

# / Avnet Fourth Quarter and Fiscal Year 2023 Financial Results

August 16, 2023



# Safe Harbor Statement

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, 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,” “projected,” “plans,” “expects,” “anticipates,” “should,” “will,” “may,” “estimates,” or similar expressions. These forward-looking statements are subject to numerous assumptions, risks, and uncertainties.

The following important factors, in addition to those discussed elsewhere in the Company’s Annual Report on Form 10-K for the fiscal year ended July 2, 2022 and subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, 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: geopolitical events and military conflicts; pandemics and other health-related crises; competitive pressures among distributors of electronic components; an industry down-cycle in semiconductors, including supply shortages; relationships with key suppliers and allocations of products by suppliers, including increased non-cancellable/non-returnable orders; accounts receivable defaults; risks relating to the Company’s international sales and operations, including risks relating to repatriating cash, foreign currency fluctuations, inflation, duties and taxes, sanctions and trade restrictions, and compliance with international and U.S. laws; risks relating to acquisitions, divestitures, and investments; adverse effects on the Company’s supply chain, operations of its distribution centers, shipping costs, third-party service providers, customers, and suppliers, including as a result of issues caused by military conflicts, terrorist attacks, natural and weather-related disasters, pandemics and health related crises, warehouse modernization, and relocation efforts; risks related to cyber security attacks, other privacy and security incidents, and information systems failures, including related to current or future implementations, integrations, and upgrades; general economic and business conditions (domestic, foreign, and global) affecting the Company’s operations and financial performance and, indirectly, the Company’s credit ratings, debt covenant compliance, liquidity, and access to financing; constraints on employee retention and hiring; and legislative or regulatory changes

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.

# / Q4 FY23 Overview

## Revenue

- Exceeded high end of sales and adjusted EPS guidance
- Sales growth led by EMEA and the Americas

## Operating Income

- Sixth consecutive quarter of operating margin greater than 4%
- Adjusted operating income grew three times faster than revenue Y/Y
- EMEA and Americas EC regions saw Y/Y operating margin expansion

**\$6.6B**

Revenue +3% Y/Y  
in constant currency

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**4.8%**

Adjusted Operating  
Margin <sup>(1)</sup>

## Avnet's role as a distributor remains critical

### Regional demand

- Strength in EMEA and Americas; Asia slowed as expected

### End market demand

- Strength: industrial, transportation and defense / aerospace

### Lead times

- Average lead times continue to come down; remain extended for high-end MCUs, power and most automotive-related

### Book-to-bill

- Remained below parity at end of Q4

### Inventory

- Inventory level stabilizing
- Confident with inventory quality

# / FY 2023 Accomplishments

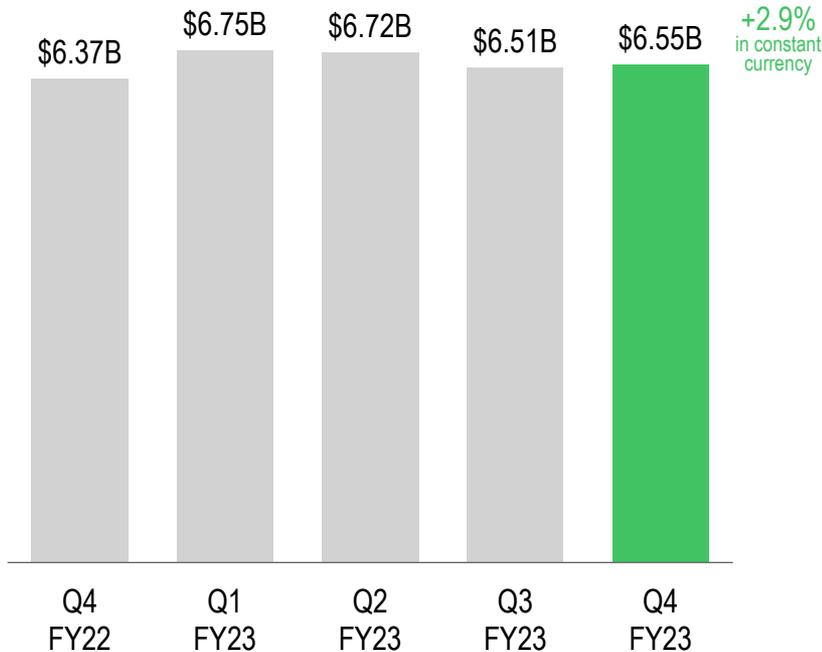
- Achieved record EPS
- Achieved record demand creation and gross profit
- Operating income grew 2X greater than revenues
- Attained adjusted operating margin goals
- Gained market share

