

Arrow Electronics

Earnings Presentation

First Quarter 2024

May 2, 2024

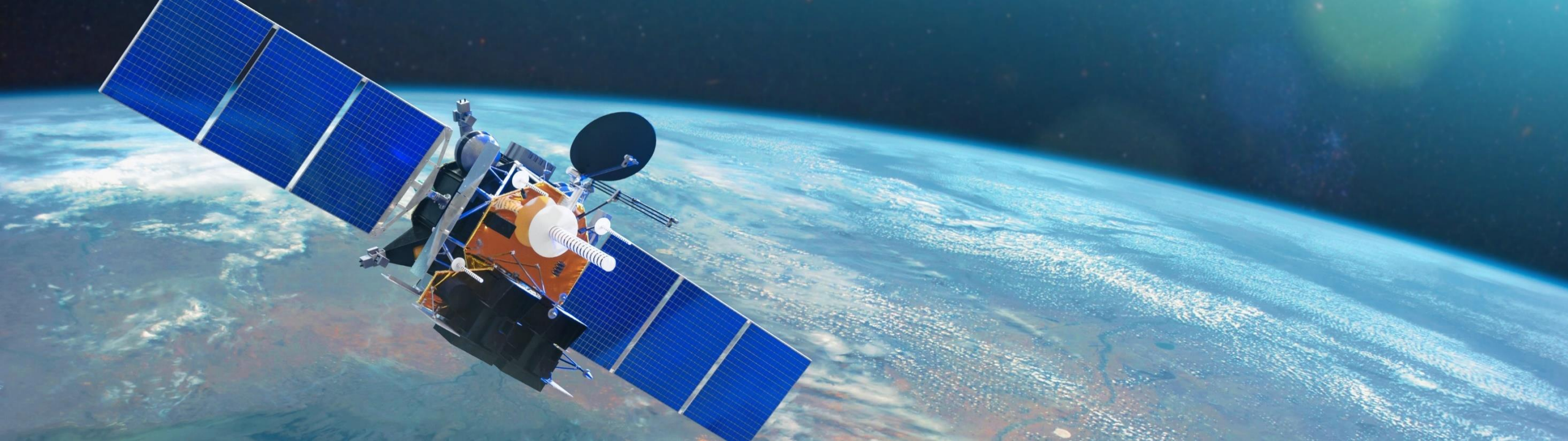
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Safe harbor

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 second quarter of fiscal 2024 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; breaches of security or privacy of business information; outbreaks, epidemics, pandemics, or public health crises; and the company's ability to generate positive 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



Q1 2024 highlights

CONSOLIDATED SALES

\$6.9 Billion

OPERATING MARGIN

3.6 Percent

DILUTED EARNINGS PER SHARE

\$2.41

- Revenue in line with expectations and earnings per share above high end of guidance range
- Additional Q1 2024 financial information:
 - \$251 million operating income
 - \$132 million net income
 - \$403 million operating cash flow
 - ~\$100 million in share repurchases



Global components

- Cyclical correction continues and broader industrial market remains in decline, but seeing improvements in leading indicators
 - Book-to-bill ratios improved across all operating regions and are approaching parity
 - Backlog continues to trend down from expanded shortage levels
 - Customer OEM and EMS provider inventory levels are declining
- Arrow total inventory declined sequentially \$390 million in Q1
- Regional first-quarter perspectives
 - In the West – grew design win activity - relative strength in Transportation in the Americas, and Aerospace & Defense in Europe
 - In the East – relative momentum in Consumer verticals



Enterprise computing solutions

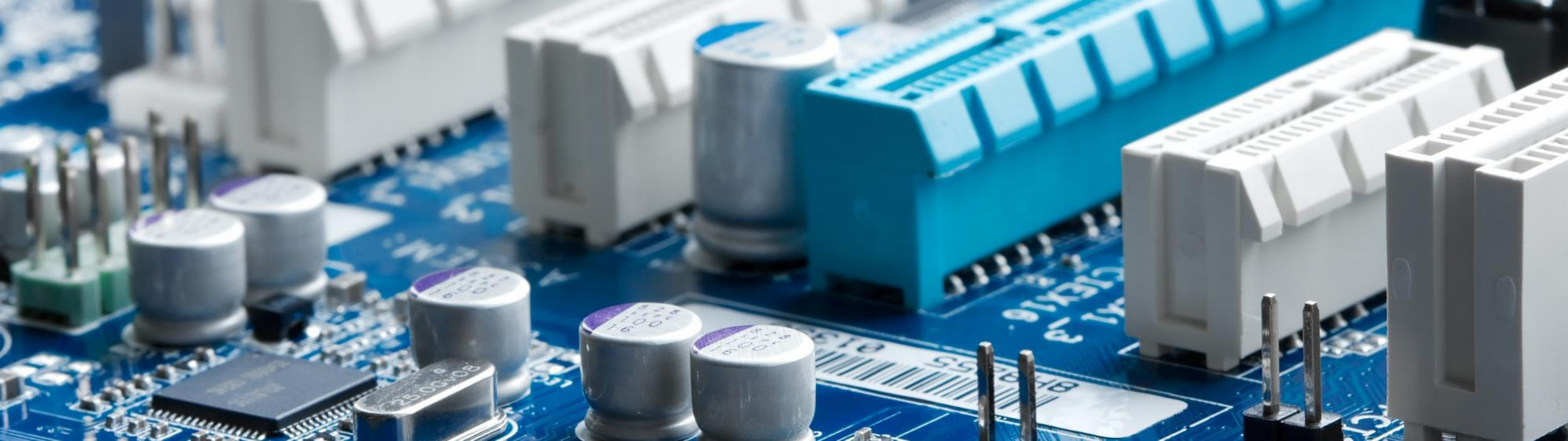
- Infrastructure software, cloud-related solutions, and AI-enabled compute drove results
- Growing recurring revenue patterns will lead to improved visibility, stickier relationships, and higher margins
- Europe – year-over-year billings and gross profit dollar growth
 - Strength in Cloud and Compute
- Americas – mixed IT spending environment – working toward better serving mid-market



