory on which your claim is based). If this provision applies, you may not file a lawsuit or other action more than six years after (a) the last action on which the action is based, or (b) in the case of an omission, the latest date when the omission could have been cured—even if this six-year period ends before you knew or should have known the facts on which the action is based.

If the two-year period ends while your claim or appeal is still pending with the Compensation Committee, the time limit will be extended until 180 days after the Compensation Committee makes its final decision on appeal.

Dated this 10<sup>th</sup> day of August, 2017.

**AVNET, INC.**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**APPENDIX A**

**Sample Release**

(See attached)

A-1

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**AVNET EXECUTIVE SEVERANCE PLAN  
GENERAL RELEASE**

**RELEASE AND WAIVER**

In consideration for the benefits that I will receive under the Avnet Executive Severance Plan (effective August 10<sup>th</sup>, 2017) (the “**Plan**”), I and any person acting by, through, under or on behalf of me, release, waive, and forever discharge Avnet, Inc., its subsidiaries and affiliates and all of their respective agents, employees, officers, directors, shareholders, successors, and assigns (the “**Company**”) from any and all actions, demands, obligations, agreements, or proceedings of any kind, individually or as part of a group action, whether known or unknown, arising out of, or connected with, claims of unlawful discrimination, harassment, or failure to accommodate; the terms and conditions of my employment; my compensation and benefits; and/or my termination of my employment from the Company, including, but not limited to all matters in law, in equity, in contract, or in tort, or pursuant to statute, including damages, attorney’s fees, costs and expenses and, without limiting the generality of the foregoing, to all claims arising under the Age Discrimination in Employment Act (ADEA), Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans with Disabilities Act, the National Labor Relations Act (NLRA), the Family and Medical Leave Act (FMLA) or any other federal, state, or local law, statute, or ordinance affecting my employment with or separation from the Company.

**VOLUNTARY AGREEMENT; ADVICE OF COUNSEL; 21-DAY PERIOD**

I acknowledge that:

- (a) I have read this document, and I understand its legal and binding effect. I am acting voluntarily and of my own free will in executing this release.
- (b) The consideration for this release is in addition to anything of value to which I already am entitled.
- (c) I have had the opportunity to seek, and I am advised in writing to seek, legal counsel prior to signing this release.
- (d) I have been given at least 21 days from the date I received this General Release and any attached information to consider the terms of this release before signing it. I knowingly and voluntarily waive the remainder of the 21-day consideration period, if any, following the date I signed this release below. I have not been asked by the Company to shorten my time-period for consideration of whether to sign this release. The Company has not threatened to withdraw or alter the benefits due me prior to the expiration of the 21-day period nor has the Company provided different terms to me because I have decided to sign this release prior to the expiration of the 21-day consideration period. I understand that having waived some portion of the 21-day consideration period, the Company may expedite the processing of benefits provided to me in exchange for signing this release.
- (e) I agree with the Company that changes, whether material or immaterial, do not restart the running of the 21-day consideration period.
- (f) I (i) will have received all compensation due to me as a result of services performed for the Company upon the receipt of the Severance Benefit (as such term is defined in the Plan); (ii) have reported to the Company any and all work-related injuries incurred by me during my employment by the Company; (iii) have been properly provided any leave of absence because of my or a family member’s health condition or military deployment, and have not been subjected to any improper treatment, conduct or actions due to a request for or taking such leave; (iv) have provided the Company with written notice of any and all concerns regarding suspected ethical and compliance issues or violations on the part of the Company or any released person or entity; and (v) have not filed any complaints, claims, or actions against the Company or any released person or entity.

**REVOCAATION**

I understand that if I sign this release, I can change my mind and revoke it within seven days after signing it by returning it with written revocation notice to Darrel Jackson, Associate General Counsel, Avnet, Inc., 2211 S. 47<sup>th</sup> Street, Phoenix, Arizona, 85034. I understand that the release and waiver set forth in the first paragraph above will not be effective until after this seven-day period has expired, and I will receive no benefits until after the release is effective. If the revocation day expires on a weekend or holiday, I understand I have until the end of the next business day to revoke.

**BINDING AGREEMENT AND PROMISE NOT TO SUE**

I understand that following the seven-day revocation period, this release will be final and binding. I promise that I will not pursue any claim that I have settled by this release. If I break this promise, I agree to pay all of the Company’s costs and expenses (including reasonable attorneys’ fees) related to the defense of any claims except this promise not to sue does not apply to claims that I may have under the Older

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Worker Benefit Protection Act (OWBPA) and the ADEA. Although I am releasing claims that I may have under the OWBPA and the ADEA, I understand that I may challenge the knowing and voluntary nature of this release under the OWBPA and the ADEA before a court, the Equal Employment Opportunity Commission (EEOC), or any other federal, state or local agency charged with the enforcement of any employment laws. I understand, however, that if I pursue a claim against the Company under the OWBPA and/or the ADEA, a court has the discretion to determine whether the Company is entitled to restitution, recoupment, or set off (hereinafter "reduction") against a monetary award obtained by me in the court proceeding. A reduction never can exceed the amount I recover, or the consideration I received for signing this release, whichever is less. I also recognize that the Company may be entitled to recover costs and attorneys fees incurred by the Company as specifically authorized under applicable law.

**COMPANY PROPERTY; CONFIDENTIALITY; GENERAL PROVISIONS**

I agree to return all confidential information, computer hardware or software, files, papers, memoranda, correspondence, customer lists, financial data, credit cards, keys, tape recordings, pictures, and security access cards, and any other items of any nature which were or are the property of the Company. I further agree not to retain any copies of any such property in my possession or under my control. I also agree to retain in confidence any confidential information known to me concerning the Company until such information is publicly available. I further agree to maintain the confidentiality of this release and will not disclose in any fashion this release, the reasons for my departure from the Company, events that occurred during my employment, the amount of the benefits I receive, and/or the substance or content of discussions involved in this release to any person other than my attorneys, accountants, and tax advisors as required by appropriate taxing authorities, or otherwise as required by law.

