Third Quarter

# 2019

## CFO Commentary

As reflected in our earnings release, there are a number of items that impact the comparability of our results with those in the trailing quarter and prior quarter of last year. The discussion of our results may exclude these items to give you a better sense of our operating results. As always, the operating information we provide to you should be used as a complement to GAAP numbers. For a complete reconciliation between our GAAP and non-GAAP results, please refer to our earnings release and the earnings reconciliation found at the end of this document.

The following reported and adjusted information included in this CFO commentary is unaudited and should be read in conjunction with the company's Form 10-Q for the quarterly period ended September 28, 2019, and the Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

Third-quarter 2019 cash provided by operating activities of $287 million.

# Third-Quarter Summary

Third-quarter earnings per share on a diluted basis exceeded our original expectations, and sales were in-line with our expectations. Global components took advantage of opportunities to increase scale in Asia. Enterprise computing solutions delivered strong operating income growth, year over year, driven by newer technologies and traction from non-traditional customers. Our cost optimization program, combined with the wind down of the PC and mobility asset disposition business, has sharpened our focus on our long-term strategy to be the leading enabler of next-generation technology solutions.

Demand conditions for the global components business further deteriorated during the third quarter, due to the effects of ongoing geopolitical tensions. Demand from smaller customers who utilize more engineering and design services was weaker, particularly in the Americas and Europe regions. Customer and supplier expectations for demand recovery are extending out into 2020.

For the enterprise computing solutions business, the demand environment during the third quarter was consistent with our expectations. In aggregate, billings grew at a low single-digit rate year over year. Our portfolio approach is designed to deliver consistent results. Newer software, hardware and hybrid cloud architectures are offsetting declines in legacy systems.

Beyond 2019, we now expect our effective tax rate to range between 23% - 25%, 50 basis points below our prior long-term target range. The lower effective tax rate is primarily due to greater clarity surrounding prior tax reforms, and more precise measurement of tax-advantaged export sales enabled by our global ERP system.

Third-quarter sales decreased 6% year over year and decreased 3% year over year adjusted for the wind down, a disposition, and FX changes.

# Consolidated Overview

## Third Quarter 2019

| P&L Highlights* | Q3 2019 | Y/Y Change | Y/Y Change Adjusted for Dispositions, Wind Down & Currency | Q/Q Change |
|---|---|---|---|---|
| Sales | $7,078 | (6)% | (3)% | (4)% |
| Sales adjusted for wind down | $7,018 | (5)% | (3)% | (3)% |
| Gross Profit Margin | 11.3% | (100) bps | (90) bps | 20 bps |
| Non-GAAP Gross Profit Margin | 11.3% | (100) bps | (90) bps | (30) bps |
| Operating Income | $173 | (40)% | (26)% | (132)% |
| Operating Margin | 2.4% | (150) bps | (90) bps | 990 bps |
| Non-GAAP Operating Income | $253 | (19)% | (17)% | 4% |
| Non-GAAP Operating Margin | 3.6% | (60) bps | (60) bps | 30 bps |
| Net Income | $92 | (48)% | (36)% | (117)% |
| Diluted EPS | $1.10 | (45)% | (32)% | (117)% |
| Non-GAAP Net Income | $155 | (19)% | (17)% | 13% |
| Non-GAAP Diluted EPS | $1.86 | (14)% | (12)% | 16% |

$ in millions, except per share data; may reflect rounding.

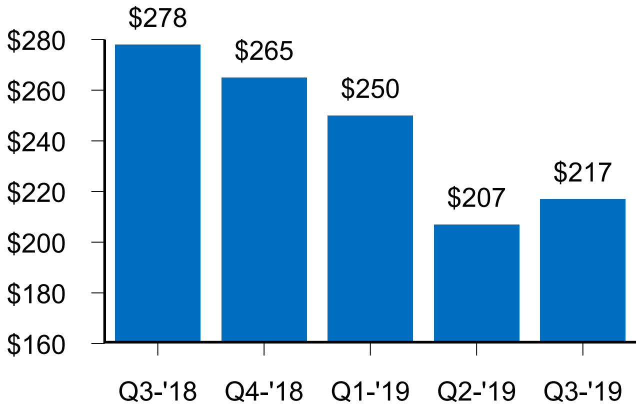
- Consolidated sales were $7.08 billion; sales were $7.02 billion adjusted for the wind down of the PC and mobility asset disposition business
  - Changes in foreign currencies negatively impacted sales growth by approximately $103 million or 1 percentage point year over year
- Consolidated gross profit margin was 11.3%
  - Down 100 basis points year over year, due to higher sales mix of lower value products in all regions for global components, a higher mix of Asia components sales, offset by an increase in enterprise computing solutions gross margins
- Operating income margin was 2.4% and non-GAAP operating income margin was 3.6%
  - Operating expenses as a percentage of sales were 8.0%, down 30 basis points year over year
  - Non-GAAP operating expenses as a percentage of sales were 7.7%, down 40 basis points year over year
- Interest and other expense, net was $50 million
  - Below our prior expectation of $54 million due to lower borrowings and lower interest rates on floating-rate debt

