

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 2, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-4482

ARROW ELECTRONICS INC

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of
incorporation or organization)

9201 East Dry Creek Road

Centennial CO

(Address of principal executive offices)

11-1806155

(I.R.S. Employer
Identification Number)

80112

(Zip Code)

(303) 824-4000

(Registrant's telephone number, including area code)

No Changes

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of the exchange on which registered
Common Stock, \$1 par value	ARW	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

There were 64,172,339 shares of Common Stock outstanding as of July 28, 2022.

ARROW ELECTRONICS, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ARROW ELECTRONICS, INC. **CONSOLIDATED STATEMENTS OF OPERATIONS** (In thousands except per share data) (Unaudited)

	Quarter Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Sales	\$ 9,460,842	\$ 8,562,631	\$ 18,534,967	\$ 16,948,550
Cost of sales	8,224,628	7,562,526	16,091,249	15,018,335
Gross profit	1,236,214	1,000,105	2,443,718	1,930,215
Operating expenses:				
Selling, general, and administrative expenses	653,640	602,084	1,297,565	1,176,651
Depreciation and amortization	47,252	48,539	95,557	98,870
Restructuring, integration, and other charges	2,494	8,960	7,392	14,669
	703,386	659,583	1,400,514	1,290,190
Operating income	532,828	340,522	1,043,204	640,025
Equity in earnings of affiliated companies	2,165	190	3,008	1,034
Gain (loss) on investments, net	(9,744)	6,726	(7,733)	9,519
Employee benefit plan expense, net	(835)	(1,438)	(1,724)	(2,668)
Interest and other financing expense, net	(38,506)	(30,685)	(72,491)	(64,341)
Income before income taxes	485,908	315,315	964,264	583,569
Provision for income taxes	114,413	74,113	226,773	135,139
Consolidated net income	371,495	241,202	737,491	448,430
Noncontrolling interests	1,161	561	2,408	1,468
Net income attributable to shareholders	\$ 370,334	\$ 240,641	\$ 735,083	\$ 446,962
Net income per share:				
Basic	\$ 5.60	\$ 3.27	\$ 10.98	\$ 6.02
Diluted	\$ 5.54	\$ 3.23	\$ 10.84	\$ 5.94
Weighted-average shares outstanding:				
Basic	66,078	73,693	66,964	74,294
Diluted	66,851	74,611	67,797	75,197

See accompanying notes.

ARROW ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Quarter Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Consolidated net income	\$ 371,495	\$ 241,202	\$ 737,491	\$ 448,430
Other comprehensive income (loss):				
Foreign currency translation adjustment and other, net of taxes	(221,200)	13,699	(271,110)	(48,222)
Unrealized gain on foreign exchange contracts designated as net investment hedges, net of taxes	14,251	223	13,676	5,529
Unrealized gain (loss) on interest rate swaps designated as cash flow hedges, net of taxes	11,679	(19,360)	19,884	16,992
Employee benefit plan items, net of taxes	89	1,148	188	982
Other comprehensive loss	(195,181)	(4,290)	(237,362)	(24,719)
Comprehensive income	176,314	236,912	500,129	423,711
Less: Comprehensive income (loss) attributable to non-controlling interests	(975)	1,011	(597)	65
Comprehensive income attributable to shareholders	\$ 177,289	\$ 235,901	\$ 500,726	\$ 423,646

See accompanying notes.

ARROW ELECTRONICS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands except par value)
(Unaudited)

	July 2, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 225,596	\$ 222,194
Accounts receivable, net	10,851,466	11,123,946
Inventories	4,886,562	4,201,965
Other current assets	460,808	345,218
Total current assets	16,424,432	15,893,323
Property, plant, and equipment, at cost:		
Land	5,691	5,736
Buildings and improvements	184,677	186,097
Machinery and equipment	1,528,875	1,523,919
	1,719,243	1,715,752
Less: Accumulated depreciation and amortization	(1,093,656)	(1,032,941)
Property, plant, and equipment, net	625,587	682,811
Investments in affiliated companies	65,732	63,695
Intangible assets, net	175,854	195,029
Goodwill	2,020,574	2,080,371
Other assets	582,271	620,311
Total assets	\$ 19,894,450	\$ 19,535,540
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 9,162,534	\$ 9,617,084
Accrued expenses	1,244,505	1,326,386
Short-term borrowings, including current portion of long-term debt	626,048	382,619
Total current liabilities	11,033,087	11,326,089
Long-term debt	2,856,490	2,244,443
Other liabilities	606,590	624,162
Commitments and contingencies (Note J)		
Equity:		
Shareholders' equity:		
Common stock, par value \$1:		
Authorized - 160,000 shares in both 2022 and 2021		
Issued - 125,424 shares in both 2022 and 2021	125,424	125,424
Capital in excess of par value	1,198,530	1,189,845
Treasury stock (60,821 and 57,358 shares in 2022 and 2021, respectively), at cost	(4,080,505)	(3,629,265)
Retained earnings	8,523,031	7,787,948
Accumulated other comprehensive loss	(426,014)	(191,657)
Total shareholders' equity	5,340,466	5,282,295
Noncontrolling interests	57,817	58,551
Total equity	5,398,283	5,340,846
Total liabilities and equity	\$ 19,894,450	\$ 19,535,540

See accompanying notes.

ARROW ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended	
	July 2, 2022	July 3, 2021
Cash flows from operating activities:		
Consolidated net income	\$ 737,491	\$ 448,430
Adjustments to reconcile consolidated net income to net cash provided by (used for) operations:		
Depreciation and amortization	95,557	98,870
Amortization of stock-based compensation	31,236	21,967
Equity in earnings of affiliated companies	(3,008)	(1,034)
Deferred income taxes	(6,684)	12,069
Loss (gain) on investments, net	7,733	(9,519)
Other	2,366	6,133
Change in assets and liabilities:		
Accounts receivable, net	(34,207)	283,042
Inventories	(755,892)	(370,212)
Accounts payable	(315,459)	(277,663)
Accrued expenses	60,123	83,102
Other assets and liabilities	(102,086)	(18,341)
Net cash provided by (used for) operating activities	(282,830)	276,844
Cash flows from investing activities:		
Acquisition of property, plant, and equipment	(36,244)	(41,109)
Proceeds from sale of property, plant, and equipment	—	22,171
Proceeds from collections of notes receivable	20,542	—
Net cash used for investing activities	(15,702)	(18,938)
Cash flows from financing activities:		
Change in short-term and other borrowings	296,022	(14,831)
Proceeds from long-term bank borrowings, net	910,000	134,241
Redemption of notes	(350,000)	(130,860)
Proceeds from exercise of stock options	15,672	41,317
Repurchases of common stock	(483,963)	(411,327)
Other	(137)	(159)
Net cash provided by (used for) financing activities	387,594	(381,619)
Effect of exchange rate changes on cash	(85,660)	(5,832)
Net increase (decrease) in cash and cash equivalents	3,402	(129,545)
Cash and cash equivalents at beginning of period	222,194	373,615
Cash and cash equivalents at end of period	\$ 225,596	\$ 244,070

See accompanying notes.

ARROW ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands)
(Unaudited)

	Common Stock at Par Value	Capital in Excess of Par Value	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Balance at December 31, 2021	\$ 125,424	\$ 1,189,845	\$ (3,629,265)	\$ 7,787,948	\$ (191,657)	\$ 58,551	\$ 5,340,846
Consolidated net income	—	—	—	364,749	—	1,247	365,996
Other comprehensive loss	—	—	—	—	(41,312)	(869)	(42,181)
Amortization of stock-based compensation	—	17,351	—	—	—	—	17,351
Shares issued for stock-based compensation awards	—	(20,601)	31,903	—	—	—	11,302
Repurchases of common stock	—	—	(264,431)	—	—	—	(264,431)
Balance at April 2, 2022	\$ 125,424	\$ 1,186,595	\$ (3,861,793)	\$ 8,152,697	\$ (232,969)	\$ 58,929	\$ 5,428,883
Consolidated net income	—	—	—	370,334	—	1,161	371,495
Other comprehensive loss	—	—	—	—	(193,045)	(2,136)	(195,181)
Amortization of stock-based compensation	—	13,885	—	—	—	—	13,885
Shares issued for stock-based compensation awards	—	(1,950)	6,320	—	—	—	4,370
Repurchases of common stock	—	—	(225,032)	—	—	—	(225,032)
Distributions	—	—	—	—	—	(137)	(137)
Balance at July 2, 2022	\$ 125,424	\$ 1,198,530	\$ (4,080,505)	\$ 8,523,031	\$ (426,014)	\$ 57,817	\$ 5,398,283

	Common Stock at Par Value	Capital in Excess of Par Value	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Balance at December 31, 2020	\$ 125,424	\$ 1,165,850	\$ (2,776,821)	\$ 6,679,751	\$ (104,885)	\$ 59,633	\$ 5,148,952
Consolidated net income	—	—	—	206,321	—	907	207,228
Other comprehensive loss	—	—	—	—	(18,576)	(1,853)	(20,429)
Amortization of stock-based compensation	—	13,223	—	—	—	—	13,223
Shares issued for stock-based compensation awards	—	(12,519)	38,610	—	—	—	26,091
Repurchases of common stock	—	—	(160,619)	—	—	—	(160,619)
Balance at April 3, 2021	\$ 125,424	\$ 1,166,554	\$ (2,898,830)	\$ 6,886,072	\$ (123,461)	\$ 58,687	\$ 5,214,446
Consolidated net income	—	—	—	240,641	—	561	241,202
Other comprehensive income (loss)	—	—	—	—	(4,740)	450	(4,290)
Amortization of stock-based compensation	—	8,744	—	—	—	—	8,744
Shares issued for stock-based compensation awards	—	172	15,054	—	—	—	15,226
Repurchases of common stock	—	—	(250,708)	—	—	—	(250,708)
Distributions	—	—	—	—	—	(159)	(159)
Balance at July 3, 2021	\$ 125,424	\$ 1,175,470	\$ (3,134,484)	\$ 7,126,713	\$ (128,201)	\$ 59,539	\$ 5,224,461

See accompanying notes.

