

Arrow Electronics

Earnings Presentation

Second Quarter 2023

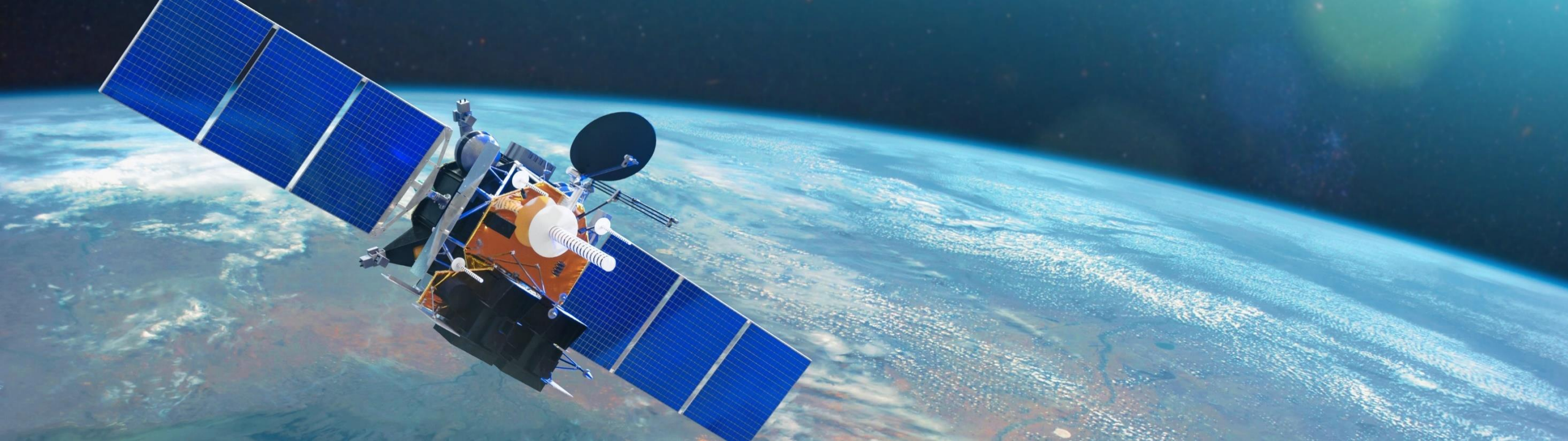
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Safe harbor

This presentation includes “forward-looking” statements, as the term is defined under the federal securities laws, including but not limited to statements regarding: Arrow’s future financial performance, including its outlook on financial results for the third quarter of fiscal 2023 such as sales, net income per diluted share, non-GAAP net income per diluted share, average tax rate, average diluted shares outstanding, interest and other expense, impact to sales due to changes in foreign currencies, intangible amortization expense per diluted share, restructuring and integration charges per diluted share, and expectations regarding market demand and shareholder returns. These and other 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: unfavorable economic conditions; disruptions or inefficiencies in the supply chain; political instability; impacts of military conflict and sanctions; 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; deteriorating economic conditions, including economic recession, inflation, tax rates, foreign currency exchange rates, or the availability of capital; the effects of natural or man-made catastrophic events; 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; outbreaks, epidemics, pandemics, or public health crises; and the company's ability to generate cash flow. For a further discussion of these and other factors that could cause the company's future results to differ materially from any forward-looking statements, see the section entitled “Risk Factors” in the company's most recent 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.

In addition, this presentation includes certain non-GAAP financial measures. These non-GAAP financial measures, which may be different than similarly titled measures used by other companies, are presented to enhance investors’ overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. See "Certain Non-GAAP Financial Information" for more information and a reconciliation between GAAP and non-GAAP measures provided in this presentation.



Sean Kerins

President and CEO



Q2 2023 highlights

CONSOLIDATED SALES

\$8.5 Billion

OPERATING MARGIN

4.8 Percent

DILUTED EARNINGS PER SHARE

\$4.37

- Delivered solid results in a softer semiconductor market and mixed information technology spending environment
- Sales and earnings per share were within our guidance range
- We remain focused on strategic initiatives for accretive growth while exercising prudent cost management and working capital discipline



Global components

- Semiconductor total addressable market is expected to decline in 2023⁽¹⁾
- However, some indicators are trending positive
 - Lead times have been improving
 - Pricing environment was largely stable
 - Book to bill, though below parity, continued to hold steady
 - Design related activity grew during the quarter
 - Continued adoption of supply chain service offering
- Europe – Strength in industrial, automotive, and aerospace & defense
- Americas – Shortages largely normalized
- Asia – Modest sequential growth
- Value added offerings are contributing to our long-term profitability outlook



