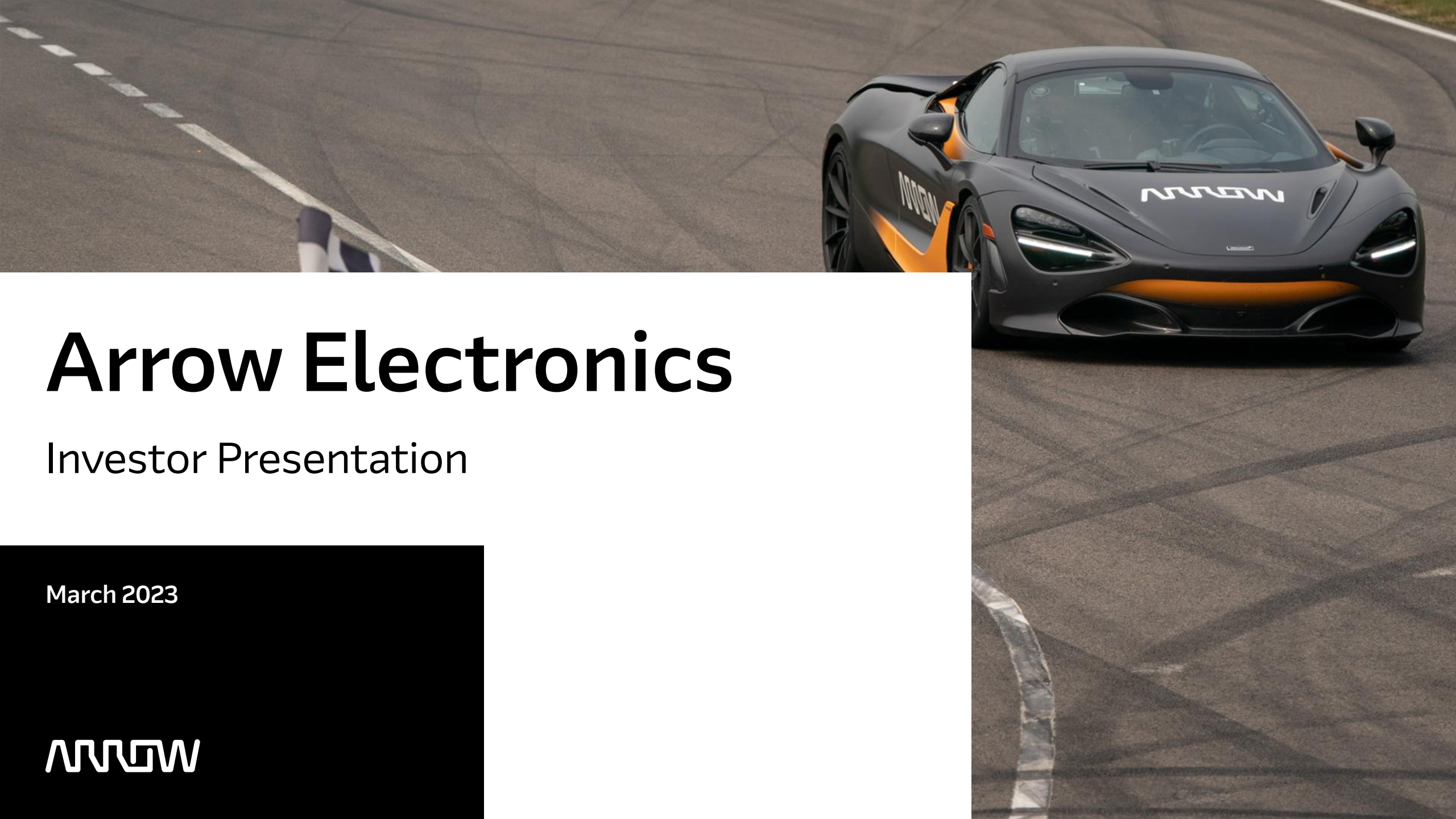


Arrow Electronics

Investor Presentation

March 2023

Risk factors

The discussion of the company's business and operations should be read together with the risk factors contained in Item 1A of its 2022 Annual Report on Form 10-K and each subsequently filed Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission, which describe various risks and uncertainties to which the company is or may become subject. If any of the described events occur, the company's business, results of operations, financial condition, liquidity, or access to the capital markets could be materially adversely affected.

Information Relating to Forward-Looking Statements

This presentation may include "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 first 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 expense, average USD-to-Euro exchange rate, 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 customer and market demand and trends, supply chain constraints, business strategy, and shareholder returns. 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: unfavorable economic conditions; disruptions or inefficiencies in the supply chain, including any potential adverse effects of the ongoing global COVID-19 pandemic; political instability; impacts of military conflict, including 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 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; 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 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 provides certain non-GAAP financial information relating to sales, gross profit, operating income, 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 for 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, 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 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, and in conjunction with, and not as a substitute for, data presented in accordance with GAAP. A reconciliation of the company’s non-GAAP financial information to GAAP is set forth below.



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

Agenda

1. Company Introduction & Background
2. FY 2022 Financials
3. Q4 2022 Financials
4. Capital Allocation
5. Q1 2023 Guide
6. Questions

We believe in helping the benefits of technology reach as many people as possible



Our noble purpose:

We believe that new technologies will make life not only different, but better.



