Second Quarter

2020

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 June 27, 2020, and the Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

Second-quarter 2020 cash provided by operating activities of $418 million.

Second-Quarter Summary

Sales were near the high end of our prior expectations for the quarter despite challenges to both supply and demand for electronic components and information technology solutions due to the COVID-19 global pandemic. Earnings per share were above the high end of our prior expectations. Our commitment to design, engineering and supply-chain services is helping to maximize near-term opportunities while advancing the long-term strategy to be the leading enabler of next-generation technology solutions.

Demand conditions for the global components business remained depressed during the second quarter due to disruptions from the COVID-19 pandemic. Despite these disruptions, sales were above the high end of prior guidance principally driven by the Asia region where shutdown and stay-at-home orders were lifted earlier than in Western regions.

For the enterprise computing solutions business, net sales were above the midpoint of prior guidance. Similar to the first quarter, demand for security to enable remote workers was very strong. Demand was also strong for hyper-converged infrastructure included within the category of storage. Demand from larger, better capitalized, value added reseller customers showed greater resiliency than demand from smaller customers.

Cash flow from operations was strong and totaled $418 million. Cash flow benefited from proactive efforts to manage working capital. Cash flow was used to reduce debt by approximately $257 million while excess cash flow was returned to shareholders through the repurchase of 1.1 million shares for $75 million.

Second-quarter earnings per share and earnings per share, as adjusted, exceeded the high ends of the prior guidance ranges.

Consolidated Overview

Second Quarter 2020

P&L Highlights*	Q2 2020	Y/Y Change	Y/Y Change Adjusted for Wind Down & Currency	Q/Q Change
Sales	$6,606	(10)%	(8)%	4%
Gross Profit Margin	11.4%	30 bps	flat	flat
Non-GAAP Gross Profit Margin	11.2%	(40) bps	(40) bps	(20) bps
Operating Income	$197	NM	NM	42%
Operating Margin	3.0%	1050 bps	900 bps	80 bps
Non-GAAP Operating Income	$200	(17)%	(17)%	28%
Non-GAAP Operating Margin	3.0%	(30) bps	(40) bps	50 bps
Net Income	$133	NM	NM	168%
Diluted EPS	$1.68	NM	NM	175%
Non-GAAP Net Income	$126	(8)%	(7)%	60%
Non-GAAP Diluted EPS	$1.59	(1)%	flat	63%

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

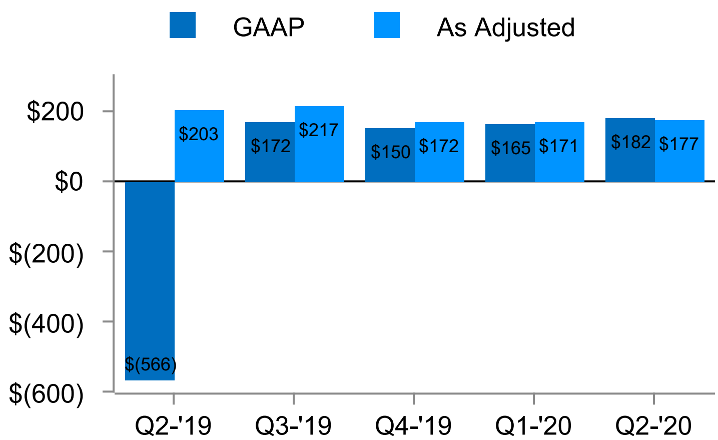
- Consolidated sales were $6.61 billion
  - Changes in foreign currencies negatively impacted sales growth by approximately $65 million or 1 percentage point year over year
- Consolidated gross profit margin was 11.4% and non-GAAP gross profit margin was 11.2%
  - Down 40 basis points year over year due a higher mix of Asia components sales, and a higher sales mix of lower value products in the Europe region for global components, and a higher mix of sales to larger customers in enterprise computing solutions
- Operating income margin and non-GAAP operating income margins were 3.0%
  - Operating expenses as a percentage of sales were 8.3%, down 50 basis points year over year
  - Non-GAAP operating expenses as a percentage of sales were 8.2%, flat year over year
- Interest and other expense, net was $32 million
  - Below our prior expectation of $40 million due to lower borrowings and lower interest rates on floating rate debt

- Effective tax rate for the quarter was 23.5%, and non-GAAP effective tax rate was 24.1%
  - Within our target long-term range of 23% to 25%
- Diluted shares outstanding were 79 million
  - Slightly below our prior expectation of 81 million
- Diluted earnings per share were $1.68
  - Above our prior expectation of $.98 - $1.14
  - Includes unanticipated benefits from the wind down of the PC and mobility asset disposition business of $.12 per share and a gain on investments of $.10
- Non-GAAP diluted earnings per share were $1.59
  - Above our prior expectation of $1.38 - $1.54
  - Changes in foreign currencies negatively impacted earnings per share by approximately $.01 compared to the second quarter of 2019

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



Operating Income ($ in millions)

Global components second-quarter sales decreased 8% year over year as adjusted.