Enterprise computing solutions

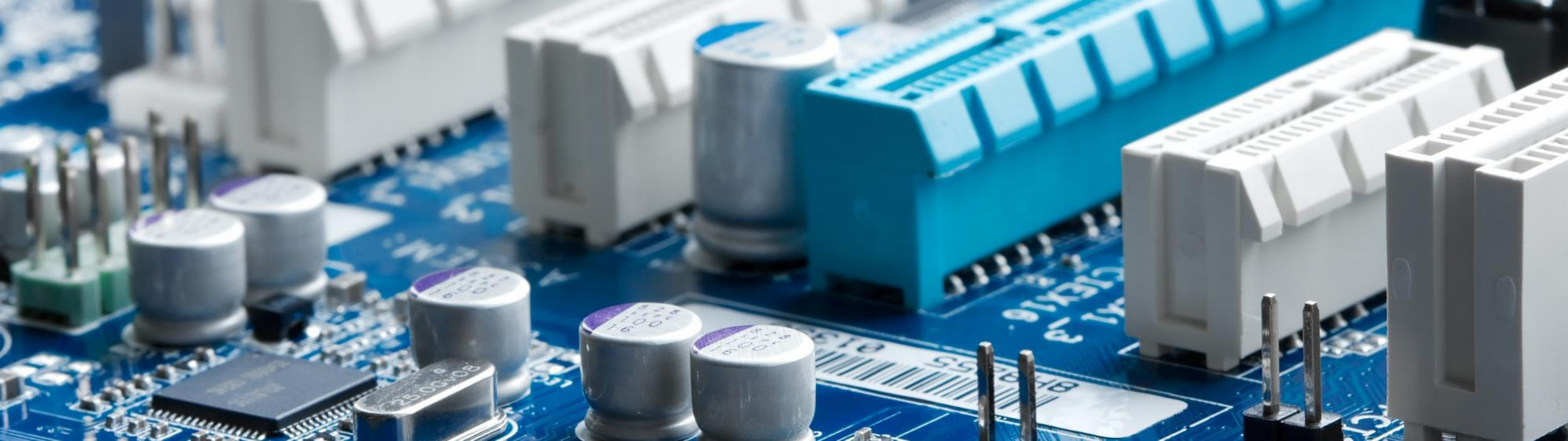
- Customers migrating to IT solutions delivered on an as-a-service basis drove relative strength in cloud, software, services
- Europe – Cyber-security and other infrastructure software solutions remained healthy
- Americas – Relative strength in public sector



Closing Thoughts

- Key markets have promising growth prospects
- Key trends:
 - Electrification of everything
 - Accelerated adoption of new technologies (e.g., electric vehicles, renewable energy, artificial intelligence)
 - IT delivered on an as-a-service basis
- Committed to growth through differentiated value-adding capabilities
- Encouraged by our ability to generate cash as we navigate a difficult near-term environment