Our history

1935	1946	1961	1979	1986	2005	2011	2023
Arrow Radio opens on Radio Row in New York City	Incorporated as Arrow Electronics	Arrow goes public	Listed on NYSE (ARW)	50+ acquisitions and expansion into Europe and Asia	Arrow expands computer products business beyond North America	Arrow moves HQ from New York to Colorado	Arrow tops category in FORTUNE's "World's Most Admired Companies" list for 10 consecutive years

Arrow Electronics guides innovation forward for over 210,000 leading technology manufacturers and service providers. With 2022 sales of $37 billion, Arrow develops technology solutions that improve business and daily life.

Strength in numbers

CUSTOMERS

210,000+

EMPLOYEES

22,000+

2022 GLOBAL SALES (USD)

$37.12B

No single customer accounted for more than 2% of consolidated sales.

FORTUNE 500 RANK (2022)

104

NYSE TICKER SYMBOL

ARW

FOUNDED

1935

GLOBAL HEADQUARTERS

Centennial, CO, USA

Arrow Electronics, Inc.

A global technology provider of products, services, and solutions

Serving original equipment manufacturers, and embedded solution providers.

Global Components

- Semiconductors
- IP&E
- Demand Creation
- Design & Engineering services
- Supply Chain Services
- Integration services

Serving channel ecosystems of value-added resellers, system integrators, service providers, telcos, ISVs, developers, and marketplaces.

Enterprise Computing Solutions

- Storage
- Security
- Software Applications
- Compute
- Cloud
- IT-as-a-Service

Our services accelerate product commercialization

Engineering

Design & Validation

Hardware New Product Introduction

Prototype & Testing

Certification Services

Software/Cloud Implementation

Value Engineering (Sustenance & Reengineering)