## Strength and flexibility to execute our growth strategies

- Strong and balanced line card
- Focused on high-growth end markets
- No supplier or customer concentration
- Driven by operational excellence

Well-positioned to capitalize on growth opportunities ahead

# / Revenue



## Regions

- EMEA record \$2.45B sales
- Y/Y in constant currency:  
EMEA +17%, Americas +7%, Asia -11%

## Electronic Components

- Y/Y +3%, +3% in constant currency
- Q/Q +1% in constant currency

## Farnell

- Y/Y +1%, +1% in constant currency
- Q/Q -3% in constant currency

# / Q4 Income Statement

Improving operational efficiency

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**\$6.6B** Reported revenues

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**12.5%** Gross margin up 25 bps Y/Y and flat Q/Q

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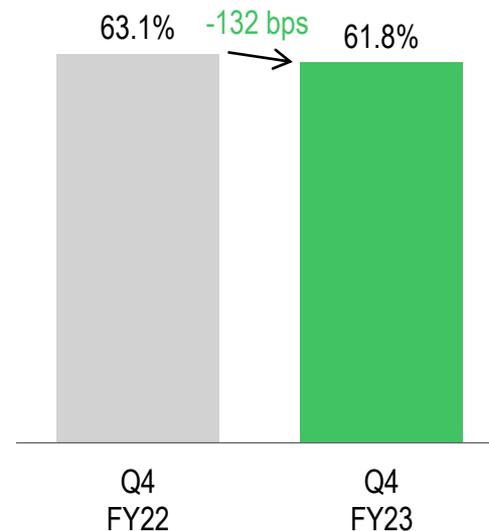
**\$505M** Adjusted operating expenses<sup>(1)</sup> – up 3% Y/Y as reported

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**62%** Operating expenses as a percentage of gross profit

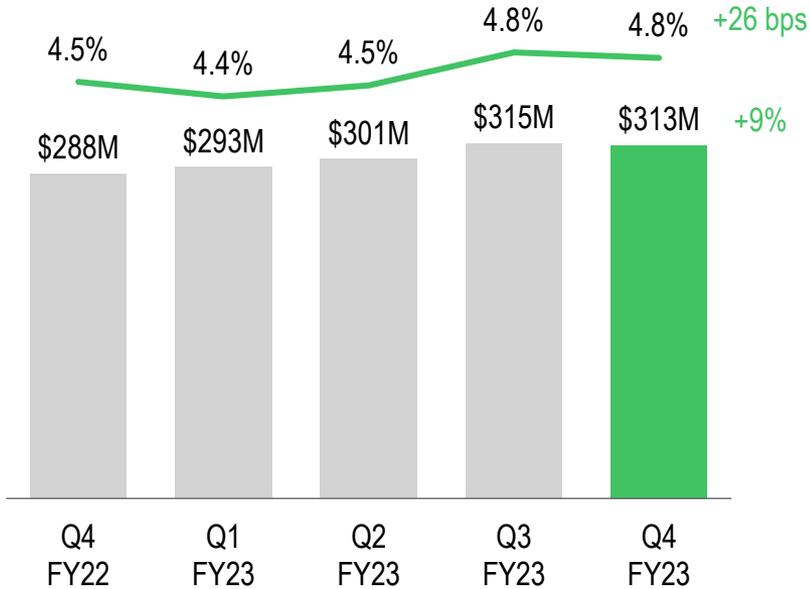
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## Adjusted Operating Expense as % of Gross Profit<sup>(1)</sup>



