Arrow Electronics

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William Austen: Hello, everyone, and thank you for joining us today. I'm Bill Austen, Interim President and CEO of Arrow Electronics, and it's a privilege to speak with you today. Thank you for taking the time to be with us and for your interest in Arrow.

I've served on Arrow's Board since 2020, and I'm honored to lead the company during this transition period. I, along with the full Board, am committed to maintaining continuity, driving execution, and delivering results for our customers, partners and shareholders. At Arrow, operational excellence and customer service are at the heart of everything we do. I'm incredibly proud of the strength of our team and the clear direction we are heading.

During this presentation, we'll make forward-looking statements, which are based on predictions and expectations as of today. I encourage you to read the safe harbor language in the accompanying presentation in its entirety.

With that, let's dive in.

Let's begin with **slide 3** where I'll outline the four key pillars of our investment thesis, the reasons why Arrow is unique, respected and compelling investment opportunity.

First, Arrow holds a leading position in large and expanding markets. Arrow is a leading distributor at the center of global electronics and enterprise IT ecosystems, serving large and growing end markets, including industrial, transportation, aerospace and defense, medical, consumer electronics and data center. We are well-aligned with all six core markets and believe our strategy is on point for delivering long-term sustainable growth.

These markets remain resilient, with several showing early signs of gradual recovery, reflected in improving leading indicators, including book-to-bill ratios above parity in all three regions, expecting backlog and normalized lead times. Our global scale, long-standing supplier relationships and 90-year legacy of operational excellence give us a durable, competitive advantage as demand trends gradually strengthen.

Arrow has differentiated capabilities, driving profitable growth. A key part of our strategy is a deliberate shift toward an increased mix of higher-margin value-added services, including supply chain services, engineering and design services and integration services. These capabilities extend our role far beyond traditional distribution and deepen customer stickiness as we become an extension of our customers' and suppliers' product development, supply chain and go-to-market efforts. The secular growth in cloud and AI is creating tailwinds for both our Components and

ECS businesses, particularly in areas like AI infrastructure build-out, where our supply chain services are incredibly critical.

Another lever for margin expansion is our ability to create a productivity flywheel that focuses on driving costs out, which in turn creates reinvestment capacity for growth and margin expansion. Our efforts to date have focused on simplifying operations, consolidating resources, and geographic realignment. Our productivity and cost-out efforts are becoming part of everyday life at Arrow as it creates reinvestment capacity and leverage in the business.

Third, we have a diversified business model, which provides financial flexibility. One of Arrow's key differentiators is our diversified model spanning electronic components and enterprise IT solutions, which provides balance, resilience and consistent free cash flow generation across cycles. This diversified platform enables us to play the full technology life cycle, from designing and planning to deployment, management and support.

And fourth, we have a focused capital allocation strategy. Our capital allocation priorities, which remain unchanged, are designed to maximize shareholder value. We will reinvest in organic growth, pursue disciplined M&A and return excess capital to shareholders. Since 2020, we've returned approximately $3.5 billion through share repurchases. We remain committed to allocating capital toward the highest long-term risk-adjusted returns, supported by our consistent free cash flow generation, while maintaining an investment-grade credit rating.

Turning to **slide 4**. Arrow is a leading global distributor of technology solutions at the center of electronics and enterprise IT ecosystems, connecting the world's leading technology suppliers with customers across six large and resilient end markets. What differentiates Arrow is the breadth of our platform. We participate across the full technology life cycle, from design and sourcing to integration, deployment and ongoing management. That gives us a unique right to play a pivotal role in how technology is created, delivered and supported.

We do this across two best-in-class businesses, each with a distinct role in technology value chain, but both grounded in the same principles of execution, scale and customer partnership.

In Global Components, which represents roughly 70% of total revenue, we are a leading distributor of semiconductors and interconnects, passives and electromechanical, or IP&E, on behalf of original component manufacturers, which represents our core business. But we're much more than that, we also provide value-added solutions, including supply chain services, engineering and design services and integration services. In our Global Components business, we are seeing signs of gradual cyclical recovery.

Our Enterprise Computing Solutions or ECS business represents roughly 30% of total revenue, complements our global components business by delivering complete hybrid cloud, infrastructure software, cybersecurity and AI-driven solutions through a global channel ecosystem. Together, these businesses position Arrow to participate across the full technology life cycle and drive sustainable, profitable growth.

The secular trends in cloud, AI, automation and electrification continue to drive demand in our core end markets. This combination of scale, technical capability, market expertise and value-added services creates a diversified model that positions Arrow to deliver long-term profitable growth through market cycles.

Turning to **slide 5** - Arrow is operating in large and growing markets at the convergence of physical and digital solutions, positioning our business for long-term sustainable growth. The distribution total addressable market, or DTAM, for our core distribution business is over $250 billion. Supporting the DTAM is the strength of six primary end markets that we serve: transportation, industrial, aerospace and defense, medical, consumer electronics and data center.