- Effective tax rate for the quarter was 24.0%, and non-GAAP effective tax rate was 22.3%
  - Below our prior expectation of 25.5% due to greater clarity related to tax reforms, more precise measurement of tax-advantaged sales enabled by our ERP system, and mix of profits in lower tax jurisdictions
- Diluted shares outstanding were 83 million
  - Slightly below our prior expectation of 85 million
- Diluted earnings per share were $1.10
  - Above our prior expectation of $.97 - $1.09
- Non-GAAP diluted earnings per share were $1.86
  - Above our prior expectation of $1.62 - $1.74
  - Changes in foreign currencies negatively impacted earnings per share by approximately $.04 compared to the third quarter of 2018

*A reconciliation of non-GAAP adjusted financial measures, including sales, as adjusted, operating income, as adjusted, net income attributable to shareholders, as adjusted, and net income per share, as adjusted, to GAAP financial measures is presented in the reconciliation tables included herein.*

# Components

## Global




**Non-GAAP Operating Income ($ in millions) (as adjusted)**

- Sales decreased 4% year over year adjusted for the wind down of the PC and mobility asset disposition business and for changes in foreign currencies

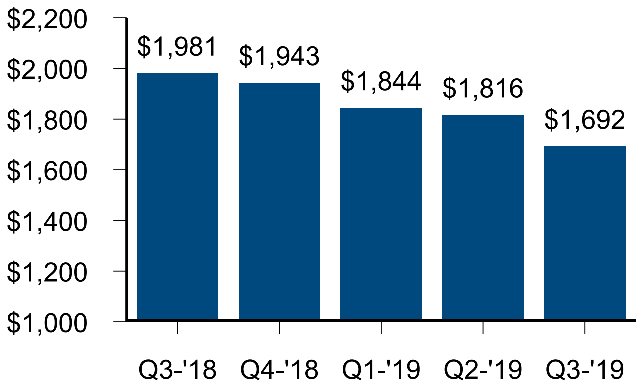
  - Sales decreased 6% year over year as reported

- Lead times contracted year over year
- Backlog decreased year over year
- Book-to-bill was 0.91, down from 1.03 in the third quarter of 2018
- Cancellation rates were within normal ranges
- Operating margin of 3.4% decreased 170 points year over year
- Non-GAAP operating margin of 4.4% decreased 90 basis points year over year
  - Margin decreased in all regions
- Return on working capital decreased year over year; increased compared to the second quarter

Global components third-quarter sales decreased 4% year over year as adjusted.

# Components

## Americas



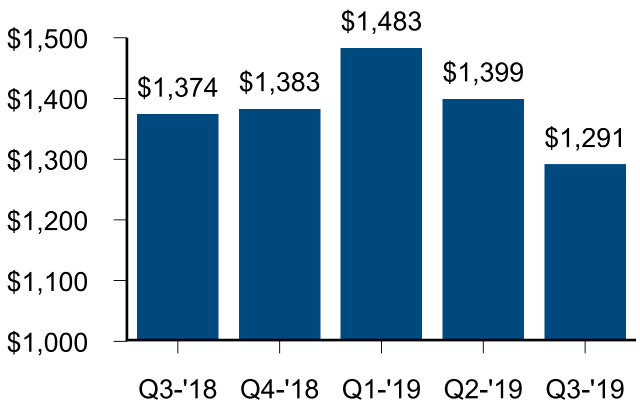

**Sales ($ in millions)**
**(as adjusted)**

- Sales decreased 15% year over year adjusted for the wind down of the PC and mobility asset disposition business and for changes in foreign currencies
- Sales decreased 16% year over year as reported
- Growth in the aerospace & defense vertical year over year
- The communications, consumer, industrial, and transportation verticals decreased year over year

Americas components sales decreased 15% year over year as adjusted.