Supply Chain

Supply Chain Design

Invoice & Payment

Management

Supply, Demand & Inventory

Management

Returns Management

Order Management, Fulfillment & Logistics

Supply Chain Visibility

Integration

Connectivity

Warranty Services

Manufacturing

Kitting

Panel Assembly

Sales & Operation Planning

Managed

Financial Services

Professional Services

Infrastructure as a Service

Asset Management

Support Services

SaaS

SiliconExpert data services

Industries We Serve



Aerospace/Defense



Health Care/Medical



Industrial



Consumer Electronics



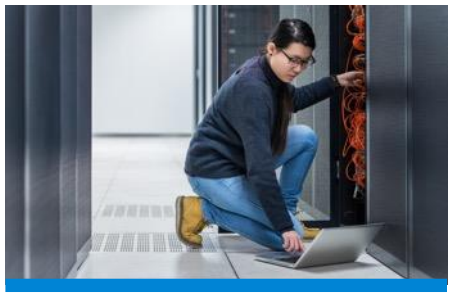
Security



Supply Chain



Automotive/Transportation



Data Center



Cloud

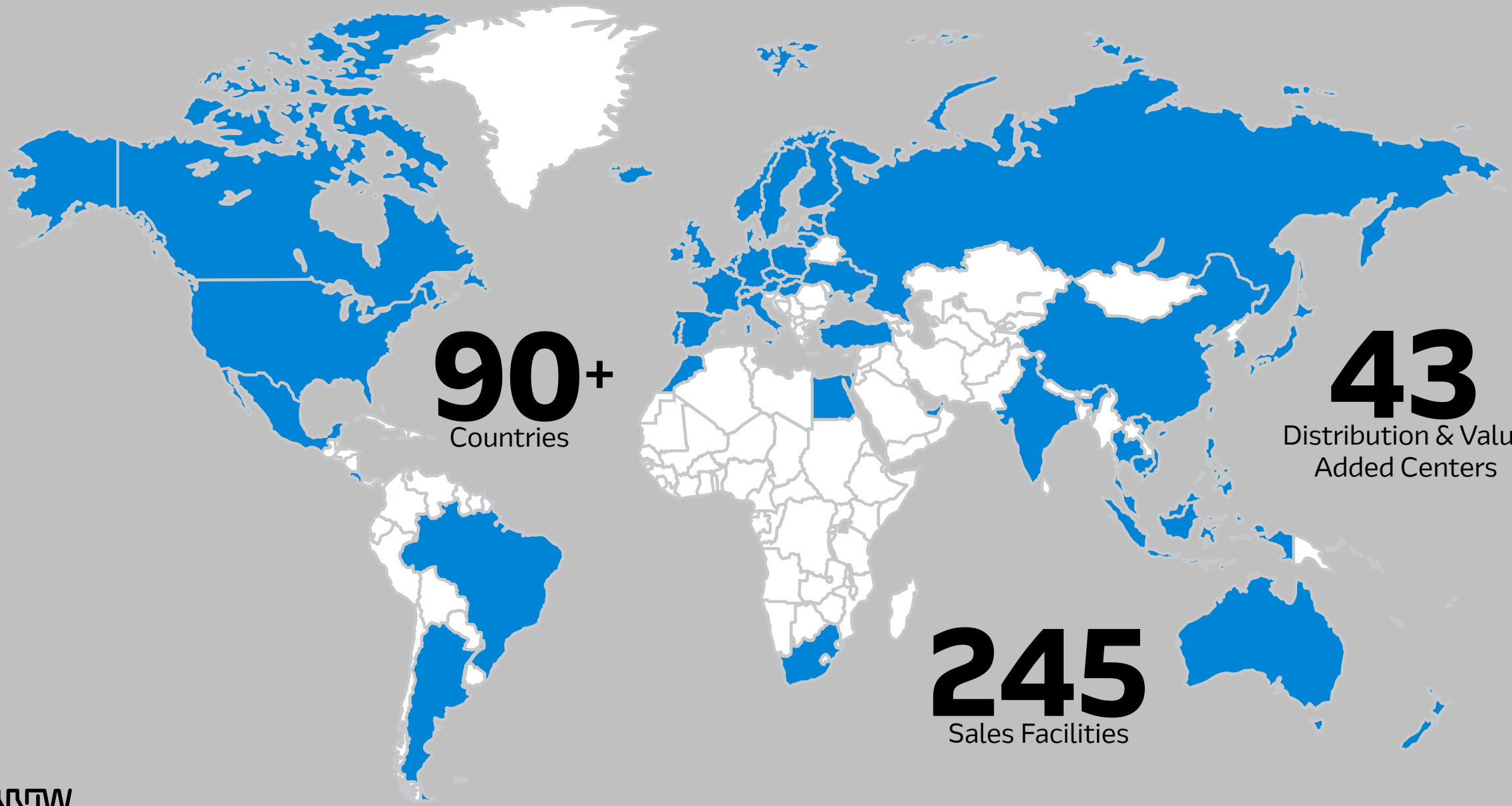


Business Intelligence



Design Engineering

We specialize in managing complexity



90+
Countries

43
Distribution & Value Added Centers

245
Sales Facilities

ESG Overview

ESG Framework

Environmental

Arrow is committed to reducing greenhouse gas emissions in the fight against global climate change.

Goals:

- Reduce our Scope 1 and 2 emissions across our Phase 1 controlled* footprint by 10% in 2022.
- Achieve ISO 14001 and ISO 50001 certifications for our largest North American distribution center.

Social

Arrow's steadfast focus on growing the diversity of our employees is matched by our commitment to achieve and maintain global pay equity.

Goals:

- Grow representation of women leaders globally and leaders who are underrepresented race/ethnicity in the U.S. by 0.5 percentage points in each category in 2022, and by two percentage points in each category by the end of 2025.
- Complete our global pay equity analysis and adjust pay where appropriate to close any gaps

Governance

Arrow's Board and the Corporate Governance Committee have direct oversight of, and are committed to, advancing our ESG policies and practices.

Goals:

- Increase the average completion rate for compliance trainings from 95% to 96%.
- Convene an internal cross-functional ESG Leadership Committee responsible for guiding ESG Strategy and related performance.

Our network in numbers: 2022

CONSOLIDATED SALES

$37.12B

▲8%

GLOBAL COMPONENTS

$28.79B

▲9%

GLOBAL ENTERPRISE COMPUTING SOLUTIONS

$8.34B

▲3%

GROSS PROFIT

$4.84B ▲15%

OPERATING INCOME

$2.07B ▲33%

NET INCOME

$1.43B ▲29%

EARNINGS PER SHARE

$21.80 ▲44%

AMERICAS COMPONENTS

$9.59B ▲ 23%

EMEA COMPONENTS

$7.63B ▲ 22%

ASIA PACIFIC COMPONENTS

$11.57B ▼ 6%

AMERICAS ENTERPRISE COMPUTING SOLUTIONS

$4.85B ▼ 1%

EMEA ENTERPRISE COMPUTING SOLUTIONS

$3.49B ▲ 8%

Figures reflect year-on-year performance for the reported full year. No single customer accounted for more than 2% of consolidated sales.

Consolidated Overview

Full Year 2022

P&L Highlights*	2022	Y/Y CHANGE	Y/Y CHANGE IN CONSTANT CURRENCY
Sales	$37,124	8%	11%
Gross Profit Margin	13.0%	80 bps	90 bps
Operating Income	$2,068	33%	38%
Operating Margin	5.6%	110 bps	110 bps
Non-GAAP Operating Income	$2,117	32%	37%
Non-GAAP Operating Margin	5.7%	100 bps	110 bps
Net Income	$1,427	29%	33%
Diluted EPS	$21.80	44%	50%
Non-GAAP Net Income	$1,465	29%	34%
Non-GAAP Diluted EPS	$22.38	44%	50%

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

Record full-year sales, gross profit, operating margins, and earnings per share

Consolidated full-year sales increased 7.7% year over year

Sales increased 11.5% year over year on a constant currency basis

Gross margin increased 80 basis points year over year

Gross margin increased in both global components and global enterprise computing solutions year over year

Operating margin increased 110 basis points year over year

Non-GAAP operating margin increased 100 basis points year over year

Operating expense as a percentage of sales decreased 20 basis points year over year

Interest and other expense, net was $186 million

Increased $54 million year over year primarily due to higher interest rates and borrowings on credit facilities