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

Note A – Basis of Presentation

The accompanying consolidated financial statements of Arrow Electronics, Inc. (the "company") were prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and reflect all adjustments of a normal recurring nature, which are, in the opinion of management, necessary for a fair presentation of the consolidated financial position and results of operations at, and for the periods presented. The consolidated results of operations for the interim periods are not necessarily indicative of results for the full year.

These consolidated financial statements do not include all of the information or notes necessary for a complete presentation and, accordingly, should be read in conjunction with the company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2021, as filed in the company's Annual Report on Form 10-K.

Quarter End

The company operates on a quarterly calendar that closes on the Saturday closest to the end of the calendar quarter, except for the fourth quarter, which closes on December 31, 2022.

Reclassification

Certain prior period amounts were reclassified to conform to the current period presentation. These reclassifications did not have a material impact on previously reported amounts.

Note B – Goodwill and Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. The company tests goodwill and other indefinite-lived intangible assets for impairment annually as of the first day of the fourth quarter, or more frequently if indicators of potential impairment exist.

Goodwill of companies acquired, allocated to the company's business segments, is as follows:

	Global Components	Global ECS	Total
Balance as of December 31, 2021 (a)	\$ 882,948	\$ 1,197,423	\$ 2,080,371
Foreign currency translation adjustment	(12,794)	(47,003)	(59,797)
Balance as of July 2, 2022 (a)	<u>\$ 870,154</u>	<u>\$ 1,150,420</u>	<u>\$ 2,020,574</u>

- (a) The total carrying value of goodwill as of July 2, 2022 and December 31, 2021 in the table above is reflected net of \$1,588,955 of accumulated impairment charges, of which \$1,287,100 was recorded in the global components business segment and \$301,855 was recorded in the global enterprise computing solutions ("ECS") business segment.

Intangible assets, net, are comprised of the following as of July 2, 2022:

	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	\$ 297,235	\$ (162,065)	\$ 135,170
Amortizable trade name	74,000	(33,316)	40,684
	<u>\$ 371,235</u>	<u>\$ (195,381)</u>	<u>\$ 175,854</u>

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

Intangible assets, net, are comprised of the following as of December 31, 2021:

	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	\$ 322,335	\$ (173,123)	\$ 149,212
Amortizable trade name	74,049	(28,232)	45,817
	<u>\$ 396,384</u>	<u>\$ (201,355)</u>	<u>\$ 195,029</u>

During the second quarter of 2022 and 2021, the company recorded amortization expense related to identifiable intangible assets of \$8,830 and \$9,316, respectively. During the first six months of 2022 and 2021 amortization expense related to identifiable intangible assets was \$17,848 and \$18,642, respectively.

Note C – Investments in Affiliated Companies

The company owns a 50% interest in each of the two joint ventures with Marubun Corporation (collectively "Marubun/Arrow") and a 50% interest in one other joint venture. These investments are accounted for using the equity method.

The following table presents the company's investment in affiliated companies:

	July 2, 2022	December 31, 2021
Marubun/Arrow	\$ 55,335	\$ 53,415
Other	10,397	10,280
	<u>\$ 65,732</u>	<u>\$ 63,695</u>

The equity in earnings of affiliated companies consists of the following:

	Quarter Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Marubun/Arrow	\$ 1,746	\$ 35	\$ 2,540	\$ 892
Other	419	155	468	142
	<u>\$ 2,165</u>	<u>\$ 190</u>	<u>\$ 3,008</u>	<u>\$ 1,034</u>

Under the terms of various joint venture agreements, the company is required to pay its pro-rata share of the third-party debt of the joint ventures in the event that the joint ventures are unable to meet their obligations. There were no outstanding borrowings under the third-party debt agreements of the joint ventures as of July 2, 2022 and December 31, 2021.

Note D – Accounts Receivable

Accounts receivable, net, consists of the following:

	July 2, 2022	December 31, 2021
Accounts receivable	\$ 10,939,366	\$ 11,199,847
Allowances for doubtful accounts	(87,900)	(75,901)
Accounts receivable, net	<u>\$ 10,851,466</u>	<u>\$ 11,123,946</u>

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

Changes in the allowance for doubtful accounts consists of the following:

	Six Months Ended	
	July 2, 2022	July 3, 2021
Balance at beginning of period	\$ 75,901	\$ 92,792
Charged to income	20,189	1,544
Translation adjustments	(1,893)	(536)
Writeoffs	(6,297)	(12,180)
Balance at end of period	\$ 87,900	\$ 81,620

The global economic impact from COVID-19 may adversely affect the credit condition of some customers. The company has considered the current credit condition of its customers in estimating the expected credit losses and has not experienced significant changes in customers' payment trends or significant deterioration in customers' credit risk as of July 2, 2022. The impact of COVID-19 on customers' credit condition is highly uncertain and will largely depend on the outcome of future events, which could cause credit losses to increase.

The company has an EMEA asset securitization program under which it continuously sells its interest in designated pools of trade accounts receivables of certain of its subsidiaries in Europe, the Middle East, and Africa ("EMEA"), at a discount, to a special purpose entity, which in turn sells certain of the receivables to unaffiliated financial institutions and conduits administered by such unaffiliated financial institutions ("unaffiliated financial institutions") on a monthly basis. The company may sell up to €400,000 under the EMEA asset securitization program, which matures in January 2023, subject to extension in accordance with its terms. The program is conducted through Arrow EMEA Funding Corp B.V., an entity structured to be bankruptcy remote. The company is deemed the primary beneficiary of Arrow EMEA Funding Corp B.V. as the company has both the power to direct the activities that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive the benefits that could potentially be significant to the entity from the transfer of the trade accounts receivables into the special purpose entity. Accordingly, Arrow EMEA Funding Corp B.V. is included in the company's consolidated financial statements.

Sales of accounts receivables to unaffiliated financial institutions under the EMEA asset securitization program:

	Quarter Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
EMEA asset securitization, sales of accounts receivables	\$ 540,051	\$ 545,221	\$ 1,109,267	\$ 1,062,263

Receivables sold to unaffiliated financial institutions under the program are excluded from "Accounts receivable, net" on the company's consolidated balance sheets, and cash receipts are reflected as cash provided by operating activities on the consolidated statements of cash flows. The purchase price is paid in cash when the receivables are sold. Certain unsold receivables held by Arrow EMEA Funding Corp B.V. are pledged as collateral to unaffiliated financial institutions. These unsold receivables are included in "Accounts receivable, net" in the company's consolidated balance sheets.

The company continues servicing the receivables which were sold and in exchange receives a servicing fee under the program. The company does not record a servicing asset or liability on the company's consolidated balance sheets as the company estimates that the fee it receives to service these receivables approximates the fair market compensation to provide the servicing activities.

Other amounts related to the EMEA asset securitization program:

	July 2, 2022	December 31, 2021
Receivables sold to unaffiliated financial institutions that were uncollected	\$ 423,385	\$ 453,292
Collateralized accounts receivable held by Arrow EMEA funding Corp B.V.	847,434	745,965

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

Any accounts receivables held by Arrow EMEA Funding Corp B.V. would likely not be available to other creditors of the company in the event of bankruptcy or insolvency proceedings if there are outstanding balances under the EMEA asset securitization program. The assets of the special purpose entity cannot be used by the company for general corporate purposes. Additionally, the financial obligations of Arrow EMEA Funding Corp B.V. to the unaffiliated financial institution under the program are limited to the assets it owns and there is no recourse to Arrow Electronics, Inc. for receivables that are uncollectible as a result of the insolvency or inability to pay of the account debtors.

The EMEA asset securitization program includes terms and conditions that limit the incurrence of additional borrowings and require that certain financial ratios be maintained at designated levels. As of July 2, 2022, the company was in compliance with all such financial covenants.

Note E – Debt

Short-term borrowings, including current portion of long-term debt, consists of the following:

	July 2, 2022	December 31, 2021
3.50% notes, due April 2022	\$ —	\$ 349,779
4.50% notes, due March 2023	299,585	—
Commercial Paper	255,952	—
Other short-term borrowings	70,511	32,840
	<u>\$ 626,048</u>	<u>\$ 382,619</u>

Other short-term borrowings are primarily utilized to support working capital requirements. The weighted-average interest rate on these borrowings was 1.79% and 1.41% at July 2, 2022 and December 31, 2021, respectively.

The company has \$200,000 in uncommitted lines of credit. There were no outstanding borrowings under the uncommitted lines of credit at July 2, 2022 and December 31, 2021. These borrowings were provided on a short-term basis and the maturity is agreed upon between the company and the lender. The uncommitted lines of credit had a weighted-average effective interest rate of 1.70% and 1.50% at July 2, 2022 and December 31, 2021, respectively.

The company has a commercial paper program and the maximum aggregate balance of commercial paper outstanding may not exceed the borrowing capacity of \$1,200,000. Amounts outstanding under the commercial paper program are backstopped by available commitments under the company's revolving credit facility. The company had \$255,952 in outstanding borrowings under this program at July 2, 2022. There were no outstanding borrowings under this program at December 31, 2021. The commercial paper program had a weighted-average effective interest rate of 2.24% and 0.29% at July 2, 2022 and December 31, 2021, respectively.

Long-term debt consists of the following:

	July 2, 2022	December 31, 2021
North American asset securitization program	\$ 910,000	\$ —
4.50% notes, due 2023	—	299,283
3.25% notes, due 2024	497,586	497,060
4.00% notes, due 2025	347,997	347,657
7.50% senior debentures, due 2027	110,062	110,021
3.875% notes, due 2028	496,132	495,823
2.95% notes, due 2032	494,269	494,022
Other obligations with various interest rates and due dates	444	577
	<u>\$ 2,856,490</u>	<u>\$ 2,244,443</u>

ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(Unaudited)

The 7.50% senior debentures are not redeemable prior to their maturity. All other notes may be called at the option of the company subject to “make whole” clauses.