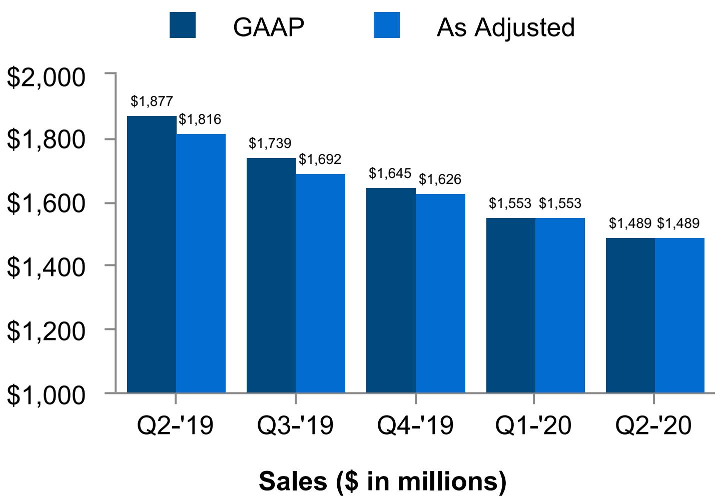
- Sales decreased 8% year over year adjusted for the wind down of the PC and mobility asset disposition business and for changes in foreign currencies

  - Sales decreased 10% year over year as reported

- Lead times were stable year over year
- Backlog increased year over year
- Book-to-bill was 1.07, up from 0.95 in the second quarter of 2019
- Cancellation rates were within normal ranges
- Operating margin of 3.9%
- Non-GAAP operating margin of 3.8% decreased 10 basis points year over year
  - Margin decreased in Europe offset by increases in Asia and the Americas
- Return on working capital increased year over year

Components

Americas

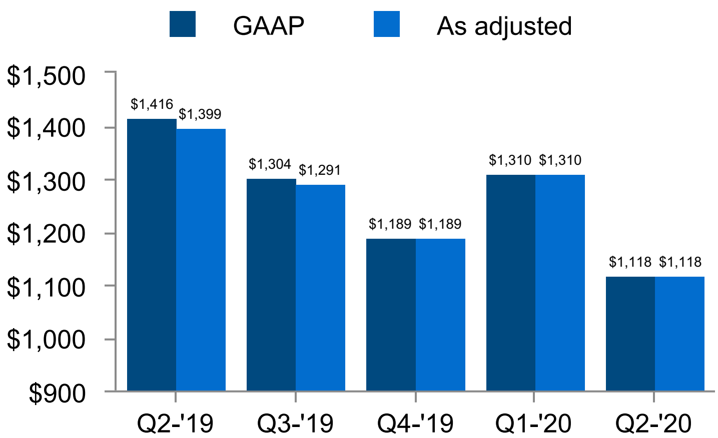


- Sales decreased 18% year over year adjusted for the wind down of the PC and mobility asset disposition business and for changes in foreign currencies
- Sales decreased 21% year over year as reported
- Medical devices sales increased year over year
- Key verticals such as aerospace, industrial and transportation decreased year over year

Americas components sales decreased 18% year over year as adjusted.

Components

Europe



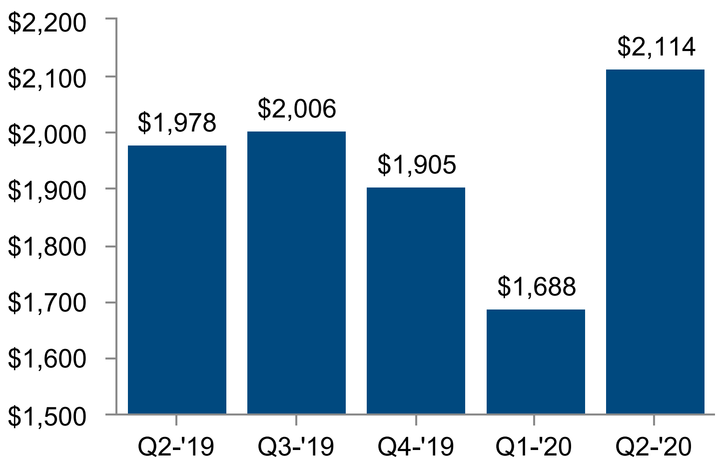
Sales ($ in millions)

- Sales decreased 18% year over year adjusted for the wind down of the PC and mobility asset disposition business and for changes in foreign currencies
  - Sales decreased 21% year over year as reported
  - All key verticals decreased year over year

Europe components sales decreased 18% year over year as adjusted.

