

Avnet Second Quarter 2023 Financial Results

February 1, 2023

AVNET®



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, including COVID-19; 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 the ability to repatriate 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 crisis, 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 or 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 affecting the Company’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.

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Executive Overview

Phil Gallagher
Chief Executive Officer



/ Q2 FY23 Overview

Revenue

- Exceeded high end of sales and adjusted EPS guidance despite headwinds
- 8th straight quarter of double-digit growth Y/Y
- Grew sales across all regions Y/Y
 - Solid customer partnerships
 - Dedicated and committed employees

Operating Income

- 4th consecutive quarter of operating margin greater than 4%
- Operating income grew nearly 3 times faster than revenue Y/Y

\$6.7B

Revenue +21% Y/Y
in constant currency

4.5%

Operating Margin

Avnet's role as a distributor remains critical

Regional demand

- Strength in Americas and EMEA; signs of Asia slowing

End market demand

- Strength: transportation and industrial

Lead times

- Improving, but certain products remain extended

Book-to-bill

- Softened – exited Q2 below parity

Inventory

- Inventory levels elevated across the supply chain
- Comfortable with inventory quality and age

/ Electronic Components (EC)

- Growth in all regions
 - 7th consecutive quarter of organic sales growth \geq 20%
 - Record EMEA revenue and operating income
 - Highest Americas operating income in years
 - Continued Asia share gains and margin expansion amid softening demand
- Record demand creation revenue and gross profit
 - Supported by talented engineers and digital design tools
 - Customers and suppliers value our unique engineering capabilities

\$6.3B

Revenue +23% Y/Y
in constant currency

4.7%

Operating Margin

- Sales and profitability impacted by supply constraints and pricing
 - Premium pricing tailwinds dissipating
 - Components for single-board computers
 - Farnell's margins are 2x Avnet's overall operating margin
- Investments in Farnell's eCommerce platform yielding results
 - 55% of Farnell sales and 73% of Farnell orders
- Diverse product mix supports more than on-board needs
 - Test and measurement
 - Industrial
 - Maintenance and repair operations
- Leveraging the Farnell / EC collaboration – a key differentiator

\$408M

Revenue flat Y/Y
in constant currency

9.0%

Operating Margin

/ Well-Positioned for Challenging Markets

Closely monitoring developments

- Lead times and inventory levels
- COVID-19's impact on demand
- Rising interest rates, inflation, and slowing global economic growth

Resilient and adaptable to weather cycles and support our partners

- Building on Avnet's core foundations
- Sustaining decades of trusted partnerships
- Adapting to wave after wave of change
- Supporting customer business needs

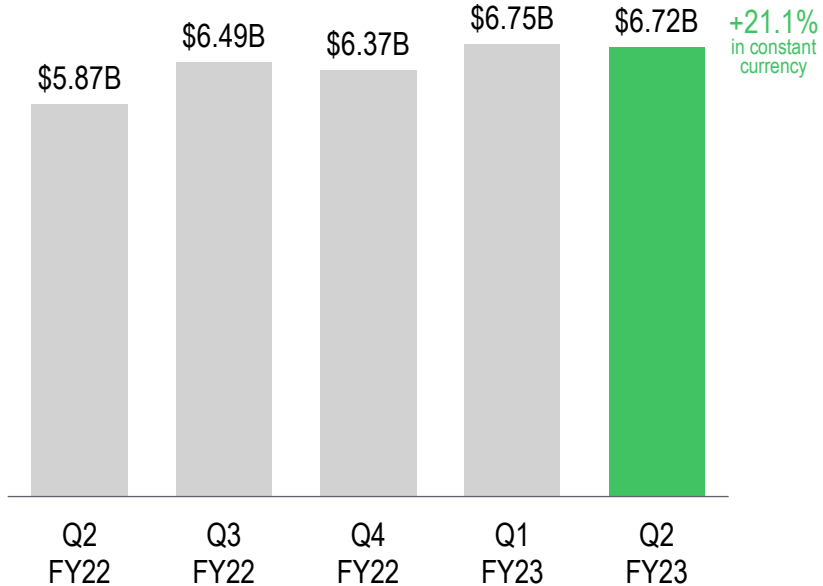
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Financial Highlights