The estimated fair market value of long-term debt, using quoted market prices, is as follows:

	July 2, 2022	December 31, 2021
4.50% notes, due 2023	\$ —	\$ 309,000
3.25% notes, due 2024	490,500	522,000
4.00% notes, due 2025	348,000	374,000
7.50% senior debentures, due 2027	124,000	136,000
3.875% notes, due 2028	480,500	542,500
2.95% notes, due 2032	422,000	504,500

The carrying amount of the company’s other short-term borrowings, revolving credit facility, 4.50% notes due in 2023, North American asset securitization program, commercial paper, and other obligations approximate their fair value.

The company has a \$2,000,000 revolving credit facility maturing in September 2026. The facility may be used by the company for general corporate purposes including working capital in the ordinary course of business, letters of credit, repayment, prepayment or purchase of long-term indebtedness, acquisitions, and as support for the company's commercial paper program, as applicable. Interest on borrowings under the revolving credit facility is calculated using a base rate or a Eurocurrency rate plus a spread (1.08% at July 2, 2022), which is based on the company’s credit ratings, or an effective interest rate of 1.99% at July 2, 2022. The facility fee, which is based on the company’s credit ratings, was 0.175% of the total borrowing capacity at July 2, 2022. The company had no outstanding borrowings under the revolving credit facility at July 2, 2022 and December 31, 2021.

The company has a North American asset securitization program collateralized by accounts receivable of certain of its subsidiaries. The company may borrow up to \$1,250,000 under the program which matures in March 2024. The program is conducted through Arrow Electronics Funding Corporation (“AFC”), a wholly-owned, bankruptcy remote subsidiary. The North American asset securitization program does not qualify for sale treatment. Accordingly, the accounts receivable and related debt obligation remain on the company’s consolidated balance sheets. Interest on borrowings is calculated using a base rate or a commercial paper rate plus a spread (0.45% at July 2, 2022), or an effective interest rate of 2.25% at July 2, 2022. The facility fee is 0.40% of the total borrowing capacity.

The company had \$910,000 in outstanding borrowings under the North American asset securitization program at July 2, 2022, which was included in “Long-term debt” in the company’s consolidated balance sheets. There were no outstanding borrowings under the North American asset securitization program at December 31, 2021. Total collateralized accounts receivable of approximately \$2,656,544 and \$2,735,145 were held by AFC and were included in “Accounts receivable, net” in the company’s consolidated balance sheets at July 2, 2022 and December 31, 2021, respectively. Any accounts receivable held by AFC would likely not be available to other creditors of the company in the event of bankruptcy or insolvency proceedings before repayment of any outstanding borrowings under the North American asset securitization program.

Both the revolving credit facility and North American asset securitization program include terms and conditions that limit the incurrence of additional borrowings and require that certain financial ratios be maintained at designated levels. As of July 2, 2022, the company was in compliance with all such financial covenants.

During February 2022, the company repaid \$350,000 principal amount of its 3.50% notes due April 2022.

During the fourth quarter of 2021, the company completed the sale of \$500,000 principal amount of 2.95% notes due in February 2032. The net proceeds of the offering of \$495,134 were used to repay the 3.50% notes due April 2022 and for general corporate purposes.

During March 2021, the company repaid \$130,860 principal amount of its 5.125% notes due March 2021.

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In the normal course of business, certain of the company's subsidiaries have agreements to sell, without recourse, selected trade receivables to financial institutions. The company does not retain financial or legal interests in these receivables, and, accordingly they are accounted for as sales of the related receivables, and the receivables are removed from the company's consolidated balance sheets.

Interest and other financing expense, net, includes interest and dividend income of \$5,994 and \$10,501 for the second quarter and first six months of 2022, respectively, and \$3,745 and \$7,851 for the second quarter and first six months of 2021, respectively.

Note F – Financial Instruments Measured at Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The company utilizes a fair value hierarchy, which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The fair value hierarchy has three levels of inputs that may be used to measure fair value:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 Quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

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The following table presents assets measured at fair value on a recurring basis at July 2, 2022:

	Balance Sheet Location	Level 1	Level 2	Level 3	Total
Cash equivalents (a)	Cash and cash equivalents	\$ 5,605	\$ —	\$ —	\$ 5,605
Equity investments (b)	Other assets	47,398	—	—	47,398
Interest rate swaps designated as cash flow hedges	Other assets	—	46,286	—	46,286
Foreign exchange contracts designated as net investment hedges	Other assets/ other current assets	—	63,049	—	63,049
		<u>\$ 53,003</u>	<u>\$ 109,335</u>	<u>\$ —</u>	<u>\$ 162,338</u>

The following table presents assets measured at fair value on a recurring basis at December 31, 2021:

	Balance Sheet Location	Level 1	Level 2	Level 3	Total
Cash equivalents (a)	Cash and cash equivalents/ other assets	\$ 4,812	\$ —	\$ —	\$ 4,812
Equity investments (b)	Other assets	56,985	—	—	56,985
Interest rate swaps designated as cash flow hedges	Other assets	—	21,831	—	21,831
Foreign exchange contracts designated as net investment hedges	Other assets	—	40,612	—	40,612
		<u>\$ 61,797</u>	<u>\$ 62,443</u>	<u>\$ —</u>	<u>\$ 124,240</u>

- (a) Cash equivalents include highly liquid investments with an original maturity of less than three months.
- (b) The company has an 8.4% equity ownership interest in Marubun Corporation and a portfolio of mutual funds with quoted market prices. The company recorded an unrealized loss of \$4,975 and \$10,660 for the second quarter and first six months of 2022, respectively, on equity securities held at the end of the quarter. The company recorded an unrealized gain of \$3,840 and \$5,241 for the second quarter and first six months of 2021, respectively, on equity securities held at the end of the quarter.

Assets and liabilities that are measured at fair value on a nonrecurring basis relate primarily to goodwill and identifiable intangible assets (see Note B). The company tests these assets for impairment if indicators of potential impairment exist or at least annually if indefinite-lived.

Derivative Instruments

The company uses various financial instruments, including derivative instruments, for purposes other than trading. Certain derivative instruments are designated at inception as hedges and measured for effectiveness both at inception and on an ongoing basis. Derivative instruments not designated as hedges are marked-to-market each reporting period with any unrealized gains or losses recognized in earnings.

Interest Rate Swaps

The company manages the risk of variability in interest rates of future expected debt issuances by entering into various forward-starting interest rate swaps, designated as cash flow hedges. Changes in fair value of interest rate swaps are recorded in the shareholders' equity section in the company's consolidated balance sheets in "Accumulated other comprehensive loss" and will be reclassified into income over the life of the anticipated debt issuance or in the period the hedged forecasted cash flows are deemed no longer probable to occur. Gains and losses on interest rate swaps are recorded within the line item "Interest and other financing expense, net" in the consolidated statements of operations. The fair value of interest rate swaps is estimated using a discounted cash flow analysis on the expected cash flows of each derivative based on observable inputs, including interest rate curves and credit spreads.

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At July 2, 2022 and December 31, 2021, the company had the following outstanding interest rate swaps designated as cash flow hedges:

Trade Date	Maturity Date	Notional Amount	Weighted-Average Interest Rate	Date Range of Forecasted Transaction
April 2020	December 2024	\$300,000	0.97%	Jan 2023 - Dec 2025

Foreign Exchange Contracts

The company's foreign currency exposure relates primarily to international transactions where the currency collected from customers can be different from the currency used to purchase the product. The company's primary exposures to such transactions are denominated primarily in the following currencies: Euro, Indian Rupee, Chinese Renminbi, and Canadian Dollar. The company enters into foreign exchange forward, option, or swap contracts (collectively, the "foreign exchange contracts") to facilitate the hedging of foreign currency exposures resulting from inventory purchases and sales and mitigate the impact of changes in foreign currency exchange rates related to these transactions. Foreign exchange contracts generally have terms of no more than six months. Gains or losses on these contracts are deferred and recognized when the underlying future purchase or sale is recognized or when the corresponding asset or liability is revalued. The company does not enter into foreign exchange contracts for trading purposes. The risk of loss on a foreign exchange contract is the risk of nonperformance by the counterparties, which the company minimizes by limiting its counterparties to major financial institutions. The fair value of the foreign exchange contracts is estimated using foreign currency spot rates and forward rates quotes by third-party financial institutions. The notional amount of the foreign exchange contracts inclusive of foreign exchange contracts designated as a net investment hedge at July 2, 2022 and December 31, 2021 was \$1,421,339 and \$1,125,997, respectively.

Gains and losses related to non-designated foreign currency exchange contracts are recorded in "Cost of sales" in the company's consolidated statements of operations. Gains and losses related to foreign currency exchange contracts designated as cash flow hedges are recorded in "Cost of sales," "Selling, general, and administrative expenses," and "Interest and other financing expense, net" based upon the nature of the underlying hedged transaction, in the company's consolidated statements of operations.

At July 2, 2022 and December 31, 2021 the following foreign exchange contracts were designated as net investment hedges:

Maturity Date	Notional Amount	
March 2023	EUR	50,000
September 2024	EUR	50,000
April 2025	EUR	100,000
January 2028	EUR	100,000
Total	EUR	300,000

The contracts above have been designated as a net investment hedge which is in place to hedge a portion of the company's net investment in subsidiaries with euro-denominated net assets. The change in the fair value of derivatives designated as net investment hedges are recorded in "foreign currency translation adjustment" ("CTA") within "Accumulated other comprehensive loss" in the company's consolidated balance sheets. Amounts excluded from the assessment of hedge effectiveness are included in "Interest and other financing expense, net" in the company's consolidated statements of operations.