Effective tax rate was 23.8%

Non-GAAP effective tax rate was 23.8%

In line with the long-term target range of 23% to 25%

2022 Sales by Geographic Region

ASIA PACIFIC

$11.57B

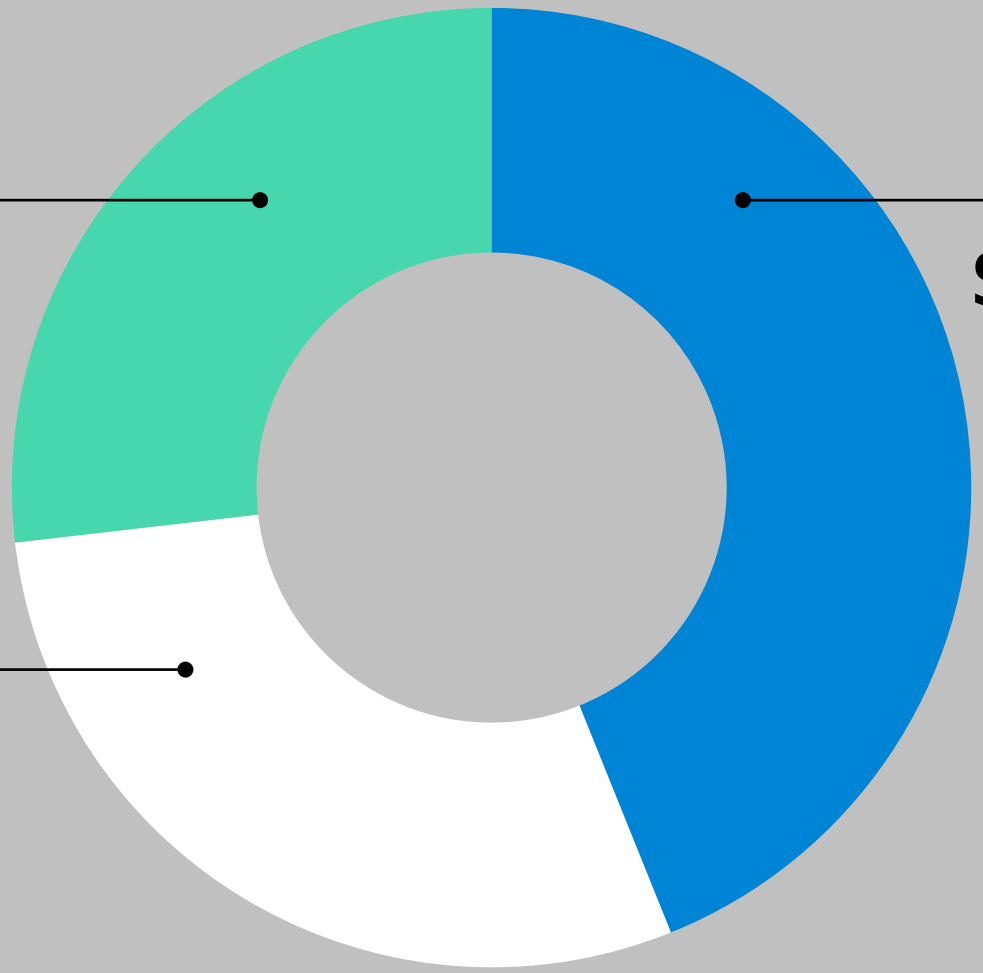
AMERICAS

$14.44B

EMEA

$11.12B

Defined as Europe, the Middle East and Africa



Consolidated Overview

Fourth Quarter 2022

P&L Highlights*	Q4 2022	Y/Y CHANGE	Y/Y CHANGE IN CONSTANT CURRENCY	Q/Q CHANGE
Sales	9,323	3%	8%	1%
Gross Profit Margin	12.9%	-40 bps	-30 bps	10 bps
Operating Income	523	2%	6%	4%
Operating Margin	5.6%	-10 bps	-10 bps	20 bps
Non-GAAP Operating Income	533	2%	6%	4%
Non-GAAP Operating Margin	5.7%	-10 bps	-10 bps	10 bps
Net Income	349	(6)%	(2)%	2%
Diluted EPS	5.66	8%	12%	7%
Non-GAAP Net Income	351	(7)%	(4)%	(1)%
Non-GAAP Diluted EPS	5.69	6%	10%	4%

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

Record fourth-quarter sales, gross profit, operating income and EPS on a diluted basis

Consolidated sales were $9.32 billion

Above the mid-point of the prior expectation of $8.95-$9.55 billion

Changes in foreign currencies reduced growth by $357 million on sales and $0.19 on earnings per share on a diluted basis, compared to the year earlier period. Below the prior expectation of a reduction in growth in sales and earnings per share of $420 million and $0.25, respectively

Consolidated gross profit margin was 12.9%

Down 40 basis points year over year due primarily to the normalization of shortage market activities, offset partially by geographic mix

Up 10 basis points compared to the third quarter of 2022 due primarily to higher margins in global ECS

Operating income margin was 5.6% and non-GAAP operating income margin was 5.7%

Operating expenses as a percentage of sales were 7.3%, down 20 basis points year over year