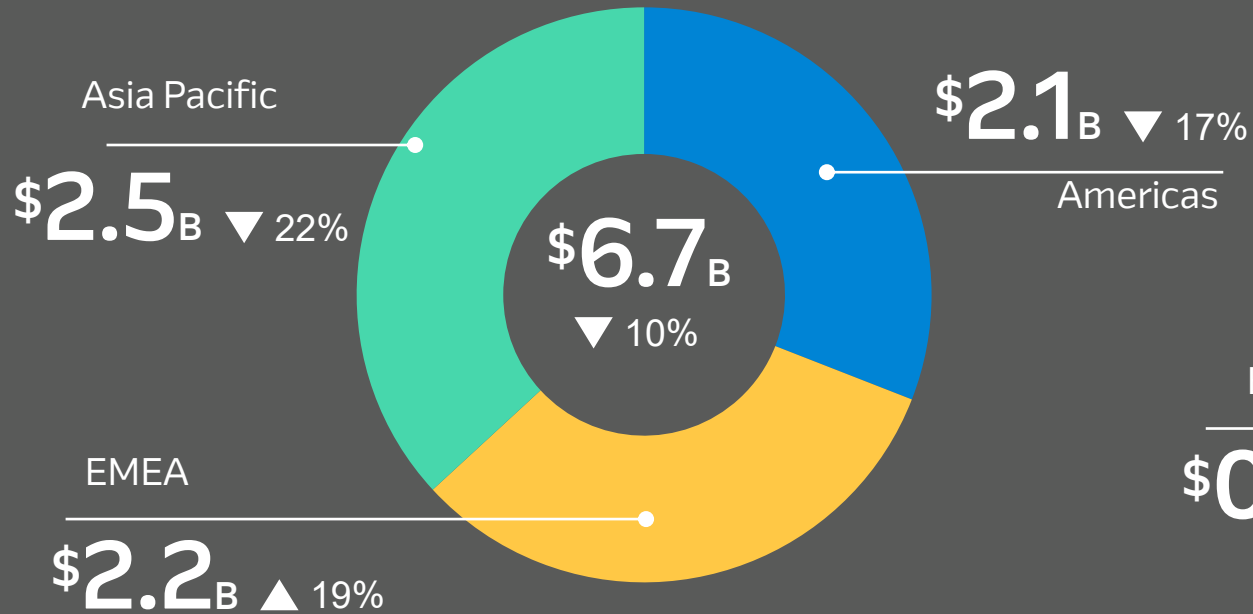
Raj Agrawal

Senior Vice President and CFO

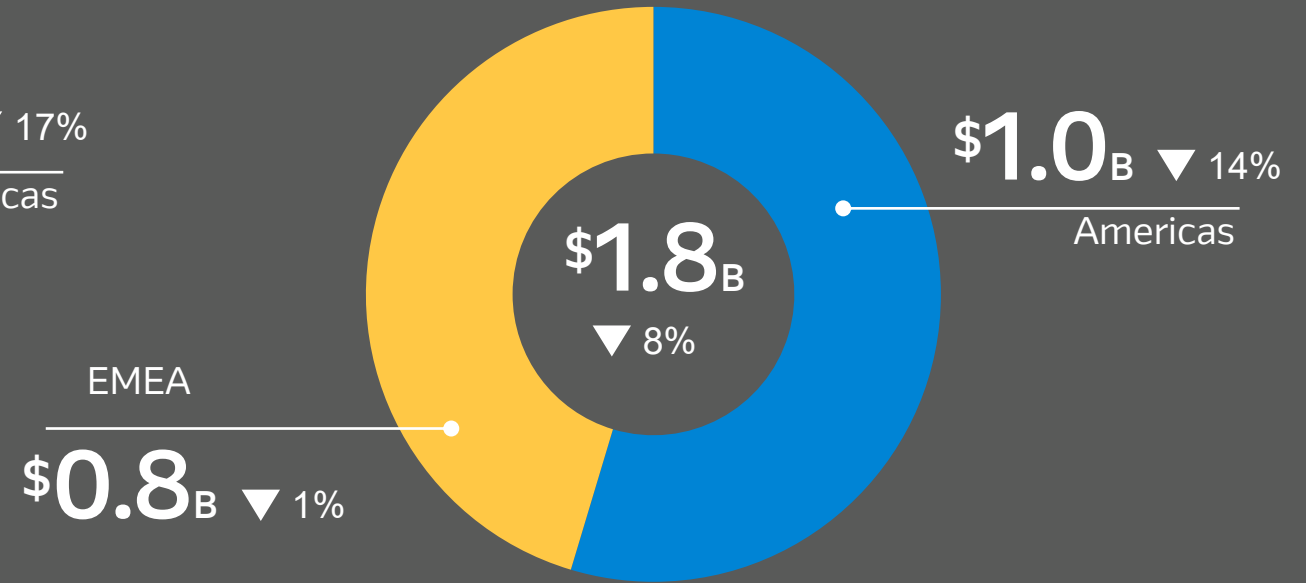


Q2 23 revenue (\$8.5B consolidated)