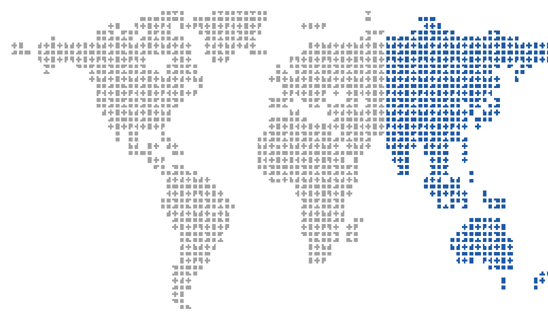
Components

Asia



Sales ($ in millions)

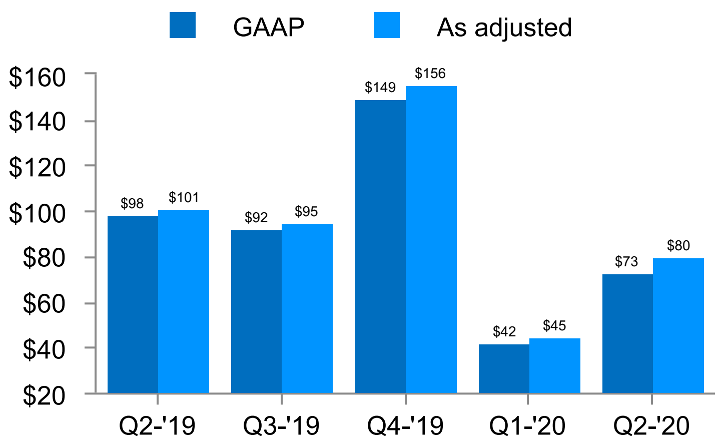
- Sales increased 7% year over year
  - Power management increased year over year
  - Wireless was flat year over year



Asia components sales increased 7% year over year.

Enterprise Computing Solutions

Global



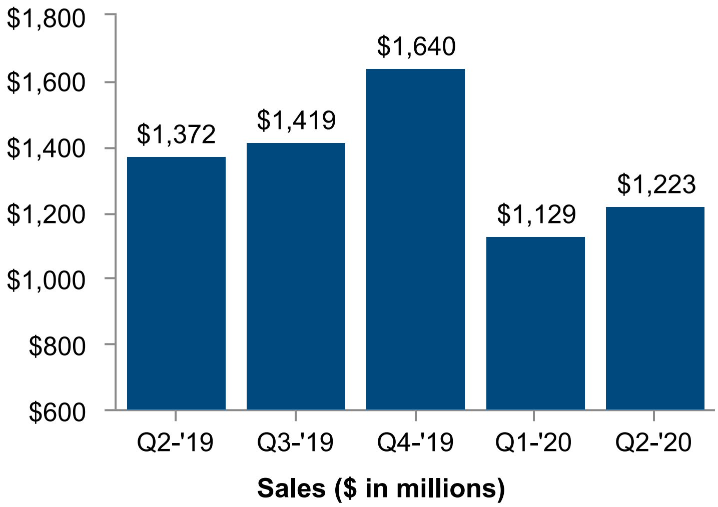
Operating Income
($ in millions)

- Sales decreased 8% year over year adjusted for changes in foreign currencies
  - Sales decreased 9% year over year as reported
- Billings were approximately flat year over year adjusted for changes in foreign currencies
- Operating income decreased 26% and non-GAAP operating income decreased 21% year over year
- Operating margin of 3.9% decreased 80 basis points year over year
- Non-GAAP operating margin of 4.3% decreased 60 basis points year over year
- Return on working capital remains favorable

Enterprise computing solutions sales decreased 8% year over year adjusted for changes in foreign currencies.