Closing thoughts

- Focused on the factors within our control:
 - Prudent management of cost structure
 - Effective working capital management
 - Strong operating cash flow generation
- Remain invested in strategic growth priorities
 - Demand creation
 - Engineering services
 - Supply chain services
 - Interconnects, Passives & Electromechanical
 - IT as a service





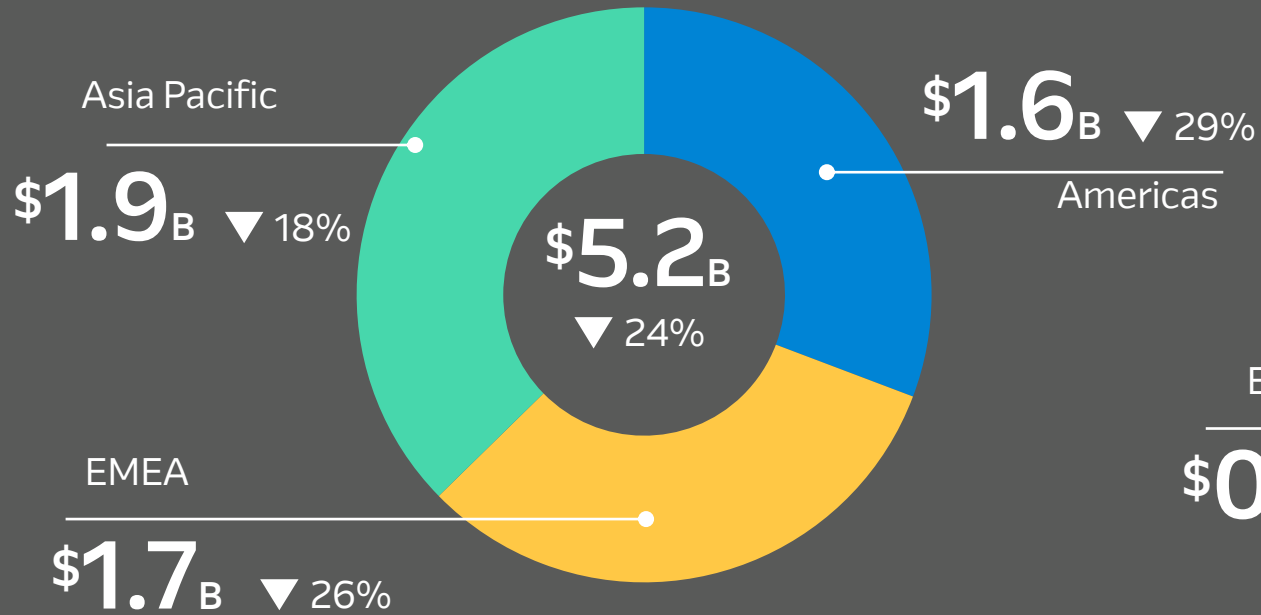
Raj Agrawal

Senior Vice President and CFO

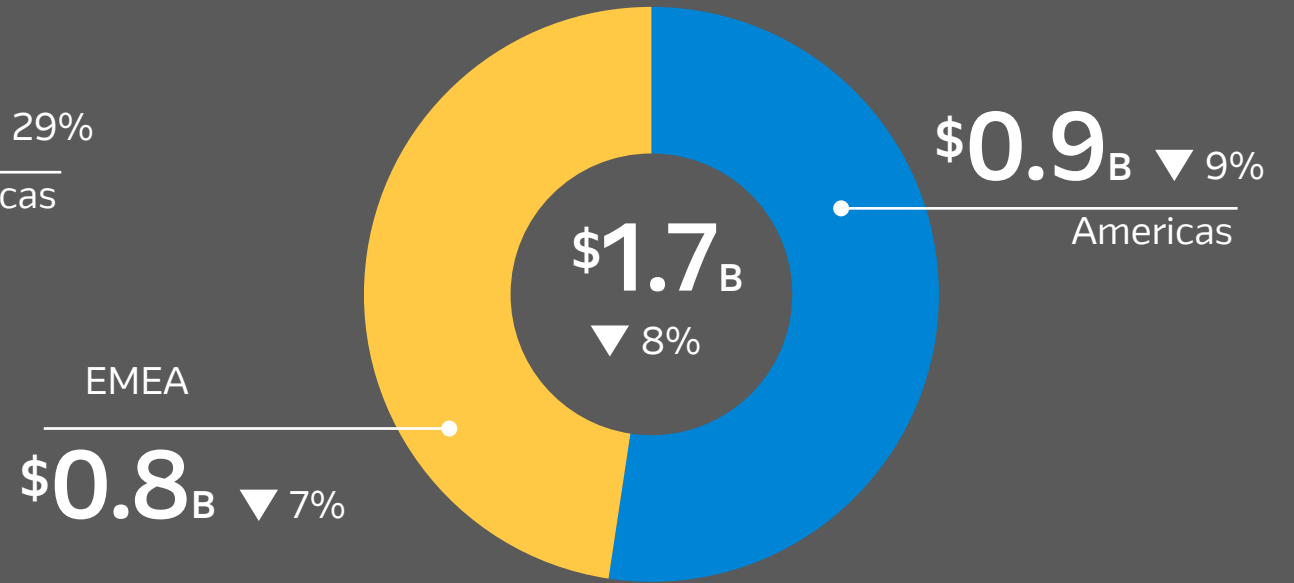


Q1 2024 revenue (\$6.9B consolidated)