Global Components

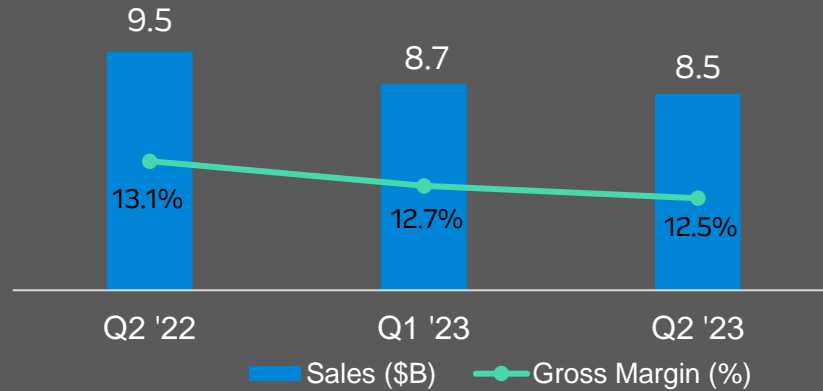


Enterprise Computing Solutions

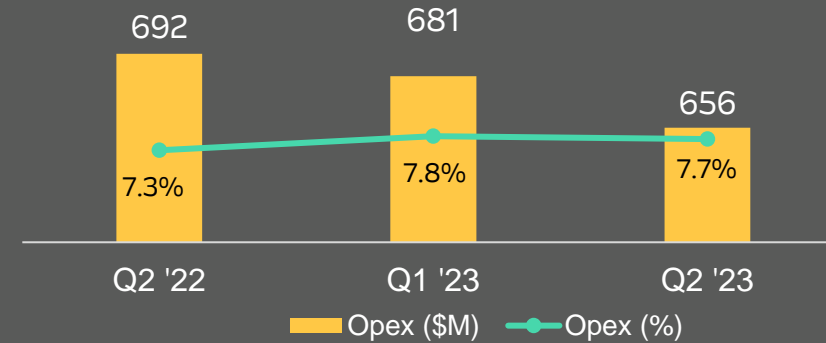


Financial metrics

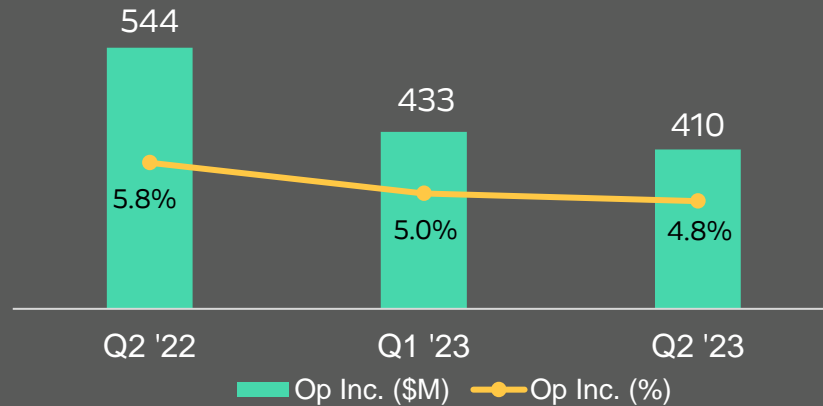
Sales & Gross Margin



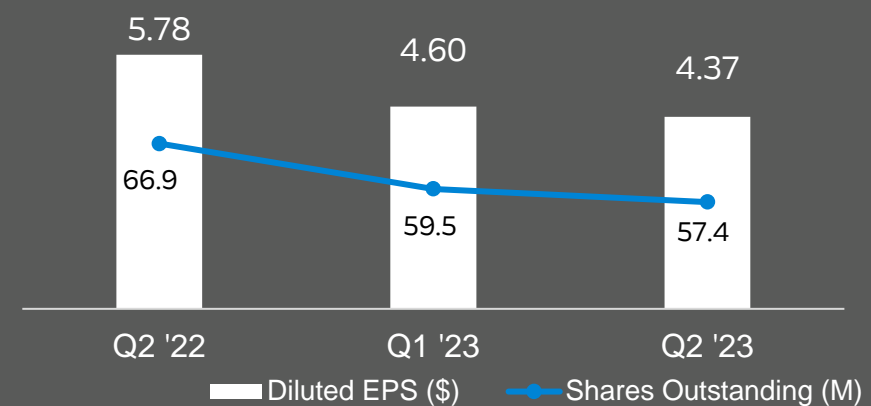
Non-GAAP Operating Expenses¹



Non-GAAP Operating Income¹



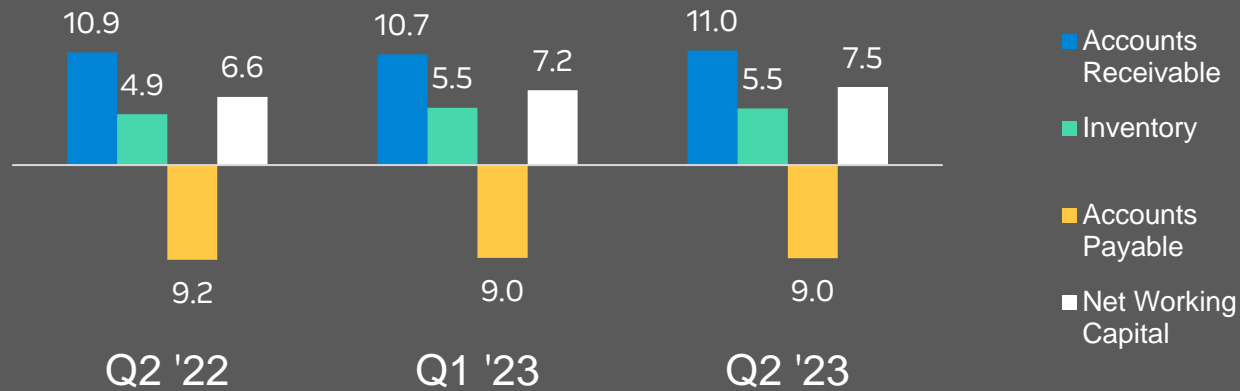
Non-GAAP Diluted EPS¹



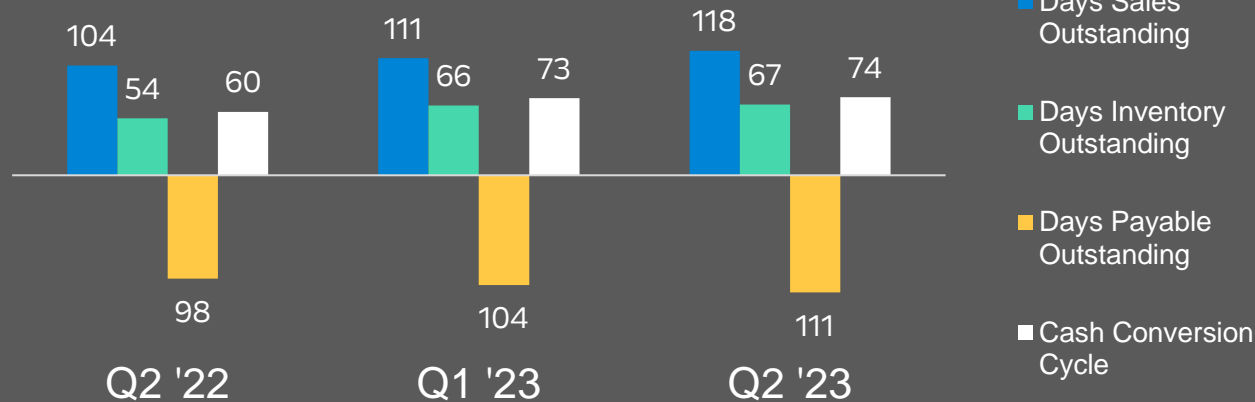
Interest and other expense, net in Q2 '23 was \$85 million
 Non-GAAP Effective Tax Rate was 23.1%¹