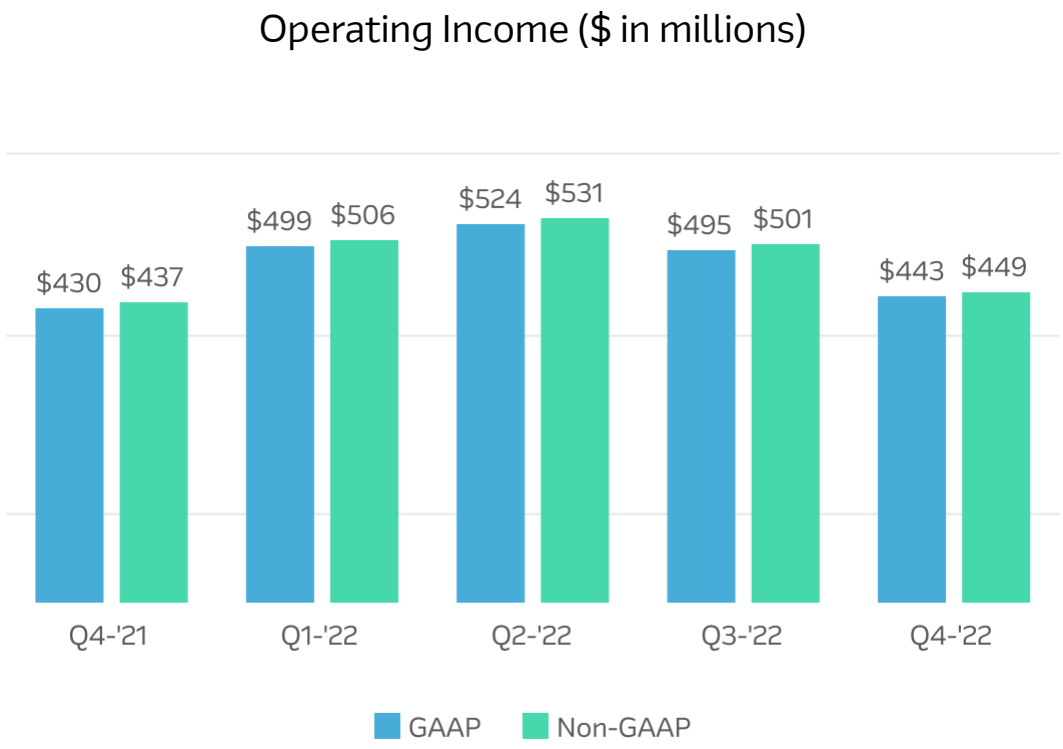
Non-GAAP operating expenses as a percentage of sales were 7.2%, down 20 basis points year over year

Interest and other expense, net was $62 million

In line with our prior expectation of $62 million

Components

Global



Strong quarterly sales and operating income

Fourth-quarter sales increased 2.2% year over year. Sales increased 6.1% year over year on a constant currency basis

Sales of $6.8 billion were in line with the prior expectation of $6.80-$7.10 billion

Lead times were relatively stable compared to the prior quarter and remain significantly extended

Backlog decreased year over year and compared to the third quarter, but remains at historically high levels

Bookings are below parity in all regions

Operating margin of 6.5% increased 10 basis points year over year

Non-GAAP operating margin of 6.6% increased 10 basis points year over year

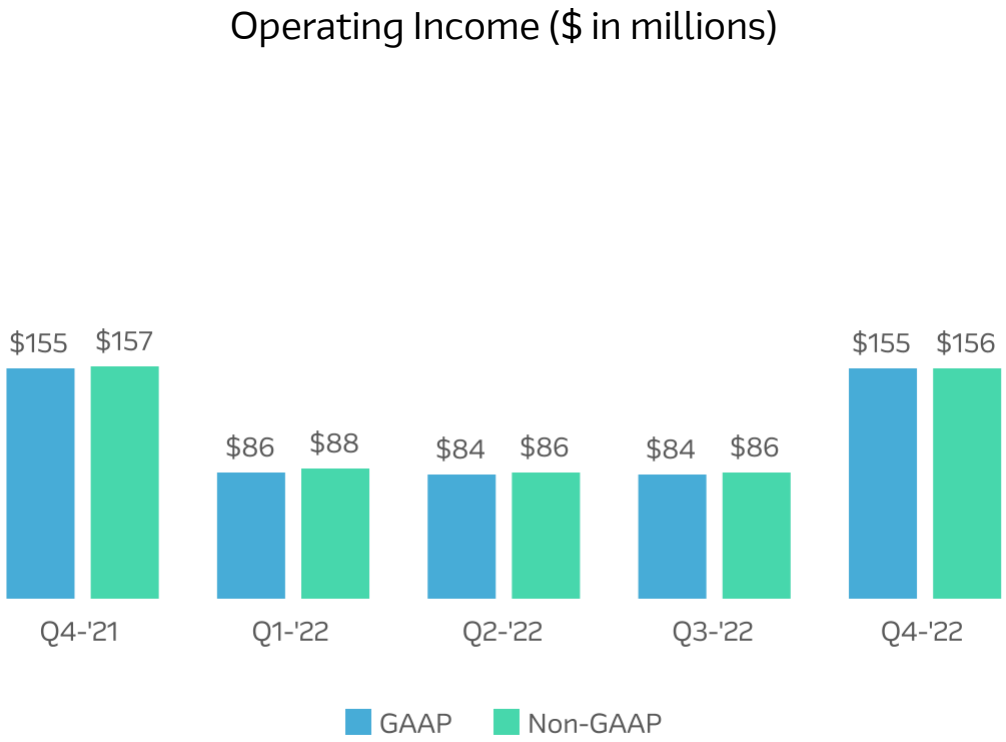
Margins increased in Europe year over year