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

# / Q4 Adjusted Operating Income<sup>(1)</sup>



- Operating income grew 2.7x faster than revenues Y/Y in constant currency
- 10<sup>th</sup> consecutive quarter operating income growth exceeded sales growth more than 2x
- **Electronic Components**
  - \$310M up 21% Y/Y
  - 5.1% margin
  - EMEA and Americas were up Y/Y
- **Farnell**
  - \$36M down 43% Y/Y
  - 8.1% margin

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

# / Q4 Non-operating & EPS<sup>(1)</sup>

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**\$75M** Interest expense up \$45M Y/Y and up \$3M Q/Q due to higher debt and borrowing rates – \$0.39 Y/Y negative impact on adjusted diluted EPS

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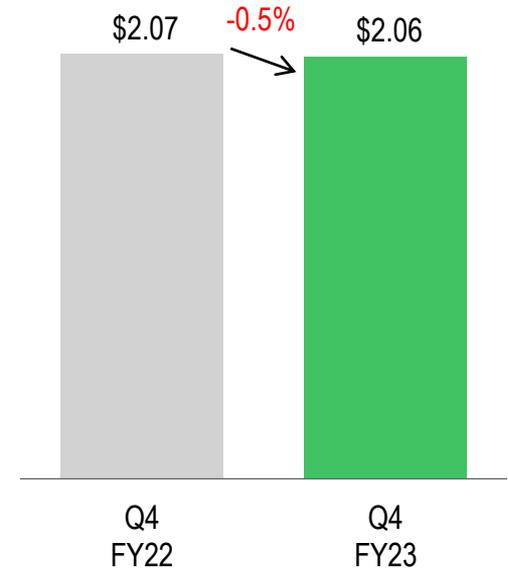
**21.6%** Adjusted effective tax rate<sup>(1)</sup>

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**\$2.06** Adjusted diluted EPS<sup>(1)</sup> – flat Y/Y and up 3% Q/Q

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**Adjusted Diluted EPS<sup>(1)</sup>**

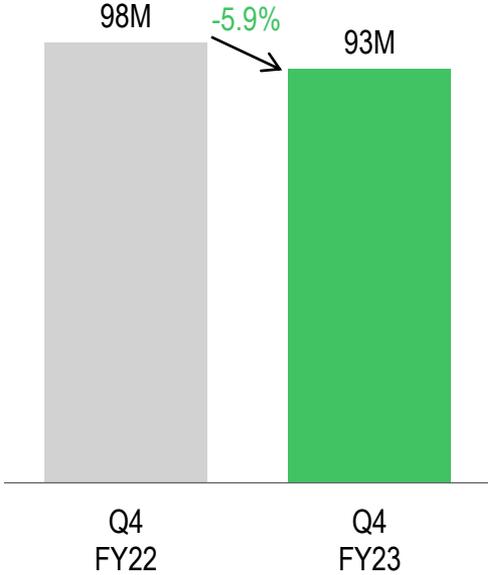


<sup>(1)</sup> Non-GAAP measure. See Non-GAAP Definitions section in the Appendix of this presentation.

# / Q4 Balance Sheet & Liquidity

|               |   |
|---------------|---|
| <b>\$5.5B</b> | Inventory – a \$111M increase Q/Q, primarily driven by increases at Farnell |
| <b>97</b>     | WC days   |
| <b>2.2x</b>   | Gross debt leverage   |
| <b>\$844M</b> | Available committed lines of credit   |
| <b>\$235M</b> | Cash flow from operations   |
| <b>\$0.29</b> | Dividend – returned \$27M to shareholders                                   |