Working capital

Net Working Capital (\$B)



Cash Conversion (Days)



Inventory Turns:

6.7

5.5

5.5

- **Non-GAAP Return on Working Capital (ROWC)** was 21.9% in the second quarter, down 1120 basis points year over year. The decrease in ROWC related primarily to lower operating income due to normalizing market conditions and softening demand, in addition to higher inventory levels.
- **Non-GAAP Return on Invested Capital (ROIC)** was 13.4% in the second quarter, down 630 basis points year over year. The decrease in ROIC related primarily to higher levels of long-term debt, primarily related to investments in inventory, as well as lower operating income.

Balance sheet and cash highlights



Operating Cashflow is \$97M YTD



Net Debt is \$3.9B



Total Liquidity is \$2.1B including \$240M in cash



Repurchased ~\$200M in shares



Q3 23 guidance

Consolidated Sales	\$7.78 billion to \$8.38 billion
Global Components	\$6.00 billion to \$6.40 billion
Global ECS	\$1.78 billion to \$1.98 billion
Diluted Earnings Per Share*	\$3.25 to \$3.45
Non-GAAP Diluted Earnings Per Share*	\$3.40 to \$3.60
Interest and Other Expense, Net	\$85 million to \$90 million
Diluted Shares Outstanding	~56 million

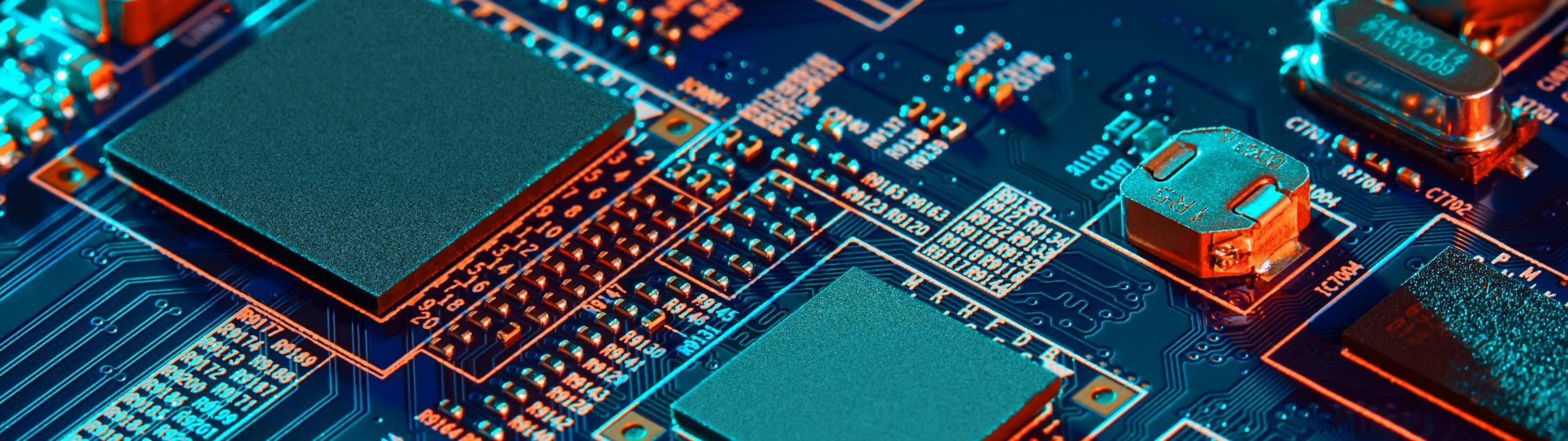
* Assumes an average tax rate in the range of 23% to 25%.

- We estimate changes in foreign currencies to increase year-over-year growth in sales by \$212 million and earnings per share on a diluted basis by \$0.11 compared to the third quarter of 2022. We estimate changes in foreign currencies to increase quarter-over-quarter growth in sales by approximately \$42 million and earnings per share on a diluted basis by \$0.04 compared to the second quarter of 2023.
- On a constant currency basis, our third-quarter sales guidance implies a sequential growth rate range of down 11% to down 5% for global components and down 4% to up 7% for global enterprise computing solutions, when compared to the second-quarter of 2023.