Global Components

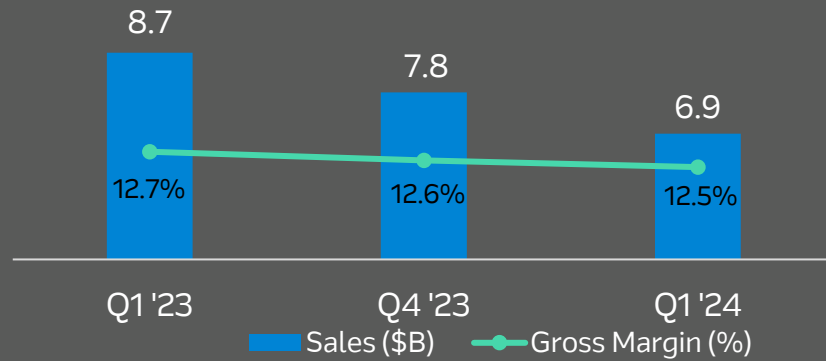


Enterprise Computing Solutions

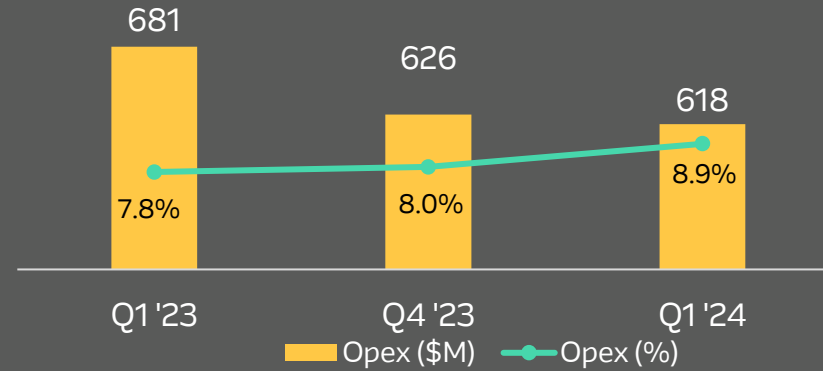


Q1 2024 financial metrics

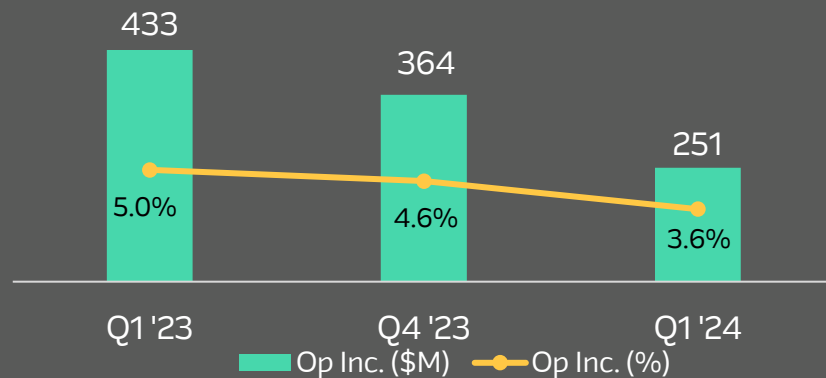
Sales & Non-GAAP Gross Margin¹



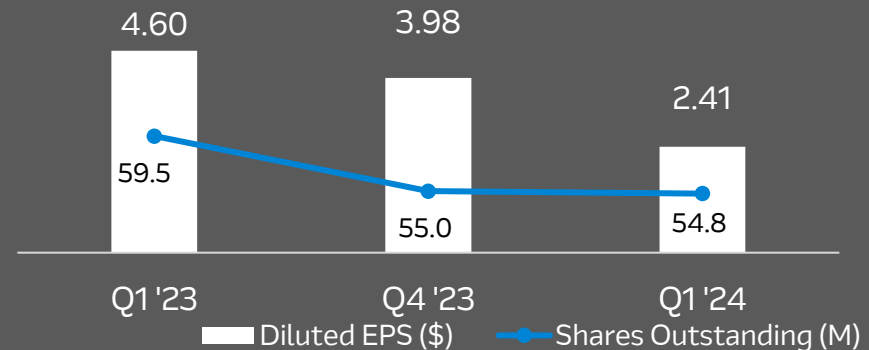
Non-GAAP Operating Expenses¹