# Components

## Europe



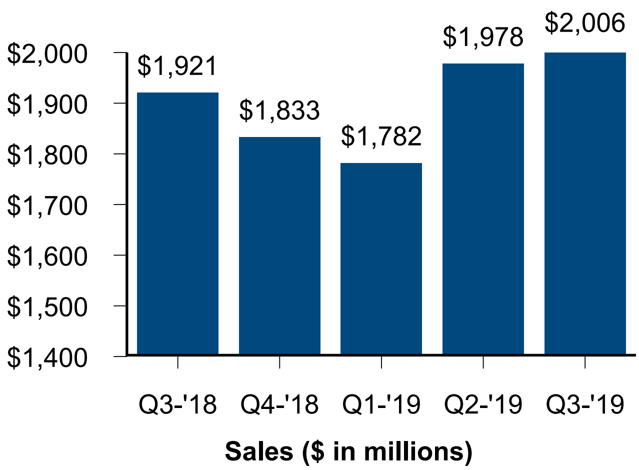

**Sales ($ in millions)**
**(as adjusted)**

- Sales decreased 2% year over year adjusted for the wind down of the PC and mobility asset disposition business and for changes in foreign currencies
  - Sales decreased 7% year over year as reported
  - The aerospace and defense and transportation verticals decreased year over year

Europe components sales decreased 2% year over year as adjusted.

# Components

## Asia

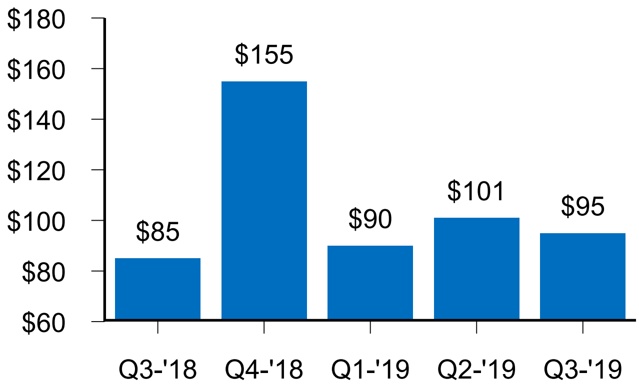



- Sales increased 5% year over year adjusted for changes in foreign currencies
  - Sales increased 4% year over year as reported
  - Record third-quarter sales
  - Growth in the wireless vertical year over year
  - The power management and transportation verticals decreased year over year

Asia components sales increased 5% year over year adjusted for changes in foreign currencies.

# Enterprise Computing Solutions

## Global



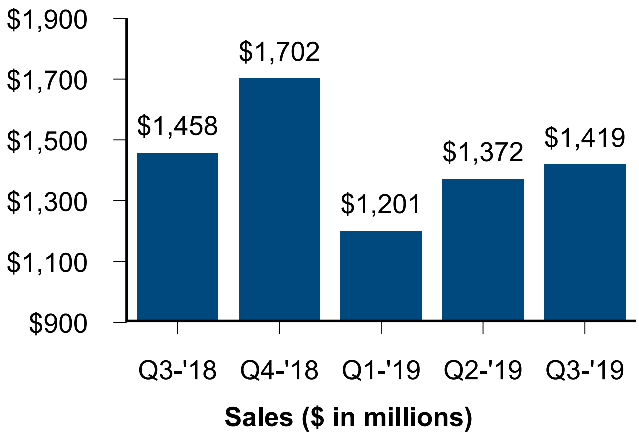

**Non-GAAP Operating Income**
**($ in millions)**

- Sales decreased 2% year over year adjusted for a disposition and changes in foreign currencies
  - Sales decreased 4% year over year as reported
- Billings increased at a low-single-digit rate year over year adjusted for changes in foreign currencies
- Operating income and non-GAAP operating income increased 12% year over year
  - Non-GAAP operating income increased 14% year over year adjusted for a disposition and changes in foreign currencies
- Operating margin of 4.6% increased 70 basis points year over year
- Non-GAAP operating margin of 4.7% increased 70 basis points year over year
- Return on working capital remains favorable

Enterprise computing solutions operating income increased 14% year over year adjusted for a disposition and changes in foreign currencies.

