

# Arrow Electronics

## Earnings Presentation

Second Quarter 2024

August 1, 2024

ARW  
LISTED  
NYSE



# 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 2024 such as sales, net income per diluted share, non-GAAP net income per diluted share, average tax rate, 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 conditions 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 and changes; 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 and information system failures, including related to current or future implementations, integrations and upgrades; 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



# Q2 2024 highlights

CONSOLIDATED SALES

**\$6.9** Billion

OPERATING MARGIN<sup>1</sup>

**3.8** Percent

DILUTED EARNINGS PER SHARE<sup>1</sup>

**\$2.78**

- Revenue and earnings per share exceeded high end of guidance range
- Additional Q2 2024 financial information:
  - \$262 million operating income<sup>1</sup>
  - \$150 million net income<sup>1</sup>
  - \$320 million operating cash flow
  - \$50 million in share repurchases



# Global components

- Signs of incremental improvements across several markets, though conditions have not fully normalized
- Structural margin health, well above levels of prior downcycles
- Regional second-quarter perspectives:
  - APAC – Semiconductor and IP&E revenue grew with relative strength in Compute and Industrial; stable transactional pricing
  - Americas – Declined sequentially, but strength in Aerospace & Defense and IP&E; design win growth
  - EMEA – Bookings grew, however, Industrial and Transportation remained in decline; cycle timing lagging other regions
- Continued progression of cyclical leading indicators
  - Book-to-bill ratios advanced across all operating regions and are approaching parity
  - Backlog has stabilized and cancellations have declined
  - Bookings grew across all operating regions



# Enterprise computing solutions

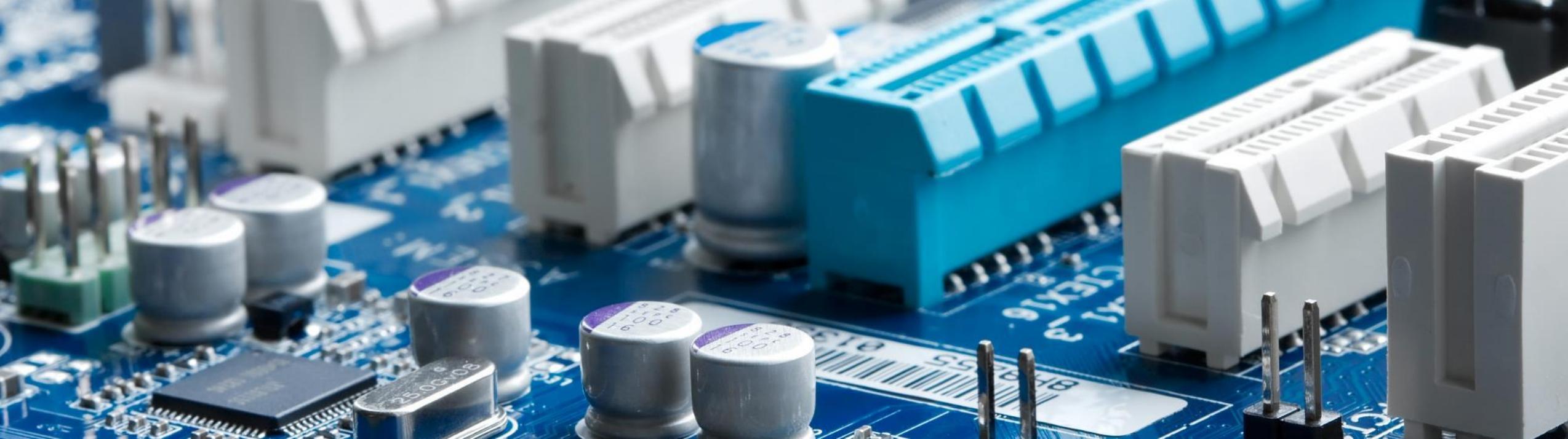
- Cloud- and AI-solutions and server demand contributed to overall results
- Regional second-quarter perspectives:
  - EMEA – year-over-year billings and gross profit dollar growth; strength in hybrid cloud adoption as we expand line card
  - North America – relative strength in public sector and cloud, offset by data storage
- Continue to capitalize on transition to IT as a service:
  - Growing multi-year subscriptions and recurring revenue streams



# Closing thoughts

- Anticipate a stronger 2024 second half
- Arrow positioned for future growth cycles:
  - Supply chain services scaling next generation AI infrastructure
  - Engineering and integration offerings deploying AI solutions
  - Robotics Center of Excellence designing future technology solutions