Non-GAAP Operating Income¹



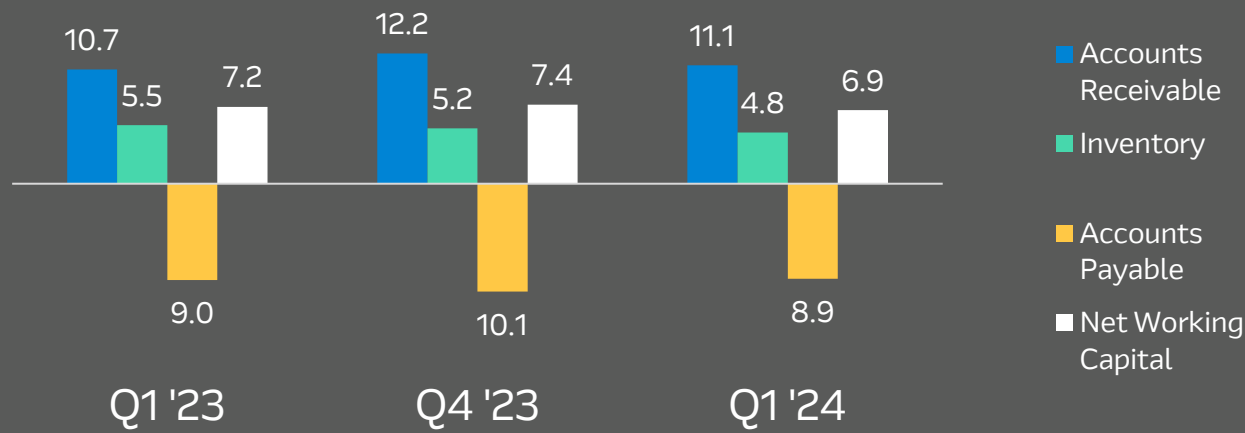
Non-GAAP Diluted EPS¹



Interest and other expense, net in Q1 '24 was \$80 million
 Non-GAAP Effective Tax Rate was 22.6%¹

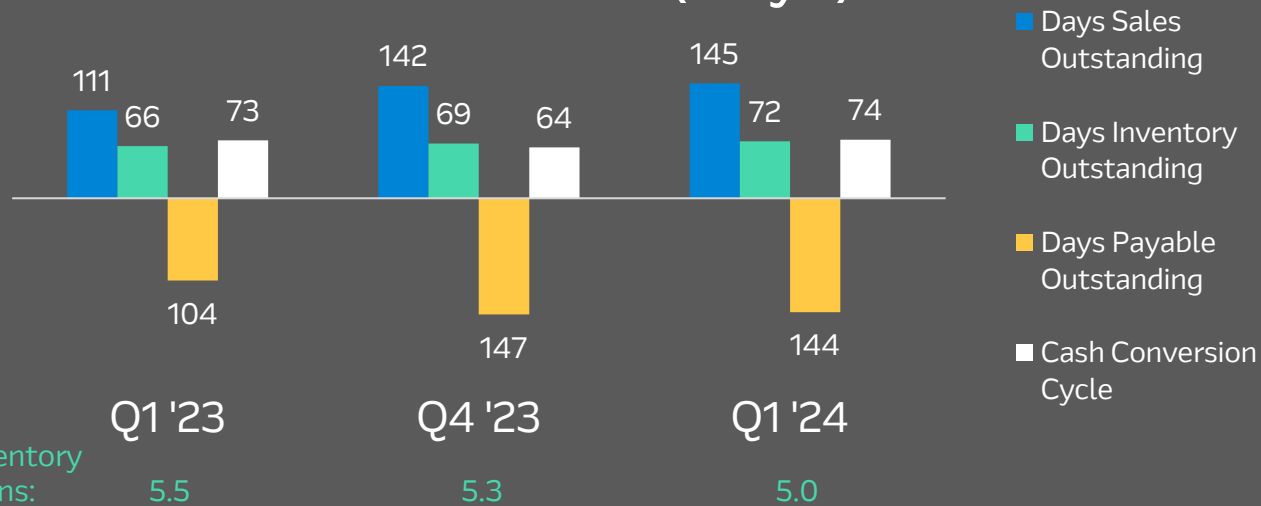
Working capital

Net Working Capital (\$B)