We are well-aligned with all six core markets and believe our strategy will deliver long-term sustainable growth.

Based on industry data, we estimate that the existing product distribution market is growing 6% to 10% annually. On top of our core distribution, we are also expanding our addressable market through an increased mix shift toward our higher-margin value-added offerings, which include supply chain services, engineering and design, and integration services. Importantly, value-added solutions are growing even faster than product DTAM, and they carry substantially higher margins.

On **slide 6**, you can see the contribution of value-added services as a percentage of total operating income has grown over time. Historically, value-added services accounted for less than 20% of total company operating income. In 2025, that mix has grown to roughly 30%, reflecting both strong demand and our intentional shift in our product portfolio toward margin-accretive offerings.

This mix shift expands our addressable market, deepens customer engagement, and increases the durability of earnings. This has been a natural extension for Arrow, building upon our core distribution platform with accretive value-added offerings. Looking ahead, we are focused on further increasing this mix to drive profitable growth.

I'd like to spend a few moments diving deeper into our two segments.

Turning to **slide 7**, our Global Components business is the backbone of Arrow. We provide customers with one of the industry's broadest portfolios of semiconductor and IP&E products. These are critical products for our customers. IP&E includes parts like connectors, wires and cables, resistors, capacitors, inductors, switches, relays and fans. These are essential components in nearly all electronics driving connectivity, storing and regulating energy, and using that energy to generate mechanical motion.

Our leadership position in Global Components is supported by a global footprint of 180 sales locations and nearly 40 distribution facilities. What's important here is the scale and diversity of this business. We work with hundreds of suppliers and thousands of customers, and no single customer accounts for more than 2% of sales. That diversification is a real strength, particularly in a market that's in the early stages of a gradual recovery.

In addition to our fulfillment business, our value-added solutions, which include supply chain services, engineering and design services, and integration services, continue to differentiate us. These offerings provide customers improved supply chain visibility, design support and turnkey solutions that accelerate their time to market, and they are meaningfully margin accretive. Value-added solutions represents a significant opportunity for Arrow, and I will talk about each of them further in a moment.

Of the nearly $21 billion of Global Components sales we expect to deliver for fiscal 2025, Asia remains the largest part of the business and was first in and first out of the downturn, with growth continuing to outpace EMEA and the Americas. Altogether, Global Components enables Arrow to support customers from design to fulfillment, leveraging a model built for resilience and long-term profitable growth.

Turning to **slide 8**. Our role in the components value chain is critical. We partner with suppliers or original component manufacturers, acting as their authorized distributor and extending their reach across hundreds of suppliers and thousands of customers. We deliver those components to both large OEMs and mass market customers, providing the scale, logistics and technical expertise needed to keep production moving. We define mass market customers as customers with $3 million or less of annual spend on components.

This position provides us early visibility into design activity and demand trends. It's why our book-to-bill ratios and backlog remain such important leading indicators of the broader market. In short, we connect the world's component manufacturers with the customers who build the products that power our global economy.

I'll now take a deeper dive into our value-added solutions, starting with supply chain services on **slide 9**. In short, our supply chain services address a very real and evolving challenge for OEMs: control, visibility and resiliency. This is done by removing complexity across the components supply chain by removing obstacles for our clients so they can focus on their strategy. Many customers operate with multiple partners, disparate systems, and inventory that's difficult to manage, all of which introduce hidden costs and risk.

Arrow brings order to that environment. We standardize processes, orchestrate material flows, layer in technology solutions and provide end-to-end visibility so customers can focus on design and demand generation instead of tactical execution. This capability has become especially important as companies scale investment in areas like AI infrastructure, where staging, sourcing and provisioning components globally is critical. Driven by a fluid and evolving geopolitical environment, we are helping OEMs mobilize their supply chains in new and different geographies, such as Southeast Asia, Eastern Europe, and the Americas.

As an example, think of a hyperscaler that is buying $5 billion worth of GPUs because they are going to put a 500-megawatt data center in Indonesia. We provision, buy, relocate, store, house and then move to the customer site all the components needed when they want it. We will put in a distribution center somewhere in the region where that customer is going to be building out and we will bring in their materials, keep them in a distribution center and then provision them out to the site when required.

OEMs increasingly need visibility, so we are giving them a pane of glass to see the front and back-end silicon and rare earth mineral dependencies. This drives proactively to assure supply.

For our customers, the outcome is improved control, greater resiliency, faster execution and optimized working capital. And for Arrow, this is a margin-accretive offering that deepens long-term relationships. We expect that global trend toward investment in AI will create a significant tailwind for our supply chain services.