Enterprise Computing Solutions

Americas

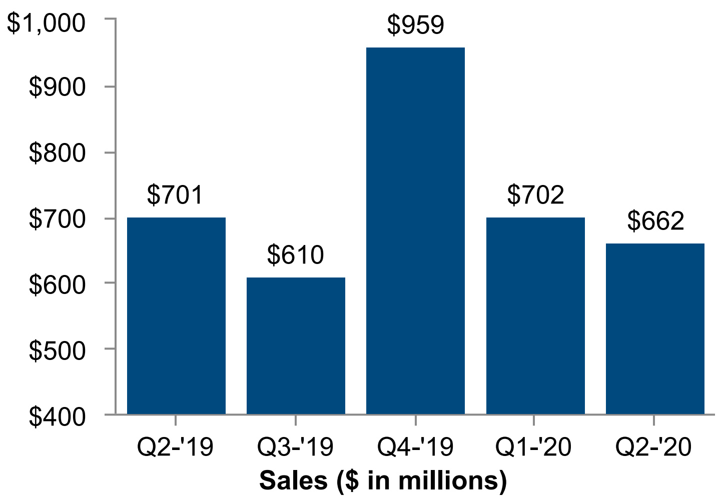


- Sales decreased 10% year over year as adjusted
  - Sales decreased 11% year over year as reported
  - Growth in security, services, and storage year over year
  - Industry-standard and proprietary servers decreased year over year

ECS Americas sales decreased 10% year over year adjusted for changes in foreign currencies.

Enterprise Computing Solutions

Europe



- Sales decreased 4% year over year adjusted for changes in foreign currencies.
  - Sales decreased 6% year over year as reported
  - Growth in services year over year adjusted for changes in foreign currencies
  - Proprietary and industry-standard servers, storage and networking decreased year over year

ECS Europe sales decreased 4% year over year adjusted for changes in foreign currencies.

Cash Flow from Operations

Cash flow from operating activities was $418 million in the quarter and was $1.67 billion over the last 12 months.

Working Capital

Working capital to sales was 16.7%, down 140 basis points year over year. Return on working capital was 17.8% compared to negative return in the second quarter of 2019. Non-GAAP return on working capital was 18.2% in the quarter, flat year over year.

Return on Invested Capital

Return on invested capital was 8.3% compared to negative return in the second quarter of 2019. Non-GAAP return on invested capital was 8.5%, up 30 basis points year over year.

Share Buyback

Repurchased approximately 1.1 million shares of stock for $75 million. Total cash returned to shareholders over the last 12 months was approximately $425 million.

Debt and Liquidity

Net-debt-to-last-12-months EBITDA ratio is approximately 2.1x. Total liquidity of $3.4 billion when including cash of $206 million.

Cash flow from operating activities of $1.67 billion over the last 12 months.

Arrow Electronics Outlook

Guidance

We are expecting the average USD-to-Euro exchange rate for the third quarter of 2020 to be $1.12 to €1 compared with $1.11 to €1 in the third quarter of 2019. Due to uncertainty from the COVID-19 pandemic, third-quarter sales and earnings per share ranges are wider than normal.

Third-Quarter 2020 Guidance

Consolidated Sales	$6.325 billion to $6.925 billion
Global Components	$4.675 billion to $4.975 billion
Global ECS	$1.65 billion to $1.95 billion
Diluted Earnings Per Share[1]	$1.34 to $1.50
Non-GAAP Diluted Earnings Per Share[1]	$1.54 to $1.70
Interest and other expense, net	$33 million
Diluted shares outstanding	78.5 million

[1] Assumes an average tax rate at the midpoint of the 23% to 25% target range.

Third-Quarter 2020 Guidance Reconciliation

	Reported GAAP measure	Intangible amortization expense	Restructuring & integration charges	Non-GAAP measure
Net income per diluted share	$1.34 - $1.50	$0.10	$0.10	$1.54 - $1.70

Quarter Closing Dates

Beginning and ending dates may impact comparisons to prior periods

2019 and 2020 Quarter Closing Dates

	First	Second	Third	Fourth
2019	Mar. 30	Jun. 29	Sep. 28	Dec. 31
2020	Mar. 28	Jun. 27	Sep. 26	Dec. 31

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 2019 Annual Report on Form 10-K and the risk factor update in Form 10-Q for the quarter ended June 27, 2020, 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: potential adverse effects of the ongoing global COVID-19 coronavirus pandemic, including actions taken to contain or treat COVID-19, industry conditions, changes in product supply, pricing and customer demand, competition, other vagaries in the global components and global ECS markets, changes in relationships with key suppliers, increased profit margin pressure, changes in legal and regulatory matters, non-compliance with certain regulations, such as export, anti-trust, and anti-corruption laws, foreign tax and other loss contingencies, and the company's ability to generate cash flow. For a further discussion of these and other factors that could cause the company's future results to differ materially from any forward-looking statements, see the section entitled "Risk Factors" in the company's Annual Report on Form 10-K for the year ended December 31, 2019 and the risk factor update in Form 10-Q for the quarter ended June 27, 2020. 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, 2019 and Form 10-Q for the quarter ended June 27, 2020.