- **Non-GAAP Return on Working Capital (ROWC)¹** was 14.5% in the first quarter, down 950 basis points year on year. The decrease in ROWC related primarily to lower operating income in global components, in addition to higher working capital percentage levels.
- **Non-GAAP Return on Invested Capital (ROIC)¹** was 8.4% in the first quarter, down 620 basis points year on year. The decrease in ROIC related primarily to lower operating income in global components.

Cash Conversion (Days)



Balance sheet and cash highlights



Operating Cashflow was \$403M in Q1



Net Debt was \$3.3B



Repurchased ~\$100M in shares



Q2 2024 guidance

Consolidated Sales	\$6.20 billion to \$6.80 billion
Global Components	\$4.60 billion to \$5.00 billion
Global ECS	\$1.60 billion to \$1.80 billion
Diluted Earnings Per Share*	\$1.65 to \$1.85
Non-GAAP Diluted Earnings Per Share*	\$2.05 to \$2.25
Interest and Other Expense, Net	Approximately \$75 million

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

- We estimate changes in foreign currencies to decrease year on year sales by \$51 million and earnings per share on a diluted basis by \$0.04 compared to the second quarter of 2023.
- We estimate changes in foreign currencies to decrease quarter on quarter growth in sales by approximately \$29 million and earnings per share on a diluted basis by \$0.04 compared to the first quarter of 2024.





Thank You Q&A

Consolidated first-quarter overview

(\$ in millions, except per share data)

	Q1 2024	Q1 2023	Y/Y CHANGE	Q1 2023 IN CONSTANT CURRENCY	Y/Y CHANGE IN CONSTANT CURRENCY	Q4 2023	Q/Q CHANGE
P&L Highlights*							
Sales	\$6,924	\$8,736	-21%	\$8,746	-21%	\$7,849	-12%
Gross Profit Margin	12.4%	12.7%	-30 bps	12.8%	-40 bps	12.6%	-20 bps
Operating Income	\$186	\$422	-56%	\$422	-56%	\$317	-41%
Operating Margin	2.7%	4.8%	-210 bps	4.8%	-210 bps	4.0%	-130 bps
Non-GAAP Operating Income	\$251	\$433	-42%	\$433	-42%	\$364	-31%
Non-GAAP Operating Margin	3.6%	5.0%	-140 bps	4.9%	-130 bps	4.6%	-100 bps
Net Income	\$84	\$274	-69%	\$274	-70%	\$195	-57%
Diluted EPS	\$1.53	\$4.60	-67%	\$4.61	-67%	\$3.54	-57%
Non-GAAP Net Income	\$132	\$274	-52%	\$274	-52%	\$219	-40%
Non-GAAP Diluted EPS	\$2.41	\$4.60	-48%	\$4.60	-48%	\$3.98	-39%

	Q1 2024	Q1 2023	Y/Y CHANGE	Q1 2023 IN CONSTANT CURRENCY	Y/Y CHANGE IN CONSTANT CURRENCY	Q4 2023	Q/Q CHANGE
Operating expenses	\$672	\$692	-3%	\$693	-3%	\$673	0%
Operating expenses margin	9.7%	7.9%	180 bps	7.9%	180 bps	8.6%	110 bps
Non-GAAP Operating expenses	\$618	\$681	-9%	\$682	-9%	\$626	-1%
Non-GAAP Operating expenses margin	8.9%	7.8%	110 bps	7.8%	110 bps	8.0%	90 bps