Return on working capital decreased year over year but remained well above pre-pandemic levels

A reconciliation of non-GAAP financial measures to GAAP financial measures is presented in the reconciliation tables included herein.

Enterprise Computing Solutions

Global



Strong Enterprise Computing Solutions operating income

Fourth-quarter sales increased 6.8% year over year

Sales increased 12.1% year over year on a constant currency basis

Operating income was flat year over year and increased 4% on a constant currency basis

Return on working capital remains favorable

Operating margin of 6.2% decreased 40 basis points year over year

Non-GAAP operating margin of 6.3% decreased 40 basis points year of year

Hardware supply constraints improved and demand remained strong for most of our key technology categories

A reconciliation of non-GAAP financial measures to GAAP financial measures is presented in the reconciliation tables included herein.

Outlook: First Quarter 2023

Guidance – as presented in Q4 2022 earnings release

We are expecting the average USD-to-Euro exchange rate for the first quarter of 2023 to be $1.07 to €1 compared to $1.12 to €1 in the first-quarter of 2022. We estimate changes in foreign currencies to reduce year-over-year growth in sales by $182 million and earnings per share on a diluted basis by $0.13 compared to the first quarter of 2022. We estimate changes in foreign currencies to increase quarter-over-quarter growth in sales by approximately $175 million and earnings per share on a diluted basis by $0.11 compared to the fourth quarter of 2022(1).

First-Quarter 2023 Guidance

Consolidated Sales	$8.33 billion to $8.93 billion
Global Components	$6.55 billion to $6.85 billion
Global ECS	$1.78 billion to $2.08 billion
Diluted Earnings Per Share*	$4.24 to $4.44
Non-GAAP Diluted Earnings Per Share*	$4.40 to $4.60
Interest and other expense, net	$68 million
Diluted shares outstanding	59.5 million

On a constant currency basis(1), our first-quarter guidance implies a sequential growth rate range of down 2% to 6% for global components and down 18% to 30% for global enterprise computing solutions, when compared to the fourth-quarter of 2022.

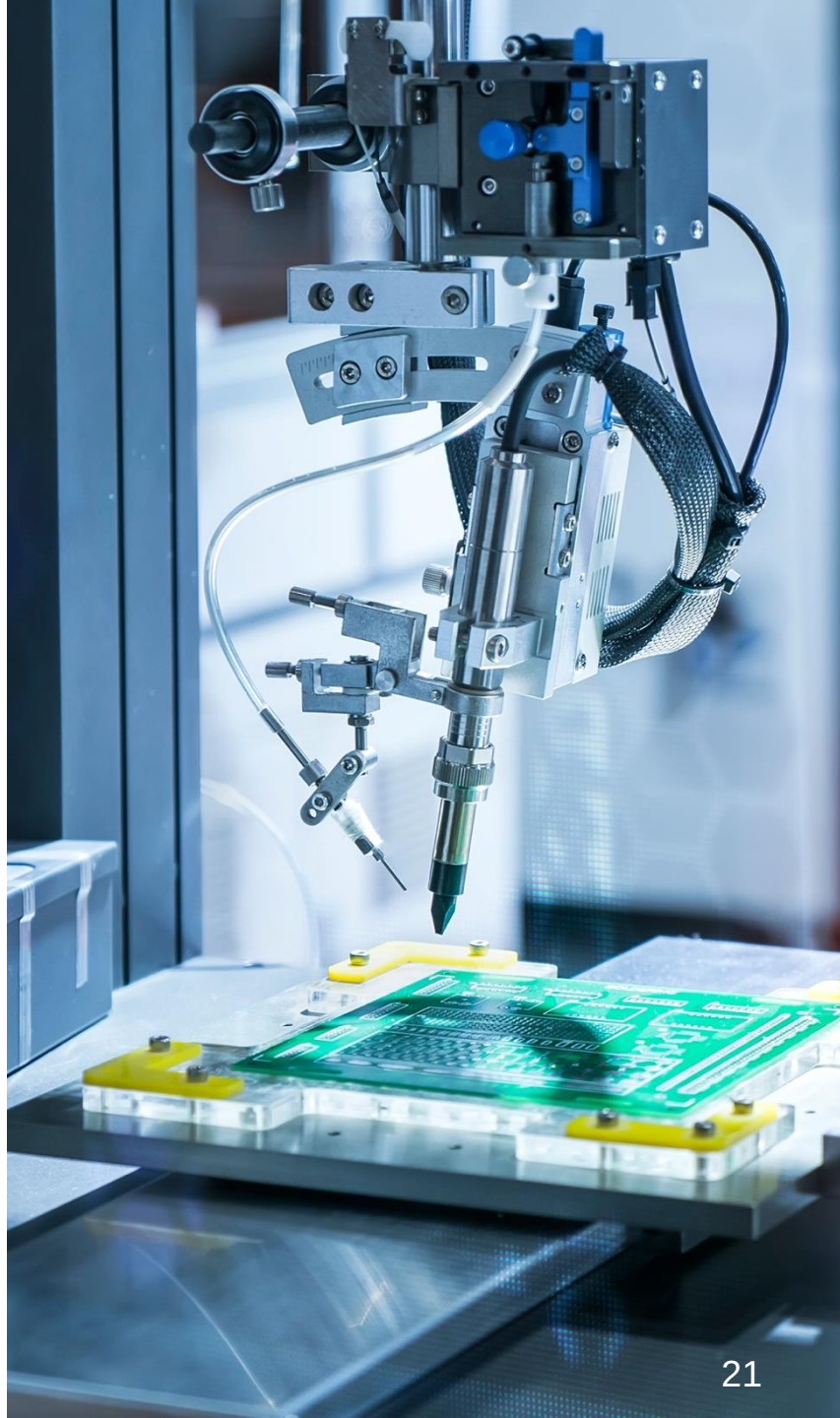
* Assumes an average tax rate of approximately 23.5% compared to the 23% to 25% long-term target range.