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The effects of derivative instruments on the company's consolidated statements of operations and other comprehensive income are as follows:

	Income Statement Line	Quarter Ended		Six Months Ended	
		July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Gain (Loss) Recognized in Income					
Foreign exchange contracts, net investment hedge (a)	Interest Expense	\$ 2,201	\$ 2,201	\$ 4,402	\$ 4,402
Interest rate swaps, cash flow hedge	Interest Expense	(897)	(356)	(1,765)	(707)
Total		\$ 1,304	\$ 1,845	\$ 2,637	\$ 3,695
Gain (Loss) Recognized in Other Comprehensive Income (Loss) before reclassifications, net of tax					
Foreign exchange contracts, net investment hedge (b)		\$ 15,921	\$ 1,895	\$ 17,015	\$ 8,873
Interest rate swaps, cash flow hedge		10,998	(19,620)	18,545	16,465
Total		\$ 26,919	\$ (17,725)	\$ 35,560	\$ 25,338

- (a) Represents derivative amounts excluded from the assessment of effectiveness for the net investment hedges reclassified from CTA to Interest and other financing expenses, net.
- (b) Includes derivative gains (losses) of \$2,460 and \$4,318 for the second quarter of 2022 and 2021, respectively, and \$(2,549) and \$(773) for six months ended July 2, 2022 and July 3, 2021, respectively, which were excluded from the assessment of effectiveness for the net investment hedges and recognized in other comprehensive income (loss), net of tax.

Other

The carrying amount of cash and cash equivalents, accounts receivable, net, and accounts payable approximate their fair value due to the short maturities of these financial instruments.

Note G – Restructuring, Integration, and Other Charges

Restructuring initiatives and integration costs are due to the company's continued efforts to lower costs, drive operational efficiency, integrate any acquired businesses, and the consolidation of certain operations, as necessary. The following table presents the components of the restructuring, integration, and other charges:

	Quarter Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Restructuring and integration charges - current period actions	\$ 1,619	\$ 5,161	\$ 4,344	\$ 10,011
Restructuring and integration charges (credits) - actions taken in prior periods	(426)	94	906	1,494
Other charges	1,301	3,705	2,142	3,164
	\$ 2,494	\$ 8,960	\$ 7,392	\$ 14,669

Restructuring and Integration Accrual Summary

The restructuring and integration accrual was \$8,858 and \$11,201 at July 2, 2022 and December 31, 2021, respectively. During the second quarter and first six months of 2022, the company made \$61 and \$7,016 of payments related to restructuring and

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integration accruals, and recorded \$1,193 and \$5,250 in restructuring and integration charges, respectively. The remaining changes to the accrual related to changes in foreign exchange rates during the year. Substantially all amounts accrued at July 2, 2022, and all restructuring and integration charges for the first six months of 2022, relate to the termination of personnel and are expected to be spent in cash within one year.

Other Charges

Other charges for the second quarter and the first six months of 2021 of \$3,705 and \$3,164, respectively, include \$4,482 in impairment related to various long lived assets recorded for the second quarter and first six months of 2021.

Note H – Net Income per Share

The following table presents the computation of net income per share on a basic and diluted basis (shares in thousands):

	Quarter Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Net income attributable to shareholders	\$ 370,334	\$ 240,641	\$ 735,083	\$ 446,962
Weighted-average shares outstanding - basic	66,078	73,693	66,964	74,294
Net effect of various dilutive stock-based compensation awards	773	918	833	903
Weighted-average shares outstanding - diluted	66,851	74,611	67,797	75,197
Net income per share:				
Basic	\$ 5.60	\$ 3.27	\$ 10.98	\$ 6.02
Diluted (a)	\$ 5.54	\$ 3.23	\$ 10.84	\$ 5.94

- (a) Stock-based compensation awards for the issuance of 177 and 49 shares for the second quarter and first six months of 2022 and 2 and 3 shares for the second quarter and first six months of 2021, respectively, were excluded from the computation of net income per share on a diluted basis as their effect was anti-dilutive.

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Note I – Shareholders’ Equity
Accumulated Other Comprehensive Loss

The following table presents the changes in Accumulated other comprehensive income, excluding noncontrolling interests:

	Quarter Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Foreign Currency Translation Adjustment and Other:				
Other comprehensive income (loss) before reclassifications (a)	\$ (218,602)	\$ 13,594	\$ (267,302)	\$ (45,954)
Amounts reclassified into income	(462)	(345)	(803)	(865)
Unrealized Gain on Foreign Exchange Contracts Designated as Net Investment Hedges, Net:				
Other comprehensive income (loss) before reclassifications	15,921	1,895	17,015	8,873
Amounts reclassified into income	(1,670)	(1,672)	(3,339)	(3,344)
Unrealized Gain (Loss) on Interest Rate Swaps Designated as Cash Flow Hedges, Net:				
Other comprehensive income (loss) before reclassifications	10,998	(19,620)	18,545	16,465
Amounts reclassified into income	681	260	1,339	527
Employee Benefit Plan Items, Net:				
Amounts reclassified into income	89	1,148	188	982
Net change in Accumulated other comprehensive loss	<u>\$ (193,045)</u>	<u>\$ (4,740)</u>	<u>\$ (234,357)</u>	<u>\$ (23,316)</u>

- (a) Foreign currency translation adjustment includes intra-entity foreign currency transactions that are of a long-term investment nature of \$36,623 and \$28,365 for the second quarter and first six months of 2022, and \$1,360 and \$(1,237) for the second quarter and first six months of 2021, respectively.

Share-Repurchase Program

The following table shows the company’s Board of Directors (the “Board”) approved share-repurchase programs as of July 2, 2022:

Month of Board Approval	Dollar Value Approved for Repurchase	Dollar Value of Shares Repurchased	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program
July 2020	\$ 600,000	\$ 600,000	\$ —
July 2021	600,000	600,000	—
December 2021	600,000	311,531	288,469
Total	<u>\$ 1,800,000</u>	<u>\$ 1,511,531</u>	<u>\$ 288,469</u>

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In the second quarter and first six months of 2022, the company repurchased 1,930 and 3,945 shares of common stock for \$224,999 and \$474,999, respectively, under the program. In the second quarter and first six months of 2021, the company repurchased 2,119 and 3,563 shares of common stock for \$249,999 and \$399,999, respectively, under the program. As of July 2, 2022, approximately \$288,469 remained available for repurchase under the program.

Note J – Contingencies

Environmental Matters

In connection with the purchase of Wyle Electronics ("Wyle") in August 2000, the company acquired certain of the then outstanding obligations of Wyle, including Wyle's indemnification obligations to the purchasers of its Wyle Laboratories division for environmental clean-up costs associated with any then existing contamination or violation of environmental regulations. Under the terms of the company's purchase of Wyle from the sellers, the sellers agreed to indemnify the company for certain costs associated with the Wyle environmental obligations, among other things. In 2012, the company entered into a settlement agreement with the sellers, pursuant to which the sellers paid \$110,000 and the company released the sellers from their indemnification obligation. As part of the settlement agreement the company accepted responsibility for any potential subsequent costs incurred related to the Wyle matters. The company is aware of two Wyle Laboratories facilities (in Huntsville, Alabama and Norco, California) at which contaminated groundwater was identified and will require environmental remediation. In addition, the company was named as a defendant in several lawsuits related to the Norco facility and a third site in El Segundo, California which have now been settled to the satisfaction of the parties.

The company expects these environmental liabilities to be resolved over an extended period of time. Costs are recorded for environmental matters when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Accruals for environmental liabilities are adjusted periodically as facts and circumstances change, assessment and remediation efforts progress, or as additional technical or legal information becomes available. Environmental liabilities are difficult to assess and estimate due to various unknown factors such as the timing and extent of remediation, improvements in remediation technologies, and the extent to which environmental laws and regulations may change in the future. Accordingly, the company cannot presently estimate the ultimate potential costs related to these sites until such time as a substantial portion of the investigation at the sites is completed and remedial action plans are developed and, in some instances, implemented. To the extent that future environmental costs exceed amounts currently accrued by the company, net income would be adversely impacted and such impact could be material.

Accruals for environmental liabilities are included in "Accrued expenses" and "Other liabilities" in the company's consolidated balance sheets. The company has determined that there is no amount within the environmental liability range that is a better estimate than any other amount, and therefore has recorded the accruals at the minimum amount of the ranges.

As successor-in-interest to Wyle, the company is the beneficiary of various Wyle insurance policies that covered liabilities arising out of operations at Norco and Huntsville. To date, the company has recovered approximately \$47,000 from certain insurance carriers relating to environmental clean-up matters at the Norco and Huntsville sites. The company filed suit against two insurers regarding liabilities arising out of operations at Huntsville and reached a confidential settlement with one of the insurers in 2020. The resolution of this matter against the remaining insurer will likely take several years. The company has not recorded a receivable for any potential future insurance recoveries related to the Norco and Huntsville environmental matters, as the realization of the claims for recovery are not deemed probable at this time.

Environmental Matters - Huntsville

In February 2015, the company and the Alabama Department of Environmental Management ("ADEM") finalized and executed a consent decree in connection with the Huntsville, Alabama site. Characterization of the extent of contaminated soil and groundwater is complete and has been approved by ADEM. Health-risk evaluations and a Corrective Action Development Plan were approved by ADEM in 2018, opening the way for pilot testing of on-site remediation in late 2019. Pilot testing is currently underway with annual application of bioremediation reagents, semi-annual groundwater monitoring, as well as data collection to direct future bioremediation injections. Approximately \$8,000 has been spent to date, and the company currently anticipates no additional investigative-related expenditures. The cost of subsequent remediation at the site is estimated to be between \$2,500 and \$10,000.

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Despite the amount of work undertaken and planned to date, the company is unable to estimate any potential costs in addition to those discussed above, because the complete scope of the work is not yet known, and, accordingly, the associated costs have yet to be determined.

Environmental Matters - Norco

In October 2003, the company entered into a consent decree with Wyle Laboratories and the California Department of Toxic Substance Control (“DTSC”) in connection with the Norco site. Subsequent to the decree, a Remedial Investigation Work Plan was approved by DTSC in April 2005, the required investigations were performed, and a final Remedial Investigation Report was submitted early in 2008. In 2008, a hydraulic containment system (“HCS”) was installed as an interim remedial measure to capture and treat groundwater before it moves into the adjacent off-site area. In September 2013, the DTSC approved the final Remedial Action Plan (“RAP”) for actions in five on-site areas and one off-site area. As of 2018, the remediation measures described in the RAP had been implemented and were being monitored. A Five Year Review (“FYR”) of the HCS submitted to DTSC in December 2016 found that while significant progress was made in on-site and off-site groundwater remediation, contaminants were not sufficiently reduced in a key off-site area identified in the RAP. This exception triggered the need for additional off-site remediation that began in 2018 and was completed in mid-2019. Routine progress monitoring of groundwater and soil gas continue on-site and off-site.