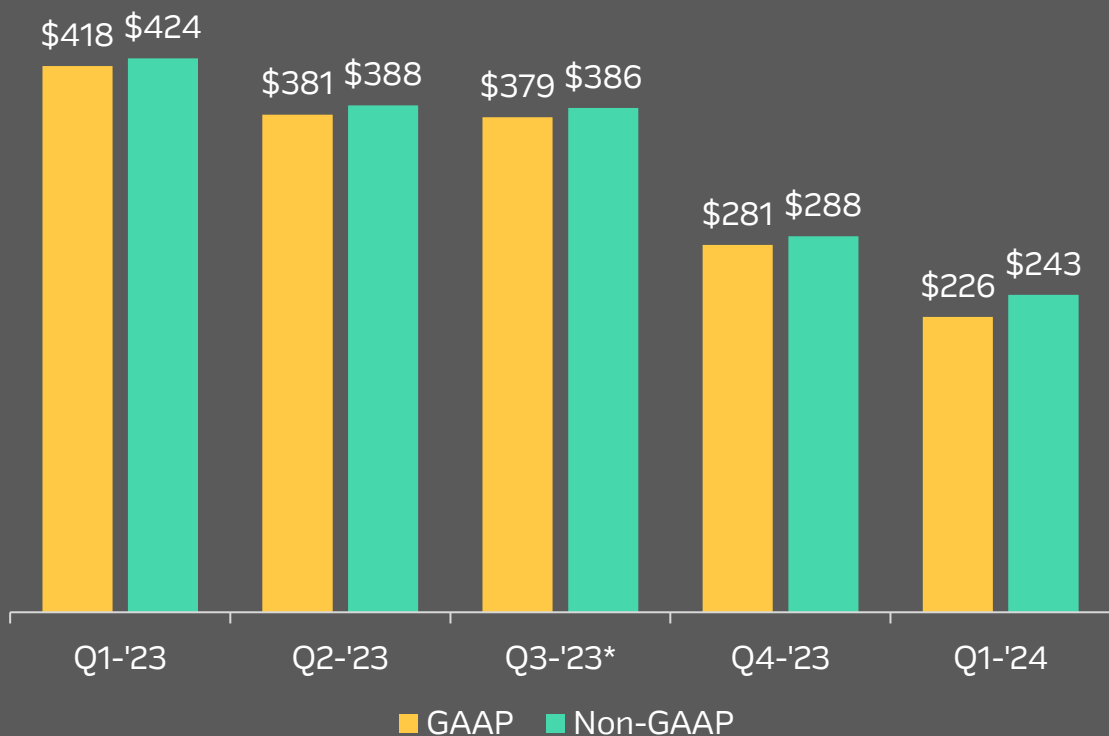
Revenue history

(\$ in millions, may reflect rounding)

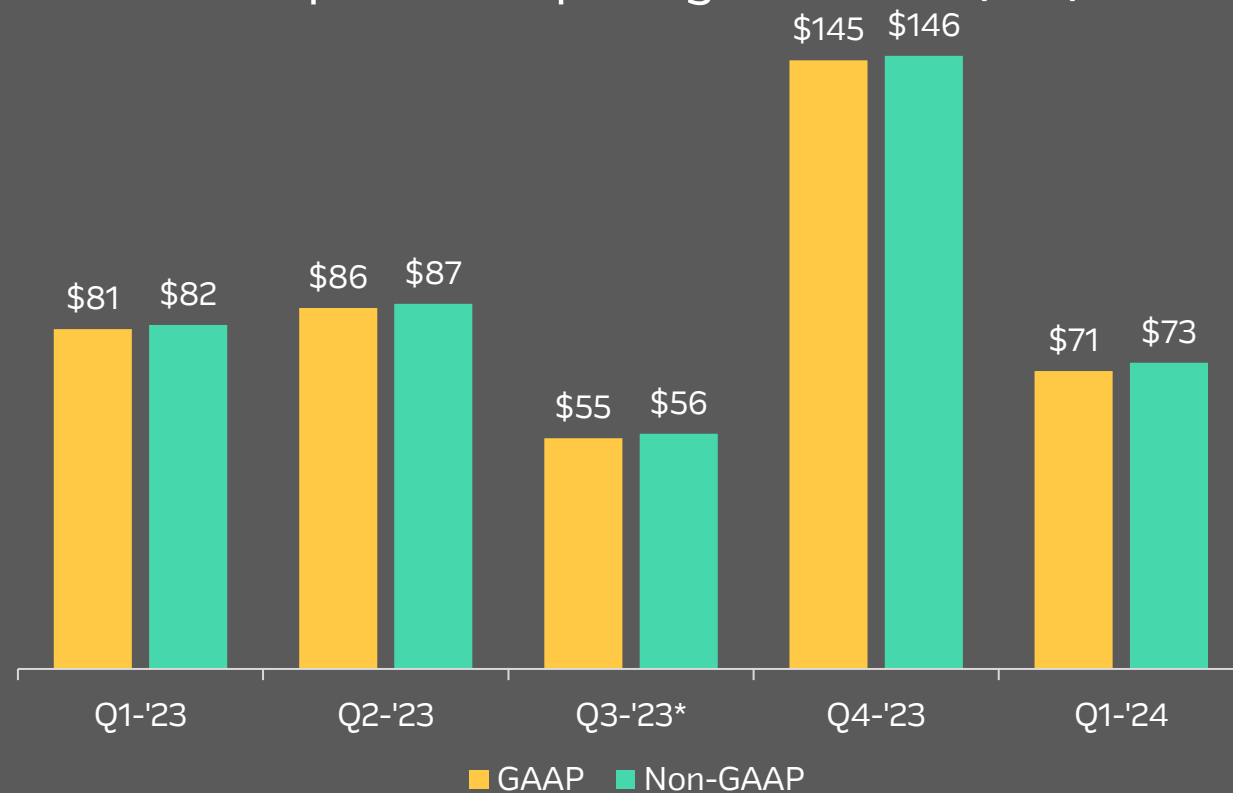
	Q1'23	Q2'23	Q3 '23	Q4'23	Q1'24	YoY change	QoQ change
Global Components Total	6,856	6,683	6,245	5,636	5,191	-24%	-8%
Americas	2,233	2,067	1,870	1,785	1,597	-29%	-11%
Europe, Middle East & Africa	2,246	2,153	1,987	1,688	1,657	-26%	-2%
Asia Pacific	2,376	2,463	2,388	2,163	1,938	-18%	-10%
Enterprise Computing Solutions Total	1,881	1,832	1,762	2,213	1,733	-8%	-22%
Europe, Middle East & Africa	883	831	746	1,067	825	-7%	-23%
Americas	998	1,001	1,016	1,146	908	-9%	-21%
Arrow Electronics Total	8,736	8,515	8,007	7,849	6,924	-21%	-12%