The validity of this release shall be construed under the law of the state in which I last worked for the Company. The Plan and this release constitute the complete and total agreement between the Company and me with respect to issues addressed in this release, except this release shall not in any way affect, modify, or nullify any prior agreement I have entered into with the Company regarding confidentiality, trade secrets, inventions, or unfair competition. I represent that I am not relying on any other agreements or oral representations not fully expressed in this document. I agree that this release shall not be modified, altered, or discharged except by written instrument signed by an authorized Company representative and me. The headings in this document are for reference only, and shall not in any way affect the meaning or interpretation of this release. I further agree that this document may be used as evidence in a subsequent proceeding in which the Company or I allege a breach of this release or as a complete defense to any lawsuit. Other than this exception, I agree that this release will not be introduced as evidence in any administrative proceeding or in any lawsuit. I agree that should any part of this release be found to be void or unenforceable by a court of competent jurisdiction, that determination will not affect the remainder of this release.

**EXCEPTIONS AND NO INTERFERENCE WITH RIGHTS**

**This release does not apply to (i) any claims that may arise after I sign this release, (ii) vested rights under the Company's ERISA-covered employee benefit plans, and (iii) any claims that may not be released by private agreement. Moreover, nothing in this release (including my release of claims, promise not to sue, confidentiality obligation, and return of property obligation) prevents me from filing a charge or complaint with, or from participating in an investigation or proceeding conducted by, the Equal Employment Opportunity Commission, the National Labor Relations Board, the US Securities and Exchange Commission, or any other federal, state or local agency that enforces laws applicable to the Company. Further, this release does not prevent me from exercising my rights under Section 7 of the NLRA to engage in joint activity with other employees. However, by signing this release, I am waiving my right to individual relief, including relief sought on my behalf by any third party, except where such a waiver is prohibited.**

I have read and understand the General Release set forth above. I accept the consideration stated above and agree to be bound by the terms of this General Release.

Dated: \_\_\_\_\_ Signature: \_\_\_\_\_ Name Printed: \_\_\_\_\_  
Employee ID: \_\_\_\_\_  
Employee

## APPENDIX B

### Sample Restrictive Covenants

The Executive acknowledges and recognizes (i) his possession of Confidential Information (as defined in Section (b), below), (ii) the highly competitive nature of the business of the Company and its affiliates and subsidiaries, which is worldwide in scope, and (iii) that reasonable restrictions on the Executive's future business endeavors and the Executive's ability to disclose Confidential Information are necessary to protect valuable client and customer relationships of the Company. Accordingly, in consideration for the benefits received under the Executive Severance Plan (effective August 10<sup>th</sup>, 2017) (the "**Plan**"), the Executive agrees to the restrictions set forth herein. Any terms used but not defined herein shall have the meanings ascribed to them in the Plan.

**a. Non-Competition.** The Executive agrees that for the duration of the Severance Period, he shall not, either individually or as an officer, director, stockholder, member, partner, agent, employee, consultant, principal, or committee-member of another business firm or sole proprietorship, (i) engage in, or be connected in any manner with, any business operating anywhere in the world that is in direct or indirect competition with any active business of the Company or any of its affiliates or subsidiaries, or any planned business of the Company or any of its affiliates or subsidiaries of which the Executive is aware (each a "**Competitive Business**"); (ii) be employed by an entity or person that controls a Competitive Business; or (iii) directly or indirectly solicit any customer or client of the Company or any of its affiliates or subsidiaries; provided, however, that the restrictions set forth in this Section (a) shall not prohibit the Executive from being a passive shareholder of a public company if the Executive owns less than one percent (1%) of such company.

**b. Confidential Information.** The Executive agrees that he shall not, at any time, disclose to another, or use for any purpose, any Confidential Information. For purposes of this agreement, Confidential Information includes all trade secrets and confidential information of the Company and its affiliates and subsidiaries including, but not limited to, the Company's unique business methods, processes, operating techniques and "know-how" (all of which have been developed by the Company or its affiliates and subsidiaries through substantial effort and investment), profit and loss results, market and supplier strategies, customer identity and needs, information pertaining to employee effectiveness and compensation, inventory strategy, product costs, gross margins, and other information relating to the affairs of the Company and its affiliates and subsidiaries that the Executive shall have acquired during his employment with the Company.

**c. Non-Solicitation of Employees.** The Executive agrees that he shall not, for three (3) years from the date hereof, directly or indirectly solicit or induce any of the employees of the Company or any of its affiliates or subsidiaries to terminate employment with their employer.

## CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, William J. Amelio, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avnet, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2017

/s/ WILLIAM J. AMELIO

William J. Amelio

Chief Executive Officer

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## CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Ken Jacobson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avnet, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2017

/s/ KEN JACOBSON

Ken Jacobson

Interim Chief Financial Officer

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**Certification Pursuant to 18 U.S.C. Section 1350  
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2017 (the "Report"), I, William J. Amelio, Chief Executive Officer of Avnet, Inc. (the "Company") hereby certify that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2017

/s/ WILLIAM J. AMELIO

William J. Amelio

Chief Executive Officer

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**Certification Pursuant to 18 U.S.C. Section 1350  
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2017 (the "Report"), I, Ken Jacobson, Interim Chief Financial Officer of Avnet, Inc. (the "Company") hereby certify that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2017

/s/ KEN JACOBSON

Ken Jacobson

Interim Chief Financial Officer

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