Approximately \$79,000 was spent to date on remediation, project management, regulatory oversight, and investigative and feasibility study activities, and the company currently estimates that these activities will give rise to an additional \$4,000 to \$17,000. Project management and regulatory oversight include costs incurred by project consultants for project management and costs billed by DTSC to provide regulatory oversight.

Despite the amount of work undertaken and planned to date, the company is unable to estimate any potential costs in addition to those discussed above because the complete scope of the work under the RAP is not yet known, and, accordingly, the associated costs have yet to be determined.

Other

In the second quarter and first six months of 2021, the company received \$8,166 and \$12,477, respectively, in settlement funds in connection with claims filed against certain manufacturers of aluminum, tantalum, and film capacitors who allegedly colluded to fix the price of capacitors from 2001 through 2014. These amounts were recorded as a reduction to “Selling, general, and administrative expenses” in the company’s consolidated statements of operations. The company has related on-going disputes with other manufacturers and may receive additional funds in the future. The company is unable to estimate additional amounts that may be received in the future and as such has not recorded a receivable at this time.

In 2019, the company determined that from 2015 to 2019 a limited number of non-executive employees, without first obtaining required authorization from the company or the United States government, had facilitated product shipments with an aggregate total invoiced value of approximately \$4,770, to resellers for reexports to persons covered by the Iran Threat Reduction and Syria Human Rights Act of 2012 or other United States sanctions and export control laws. The company has voluntarily reported these activities to the United States Treasury Department’s Office of Foreign Assets Control (“OFAC”) and the United States Department of Commerce’s Bureau of Industry and Security (“BIS”), and conducted an internal investigation and terminated or disciplined the employees involved. BIS has closed its investigation and issued the company a warning letter without referring the matter for further proceedings. No penalties have been imposed by BIS. The company has cooperated fully and intends to continue to cooperate fully with OFAC with respect to its review, which may result in the imposition of penalties, which the company is currently not able to estimate.

From time to time, in the normal course of business, the company may become liable with respect to other pending and threatened litigation, environmental, regulatory, labor, product, and tax matters. While such matters are subject to inherent uncertainties, it is not currently anticipated that any such matters will materially impact the company’s consolidated financial position, liquidity, or results of operations.

Note K – Segment and Geographic Information

The company is a global provider of products, services, and solutions to industrial and commercial users of electronic components and enterprise computing solutions. The company distributes electronic components to original equipment

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manufacturers and contract manufacturers through its global components business segment and provides enterprise computing solutions to value-added resellers and managed service providers through its global ECS business segment. As a result of the company's philosophy of maximizing operating efficiencies through the centralization of certain functions, selected fixed assets and related depreciation, as well as borrowings, are not directly attributable to the individual operating segments and are included in the corporate business segment. Sales to external customers are based on the company location that maintains the customer relationship and transacts the external sale.

Sales, by segment by geographic area, are as follows:

	Quarter Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Components:				
Americas	\$ 2,479,362	\$ 1,970,756	\$ 4,819,905	\$ 3,671,929
EMEA	1,808,404	1,490,662	3,735,407	3,059,264
Asia/Pacific	3,173,786	3,149,343	6,105,315	6,322,821
Global components	\$ 7,461,552	\$ 6,610,761	\$ 14,660,627	\$ 13,054,014
ECS:				
Americas	\$ 1,160,796	\$ 1,167,355	\$ 2,208,645	\$ 2,318,693
EMEA	838,494	784,515	1,665,695	1,575,843
Global ECS	\$ 1,999,290	\$ 1,951,870	\$ 3,874,340	\$ 3,894,536
Consolidated	\$ 9,460,842	\$ 8,562,631	\$ 18,534,967	\$ 16,948,550

Operating income (loss), by segment, are as follows:

	Quarter Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Operating income (loss):				
Global components (a)	\$ 524,494	\$ 327,036	\$ 1,023,836	\$ 616,419
Global ECS	83,970	81,099	169,768	158,458
Corporate (b)	(75,636)	(67,613)	(150,400)	(134,852)
Consolidated	\$ 532,828	\$ 340,522	\$ 1,043,204	\$ 640,025

- (a) Global components operating income includes \$8,166 and \$12,477 related to proceeds from legal settlements for the second quarter and first six months of 2021 (Refer to Note J). Global components operating income for the second quarter and first six months of 2021 includes \$4,482 in restructuring, integration, and other charges.
- (b) Corporate operating income includes restructuring, integration, and other charges of \$2,494 and \$7,392 for the second quarter and first six months of 2022, and \$4,478 and \$10,187 for the second quarter and first six months of 2021, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Information Relating to Forward-Looking Statements

This report includes "forward-looking statements," as the term is defined under the federal securities laws. 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. These forward-looking statements 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: disruptions or inefficiencies in the supply chain, including any potential adverse effects of the ongoing global COVID-19 pandemic, impacts of the conflict in Ukraine, industry conditions, changes in product supply, pricing and customer demand, competition, other vagaries in the global components and the global enterprise computing solutions ("ECS") markets, economic conditions, including changes in inflation rates, tax rates, or the availability of capital, changes in relationships with key suppliers, increased profit margin pressure, changes in legal and regulatory matters, non-compliance with certain regulations, such as export, antitrust, 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 this Quarterly Report on Form 10-Q and the company's most recent Annual Report on Form 10-K, as well as in other filings the company makes with the Securities and Exchange Commission. 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.

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 discloses certain non-GAAP financial information, including:

- Non-GAAP sales and non-GAAP gross profit exclude 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.
- Non-GAAP operating expenses excludes restructuring, integration, and other charges, and the impact of changes in foreign currencies.
- Non-GAAP operating income excludes identifiable intangible asset amortization, and restructuring, integration, and other charges.
- Non-GAAP effective tax rate and non-GAAP net income attributable to shareholders exclude identifiable intangible asset amortization, restructuring, integration, and other charges, and net gains and losses on investments.

Management believes that providing this additional information is useful to the reader to better assess and understand the company's operating performance, especially when comparing results with previous periods, primarily because management typically monitors the business adjusted for these items in addition to GAAP results. However, analysis of results on a non-GAAP basis should be used as a complement to, and in conjunction with, and not as a substitute for data presented in accordance with GAAP.

Overview

The company is a global provider of products, services, and solutions to industrial and commercial users of electronic components and enterprise computing solutions. The company has one of the world's broadest portfolios of product offerings available from leading electronic components and enterprise computing solutions suppliers, coupled with a range of services, solutions and tools that help industrial and commercial customers introduce innovative products, reduce their time to market, and enhance their overall competitiveness. The company has two business segments, the global components business segment and the global ECS business segment. The company distributes electronic components to original equipment manufacturers ("OEMs") and contract manufacturers ("CMs") through its global components business segment and provides enterprise computing solutions to value-added resellers ("VARs") and managed service providers ("MSPs") through its global ECS business segment. For the second quarter of 2022, approximately 79% of the company's sales were from the global components business segment, and approximately 21% of the company's sales were from the global ECS business segment.

The company's strategic initiatives include the following:

- Offering a variety of value added demand creation services in the global components business, including design, engineering, global marketing and integration services to promote the future sale of suppliers' products, which generally lead to longer and more profitable relationships with our suppliers and customers.
- The company has a global supply chain services business that has grown organically within the global components business. It derives services revenue from providing supply chain services such as procurement, logistics, warehousing, and insights from data analytics.
- Enabling customer cloud solutions through the global ECS business' cloud marketplace and management platform, ArrowSphere, which helps VARs and MSPs to manage, differentiate, and scale their cloud businesses while providing the business intelligence that IT solution providers need to drive growth.

The company's financial objectives are to grow sales faster than the market, increase the markets served, grow profits faster than sales, generate earnings per share growth in excess of competitors' earnings per share growth and market expectations, grow earnings per share at a rate that provides the capital necessary to support the company's business strategy, allocate and deploy capital effectively so that return on invested capital exceeds the company's cost of capital, and increase return on invested capital. To achieve its objectives, the company seeks to capture significant opportunities to grow across products, markets, and geographies. To supplement its organic growth strategy, the company continually evaluates strategic acquisitions to broaden its product and value-added service offerings, increase its market penetration, and expand its geographic reach.

Executive Summary

Consolidated sales for the second quarter and first six months of 2022 increased by 10.5% and 9.4%, respectively, compared with the year-earlier period. The increase for the second quarter of 2022 was driven by a 12.9% increase in the global components business segment sales and a 2.4% increase in global ECS business segment sales. The increase for the first six months of 2022 was driven by a 12.3% increase in the global components business segment sales offset by a 0.5% decrease in global ECS business segment sales. Adjusted for the change in foreign currencies, non-GAAP consolidated sales increased 14.4% and 12.3% for the second quarter and first six months of 2022, respectively, compared with the year-earlier period.

The company reported net income attributable to shareholders of \$370.3 million and \$735.1 million in the second quarter and first six months of 2022, respectively, compared with \$240.6 million and \$447.0 million in the year-earlier period. Non-GAAP net income attributable to shareholders for the second quarter and first six months of 2022 increased to \$386.3 million and \$759.8 million, respectively, compared with \$249.3 million and \$464.9 million in the year-earlier period. Non-GAAP net income attributable to shareholders is adjusted for the following items:

Second quarters of 2022 and 2021:

- restructuring, integration, and other charges of \$2.5 million in 2022 and \$9.0 million in 2021;
- identifiable intangible asset amortization of \$8.8 million in 2022 and \$9.3 million in 2021; and
- net loss on investments of \$9.7 million in 2022 and net gain on investments of \$6.7 million in 2021.

