

CFO Review of Fiscal 2017 Second Quarter Results

Discontinued Operations

On September 19, 2016, Avnet, Inc. announced that it had entered into an agreement to sell its Technology Solutions (TS) operating group to Tech Data Corporation. The transaction is subject to customary closing conditions and regulatory approvals and is expected to close in the first half of calendar 2017. As a result of the pending sale and having met applicable accounting requirements, Avnet began reporting the TS business as a discontinued operation in the first quarter of fiscal 2017.

Continuing Operations ⁽¹⁾

	Q2' FY16	Q2' FY17	Y/Y Chg
Sales	\$ 4,161.1	\$ 4,273.6	\$ 112.5
Gross Profit	\$ 505.1	\$ 586.2	\$ 81.1
<i>Gross Profit Margin</i>	12.1 %	13.7 %	158 bps
Operating Income	\$ 136.1	\$ 124.2	\$ (11.9)
Adjusted Operating Income ⁽²⁾	\$ 152.5	\$ 164.5	\$ 12.0
<i>Operating Income Margin</i>	3.3 %	2.9 %	(36) bps
<i>Adjusted Operating Income Margin</i> ⁽²⁾	3.7 %	3.8 %	18 bps
Income	\$ 102.1	\$ 32.5	\$ (69.7)
Adjusted Income ⁽²⁾	\$ 101.3	\$ 100.8	\$ (0.4)
Diluted EPS	\$ 0.76	\$ 0.25	(67.1)%
Adjusted Diluted EPS ⁽²⁾	\$ 0.75	\$ 0.77	2.7%
Avnet ⁽³⁾			
Return on Working Capital (ROWC)	22.8 %	20.7 %	(210) bps
Return on Capital Employed (ROCE)	12.2 %	10.6 %	(160) bps
Working Capital Velocity	6.1	5.4	(0.76)

(1) The information included under "Continuing Operations" excludes the Technology Solutions (TS) business as TS is considered a discontinued operation. See "Discontinued Operations," above.

(2) Non-GAAP measures. See the reconciliation of non-GAAP financial information attached as exhibit 99.2 to the Form 8-K filed with the Securities Exchange Commission on January 26, 2017 ("Exhibit 99.2").

(3) Returns reflect both continuing and discontinued operations. See Exhibit 99.2.

- Sales for the second quarter of fiscal 2017 (from continuing operations) increased 2.7% year over year to \$4.27 billion. Organic sales (excluding the impact of Premier Farnell) decreased 3.6%.
- Adjusted operating income (from continuing operations) increased by 7.9% year over year to \$164.5 million and adjusted operating income margin improved 18 basis points primarily due to the addition of Premier Farnell, as well as improvements in the Asia region.
- Adjusted diluted earnings per share (from continuing operations) of \$0.77 increased 2.7% year over year, primarily due to higher adjusted operating income partially offset by higher interest and other expenses.
- Avnet generated cash flow from operations of \$240.2 million in the second quarter of fiscal 2017.
- During the second quarter of fiscal 2017, Avnet paid a dividend of \$0.17 per share, or \$21.8 million.

Electronics Marketing Sales

	Q2' FY16	Q2' FY17	Year-over-Year Growth Rates Reported
Electronics Marketing	\$ 4,161.1	\$ 4,273.6	2.7 %
<i>Constant Currency</i> ⁽¹⁾			3.4 %
Americas	\$ 1,165.8	\$ 1,252.6	7.5 %
EMEA	\$ 1,141.1	\$ 1,380.7	21.0 %
<i>Constant Currency</i> ⁽¹⁾			24.6 %
Asia	\$ 1,854.2	\$ 1,640.3	(11.5)%
<i>Constant Currency</i> ⁽¹⁾			(12.2)%

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

- EM's second quarter fiscal 2017 sales of \$4.27 billion increased 2.7% year over year, or 3.4% in constant currency, primarily due to the addition of Premier Farnell.
 - Americas' sales increased 7.5% year over year as reported, and organic sales declined 2.1% from the year ago quarter.
 - EMEA's sales increased 24.6% in constant currency from the prior year quarter, and organic sales increased 11.6% in constant currency.
 - Asia's sales decreased 12.2% in constant currency from the prior year quarter, and organic sales decreased by 13.5% in constant currency, primarily due to the decision to exit select high volume supply chain engagements.
- EM's organic sales decreased 1.3% sequentially in constant currency, which is below the normal seasonal range of 0% to +3%.

Electronics Marketing Operating Income

	Q2' FY16	Q2' FY17	Y/Y Change
Electronics Marketing Total			
Operating Income	\$ 176.3	\$ 190.7	\$ 14.4
Operating Income Margin	4.2 %	4.5 %	23 bps

- EM operating income margin of 4.5% increased 23 basis points from the year ago quarter primarily due to the addition of Premier Farnell, as well as improvements in the EMEA and Asia regions, which were partially offset by a decline in the Americas region.