Thank You Q&A



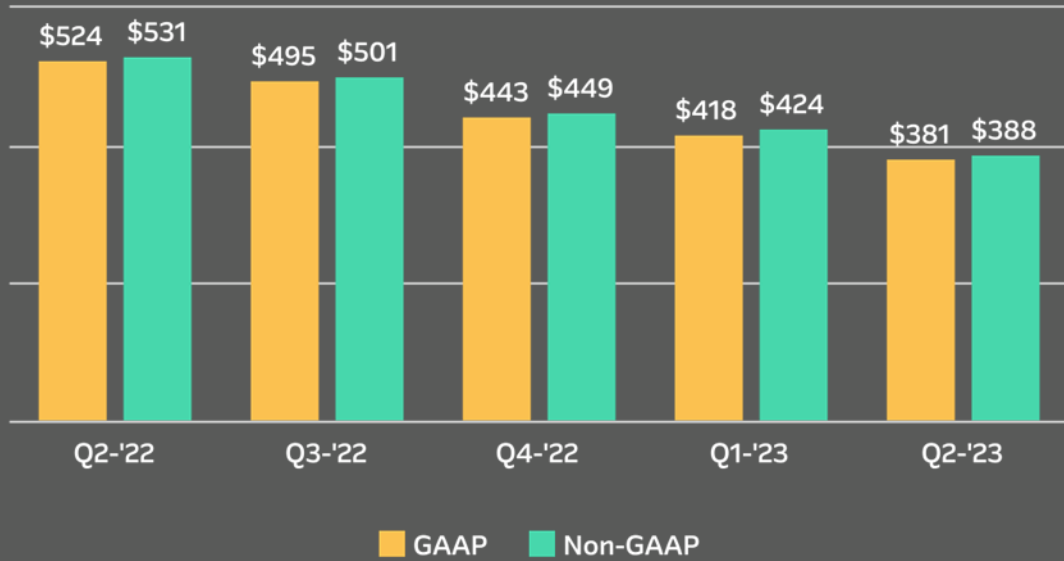
Additional information and financial tables

Revenue History

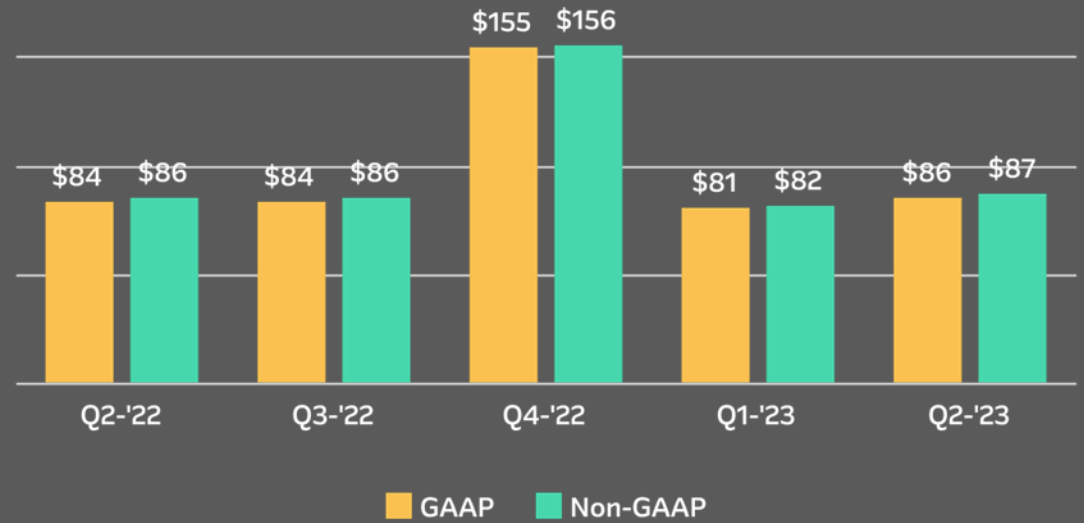
<i>\$ in millions; may reflect rounding.</i>	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Global Components Total	7,462	7,300	6,827	6,856	6,683
Americas	2,479	2,446	2,327	2,233	2,067
Europe, Middle East & Africa	1,808	1,936	1,957	2,246	2,153
Asia Pacific	3,174	2,919	2,543	2,376	2,463
Enterprise Computing Solutions Total	1,999	1,966	2,496	1,881	1,832
Europe, Middle East & Africa	838	732	1,092	883	831
Americas	1,161	1,234	1,404	998	1,001
Arrow Electronics Total	9,461	9,266	9,323	8,736	8,515

Operating income history

Global Components (\$M)



Enterprise Computing Solutions (\$M)



Certain Non-GAAP financial information

In addition to disclosing financial results that are determined in accordance with accounting principles generally accepted in the United States ("GAAP"), the company also provides certain non-GAAP financial information relating to sales, operating income, operating margin, operating expense, income before income taxes, provision for income taxes, consolidated net income, noncontrolling interests, net income attributable to shareholders, effective tax rate, net income per share on a diluted basis, return on working capital, and return on invested capital.

These non-GAAP measures are adjusted by certain of the following, as applicable: the impact of changes in foreign currencies (referred to as "changes in foreign currencies" or "on a constant currency basis") by re-translating prior-period results at current-period foreign exchange rates, identifiable intangible asset amortization, restructuring, integration, and other charges, net gains and losses on investments, and impact of tax legislation changes.