(1) Refer to the backup section of this presentation for first quarter 2022 GAAP to non-GAAP Outlook Reconciliation.

Quarter Closing Dates

Beginning and ending dates may impact comparisons to prior periods

	First	Second	Third	Fourth
2021	Apr. 3	Jul. 3	Oct. 2	Dec. 31
2022	Apr. 2	Jul. 2	Oct. 1	Dec. 31
2023	Apr. 1	Jul. 1	Sep. 30	Dec. 31



Thank You

Investor Relations

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E: investor@arrow.com

First-Quarter 2023 GAAP to non-GAAP Outlook Reconciliation

($ in billions, except per share data)

NON-GAAP SALES RECONCILIATION

	Quarter Ended			Quarter Ended		
	April 1, 2023	April 2, 2022	% Change	April 1, 2023	December 31, 2022	% Change
Global components sales, GAAP	$6.55 - 6.85	$ 7.20	(9)% - (5)%	$6.55 - 6.85	$ 6.83	(4%) - 0%
Impact of changes in foreign currencies	—	(0.13)		—	0.13	
Global components sales, constant currency	$6.55 - 6.85	$ 7.07	(7)% - (3)%	$6.55 - 6.85	$ 6.96	(6)% - (2)%
Global ECS sales, GAAP	$1.78 - 2.08	$ 1.88	(5%) - 11%	$1.78 - 2.08	$ 2.50	(29)% - (17)%
Impact of changes in foreign currencies	—	(0.05)		—	0.05	
Global ECS sales, constant currency	$1.78 - 2.08	$ 1.83	(3%) - 14%	$1.78 - 2.08	$ 2.55	(30)% - (18)%

NON-GAAP EARNINGS RECONCILIATION

	REPORTED GAAP MEASURE	INTANGIBLE AMORTIZATION EXPENSE	RESTRUCTURING & INTEGRATION CHARGES	NON-GAAP MEASURE
Net income per diluted share	$4.24 to $4.44	$0.10	$0.06	$4.40 to $4.60

Earnings Reconciliation

($ in thousands, except per share data)

Three months ended December 31, 2022

	REPORTED GAAP MEASURE	INTANGIBLE AMORTIZATION EXPENSE	RESTRUCTURING & INTEGRATION CHARGES	OTHER[1]	NON-GAAP MEASURE
Operating income	$ 522,596	$ 8,170	$ 2,714	$ —	$ 533,480
Income before income taxes	470,780	8,170	2,714	(8,356)	473,308
Provision for income taxes	116,719	2,056	472	(2,003)	117,244
Consolidated net income	354,061	6,114	2,242	(6,353)	356,064
Noncontrolling interests	4,659	127	—	—	4,786
Net income attributable to shareholders	$ 349,402	$ 5,987	$ 2,242	$ (6,353)	$ 351,278
Net income per diluted share[2]	$ 5.66	$ 0.10	$ 0.04	$ (0.10)	$ 5.69
Effective tax rate[3]	24.8 %				24.8 %

Three months ended December 31, 2021

	REPORTED GAAP MEASURE	INTANGIBLE AMORTIZATION EXPENSE	RESTRUCTURING & INTEGRATION CHARGES[2]	OTHER[1]	NON-GAAP MEASURE
Operating income	$ 511,932	$ 9,086	$ 3,754	$ —	$ 524,772
Income before income taxes	479,326	9,086	3,754	(2,046)	490,120
Provision for income taxes	107,838	2,337	854	(492)	110,537
Consolidated net income	371,488	6,749	2,900	(1,554)	379,583
Noncontrolling interests	280	143	—	—	423
Net income attributable to shareholders	$ 371,208	$ 6,606	$ 2,900	$ (1,554)	$ 379,160
Net income per diluted share[2]	$ 5.26	$ 0.09	$ 0.04	$ (0.02)	$ 5.37
Effective tax rate[3]	22.5 %				22.6 %