# Enterprise Computing Solutions

## Americas

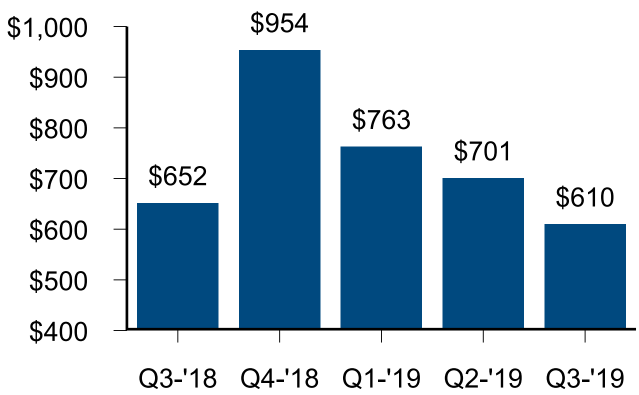



- Sales decreased 2% year over year adjusted for changes in foreign currencies
  - Sales decreased 3% year over year as reported
  - Growth in infrastructure software, security, storage, services, and networking year over year
  - Industry-standard and proprietary servers decreased year over year
  - Operating income increased year over year

ECS Americas operating income increased year over year.

# Enterprise Computing Solutions

## Europe




**Sales ($ in millions)**

- Sales were flat year over year adjusted for a disposition and changes in foreign currencies.
  - Sales decreased 6% year over year as reported
  - Growth in infrastructure software, storage, industry-standard and proprietary servers year over year adjusted for changes in foreign currencies
  - Security and networking decreased year over year
  - Operating income increased year over year

ECS Europe operating income increased year over year.

## Cash Flow from Operations

Cash flow from operating activities was $287 million in the quarter and was $626 million over the last 12 months.

## Working Capital

Working capital to sales was 18.2% in the quarter, flat year over year. Return on working capital was 19.6% in the quarter, down 500 basis points year over year.

## Return on Invested Capital

Return on invested capital was 9.7% in the quarter, down 110 basis points year over year.

## Share Buyback

We repurchased approximately 1.4 million shares of our stock for $100 million. Total cash returned to shareholders over the last 12 months was approximately $440 million.

## Debt and Liquidity

Net-debt-to-last-12-months EBITDA ratio is approximately 2.4x. Total liquidity of $2.7 billion when including cash of $262 million.

Stock repurchases of approximately $100 million in the third quarter.

# Arrow Electronics Outlook

## Guidance Excluding the PC and Mobility Asset Disposition Business

We are expecting the average USD-to-Euro exchange rate for the fourth quarter of 2019 to be $1.10 to €1 compared with $1.14 to €1 in the fourth quarter of 2018. We estimate changes in foreign currencies will have negative impacts on growth of approximately $100 million, or 1% on sales, and $.05, or 2%, on earnings per share on a diluted basis compared to the fourth quarter of 2018. We are expecting interest and other expense will total approximately $52 million.

### Fourth-Quarter 2019 Guidance

| | |
|---|---|
| Consolidated Sales | $7.125 billion to $7.525 billion |
| Global Components | $4.625 billion to $4.825 billion |
| Global ECS | $2.5 billion to $2.7 billion |
| Diluted Earnings Per Share[1] | $1.82 to $1.98 |
| Non-GAAP Diluted Earnings Per Share[1] | $2.10 to $2.26 |

[1] Assumes average diluted shares outstanding of 83 million, and an average tax rate at the low end of the 23% to 25% target range.

# Risk Factors

The discussion of the company's business and operations should be read together with the risk factors contained in Item 1A of its 2018 Annual Report on Form 10-K, filed with the Securities and Exchange Commission, which describe various risks and uncertainties to which the company is or may become subject. If any of the described events occur, the company's business, results of operations, financial condition, liquidity, or access to the capital markets could be materially adversely affected.

# Information Relating to Forward-Looking Statements

This press release includes forward-looking statements that are subject to numerous assumptions, risks, and uncertainties, which could cause actual results or facts to differ materially from such statements for a variety of reasons, including, but not limited to: industry conditions, company's implementation of its new enterprise resource planning system, changes in product supply, pricing and customer demand, competition, other vagaries in the global components and global enterprise computing solutions markets, changes in relationships with key suppliers, increased profit margin pressure, effects of additional actions taken to become more efficient or lower costs, risks related to the integration of acquired businesses, changes in legal and regulatory matters, and the company's ability to generate additional cash flow. Forward-looking statements are those statements which are not statements of historical fact. These forward-looking statements can be identified by forward-looking words such as "expects," "anticipates," "intends," "plans," "may," "will," "believes," "seeks," "estimates," and similar expressions. Shareholders and other readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The company undertakes no obligation to update publicly or revise any of the forward-looking statements.