Management believes that providing this additional information is useful to the reader to better assess and understand the company's operating performance and future prospects in the same manner as management, especially when comparing results with previous periods. Management typically monitors the business as adjusted for these items, in addition to GAAP results, to understand and compare operating results across accounting periods, for internal budgeting purposes, for short- and long-term operating plans, and to evaluate the company's financial performance. However, analysis of results on a non-GAAP basis should be used as a complement to, in conjunction with, and not as a substitute for, data presented in accordance with GAAP.

For a complete reconciliation between our GAAP and non-GAAP results, please refer to reconciliations found at the end of this document.



Third-quarter 2023 GAAP to non-GAAP outlook reconciliation

(\$ in billions, except per share data)

	NON-GAAP SALES RECONCILIATION					
	Quarter Ended			Quarter Ended		
	Sep. 30, 2023	Oct. 1, 2022	% Change	Sep. 30, 2023	July 1, 2023	% Change
Global components sales, GAAP	\$6.00 - 6.40	\$ 7.30	(18%) - (12%)	\$6.00 - 6.40	\$ 6.68	(10%) - (4%)
Impact of changes in foreign currencies	—	0.14		—	0.03	
Global components sales, constant currency	\$6.00 - 6.40	\$ 7.44	(19%) - (14%)	\$6.00 - 6.40	\$ 6.71	(11%) - (5%)
Global ECS sales, GAAP	\$1.78 - 1.98	\$ 1.97	(10%) - 1%	\$1.78 - 1.98	\$ 1.83	(3%) - 8%
Impact of changes in foreign currencies	—	0.07		—	0.02	
Global ECS sales, constant currency	\$1.78 - 1.98	\$ 2.04	(13%) - (3%)	\$1.78 - 1.98	\$ 1.85	(4%) - 7%

	NON-GAAP EARNINGS RECONCILIATION			
	REPORTED GAAP MEASURE	INTANGIBLE AMORTIZATION EXPENSE	RESTRUCTURING & INTEGRATION CHARGES	NON-GAAP MEASURE
Net income per diluted share	\$3.25 to \$3.45	\$0.10	\$0.05	\$3.40 to \$3.60

Second-quarter 2023 GAAP to non-GAAP reconciliation

(\$ in thousands, except per share data)

	Three months ended July 1, 2023						
	Reported GAAP measure	Intangible amortization Expense	Restructuring & Integration charges	Non-recurring tax items	Other ⁽¹⁾	Non-GAAP measure	
Operating expense	\$ 673,799	\$ (7,908)	\$ (10,333)	\$ —	\$ —	\$ 655,558	
Operating income	392,250	7,908	10,333	—	—	410,491	
Income before income taxes	310,171	7,908	10,333	—	(497)	327,915	
Provision for income taxes	72,380	1,992	2,597	(942)	(119)	75,908	
Consolidated net income	237,791	5,916	7,736	942	(378)	252,007	
Noncontrolling interests	1,232	136	—	—	—	1,368	
Net income attributable to shareholders	\$ 236,559	\$ 5,780	\$ 7,736	\$ 942	\$ (378)	\$ 250,639	
Net income per diluted share ⁽²⁾	\$ 4.12	\$ 0.10	\$ 0.13	\$ 0.02	\$ (0.01)	\$ 4.37	
Effective tax rate ⁽³⁾	23.3 %						23.1 %

	Three months ended July 2, 2022						
	Reported GAAP measure	Intangible amortization expense	Restructuring & Integration charges	Non-recurring tax items	Other ⁽¹⁾	Non-GAAP measure	
Operating expense	\$ 703,386	\$ (8,830)	\$ (2,494)	\$ —	\$ —	\$ 692,062	
Operating income	532,828	8,830	2,494	—	—	544,152	
Income before income taxes	485,908	8,830	2,494	—	9,744	506,976	
Provision for income taxes	114,413	2,263	362	—	2,356	119,394	
Consolidated net income	371,495	6,567	2,132	—	7,388	387,582	
Noncontrolling interests	1,161	133	—	—	—	1,294	
Net income attributable to shareholders	\$ 370,334	\$ 6,434	\$ 2,132	\$ —	\$ 7,388	\$ 386,288	
Net income per diluted share ⁽²⁾	\$ 5.54	\$ 0.10	\$ 0.03	\$ —	\$ 0.11	\$ 5.78	
Effective tax rate ⁽³⁾	23.5 %						23.6 %

	Three months ended April 1, 2023						
	Reported GAAP measure	Intangible amortization expense	Restructuring & Integration charges	Non-recurring tax items	Other ⁽¹⁾	Non-GAAP measure	
Operating expense	\$ 691,670	\$ (7,980)	\$ (2,560)	\$ —	\$ —	\$ 681,130	
Operating income	422,152	7,980	2,560	—	—	432,692	
Income before income taxes	351,872	7,980	2,560	—	(10,311)	352,101	
Provision for income taxes	76,547	2,010	720	—	(2,471)	76,806	
Consolidated net income	275,325	5,970	1,840	—	(7,840)	275,295	
Noncontrolling interests	1,575	134	—	—	—	1,709	
Net income attributable to shareholders	\$ 273,750	\$ 5,836	\$ 1,840	\$ —	\$ (7,840)	\$ 273,586	
Net income per diluted share ⁽²⁾	\$ 4.60	\$ 0.10	\$ 0.03	\$ —	\$ (0.13)	\$ 4.60	
Effective tax rate ⁽³⁾	21.8 %						21.8 %

(1) Other includes gain on investments, net.