**Diluted Shares Outstanding**



# / Outlook for Q1 FY 2024

(ending Sept. 30, 2023)

| <b>Metric</b>                       | <b>Guidance Range</b> | <b>Midpoint</b> |
|-------------------------------------|-----------------------|-----------------|
| Sales                               | \$6.15B – \$6.45B     | \$6.30B         |
| Adjusted Diluted EPS <sup>(1)</sup> | \$1.45 – \$1.55       | \$1.50          |

## Factors impacting our Q1 FY 2024 outlook

- Based on current market conditions
- Implies sequential sales decline of ~4%, below traditional seasonality
- Assumes similar interest expense to Q4 FY23, an effective tax rate of between 22% and 26% and 93 million of average diluted outstanding shares

# Non-GAAP Definitions

In addition to disclosing financial results that are determined in accordance with generally accepted accounting principles in the United States (“GAAP”), the Company also discloses certain non-GAAP financial information including (i) adjusted operating income, (ii) adjusted operating expenses, (iii) adjusted other income (expense), (iv) adjusted income before income taxes, (v) adjusted income tax expense (benefit), and (vi) adjusted diluted earnings per share. See additional discussion, definitions and reconciliations of Non-GAAP measures included as Exhibit 99.1 to the Current Report on Form 8-K filed with the Securities Exchange Commission on August 16, 2023, which can be found on the Company’s website at [www.ir.avnet.com](http://www.ir.avnet.com)

There are also references to the impact of foreign currency in the discussion of the Company’s results of operations. When the U.S. Dollar strengthens and the stronger exchange rates of the current year are used to translate the results of operations of Avnet’s subsidiaries denominated in foreign currencies, the resulting impact is a decrease in U.S. Dollars of reported results. Conversely, when the U.S. Dollar weakens and the weaker exchange rates of the current year are used to translate the results of operations of Avnet’s subsidiaries denominated in foreign currencies, the resulting impact is an increase in U.S. Dollars of reported results. In the discussion of the Company’s results of operations, results excluding this impact are referred to as “constant currency.” Management believes sales in constant currency is a useful measure for evaluating current period performance as compared with prior periods and for understanding underlying trends. In order to determine the translation impact of changes in foreign currency exchange rates on sales, income or expense items for subsidiaries reporting in currencies other than the U.S. Dollar, the Company adjusts the average exchange rates used in current periods to be consistent with the average exchange rates in effect during the comparative period

Management believes that operating income and operating expenses adjusted for restructuring, integration and other expenses, Russian-Ukraine conflict related expenses and amortization of acquired intangible assets and other, are useful measures to help investors better assess and understand the Company’s operating performance. This is especially the case when comparing results with previous periods or forecasting performance for future periods, primarily because management views the excluded items to be outside of Avnet’s normal operating results or non-cash in nature. Management analyzes operating income and operating expenses without the impact of these items as an indicator of ongoing margin performance and underlying trends in the business. Management also uses these non-GAAP measures to establish operational goals and, in most cases, for measuring performance for compensation purposes. Management measures operating income for its reportable segments excluding restructuring, integration and other expenses, Russian-Ukraine conflict related expenses and amortization of acquired intangible assets and other. Additional non-GAAP metrics management uses is adjusted operating income margin, which is defined as adjusted operating income (as defined above) divided by sales

Management also believes income tax expense (benefit), net income and diluted earnings per share adjusted for the impact of the items described above, gain on legal settlements and other, and certain items impacting other income (expense) and income tax expense (benefit) are useful to investors because they provide a measure of the Company’s net profitability on a more comparable basis to historical periods and provide a more meaningful basis for forecasting future performance. Adjustments to income tax expense (benefit) and the effective income tax rate include the effect of changes in tax laws, certain changes in valuation allowances and unrecognized tax benefits, income tax audit settlements and adjustments to the adjusted interim effective tax rate based upon the expected annual adjusted effective tax rate. Additionally, because of management’s focus on generating shareholder value, of which net profitability is a primary driver, management believes net income and diluted earnings per share excluding the impact of these items provides an important measure of the Company’s net profitability for the investing public

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