Avnet Interest Expense, Other Income (Expense) and Income Taxes

	Q2' FY16	Q2' FY17	Y/Y Change
Interest Expense	\$ 21.0	\$ 26.7	\$ 5.7
Other Expense	\$ 2.1	\$ 36.5	\$ 34.4
Income Tax Expense - continuing operations	\$ 11.0	\$ 28.5	\$ 17.5
Adjusted Income Tax Expense ⁽¹⁾	\$ 28.2	\$ 33.1	\$ 4.9
Effective Tax Rate - continuing operations	9.7 %	46.8 %	3,706 bps
Adjusted Effective Tax Rate ⁽¹⁾	21.8 %	24.7 %	293 bps

⁽¹⁾ Refer to Exhibit 99.2.

- Interest expense of \$26.7 million increased \$5.7 million from the year ago quarter primarily due to an increase in debt from the year ago quarter, including long-term notes and debt to finance the acquisition of Premier Farnell.
- Avnet incurred \$36.5 million of other expense in the second quarter of fiscal 2017 compared with \$2.1 million of other expense in the second quarter of fiscal 2016. The year-over-year increase in other expense was primarily due to expenses incurred for bridge financing and to hedge the foreign currency purchase price of the Premier Farnell acquisition.
- The adjusted effective tax rate of 24.7% in the second quarter of fiscal 2017 was higher than the adjusted effective tax rate of 21.8% in the second quarter of fiscal 2016, primarily due to the mix of income.

Avnet Working Capital

	Q1' FY17	Q2' FY17	Q/Q Change
Accounts Receivable	\$ 2,876.3	\$ 2,996.1	\$ 119.8
Inventories	\$ 2,418.8	\$ 2,697.8	\$ 279.0
Accounts Payable	\$ (1,463.6)	\$ (1,774.0)	\$ (310.4)
Working Capital- continuing operations	\$ 3,831.5	\$ 3,919.9	\$ 88.4
Working Capital- discontinued operations	\$ 918.3	\$ 989.0	\$ 70.7

- Working capital (accounts receivable plus inventories less accounts payable) from continuing operations increased \$88.4 million sequentially, or 2.3%, primarily due to the addition of Premier Farnell.
 - Excluding the impact of Premier Farnell, working capital declined 9.7% sequentially with approximately two-thirds of the decline in the Americas region.
- Inventories increased \$279.0 million sequentially, or 11.5%, primarily due to the addition of Premier Farnell.

Avnet, Inc. Q2 Fiscal Year 2017
 \$ in millions - except per share data
 December 31, 2016

Avnet Cash Flow

	YTD Q2' FY16	YTD Q2' FY17	Y/Y Change
Income - Continuing Operations	\$ 211.1	\$ 100.2	\$ (110.9)
Non-Cash Items	\$ 94.0	\$ 112.3	\$ 18.3
Working Capital and Other	\$ (234.5)	\$ 90.7	\$ 325.2
Cash Flow from Operations - Continuing Operations	\$ 70.6	\$ 303.2	\$ 232.6
Cash Flow from (used) from Operations - Discontinued Operations	\$ 13.6	\$ (63.1)	\$ (76.8)
Net cash flow from Operations	\$ 84.2	\$ 240.1	\$ 155.8
TTM CF from Operations	\$ 443.7	\$ 380.2	\$ (63.5)

- Avnet generated \$240.1 million of cash from operations during the first six months of fiscal 2017.
 - Cash flow generated from continuing operations was \$303.2 million.
- During the second quarter of fiscal 2017, Avnet did not repurchase any shares. Entering the third quarter, Avnet had approximately \$174.9 million remaining under the current repurchase authorization.
- During the second quarter of fiscal 2017, Avnet paid a dividend of \$0.17 per share, or \$21.8 million in total.
- Cash and cash equivalents at the end of the second quarter of fiscal 2017 was \$1.27 billion, of which \$1.18 billion was held outside the United States; net debt (total debt less cash and cash equivalents) was approximately \$2.36 billion.

Forward-Looking Statements

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

The following factors, among others, could cause actual results to differ materially from those described in the forward-looking statements: Avnet’s ability to retain and grow market share and to generate additional cash flow, risks associated with any acquisition activities and the successful integration of acquired companies, the separation and pending sale of the TS business, an industry down-cycle in semiconductors, IT hardware or software products, declines in sales, changes in business conditions and the economy in general, changes in market demand and pricing pressures, any material changes in the allocation of product or product rebates by suppliers, and other competitive and/or regulatory factors affecting the businesses of Avnet generally.

More detailed information about these and other factors is set forth in Avnet’s filings with the Securities and Exchange Commission, including Avnet’s reports on Form 10-K, Form 10-Q and Form 8-K. Except as required by law, Avnet is under no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Definitions and Reconciliations

A discussion on the impact of foreign currency on Avnet’s results of operations, the definition of organic sales and a reconciliation of non-GAAP financial information is attached as Exhibit 99.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 26, 2017.