Turning to **slide 10**, our engineering and design services help customers get to market quickly. We effectively serve as an extension of our OEM customers' and suppliers' product development and design teams, helping them design the next generation of their product portfolios. This capability spans everything from design registrations and new product introductions to turnkey R&D and complex custom ASIC, or application-specific integrated circuit solutions, through our engineering service centers.

What differentiates Arrow is our ability to deliver breakthrough products, with device to the digital applications, backed by long-term customer relationships with our customer contracts having an average tenure of seven years, and that tenure continues to grow. Today this team has delivered more than 750 products and enabled approximately 100 million deployments, demonstrate both scale and the impact of our value-added capabilities in accelerating customers' time to market.

A few examples of the products that the Arrow team has helped design include the world's first programmable Ethernet switch ASIC design, a smart surgical display platform, and an electric vehicle DC fast charging station. The value for customers is speed and confidence. We help them reduce development cycles, solve technical challenges, and bring innovative products to market faster by leveraging Arrow's global ecosystem of technology partners.

And for Arrow, this remains a highly margin-accretive, scalable business, and we will continue to expand our services, strengthen our operating model, and use M&A to add new capabilities and

vertical specialization. It's a great example of how we're moving beyond core distribution to become a deeper, more embedded partner in our customer's innovation cycle.

Turning to **slide 11**, integration services, which includes Arrow's Intelligent Solutions, or AIS, is another important part of our value-added portfolio. We are involved in designing, building and testing discrete compute hardware and associated software that enables our customers to quickly bring innovative solutions to market faster by leveraging an ecosystem of world-class suppliers.

We have five global integration facilities with over 150,000 square feet of production space. AIS supports both OEMs and ISVs that are looking to scale quickly, accelerate time to market or overcome resource constraints. These are customers that want a partner who can manage everything from embedded computing to server and storage appliances, to full rack integration. These purpose-built rack solutions arrive fully cabled, tested and staged, which streamlines deployment and minimizes integration time across compute, storage and networking.

As an example, we have recently done some work for a shipbuilder which wanted to have different kinds of GPS tracking devices. We built 150 of these units, incorporated software, tested and outfitted the units for installation. It's a type of low-volume, high-mix and high-margin solution. We bring together components and software into an appliance and it carries a higher margin profile.

What makes AIS unique is the ability to leverage Arrow's global ecosystem of world-class suppliers and combine that with our engineering, supply chain, and integration capabilities to deliver turnkey, production-ready solutions. The result for customers is improved speed, optimized cost structures and greater business continuity, especially in sectors like industrial, medical, data center and retail. And for Arrow, AIS is a margin-accretive, scalable business that deepens our involvement in customers' technology road maps and reinforces our evolution beyond core distribution into higher-value integrated solutions.

Switching gears, on **slide 12**. Our ECS business is a nice complement to our electronics business as it is a critical growth engine for Arrow. ECS is comprised of hybrid cloud and infrastructure software, hardware and services to deliver solutions such as cybersecurity, data protection, virtualization and data intelligence, much of which is the on-ramp to AI. We enable thousands of channel partners, VARs, systems integrators, telcos, ISVs and cloud providers to deliver modern IT solutions built on a broad ecosystem of hundreds of vendors.

About three-quarters of billings are software and services. The remaining 25% of billings is hardware, storage, compute and networking. We're aligned with the strongest secular trends in enterprise IT, hybrid cloud, cybersecurity, data protection and AI-driven workloads. These areas continue to drive healthy demand and strong backlog growth.

Many of our solutions we are providing are now served on an as-a-service basis. This continues to contribute to the growth of our recurring revenue volumes, now roughly one-third of our total ECS billings.

We have a well-balanced, diversified business across Europe and America. With our expectation to deliver over $9 billion of revenue and billings of approximately $20 billion in full year 2025, ECS continues to broaden our addressable market and provides a resilient, higher-return complement to our Global Components business.

Turning to **slide 13** - Our ECS business plays a critical role positioned in the middle of the technology makers and channel partners. This business has evolved from a traditional distributor of products to a strategic partner in the channel with a unique set of offerings to meet the needs of suppliers and customers. We enable technology makers to focus on what they do best, creating innovative technology, while we handle the complexity of go-to-market.

On the other side of that, we support our channel partners, including VARs and MSPs, with sourcing, deploying, provisioning and managing the hardware, software, and cloud solutions they rely on. This role has been the foundation of our business and is the platform from which we are now expanding into higher value, more strategic engagements.

Turning to **slide 14**. Strategic outsourcing agreements are a major evolution of our Global ECS model and expand Arrow's addressable market through exclusivity, cross-sell opportunities and stickier relationships. Through these arrangements, Arrow is stepping into “Beyond Distribution”, becoming the exclusive go-to-market partner for our supplier, taking on all or part of their commercial activities and gaining the ability to sell software licenses and software subscriptions on behalf of the supplier's brand.