Operating income history

Global Components (\$M)



Enterprise Computing Solutions (\$M)



* Q3-'23 operating income included a legal settlement benefit of \$62 million in our global components business and a partially offsetting \$22 million charge in our ECS business to increase accounts receivable reserves related to a customer

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, gross profit, operating income (including by business segment), 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 wind down to inventory.

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.



Second-quarter 2024 GAAP to non-GAAP outlook reconciliation

(\$ in billions, except per share data)

NON-GAAP SALES RECONCILIATION

	Quarter Ended			Quarter Ended		
	29-Jun-24	1-Jul-23	% Change	29-Jun-24	30-Mar-24	% Change
Global components sales, GAAP	\$ 4.60 - 5.00	\$ 6.68	(31%) - (25%)	\$ 4.60 - 5.00	\$ 5.19	(11%) - (4%)
Impact of changes in foreign currencies	—	(0.04)		—	(0.02)	
Global components sales, constant currency	\$ 4.60 - 5.00	\$ 6.64	(31%) - (25%)	\$ 4.60 - 5.00	\$ 5.17	(11%) - (3%)
Global ECS sales, GAAP	\$ 1.60 - 1.80	\$ 1.83	(13%) - (2%)	\$ 1.60 - 1.80	\$ 1.73	(8%) - 4%
Impact of changes in foreign currencies	—	(0.01)		—	(0.01)	
Global ECS sales, constant currency	\$ 1.60 - 1.80	\$ 1.82	(12%) - (1%)	\$ 1.60 - 1.80	\$ 1.72	(7%) - 4%

NON-GAAP EARNINGS RECONCILIATION

	REPORTED GAAP MEASURE	INTANGIBLE AMORTIZATION EXPENSE	RESTRUCTURING & INTEGRATION CHARGES	NON-GAAP MEASURE
Net income per diluted share	\$1.65 to \$1.85	\$0.10	\$0.30	\$2.05 to \$2.25

Quarterly GAAP to non-GAAP reconciliation

(\$ in thousands, except per share data)

Three months ended March 30, 2024

	Reported GAAP measure	Intangible Amortization Expense	Restructuring, Integration & Other	Impact of Wind Down ⁽¹⁾	Other ⁽²⁾	Non-GAAP measure
Gross Profit	\$ 857,826	\$ -	\$ -	\$ 10,459	\$ -	\$ 868,285
Operating expense	671,909	(7,546)	(46,856)	-	-	617,507
Operating income	185,917	7,546	46,856	10,459	-	250,778
Income before income taxes	105,134	7,546	46,856	10,459	(98)	169,897
Provision for income taxes	22,036	1,879	12,014	2,502	(24)	38,407
Consolidated net income	83,098	5,667	34,842	7,957	(74)	131,490
Noncontrolling interests	(503)	135	-	-	-	(368)
Net income attributable to shareholders	\$ 83,601	\$ 5,532	\$ 34,842	\$ 7,957	\$ (74)	\$ 131,858
Net income per diluted share ⁽³⁾	\$ 1.53	\$ 0.10	\$ 0.64	\$ 0.15	\$ -	\$ 2.41
Effective tax rate ⁽⁴⁾	21.0%					22.6%

Three months ended April 1, 2023

	Reported GAAP measure	Intangible Amortization Expense	Restructuring, Integration & Other	Impact of Wind Down	Other ⁽²⁾	Non-GAAP measure
Gross Profit	\$ 1,113,822	\$ -	\$ -	\$ -	\$ -	\$ 1,113,822
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 ⁽³⁾	\$ 4.60	\$ 0.10	\$ 0.03	\$ -	\$ (0.13)	\$ 4.60
Effective tax rate ⁽⁴⁾	21.8%					21.8%