First six months of 2022 and 2021:

- restructuring, integration, and other charges of \$7.4 million in 2022 and \$14.7 million in 2021;
- identifiable intangible asset amortization of \$17.8 million in 2022 and \$18.6 million in 2021; and
- net loss on investments of \$7.7 million in 2022 and net gain on investments of \$9.5 million in 2021.

Impact of the COVID-19 Pandemic and Macroeconomic Conditions:

The global COVID-19 pandemic continues to create significant macroeconomic uncertainty, volatility and disruption, including supply constraints, extended lead times, and unpredictability across many markets. At the same time, supply chain constraints are also being caused by shortages in electronics components markets and supply chain logistical issues resulting in extended lead times and unpredictability, which has impacted the business.

During the first six months of 2022, certain of our distribution centers and customer's facilities located in the Asia/Pacific region experienced COVID-19 related lockdowns. As a result, the global components business in the Asia/Pacific region experienced some delays in fulfilling orders, receiving inventory and exacerbated supply chain constraints.

These and other adverse macroeconomic conditions, including but not limited to inflation, slower growth or recession, and political uncertainty, may adversely affect the company's consolidated results of operations in the future and may affect the credit condition of some customers, which could increase delays in customer payments and credit losses.

Despite these challenges, the company believes it has efficiently managed the global supply chain requirements of customers and suppliers to date, and as a result, during the second quarter and first six months of 2022 the company's global components business benefited from rising demand and higher prices for certain products leading to improved profit margins globally.

Management is actively monitoring the impact of changes in the global macroeconomic environment on its financial condition, liquidity, operations, suppliers, industry and workforce. The extent to which COVID-19, ongoing supply constraints, and other factors discussed above will continue to impact the company's results will depend primarily on future developments, including the severity and duration of the current conditions, and the impact of actions taken and that will be taken to contain COVID-19 or address supply chain constraints and continued customer demand, among others. These future developments are highly uncertain and cannot be predicted with confidence; however, the company currently expects component supply to remain well below demand through the better part of 2022.

Accordingly, current results and financial condition discussed herein may not be indicative of future operating results and trends. See discussion regarding the impacts of the COVID-19 pandemic included in Item 1A, Risk Factors, within the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Sales

Substantially all of the company's sales are made on an order-by-order basis, rather than through long-term sales contracts. As such, the nature of the company's business does not provide for the visibility of material forward-looking information from its customers and suppliers beyond a few months. Following is an analysis of net sales by reportable segment (in millions):

	Quarter Ended			Six Months Ended		
	July 2, 2022	July 3, 2021	% Change	July 2, 2022	July 3, 2021	% Change
Consolidated sales, as reported	\$ 9,461	\$ 8,563	10.5%	\$ 18,535	\$ 16,949	9.4 %
Impact of changes in foreign currencies	—	(291)		—	(442)	
Non-GAAP consolidated sales*	\$ 9,461	\$ 8,272	14.4%	\$ 18,535	\$ 16,506	12.3 %
Global components sales, as reported	\$ 7,462	\$ 6,611	12.9%	\$ 14,661	\$ 13,054	12.3 %
Impact of changes in foreign currencies	—	(192)		—	(292)	
Non-GAAP global components sales	\$ 7,462	\$ 6,419	16.2%	\$ 14,661	\$ 12,762	14.9 %
Global ECS sales, as reported	\$ 1,999	\$ 1,952	2.4%	\$ 3,874	\$ 3,895	(0.5)%
Impact of changes in foreign currencies	—	(99)		—	(150)	
Non-GAAP global ECS sales*	\$ 1,999	\$ 1,853	7.9%	\$ 3,874	\$ 3,744	3.5 %

* The sum of the components for sales, as reported, and non-GAAP sales may not agree to totals, as presented, due to rounding.

Consolidated sales for the second quarter and first six months of 2022 increased by \$898.2 million, or 10.5%, and \$1.6 billion, or 9.4%, respectively, compared with the year-earlier period. The increase for the second quarter of 2022 was driven by an increase in global components segment sales of \$850.8 million, or 12.9% and an increase in global ECS business segment sales of \$47.4 million, or 2.4%. The increase for the first six months of 2022 was driven by an increase in global components segment sales of \$1.6 billion, or 12.3% offset by a decrease in global ECS business segment sales of \$20.2 million, or 0.5%. Non-GAAP consolidated sales, adjusted for the impact of changes in foreign currencies, increased 14.4% and 12.3% for the second quarter and first six months of 2022 compared with the year-earlier period.

Second quarter 2022 global components sales growth compared to the year-earlier period was primarily due to stronger demand driving both higher sales volumes and favorable pricing, offset partially by the impact of changes in foreign exchange rates. Growth in sales for the period was greater than 20% in both the Americas and EMEA regions, and increases related to most major verticals. Asia/Pacific sales volumes were negatively impacted by COVID-19 related lockdowns and product mix during the second quarter and first six months of 2022; however, lower volumes were largely offset by higher prices.

Sales from the global ECS business benefited from a healthy IT demand environment in the second quarter of 2022 relative to the year-earlier period, especially in the EMEA region which saw strength across the region in all technologies; however, sales were negatively impacted by changes in foreign exchange rates, and continued to see some headwinds from supply chain shortages impacting hardware sales, particularly in the Americas region.

Gross Profit

Following is an analysis of gross profit (in millions):

	Quarter Ended			Six Months Ended		
	July 2, 2022	July 3, 2021	% Change	July 2, 2022	July 3, 2021	% Change
Consolidated gross profit, as reported	\$ 1,236	\$ 1,000	23.6%	\$ 2,444	\$ 1,930	26.6%
Impact of changes in foreign currencies	—	(41)		—	(62)	
Non-GAAP consolidated gross profit*	\$ 1,236	\$ 959	28.9%	\$ 2,444	\$ 1,869	30.8%
Consolidated gross profit as a percentage of sales, as reported	13.1 %	11.7 %	140 bps	13.2 %	11.4 %	180 bps
Non-GAAP consolidated gross profit as a percentage of non-GAAP sales	13.1 %	11.6 %	150 bps	13.2 %	11.3 %	190 bps

* The sum of the components for non-GAAP gross profit may not agree to totals, as presented, due to rounding.

The company recorded gross profit of \$1.2 billion and \$2.4 billion in the second quarter and first six months of 2022, respectively, compared with \$1.0 billion and \$1.9 billion in the year-earlier period. During the second quarter and first six months of 2022, gross profit increased 23.6% and 26.6%, respectively on a GAAP basis, and 28.9% and 30.8%, respectively, on a non-GAAP basis respectively, compared with the year-earlier period. Gross profit margins in the second quarter increased by 140 bps and 150 bps, on a GAAP and non-GAAP basis, respectively, compared with the year-earlier period. Gross profit margins in the first six months increased by 180 bps and 190 bps, on a GAAP and non-GAAP basis, respectively, compared with the year-earlier period.

The increases in gross profit margins during the second quarter of 2022 related primarily to significant improvements in pricing and margins in both the Asia/Pacific and Americas regions of the global components business, due to the current market conditions, product mix shifting towards higher margin products, and the global supply chain issues discussed above, as well as the company's ability to secure inventory to meet strong demand. Growing demand in global supply chain services offerings continued to have a positive impact on gross margins during the second quarter and first six months of 2022 compared with the year-earlier period.

The company is currently experiencing benefits to gross margins in the global components business due to the factors discussed above, which may not be representative of future trends or conditions. As such, the current gross margins may not be sustainable.

Gross profit margins from the global ECS business were in line with the year-earlier periods.

Selling, General, and Administrative Expenses and Depreciation and Amortization

Following is an analysis of operating expenses (in millions):

	Quarter Ended			Six Months Ended		
	July 2, 2022	July 3, 2021	% Change	July 2, 2022	July 3, 2021	% Change
Selling, general, and administrative expenses, as reported	\$ 654	\$ 602	8.6%	\$ 1,298	\$ 1,177	10.3%
Depreciation and amortization, as reported	47	49	(2.7)%	96	99	(3.4)%
Operating expenses ⁺ *	\$ 701	\$ 651	7.7%	\$ 1,393	\$ 1,276	9.2%
Impact of changes in foreign currencies	—	(26)		—	(39)	
Non-GAAP operating expenses*	\$ 701	\$ 624	12.3%	\$ 1,393	\$ 1,237	12.6%
Operating expenses as a percentage of sales	7.4 %	7.6 %	(20) bps	7.5 %	7.5 %	flat
Non-GAAP operating expenses as a percentage of non-GAAP sales	7.4 %	7.5 %	(10) bps	7.5 %	7.5 %	flat

⁺Operating expenses discussed here are presented before restructuring, integration, and other charges.

*The sum of the components for selling, general, and administrative expenses and depreciation and amortization, as reported, and non-GAAP operating expenses may not agree to totals, as presented, due to rounding.

Selling, general, and administrative expenses increased by \$51.6 million, or 8.6%, and \$120.9 million, or 10.3% in the second quarter and first six months of 2022, respectively, on a sales increase of 10.5% and 9.4% compared with the year-earlier period. Selling, general, and administrative expenses, as a percentage of sales, was 6.9% and 7.0% for second quarter and first six months of 2022, respectively, compared with 7.0% and 6.9% in the year-earlier period. In the second quarter and first six months of 2021, the company received \$8.2 million and \$12.5 million, respectively, in settlement funds in connection with certain class action claims (Refer to Note J), which were recorded as a benefit within selling, general, and administrative expenses.

Depreciation and amortization expense as a percentage of operating expenses was 6.7% and 6.9% for the second quarter and first six months of 2022 compared with 7.5% and 7.8% in the year-earlier period. Included in depreciation and amortization expense is identifiable intangible asset amortization of \$8.8 million and \$17.8 million for the second quarter and first six months of 2022 compared to \$9.3 million and \$18.6 million in the year-earlier period.

Operating expenses as a percentage of sales during the second quarter and first six months of 2022, respectively was 7.4% and 7.5% compared to 7.6% and 7.5% in the year-earlier period.