For a further discussion of factors to consider in connection with these forward-looking statements, investors should refer to Item 1A Risk Factors of the company's Annual Report on Form 10-K for the year ended December 31, 2018.

# Certain Non-GAAP Financial Information

In addition to disclosing financial results that are determined in accordance with accounting principles generally accepted in the United States (“GAAP”), the company also provides certain non-GAAP financial information relating to sales, operating income, net income attributable to shareholders, and net income per basic and diluted share.

The company provides sales, gross profit, and expense on a non-GAAP basis adjusted for the impact of changes in foreign currencies (referred to as changes in foreign currencies) by re-translating prior period results at current period foreign exchange rates, the impact of dispositions by adjusting the company’s operating results for businesses disposed, as if the dispositions had occurred at the beginning of the earliest period presented (referred to as dispositions), the impact of the company’s personal computer and mobility asset disposition business (referred to as wind down), the impact of inventory write-downs related to the digital business (referred to as "digital inventory write-downs and recoveries"), and the impact of the notes receivable reserves and inventory write-downs related to the AFS business (referred to as “AFS notes receivable reserves and credits” and “AFS inventory write-downs and recoveries” respectively). Operating income, net income attributable to shareholders, and net income per basic and diluted share are adjusted to exclude identifiable intangible asset amortization, restructuring, integration, and other charges, and loss on disposition of businesses, net, AFS notes receivable reserves and credits and inventory write-downs and recoveries, digital inventory write-downs and recoveries, the impact of non-cash charges related to goodwill, trade names, and property, plant and equipment, and the impact of wind down. Net income attributable to shareholders, and net income per basic and diluted share are also adjusted to exclude the impact of U.S. tax reform. A reconciliation of the company’s non-GAAP financial information to GAAP is set forth in the tables below.

The company believes that such non-GAAP financial information is useful to investors to assist in assessing and understanding the company’s operating performance and underlying trends in the company’s business because management considers these items referred to above to be outside the company’s core operating results. This non-GAAP financial information is among the primary indicators management uses as a basis for evaluating the company’s financial and operating performance. In addition, the company’s Board of Directors may use this non-GAAP financial information in evaluating management performance and setting management compensation.

The presentation of this additional non-GAAP financial information is not meant to be considered in isolation or as a substitute for, or alternative to, operating income, net income attributable to shareholders and net income per basic and diluted share determined in accordance with GAAP. Analysis of results and outlook on a non-GAAP basis should be used as a complement to, and in conjunction with, data presented in accordance with GAAP.

The company believes that such non-GAAP financial information is useful to investors to assist in assessing and understanding the company’s operating performance.

# Earnings Reconciliation

## ($ in thousands, except per share data)

Three months ended September 28, 2019

| | Reported GAAP measure | Intangible amortization expense | Restructuring & Integration charges | AFS Write Downs | Digital Write Downs | Impairments | Impact of Wind Down[4] | Other[1] | Non-GAAP measure |
|---|---|---|---|---|---|---|---|---|---|
| Sales | $ 7,078,118 | $ — | $ — | $ — | $ — | $ — | $ (60,130) | $ — | $ 7,017,988 |
| Gross Profit | 798,841 | — | — | — | 1,101 | — | (3,541) | — | 796,401 |
| Operating income | 173,218 | 10,265 | 31,087 | (664) | 1,101 | 711 | 36,917 | — | 252,635 |
| Income before income taxes | 122,321 | 10,265 | 31,087 | (664) | 1,101 | 711 | 36,842 | (1,126) | 200,537 |
| Provision for income taxes | 29,340 | 2,860 | 8,922 | (178) | 272 | — | 3,753 | (249) | 44,720 |
| Consolidated net income | 92,981 | 7,405 | 22,165 | (486) | 829 | 711 | 33,089 | (877) | 155,817 |
| Noncontrolling interests | 850 | 138 | — | — | — | — | — | — | 988 |
| Net income attributable to shareholders | $ 92,131 | $ 7,267 | $ 22,165 | $ (486) | $ 829 | $ 711 | $ 33,089 | $ (877) | $ 154,829 |
| Net income per diluted share | $ 1.10 | $ 0.09 | $ 0.27 | $ (0.01) | $ 0.01 | $ 0.01 | $ 0.40 | $ (0.01) | $ 1.86 |
| Effective tax rate | 24.0% | | | | | | | | 22.3% |