Three months ended December 31, 2023

	Reported GAAP measure	Intangible Amortization Expense	Restructuring, Integration & Other	Impact of Wind Down	Other ⁽²⁾	Non-GAAP measure
Gross Profit	\$ 989,550	\$ -	\$ -	\$ -	\$ -	\$ 989,550
Operating expense	672,871	(7,491)	(39,664)	-	-	625,716
Operating income	316,679	7,491	39,664	-	-	363,834
Income before income taxes	250,029	7,491	39,664	-	(14,635)	282,549
Provision for income taxes	53,823	1,863	9,331	-	(3,500)	61,517
Consolidated net income	196,206	5,628	30,333	-	(11,135)	221,032
Noncontrolling interests	1,669	131	-	-	-	1,800
Net income attributable to shareholders	\$ 194,537	\$ 5,497	\$ 30,333	\$ -	\$ (11,135)	\$ 219,232
Net income per diluted share ⁽³⁾	\$ 3.54	\$ 0.10	\$ 0.55	\$ -	\$ (0.20)	\$ 3.98
Effective tax rate ⁽⁴⁾	21.5%					21.8%

(1) Includes write downs of inventory related to the wind down of a business.

(2) Other includes gain on investments, net.

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

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

Return on working capital reconciliation

(\$ in thousands)

	Quarter Ended	
	March 30, 2024	April 1, 2023
Numerator:		
Consolidated operating income, as reported	\$ 185,917	\$ 422,152
	x4	x4
Annualized consolidated operating income	\$ 743,668	\$ 1,688,608
Non-GAAP consolidated operating income	\$ 250,778	\$ 432,692
	x4	x4
Annualized non-GAAP consolidated operating income	\$ 1,003,112	\$ 1,730,768
Denominator:		
Accounts receivable, net	11,062,608	10,655,863
Inventories	4,797,053	5,525,782
Less: Accounts payable	8,940,313	8,976,296
Working capital	6,919,348	7,205,349
Return on working capital	10.7%	23.4%
Return on working capital (Non-GAAP)	14.5%	24.0%

Return on invested capital reconciliation

(\$ in thousands)

	Quarter Ended	
	March 30, 2024	April 1, 2023
Numerator:		
Consolidated operating income, as reported	\$ 185,917	\$ 422,152
Equity in earnings of affiliated companies ⁽¹⁾	(344)	(80)
Less: Noncontrolling interests ⁽¹⁾	(503)	1,575
Consolidated operating income, as adjusted	186,076	420,497
Less: Tax effect ⁽²⁾	38,928	91,851
After-tax consolidated operating income, as adjusted	147,148	328,646
	x4	x4
Annualized after-tax consolidated operating income, as adjusted	\$ 588,592	\$ 1,314,584
Non-GAAP consolidated operating income	\$ 250,778	\$ 432,692
Equity in earnings of affiliated companies ⁽¹⁾	(344)	(80)
Less: Noncontrolling interests ⁽¹⁾	(368)	1,709
Non-GAAP consolidated operating income, as adjusted	250,802	430,903
Less: Tax effect ⁽³⁾	56,608	94,357
After-tax non-GAAP consolidated operating income, as adjusted	194,194	336,546
	x4	x4
Annualized after-tax non-GAAP operating income, as adjusted	\$ 776,776	\$ 1,346,184
Denominator:		
Average short-term borrowings, including current portion of long-term debt ⁽⁴⁾	\$ 1,299,826	367,073
Average long-term debt ⁽⁴⁾	2,392,902	3,451,010
Average total equity ⁽⁴⁾	5,823,323	5,605,766
Average cash and cash equivalents ⁽⁴⁾	230,431	191,235
Invested capital	\$ 9,285,620	\$ 9,232,614
Return on invested capital	6.3%	14.2%
Return on invested capital (Non-GAAP)	8.4%	14.6%

(1) Operating income, as reported, and non-GAAP operating income is adjusted for noncontrolling interest and equity in earnings 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 March 30, 2024 and April 1, 2023 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 March 30, 2024 and April 1, 2023 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				
	<u>4/1/2023</u>	<u>7/1/2023</u>	<u>9/30/2023</u>	<u>12/31/2023</u>	<u>3/30/2024</u>
Global components operating income, as reported	\$ 417,539	\$ 381,314	\$ 379,053	\$ 281,260	\$ 225,562
Intangible assets amortization expense	6,745	6,679	6,640	6,436	6,488
Impact of wind down to inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,459</u>
Global components non-GAAP operating income	<u>\$ 424,284</u>	<u>\$ 387,993</u>	<u>\$ 385,693</u>	<u>\$ 287,696</u>	<u>\$ 242,509</u>
Global ECS operating income, as reported	\$ 81,099	\$ 86,228	\$ 54,624	\$ 145,053	\$ 71,459
Intangible assets amortization expense	<u>1,235</u>	<u>1,229</u>	<u>1,223</u>	<u>1,055</u>	<u>1,058</u>
Global ECS non-GAAP operating income	<u>\$ 82,334</u>	<u>\$ 87,457</u>	<u>\$ 55,847</u>	<u>\$ 146,108</u>	<u>\$ 72,517</u>