Restructuring, Integration, and Other Charges

Restructuring initiatives and integration costs are due to the company's continued efforts to lower costs, drive operational efficiency, integrate any acquired businesses, and the consolidation of certain operations, as necessary. The company recorded restructuring, integration, and other charges of \$2.5 million and \$7.4 million, and \$9.0 million and \$14.7 million for the second quarter and first six months of 2022 and 2021, respectively. The other charges include \$4.5 million in impairment related to various long lived assets recorded during the second quarter and first six months of 2021.

As of July 2, 2022, the company does not anticipate there will be any material adjustments relating to the aforementioned restructuring and integration plans. Refer to Note G, "Restructuring, Integration, and Other Charges," of the Notes to the Consolidated Financial Statements for further discussion of the company's restructuring and integration activities.

Operating Income

Following is an analysis of operating income (in millions):

	Quarter Ended			Six Months Ended		
	July 2, 2022	July 3, 2021	% Change	July 2, 2022	July 3, 2021	% Change
Consolidated operating income, as reported	\$ 533	\$ 341	56.5%	\$ 1,043	\$ 640	63.0 %
Identifiable intangible asset amortization	9	9		18	19	
Restructuring, integration, and other charges	2	9		7	15	
Non-GAAP consolidated operating income*	\$ 544	\$ 359	51.7%	\$ 1,068	\$ 673	58.7%
Consolidated operating income as a percentage of sales, as reported	5.6 %	4.0 %	160 bps	5.6 %	3.8 %	180 bps
Non-GAAP consolidated operating income, as a percentage of sales	5.8 %	4.2 %	160 bps	5.8 %	4.0 %	180 bps

* The sum of the components of non-GAAP consolidated operating income may not agree to totals, as presented, due to rounding.

The company recorded operating income of \$532.8 million, or 5.6% of sales, and operating income of \$1.0 billion, or 5.6% of sales, in the second quarter and first six months of 2022, respectively, compared with operating income of \$340.5 million, or 4.0% of sales, and operating income of \$640.0 million, or 3.8% of sales, in the year-earlier period. Non-GAAP operating income was \$544.2 million, or 5.8% of sales, and \$1.1 billion, or 5.8% of sales, in the second quarter and first six months of 2022, compared with non-GAAP operating income of \$358.8 million, or 4.2% of sales, and \$673.3 million, or 4.0% of sales, in the year-earlier period. During the second quarter and first six months of 2022, changes in foreign currencies had a negative impact on operating income of approximately \$14.1 million and \$22.4 million, respectively, when compared to the year-earlier period.

Operating income, as a percentage of sales, increased 160 bps and 180 bps for the second quarter and first six months of 2022, respectively, with operating margins increasing primarily in the global components business compared to the year-earlier period. Increases from global components relate primarily to the increases in sales and gross margins discussed above.

Gain (Loss) on Investments, Net

During the second quarter and first six months of 2022 and 2021, respectively, the company recorded a loss of \$9.7 million and \$7.7 million and a gain of \$6.7 million and \$9.5 million, respectively, which are primarily related to changes in fair value of assets related to the Arrow SERP pension plan, which consist primarily of life insurance policies and mutual fund assets.

Interest and Other Financing Expense, Net

The company recorded net interest and other financing expense of \$38.5 million and \$72.5 million for the second quarter and first six months of 2022 compared with \$30.7 million and \$64.3 million in the year-earlier period. The increase for the second quarter and first six months of 2022 primarily relates to higher borrowings and interest rates on credit facilities.

Income Tax

Income taxes for the interim periods presented have been included in the accompanying consolidated financial statements on the basis of an estimated annual effective tax rate. The determination of the consolidated provision for income taxes requires management to make certain judgments and estimates. Changes in the estimated level of annual pre-tax earnings, tax laws, and changes resulting from tax audits can affect the overall effective income tax rate, which impacts the level of income tax expense and net income. Judgments and estimates related to the company's projections and assumptions are inherently uncertain, therefore, actual results could differ from projections.

Following is an analysis of the company's effective income tax rate:

	Quarter Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Effective income tax rate	23.5 %	23.5 %	23.5 %	23.2 %
Identifiable intangible asset amortization	0.1 %	0.1 %	0.1 %	— %
Restructuring, integration, and other charges	— %	— %	— %	(0.1)%
Non-GAAP effective income tax rate*	23.6 %	23.5 %	23.5 %	23.2 %

* The sum of the components for non-GAAP effective income tax rate may not agree to totals, as presented, due to rounding.

The company's effective tax rate deviates from the statutory U.S. federal income tax rate mainly due to the mix of foreign taxing jurisdictions in which the company operates and where its foreign subsidiaries generate taxable income, among other things. The change in the effective tax rate from 23.5% and 23.2% for the second quarter and first six months of 2021 to 23.5% and 23.5% for the second quarter and first six months of 2022 is primarily driven by discrete items, such as stock-based compensation, and changes in the mix of tax jurisdictions where taxable income is generated.

Net Income Attributable to Shareholders

Following is an analysis of net income attributable to shareholders (in millions):

	Quarter Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Net income attributable to shareholders, as reported	\$ 370	\$ 241	\$ 735	\$ 447
Identifiable intangible asset amortization*	9	9	17	18
Restructuring, integration, and other charges	2	9	7	15
Gain (loss) on investments, net	10	(7)	8	(10)
Tax effect of adjustments above	(5)	(3)	(8)	(6)
Non-GAAP net income attributable to shareholders**	\$ 386	\$ 249	\$ 760	\$ 465

* Identifiable intangible asset amortization also excludes amortization related to the noncontrolling interest.

** The sum of the components for non-GAAP net income attributable to shareholders may not agree to totals, as presented, due to rounding.

The company recorded net income attributable to shareholders of \$370.3 million and \$735.1 million in the second quarter and first six months of 2022 compared with \$240.6 million and \$447.0 million in the year-earlier period. Non-GAAP net income attributable to shareholders was \$386.3 million and \$759.8 million for the second quarter and first six months of 2022 compared with \$249.3 million and \$464.9 million in the year-earlier period. During the second quarter and first six months of 2022, changes

in foreign currencies had a negative impact on net income of approximately \$12.0 million and \$16.1 million when compared to the year-earlier period.

Liquidity and Capital Resources

Management believes that the company's current cash availability, its current borrowing capacity under its revolving credit facility and asset securitization programs, and its expected ability to generate future operating cash flows are sufficient to meet its projected cash flow needs for the next 12 months and the foreseeable future. The company's current committed and undrawn liquidity stands at over \$2.0 billion in addition to \$225.6 million of cash on hand at July 2, 2022. The company also may issue debt or equity securities in the future and management believes the company will have adequate access to the capital markets, if needed. The company continually evaluates its liquidity requirements and would seek to amend its existing borrowing capacity or access the financial markets as deemed necessary.

The company's principal sources of liquidity are existing cash and cash equivalents, cash generated from operations and cash provided by its revolving credit facilities and debt. The company's principal uses of liquidity include cash used in operations, investments to grow working capital, scheduled interest and principal payments on our borrowings, and the return of cash to shareholders through share repurchases.

The following table presents selected financial information related to liquidity (in millions):

	July 2, 2022	December 31, 2021	Change
Working capital	\$ 6,575	\$ 5,709	\$ 866
Cash and cash equivalents	226	222	4
Short-term debt	626	383	243
Long-term debt	2,856	2,244	612

Working Capital

The company maintains a significant investment in working capital which the company defines as accounts receivable, net, plus inventories less accounts payable. The change in working capital during the first six months of 2022 was primarily attributable to increases in inventories. The company continues to invest in inventories to help mitigate the impact of supply shortages and support the strong demand environment. Additionally, inflationary market conditions increasing the cost of inventory and extended lead times caused by the supply chain constraints discussed above are also contributing to higher inventory levels.

Working capital as a percentage of sales, which is defined as working capital divided by annualized sales, increased to 17.4% for the first six months of 2022, compared to 14.2% in the year-earlier period. The increase was primarily due to higher accounts receivable driven by higher sales volume and higher inventory related to the factors discussed above, offset partially by the timing of payables.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments, which are readily convertible into cash, with original maturities of three months or less. At July 2, 2022 and December 31, 2021, the company had cash and cash equivalents of \$225.6 million and \$222.2 million, respectively, of which \$220.3 million and \$211.6 million, respectively, were held outside the United States. Liquidity is affected by many factors, some of which are based on normal ongoing operations of the company's business and some of which arise from fluctuations related to global economics and markets.

To achieve greater cash management agility and to further advance business objectives, during the fourth quarter of 2019, the company reversed its assertion to indefinitely reinvest a certain portion of its foreign earnings, of which approximately \$2.0 billion are still available for distribution in future periods as of July 2, 2022. The company has not reversed its assertion to indefinitely reinvest the residual \$2.9 billion of undistributed earnings of its foreign subsidiaries and recognizes that it may be subject to additional foreign taxes and U.S. state income taxes, if it reverses its indefinite reinvestment assertion on these foreign earnings.

Revolving Credit Facilities and Debt

The following table summarizes the company's credit facilities by category (in millions):

	Borrowing Capacity	Outstanding Borrowings		Average Daily Balance Outstanding Six Months Ended	
		July 2, 2022	December 31, 2021	July 2, 2022	July 3, 2021
North American asset securitization program	\$ 1,250	\$ 910	\$ —	\$ 806	\$ 281
Revolving credit facility	2,000	—	—	13	12
Commercial paper program (a)	1,200	256	—	392	171
Uncommitted lines of credit	200	—	—	5	—

(a) Amounts outstanding under the commercial paper program are backstopped by available commitments under the company's revolving credit facility.

The company also has an EMEA asset securitization program under which it continuously sells its interest in designated pools of trade accounts receivables of certain of its subsidiaries in the EMEA region. Receivables sold under the program are excluded from "Accounts receivable, net" and no corresponding liability is recorded on the company's consolidated balance sheets. The program has a limit of €400 million on a revolving basis. During the first six months of 2022 and 2021, the average daily balance outstanding under the EMEA asset securitization program was \$439.3 million and \$394.1 million, respectively. Refer to Note D "Accounts Receivables" of the Notes to the Consolidated Financial Statements for further discussion.