Three months ended September 29, 2018

| | Reported GAAP measure | Intangible amortization expense | Restructuring & Integration charges | AFS Write Downs | Digital Write Downs | Impairments | Impact of Wind Down[4] | Other[2] | Non-GAAP measure |
|---|---|---|---|---|---|---|---|---|---|
| Sales | $ 7,490,445 | $ — | $ — | $ — | $ — | $ — | $ (104,958) | $ — | $ 7,385,487 |
| Gross Profit | 923,778 | — | — | — | — | — | (17,397) | — | 906,381 |
| Operating income | 290,310 | 8,845 | 9,611 | — | — | — | 611 | 2,042 | 311,419 |
| Income before income taxes | 235,227 | 8,845 | 9,611 | — | — | — | 633 | 972 | 255,288 |
| Provision for income taxes | 57,054 | 2,539 | 2,454 | — | — | — | 304 | 240 | 62,591 |
| Consolidated net income | 178,173 | 6,306 | 7,157 | — | — | — | 329 | 732 | 192,697 |
| Noncontrolling interests | 1,640 | 145 | — | — | — | — | — | — | 1,785 |
| Net income attributable to shareholders | $ 176,533 | $ 6,161 | $ 7,157 | $ — | $ — | $ — | $ 329 | $ 732 | $ 190,912 |
| Net income per diluted share | $ 1.99 | $ 0.07 | $ 0.08 | $ — | $ — | $ — | $ — | $ 0.01 | $ 2.15 |
| Effective tax rate | 24.3% | | | | | | | | 24.5% |

Three months ended June 29, 2019

| | Reported GAAP measure | Intangible amortization expense | Restructuring & Integration charges | AFS Write Downs | Digital Write Downs | Impairments[3] | Impact of Wind Down[4] | Other[1] | Non-GAAP measure |
|---|---|---|---|---|---|---|---|---|---|
| Sales | $ 7,344,548 | $ — | $ — | $ — | $ — | $ — | $ (77,914) | $ — | $ 7,266,634 |
| Gross Profit | 814,909 | — | — | 1,868 | 20,114 | — | 4,305 | — | 841,196 |
| Operating income | (549,190) | 8,665 | 19,906 | 15,851 | 20,114 | 623,085 | 104,219 | — | 242,650 |
| Income before income taxes | (600,120) | 8,665 | 19,906 | 15,851 | 20,114 | 623,085 | 104,229 | (1,390) | 190,340 |
| Provision for income taxes | (52,369) | 2,463 | 4,865 | 3,910 | 4,962 | 64,246 | 24,730 | (382) | 52,425 |
| Consolidated net income | (547,751) | 6,202 | 15,041 | 11,941 | 15,152 | 558,839 | 79,499 | (1,008) | 137,915 |
| Noncontrolling interests | 1,215 | 140 | — | — | — | — | — | — | 1,355 |
| Net income attributable to shareholders | $ (548,966) | $ 6,062 | $ 15,041 | $ 11,941 | $ 15,152 | $ 558,839 | $ 79,499 | $ (1,008) | $ 136,560 |
| Net income per diluted share[5] | $ (6.48) | $ 0.07 | $ 0.18 | $ 0.14 | $ 0.18 | $ 6.60 | $ 0.94 | $ (0.01) | $ 1.60 |
| Effective tax rate | 8.7% | | | | | | | | 27.5% |

*(1) Other includes gain (loss) on investments, net*

*(2) Other includes loss on disposition of businesses, net and gain (loss) on investments, net.*

*(3) Impairments include goodwill impairments of $570,175, tradename impairments of $46,000, and $6,910 in impairment charges related to various other fixed assets.*

*(4) Amounts for restructuring, integration, and other charges, identifiable intangible asset amortization, loss on disposition of businesses, and impairments related to the personal computer and mobility asset disposition business are included in "impact of wind down" above.*

*(5) For the three months ended June 29, 2019, the non-GAAP net income per diluted share calculation includes 649 thousand shares that were excluded from the GAAP net income per diluted share calculation. Additionally, in all periods presented the sum of the components for diluted EPS, as adjusted may not agree to totals, as presented, due to rounding.*