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 operating expenses as 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 recoveries" 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 long-lived assets, and the impact of wind down. Net income attributable to shareholders, and net income per basic and diluted share are also adjusted to exclude net gains and losses on investments, and certain tax adjustments. 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 June 27, 2020

	Reported GAAP measure	Intangible amortization expense	Restructuring & Integration charges	AFS Write Downs	Digital Write Downs	Impairments(1)	Tax adjustments	Impact of Wind Down	Other(2)	Non-GAAP measure
Sales	$ 6,606,494	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 6,606,494
Gross Profit	750,463	—	—	—	—	—	—	(10,696)	—	739,767
Operating income	196,613	9,734	650	197	—	4,918	—	(11,824)	—	200,288
Income before income taxes	174,191	9,734	650	197	—	4,918	—	(11,814)	(10,901)	166,975
Provision for income taxes	40,854	2,501	313	47	—	1,800	—	(2,662)	(2,631)	40,222
Consolidated net income	133,337	7,233	337	150	—	3,118	—	(9,152)	(8,270)	126,753
Noncontrolling interests	533	137	—	—	—	—	—	—	—	670
Net income attributable to shareholders	$ 132,804	$ 7,096	$ 337	$ 150	$ —	$ 3,118	$ —	$ (9,152)	$ (8,270)	$ 126,083
Net income per diluted share(5)	$ 1.68	$ 0.09	$ —	$ —	$ —	$ 0.04	$ —	$ (0.12)	$ (0.10)	$ 1.59
Effective tax rate	23.5 %									24.1 %

Three months ended June 29, 2019

	Reported GAAP measure	Intangible amortization expense(3)	Restructuring & Integration charges(3)	AFS Write Downs	Digital Write Downs	Impairments(4)	Tax adjustments	Impact of Wind Down(3)	Other(2)	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 (loss)	(549,190)	8,665	19,906	15,851	20,114	623,085	—	104,219	—	242,650
Income (loss) 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 (loss)	(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 (loss) attributable to shareholders	$ (548,966)	$ 6,062	$ 15,041	$ 11,941	$ 15,152	$ 558,839	$ —	$ 79,499	$ (1,008)	$ 136,560
Net income (loss) 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 %

Three months ended March 28, 2020

	Reported GAAP measure	Intangible amortization expense	Restructuring & Integration charges	AFS Write Downs	Digital Write Downs	Impairments	Tax adjustments	Impact of Wind Down	Other(2)	Non-GAAP measure
Sales	$ 6,381,417	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 6,381,417
Gross Profit	728,391	—	—	—	—	—	—	—	—	728,391
Operating income	138,304	9,955	9,138	(920)	—	—	—	—	—	156,477
Income before income taxes	77,467	9,955	9,138	(920)	—	—	—	—	16,810	112,630
Provision for income taxes	27,892	2,564	2,571	(222)	—	—	(3,615)	—	4,057	33,247
Consolidated net income	49,755	7,391	6,567	(698)	—	—	3,615	—	12,753	79,383
Noncontrolling interests	252	137	—	—	—	—	—	—	—	389
Net income attributable to shareholders	$ 49,503	$ 7,254	$ 6,567	$ (698)	$ —	$ —	$ 3,615	$ —	$ 12,753	$ 78,994
Net income per diluted share(5)	$ 0.61	$ 0.09	$ 0.08	$ (0.01)	$ —	$ —	$ 0.04	$ —	$ 0.16	$ 0.97
Effective tax rate	35.9 %									29.5 %

(1) Impairments includes $4,918 in impairment charges related to various other long-lived assets unrelated to the personal computer and mobility asset disposition business.

(2) Other includes (gain) loss on investments, net.

(3) Amounts for restructuring, integration, and other charges, and identifiable asset amortization related to the personal computer and mobility assets disposition business are included in "impact of wind down" above.

(4) Impairments include goodwill impairments of $570,175, tradename impairments of $46,000, and $6,910 in impairment charges related to various other long-lived assets.

(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.