Three months ended October 1, 2022

	REPORTED GAAP MEASURE	INTANGIBLE AMORTIZATION EXPENSE	RESTRUCTURING & INTEGRATION CREDITS	OTHER[1]	NON-GAAP MEASURE
Operating income	$ 502,694	$ 8,674	$ 3,635	$ —	$ 515,003
Income before income taxes	449,106	8,674	3,635	3,480	464,895
Provision for income taxes	105,500	2,219	892	841	109,452
Consolidated net income	343,606	6,455	2,743	2,639	355,443
Noncontrolling interests	1,207	125	—	—	1,332
Net income attributable to shareholders	$ 342,399	$ 6,330	$ 2,743	$ 2,639	$ 354,111
Net income per diluted share[2]	$ 5.27	$ 0.10	$ 0.04	$ 0.04	$ 5.45
Effective tax rate[3]	23.5 %				23.5 %

(1) Other includes (gain) loss 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		YEAR ENDED	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Numerator:	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Consolidated operating income, as reported	$ 522,596	$ 511,932	$ 2,068,494	$ 1,556,822
	x4	x4	x1	x1
Annualized consolidated operating income	$ 2,090,384	$ 2,047,728	$ 2,068,494	$ 1,556,822
Non-GAAP consolidated operating income	$ 533,480	$ 524,772	$ 2,116,927	$ 1,609,145
	x4	x4	x1	x1
Annualized non-GAAP consolidated operating income	$ 2,133,920	$ 2,099,088	$ 2,116,927	$ 1,609,145
Denominator:				
Accounts receivable, net[1]	12,322,717	11,123,946	11,227,736	9,401,688
Inventories[1]	5,319,369	4,201,965	4,827,278	3,647,146
Less: Accounts payable[1]	10,460,419	9,617,084	9,578,175	8,046,357
Working capital	7,181,667	5,708,827	6,476,839	5,002,477
Return on working capital	29.1 %	35.9 %	31.9 %	31.1 %
Return on working capital (non-GAAP)	29.7 %	36.8 %	32.7 %	32.2 %

(1) The year ended balance is an average balance based on the addition of the account balance at the end of the five most recently-ended quarters and dividing by five.

Return on Invested Capital Reconciliation

($ in thousands)

	QUARTER ENDED		YEAR ENDED	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Numerator:	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Consolidated operating income, as reported	$ 522,596	$ 511,932	$ 2,068,494	$ 1,556,822
Equity in earnings of affiliated companies[1]	2,938	1,323	7,664	3,508
Less: Noncontrolling interests [1]	4,659	280	8,274	2,271
Consolidated operating income, as adjusted	520,875	512,975	2,067,884	1,558,059
Less: Tax effect[2]	130,298	115,472	494,690	354,044
After-tax consolidated operating income, as adjusted	390,577	397,503	1,573,194	1,204,015
	x4	x4	x1	x1
Annualized after-tax consolidated operating income, as adjusted	$ 1,562,308	$ 1,590,012	$ 1,573,194	$ 1,204,015
Non-GAAP consolidated operating income	$ 533,480	$ 524,772	$ 2,116,927	$ 1,609,145
Equity in earnings of affiliated companies[1]	2,938	1,323	7,664	3,508
Less: Noncontrolling interests [1]	4,786	280	8,799	2,271
Non-GAAP consolidated operating income, as adjusted	531,632	525,815	2,115,792	1,610,382
Less: Tax Effect[3]	132,895	118,667	506,497	366,746
After-tax non-GAAP consolidated operating income, as adjusted	398,737	407,148	1,609,295	1,243,636
	x4	x4	x1	x1
Annualized after-tax non-GAAP consolidated operating income, as adjusted	$ 1,594,948	$ 1,628,592	$ 1,609,295	$ 1,243,636
Denominator:				
Average short-term borrowings, including current portion of long-term debt[4]	$ 597,202	$ 368,267	$ 504,094	$ 322,696
Average long-term debt[4]	3,184,995	2,142,102	2,852,348	2,034,077
Average total equity[4]	5,457,020	5,289,237	5,416,410	5,233,267
Less: Average cash and cash equivalents	255,450	219,063	240,296	256,702
Invested capital	$ 8,983,767	$ 7,580,543	$ 8,532,556	$ 7,333,338
Return on invested capital	17.4 %	21.0 %	18.4 %	16.4 %
Return on invested capital (non-GAAP)	17.8 %	21.5 %	18.9 %	17.0 %

(1) Operating income, as reported, and non-GAAP operating income is adjusted for noncontrolling interest and equity in 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 and year ended December 31, 2022 and 2021 to consolidated operating income, as adjusted less interest expense.

(3) The tax effect is calculated by applying the non-GAAP effective tax rate for the three months and year ended December 31, 2022 and 2021 to non-GAAP consolidated operating income, as adjusted less interest expense.

(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. The year ended average is based on the addition of the account balance at the end of the five most recently-ended quarters and dividing by five.