Ken Jacobson
Chief Financial Officer



/ Revenue



- 10th consecutive quarter of Y/Y growth

Regions

- EMEA record \$2.3B sales
- Y/Y in constant currency:
EMEA +38%, Americas +21%, Asia +9%

Electronic Components

- Y/Y +16%, +23% in constant currency
- Q/Q flat in constant currency

Farnell

- Y/Y -8%, flat in constant currency
- Excluding single-board computers,
+4% Y/Y in constant currency

/ Q2 Income Statement

Improving operational efficiency

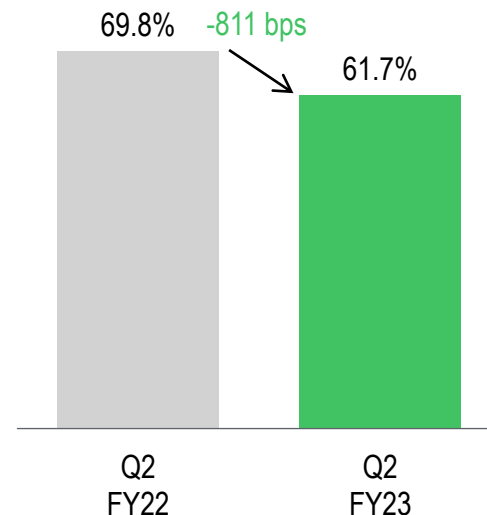
\$6.7B Reported revenues

11.7% Gross margin down 49 bps Y/Y and up 29 bps Q/Q
– higher margins in all regions and shift to western regions

\$484M Adjusted operating expenses⁽¹⁾ – down 3% Y/Y as reported and up 4% in constant currency to support 21% sales growth

62% Operating expenses as a percentage of gross profit
– the lowest in several years and well below 70% a year ago

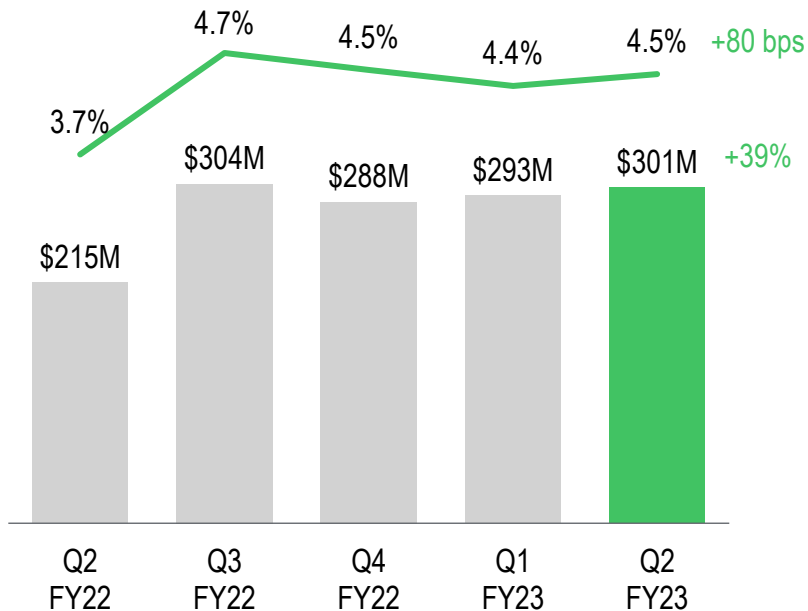
Adjusted Operating Expense as % of Gross Profit⁽¹⁾



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

/ Q2 Adjusted Operating Income⁽¹⁾

Operating income grew 2.7x revenues Y/Y



- 8th consecutive quarter operating income growth exceeded sales growth

Electronic Components

- \$297M up 57% Y/Y
- 4.7% margin
 - +122 bps Y/Y and +47 bps Q/Q
- All regions were up Y/Y, led by EMEA

Farnell

- \$37M down 39% Y/Y
- 9.0% margin
 - -461 bps Y/Y and -308 bps Q/Q
 - Avnet’s highest-margin business

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

/ Q2 Non-operating & EPS⁽¹⁾

\$59M

Interest expense up \$37M Y/Y and \$14M Q/Q due to higher debt and borrowing rates – \$0.31 Y/Y negative impact on adjusted diluted EPS