The following table summarizes recent events impacting the company's capital resources (in millions):

	Activity	Date	Notional Amount
3.50% notes, due April 2022	Repaid	February 2022	\$ 350
2.95% notes, due February 2032	Issued	December 2021	500
5.125% notes, due March 2021	Repaid	March 2021	131

Refer to Note E, "Debt" of the Notes to the Consolidated Financial Statements for further discussion of the company's short-term and long-term debt and available financing.

Cash Flows

The following table summarizes the company's cash flows by category for the periods presented (in millions):

	July 2, 2022	July 3, 2021	Change
Net cash provided by (used for) operating activities	\$ (283)	\$ 277	\$ (560)
Net cash used for investing activities	(16)	(19)	3
Net cash provided by (used for) financing activities	388	(382)	770

Cash Flows from Operating Activities

The net amount of cash used for the company's operating activities during the first six months of 2022 was \$282.8 million and the net amount of cash provided by the company's operating activities during the first six months of 2021 was \$276.8 million. The change in cash used for operating activities during 2022, compared to the year-earlier period, related primarily to the timing of payments, increasing growth in customer demand in certain regions and a corresponding increase in working capital, including inventories, which is consistent with the company's historical counter-cyclical cash flow in which the company generates less cash flow in periods of increased demand.

Cash Flows from Investing Activities

The net amount of cash used for investing activities during the first six months of 2022 and 2021 was \$15.7 million and \$18.9 million, respectively. The change in cash used for investing activities related primarily to proceeds from the sale of property plant and equipment during the first six months of 2021, offset largely by proceeds from collection of notes receivable during the first six months of 2022.

Cash Flows from Financing Activities

The net amount of cash provided by financing activities was \$387.6 million during the first six months of 2022 compared to a use of \$381.6 million in the year-earlier period. The change in cash provided by financing activities related primarily to higher net proceeds from long and short-term bank borrowings during the first six months of 2022, offset partially by increased cash used for redemption of notes.

Capital Expenditures

Capital expenditures for the first six months of 2022 and 2021 were \$36.2 million and \$41.1 million, respectively. The company expects capital expenditures to be approximately \$100 million for fiscal year 2022.

Share-Repurchase Program

The company repurchased 3.9 million shares of common stock for \$475 million and 3.6 million shares of common stock for \$400 million in the first six months of 2022 and 2021, respectively. As of July 2, 2022, approximately \$288 million remained available for repurchase under the share-repurchase program. The stock-repurchase authorization does not have an expiration date and the pace of the repurchase activity will depend on factors such as the company's working capital needs, cash requirements for acquisitions and dividend payments, debt repayment obligations or repurchases of debt, stock price, and economic and market conditions. The stock-repurchase program may be accelerated, suspended, delayed or discontinued at any time subject to the approval by the company's Board of Directors.

Contractual Obligations

The company has contractual obligations for short-term and long-term debt, interest on short-term and long-term debt, purchase obligations, and operating leases that were summarized in the section titled "Contractual Obligations" in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operation's in the company's Annual Report on Form 10-K for the year ended December 31, 2021.

Refer to the section above titled "Revolving Credit Facilities and Debt" for updates to our short-term and long-term debt obligations. As of July 2, 2022, there were no other material changes to the contractual obligations of the company.

Critical Accounting Policies and Estimates

The company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the company to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses and related disclosure of contingent assets and liabilities. The company evaluates its estimates on an ongoing basis. The company bases its estimates on historical experience and on various other assumptions that are believed reasonable under the circumstances; the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There have been no significant changes to our critical accounting policies and estimates during the first six months of 2022. Refer to the section titled "Critical Accounting Estimates" in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operation's, in the company's Annual Report on Form 10-K for the year ended December 31, 2021.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes in market risk for changes in foreign currency exchange rates and interest rates from the information provided in Item 7A – Quantitative and Qualitative Disclosures About Market Risk in the company's Annual Report on Form 10-K for the year ended December 31, 2021.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The company's management, under the supervision and with the participation of the company's Chief Executive Officer and Interim Principal Financial Officer, who is currently performing the functions of the Principal Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the company's disclosure controls and procedures as of July 2, 2022 (the "Evaluation"). Based upon the Evaluation, the company's Chief Executive Officer and Interim Principal Financial Officer concluded that the company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) were effective as of July 2, 2022.

Changes in Internal Control over Financial Reporting

There were no changes in the company's internal control over financial reporting during the company's most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

PART II. OTHER INFORMATION**Item 1A. Risk Factors**

Other than the additional, new risk factor set below, there have been no material changes to the company's risk factors from those discussed in Item 1A - Risk Factors in the company's Annual Report on Form 10-K for the year ended December 31, 2021.

The ongoing conflict between Ukraine and Russia could adversely affect our business, consolidated financial condition, and results of operations.

Russia's recent military actions against Ukraine have led to an unprecedented expansion of export restrictions and sanctions imposed by the United States, the European Union, the United Kingdom, and numerous other countries against Russia and Belarus. In addition, Russian authorities have imposed significant currency control measures, other sanctions, and imposed other economic and financial restrictions. The situation is rapidly evolving, and further sanctions and export restrictions could negatively impact the global economy and financial markets and could adversely affect our business, consolidated financial condition, and results of operations.

The conflict may result in an increased likelihood of cyber-attacks that could directly or indirectly impact our operations. Any attempts by cyber attackers to disrupt our services or systems, or those of our vendors, suppliers, or customers, if successful, could harm our business both reputationally and financially. Measures to remediate such cyber-attacks may be costly and could have a material adverse effect on our business, financial condition and results of operations. To date, we have not experienced any material disruptions to our infrastructure, supplies, technology systems, or networks resulting from the situation in Ukraine.

We cannot predict the progress, outcome, or impact of the conflict in Ukraine, Russia, or Belarus as the conflict, and any resulting government reactions are beyond our control. We are actively monitoring the conflict in Ukraine to assess its impact on our business, as well as on our vendors, suppliers, customers, and other parties with whom we do business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table shows the share-repurchase activity for the quarter ended July 2, 2022 (in thousands except share and per share data):

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Programs (a)
April 3 through April 30, 2022	420,120	\$ 113.06	420,120	\$ 465,969
May 1 through May 28, 2022	506,100	123.49	506,100	403,469
May 29 through July 2, 2022	1,003,408	114.61	1,003,408	288,469
Total	1,929,628		1,929,628	

- (a) During 2021, the company was authorized to purchase up to \$1,200,000 of the company's common stock under its share-repurchase program. Of the total authorized shares available for repurchase, \$911,531 has been utilized, while the \$288,469 in the table represents the remaining amount available for repurchase under the program as of July 2, 2022.

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Item 6. Exhibits

Exhibit Number	Exhibit
<u>31(i)*</u>	<u>Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31(ii)*</u>	<u>Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32(i)**</u>	<u>Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>32(ii)**</u>	<u>Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>10(a)**</u>	<u>Amendment letter to Sean J. Kerins, dated May 16, 2022, relating to the Arrow Electronics, Inc. Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2009.</u>
101.SCH*	Inline XBRL Taxonomy Extension Schema Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Documents.
101.DEF*	Inline XBRL Taxonomy Definition Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* : Filed herewith.

** : Furnished herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ARROW ELECTRONICS, INC.

Date: August 4, 2022

By: /s/ Richard A. Seidlitz
Richard A. Seidlitz
Vice President, Principal Accounting Officer, and Interim Principal
Financial Officer



May 16, 2022

Mr. Sean J. Kerins
Centennial, Colorado

Dear Sean,

Arrow Electronics, Inc.'s Board of Directors approved an enhancement to your retirement benefits (the "SERP Benefits") under the *Arrow Electronics, Inc. Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2009* (the "SERP Plan").

In recognition of your new role and continued service, your SERP participation letter dated July 30, 2014, is hereby amended to reflect that the definition of your normal retirement age for purposes of the SERP will be the later of (1) age 60 and (2) your actual termination date in accordance with the terms of the SERP Plan.

Except as provided above, all other terms and conditions of your participation and the SERP Plan remain the same.

Best Regards,

/s/ Gretchen Zech

Gretchen Zech
Senior Vice President, Chief Governance, Sustainability, and Human Resources Officer

Arrow Electronics, Inc.
Certification of Chief Executive Officer Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Sean J. Kerins, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Arrow Electronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2022

By: /s/ Sean J. Kerins
Sean J. Kerins
President and Chief Executive Officer

Arrow Electronics, Inc.
Certification of Chief Financial Officer Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Richard A. Seidlitz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Arrow Electronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2022

By: /s/ Richard A. Seidlitz

Richard A. Seidlitz

Vice President, Principal Accounting Officer, and Interim
Principal Financial Officer

Arrow Electronics, Inc.
Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant
to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906")

In connection with the Quarterly Report on Form 10-Q of Arrow Electronics, Inc. (the "company") for the quarter ended July 2, 2022 (the "Report"), I, Sean J. Kerins, President and Chief Executive Officer of the company, certify, pursuant to the requirements of Section 906, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: August 4, 2022

By: /s/ Sean J. Kerins

Sean J. Kerins

President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the company and will be retained by the company and furnished to the Securities and Exchange Commission or its staff upon request.

Arrow Electronics, Inc.
Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906")

In connection with the Quarterly Report on Form 10-Q of Arrow Electronics, Inc. (the "company") for the quarter ended July 2, 2022 (the "Report"), I, Richard A. Seidlitz, Vice President, Principal Accounting Officer, and Interim Principal Financial Officer of the company, certify, pursuant to the requirements of Section 906, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: August 4, 2022

By: /s/ Richard A. Seidlitz

Richard A. Seidlitz

Vice President, Principal Accounting Officer, and Interim
Principal Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the company and will be retained by the company and furnished to the Securities and Exchange Commission or its staff upon request.