(2) The sum of the components for non-GAAP diluted EPS may not agree to totals, as presented, due to rounding.

(3) The items as shown in this table, represent the reconciling items for the tax rate as reported by GAAP measure and as a non-GAAP measure.

Return on working capital reconciliation

(\$ in thousands)

	QUARTER ENDED	
	July 1, 2023	July 2, 2022
Numerator:		
Consolidated operating income, as reported	(unaudited) \$ 392,250	(unaudited) \$ 532,828
Annualized consolidated operating income	<u>1,569,000</u> x4	<u>2,131,312</u> x4
Non-GAAP consolidated operating income	\$ 410,491	\$ 544,152
Annualized non-GAAP consolidated operating income	<u>1,641,964</u> x4	<u>2,176,608</u> x4
Denominator:		
Accounts receivable, net	11,035,898	10,851,466
Inventories	5,452,198	4,886,562
Less: Accounts payable	<u>8,981,212</u>	<u>9,162,534</u>
Working capital	7,506,884	6,575,494
Return on working capital	20.9 %	32.4 %
Return on working capital (non-GAAP)	21.9 %	33.1 %

Return on invested capital reconciliation

(\$ in thousands)

	QUARTER ENDED	
	July 1, 2023 (unaudited)	July 2, 2022 (unaudited)
Numerator:		
Consolidated operating income, as reported	\$ 392,250	\$ 532,828
Equity in earnings of affiliated companies(1)	3,061	2,165
Less: Noncontrolling interests (1)	1,232	1,161
Consolidated operating income, as adjusted	394,079	533,832
Less: Tax effect(2)	92,218	125,948
After-tax consolidated operating income, as adjusted	301,861	407,884
	x4	x4
Annualized after-tax consolidated operating income, as adjusted	\$ 1,207,444	\$ 1,631,536
Non-GAAP consolidated operating income	\$ 410,491	\$ 544,152
Equity in earnings of affiliated companies(1)	3,061	2,165
Less: Noncontrolling interests (1)	1,368	1,294
Non-GAAP consolidated operating income, as adjusted	412,184	545,023
Less: Tax effect(3)	95,690	128,678
After-tax non-GAAP consolidated operating income, as adjusted	316,494	416,345
	x4	x4
Annualized after-tax non-GAAP consolidated operating income, as adjusted	\$ 1,265,976	\$ 1,665,380
Denominator:		
Average short-term borrowings, including current portion of long-term debt(4)	\$ 316,216	\$ 471,724
Average long-term debt(4)	3,695,942	2,823,654
Average total equity(4)	5,627,327	5,413,583
Less: Average cash and cash equivalents(4)	222,968	234,193
Invested capital	\$ 9,416,517	\$ 8,474,768
Return on invested capital	12.8 %	19.3 %
Return on invested capital (non-GAAP)	13.4 %	19.7 %

(1) Operating income, as reported, and non-GAAP operating income is adjusted for noncontrolling interest and equity in earnings (losses) of affiliated companies to include the pro-rata ownership of non-wholly owned subsidiaries.

(2) The tax effect is calculated by applying the effective tax rate for the three months ended July 1, 2023 and July 2, 2022 to consolidated operating income, as adjusted. The tax rate is adjusted to exclude the impacts of interest expense, gain on investments, net, and employee benefit plan expense, net.

(3) The tax effect is calculated by applying the non-GAAP effective tax rate for the three months ended July 1, 2023 and July 2, 2022 to non-GAAP consolidated operating income, as adjusted. The tax rate is adjusted to exclude the impacts of interest expense, and employee benefit plan expense, net.

(4) The quarter ended average is based on the addition of the account balance at the end of the most recently-ended quarter to the account balance at the end of the prior quarter and dividing by two.

Non-GAAP segment reconciliation

(\$ in thousands)	Quarter Ended				
	7/2/2022	10/1/2022	12/31/2022	4/1/2023	7/1/2023
Global components operating income, as reported	\$ 524,494	\$ 494,587	\$ 442,702	\$ 417,539	\$ 381,314
Intangible assets amortization expense	6,739	6,691	6,702	6,745	6,679
Global components non-GAAP operating income	\$ 531,233	\$ 501,278	\$ 449,404	\$ 424,284	\$ 387,993
Global ECS operating income, as reported	\$ 83,970	\$ 83,976	\$ 154,775	\$ 81,099	\$ 86,228
Intangible assets amortization expense	2,091	1,983	1,468	1,235	1,229
Global ECS non-GAAP operating income	\$ 86,061	\$ 85,959	\$ 156,243	\$ 82,334	\$ 87,457