Arrow pays a fixed fee to become the exclusive software supplier in the market, and any sales we earn above the fixed fee is our profit. While early agreements naturally come with some learning curves, over time they are expected to be meaningfully margin accretive, with gross margins roughly double the ECS average once at scale. This is a key strategic pillar for ECS and positions us extremely well for the future as more suppliers look for partners who can simplify and scale their go-to-market motions.

Turning to **slide 15**, let me bring "Beyond Distribution" to life with an example. A leading software provider wanted to scale and accelerate a global market presence. They don't want to dedicate the time, effort, resources, operations, compliance or logistics to develop certain non-strategic or non-core areas of their business. Because Arrow has infrastructure and already understands this market, we were able to develop, execute and manage the supplier's entire EU go-to-market and do so exclusively.

This is a win-win for both Arrow and our supplier. It unlocks our sales and operational excellence, and it allows the software provider to reallocate resources to their core objective: making great software. We gain multi-year exclusivity, cross-sell opportunities and accretive margins.

Turning to **slide 16**. Our digital platform, ArrowSphere, is a single integrated digital business platform that enables channel partners and vendors to quote, purchase, provision, manage and scale cloud, hardware, software and subscription-based solutions all within one user-friendly interface. ArrowSphere is a proprietary digital platform for our ECS business and offers several powerful applications in one easy-to-use platform.

ArrowSphere brings together the three things our partners need most: access to enterprise and midmarket customers; a broad ecosystem of software and cloud technologies; and the enablement capabilities required to manage everything as a service. Through ArrowSphere, partners can provision, manage, scale cloud and subscription services, automate workflows and oversee the full cloud life cycle, all on a single platform. It also integrates our hardware and software distribution capabilities, giving partners a unified way to deliver modern IT solutions.

ArrowSphere continues to see healthy adoption as more and more of our ECS business is transacted on the platform. As a result, ArrowSphere drives deeper engagement, accelerates recurring revenue and positions Arrow at the center of how the channel is transforming. We like to call ArrowSphere the thread that stitches together everything that we do in ECS.

Turning to **slide 17**. One of Arrow's key differentiators is our diversified business model, combining Global Components and ECS. This combination allows Arrow to become more relevant to suppliers and customers, and it provides us the right to play more completely throughout the technology life cycle. We participate from design and planning to deployment, and further to management in support of technology solutions.

Our diversified model provides Arrow with a resilient balance sheet and consistent free cash flow generation through cycles, providing significant financial flexibility. Over the last five years,

we've delivered approximately $3.1 billion of free cash flow, demonstrating the strength of our operating model even through varying market conditions. This allows us to reinvest in high-return opportunities, all while maintaining a strong, resilient balance sheet. It's a model built for stability in the near-term and long-term value creation for our investors.

Turning to **slide 18**. This financial flexibility allows us to deploy capital effectively to drive growth and shareholder value. Our capital allocation strategy is focused in three areas: reinvesting in organic growth opportunities; pursuing strategic and financially disciplined M&A; and returning excess capital to shareholders. We continue to invest organically to scale our go-to-market engine, expand our value-added capabilities and strengthen our operating model across both segments.

We complement that with strategic, financially disciplined M&A, focused on extending our competitive position, strengthening supplier partnerships and adding capabilities that enhance accretive offerings like our value-added solutions.

We are also interested in further penetrating the market for IP&E. The right targets would provide us further depth and more specialization. It's very adjacent to semiconductor, and we view IP&E similar to the semiconductor industry 10 to 15 years ago. It's still very fragmented and the margin profile and ROICs are very healthy.

At the same time, we continue to return excess capital to shareholders with $3.5 billion repurchased since 2020, representing roughly one-third of our outstanding shares. As always, we are committed to carefully and rigorously evaluating all uses of capital, with the ultimate goal of generating the highest risk-adjusted return on investment over the long term, maintaining an investment grade credit rating and ensuring we have the flexibility to invest and create long-term value.

Let me close with where we began, on **slide 19**. Arrow has a strong business that remains well-positioned to create significant long-term value for shareholders. We have a leading position in large and growing markets. We execute exceptionally well in a $250 billion-plus distribution market that continues to expand. Our differentiated capabilities drive profitable growth. We are focused on continuing to shift our mix toward higher-margin, value-added solutions that deepen customer engagement.

Arrow's diversified business model provides financial flexibility. The combination of Components and ECS gives us balance, resilience, and a consistent free cash flow generation. And finally, we have a focused capital allocation strategy. We will continue to allocate capital to the highest return-on-investment opportunities with the goal of increasing returns for our shareholders.

Thank you very much for your time today, and we look forward to engaging with you in the future.