\$62M

Gain from legal settlements – \$0.51 benefit to diluted EPS

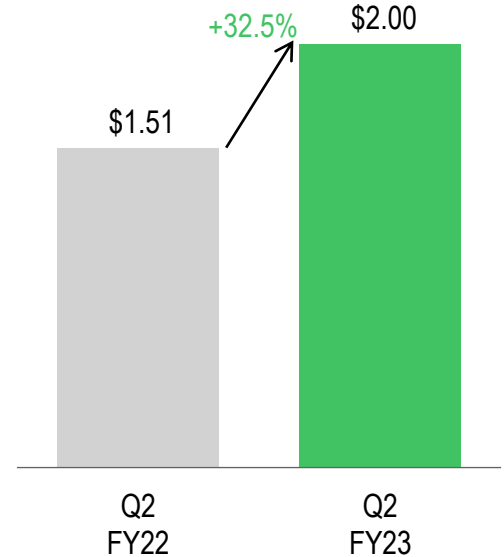
23.6%

Adjusted effective tax rate⁽¹⁾

\$2.00

Adjusted diluted EPS⁽¹⁾ – up 32% Y/Y and flat Q/Q

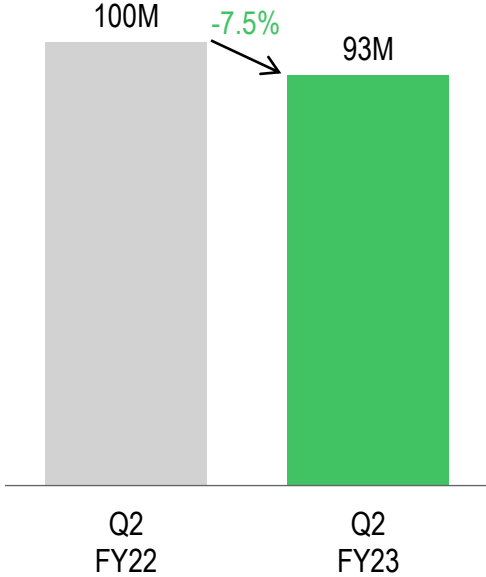
Adjusted Diluted EPS⁽¹⁾



/ Q2 Balance Sheet & Liquidity

84	WC days, within historical levels – with good returns on working capital
\$5.0B	Inventory – a \$318M increase Q/Q, driven by customer rescheduling, Farnell investments and FX
2.4x	Gross debt leverage
\$300M	Available lines of credit
\$64M	Share repurchases (2% of outstanding shares)
\$0.29	Dividend – returned \$26M to shareholders

Diluted Shares Outstanding



/ Outlook for Q3 FY 2023

(ending April 1, 2023)

Metric	Guidance Range	Midpoint
Sales	\$6.15B – \$6.45B	\$6.30B
Non-GAAP Adjusted Diluted EPS ⁽¹⁾	\$1.75 – \$1.85	\$1.80

Factors impacting our Q3 FY 2023 outlook

- Based on current market conditions
- Implies sequential sales decline of ~6%, consistent with seasonal decline in sales from Asia and below seasonal growth for the western regions
- Assumes similar interest expense to Q2 FY23, an effective tax rate of between 22% and 26% and 92.5 million of average diluted outstanding shares


(1) Non-GAAP measure. See Non-GAAP Definitions in the Appendix of this presentation.

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Q&A Session



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please visit
<https://ir.avnet.com/>

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 tax expense, (v) adjusted income from continuing operations, (vi) adjusted diluted earnings per share from continuing operations, and (vii) sales adjusted for the impact of significant acquisitions and other items (as defined in the Organic Sales section of this document). 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 February 1, 2023, which can be found on the Company’s website at 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 organic sales and sales in constant currency are useful measures 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, goodwill and intangible asset impairment 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, goodwill and intangible asset impairment 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), income from continuing operations and diluted earnings (loss) per share from continuing operations adjusted for the impact of the items described above 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. Adjustment to income tax expense (benefit) and the effective income tax rate include the effect of changes in tax laws including recent tax law changes in the U.S., 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 income from continuing operations and diluted earnings (loss) per share from continuing operations excluding the impact of these items provides an important measure of the Company’s net profitability for the investing public