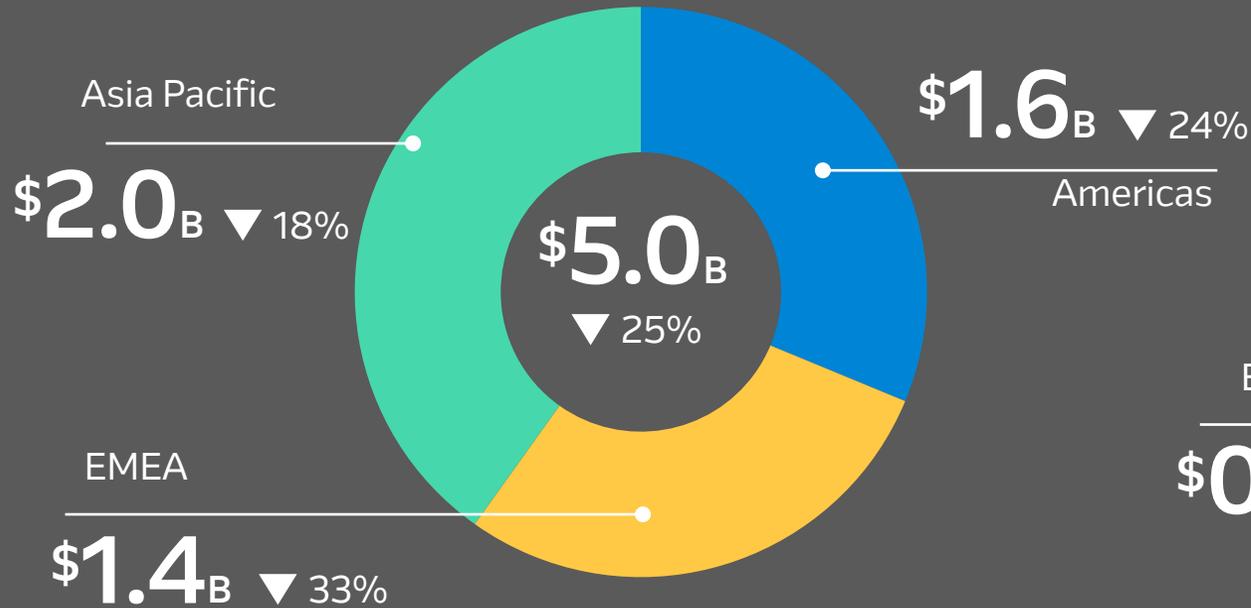
# Raj Agrawal

Senior Vice President and CFO

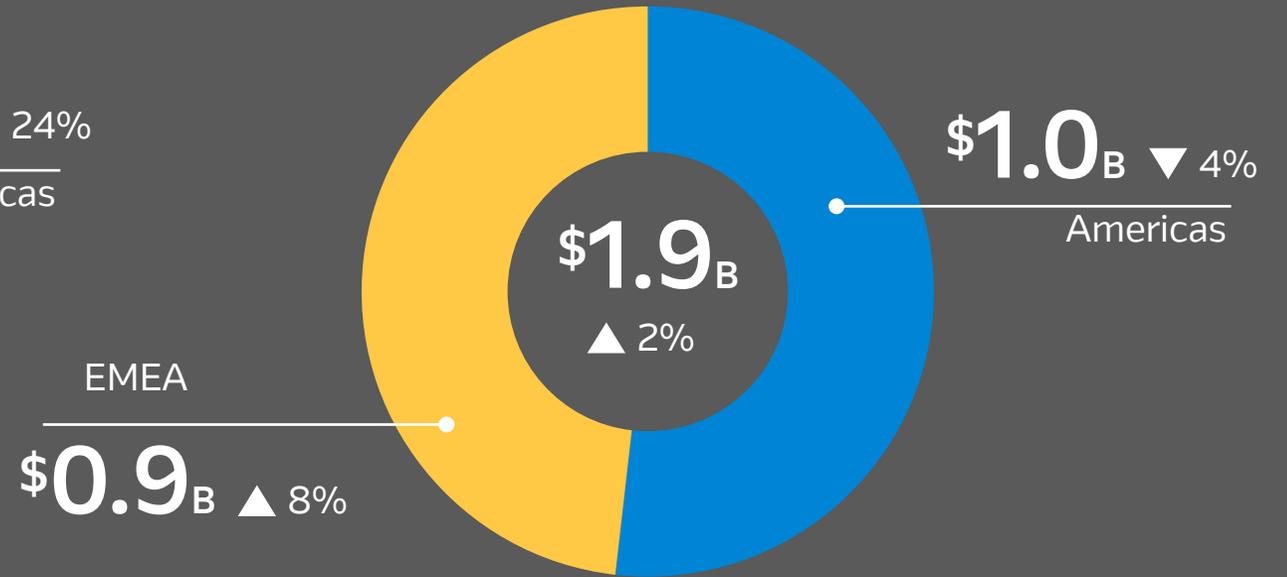


# Q2 2024 revenue (\$6.9B consolidated)

## Global Components



## Enterprise Computing Solutions



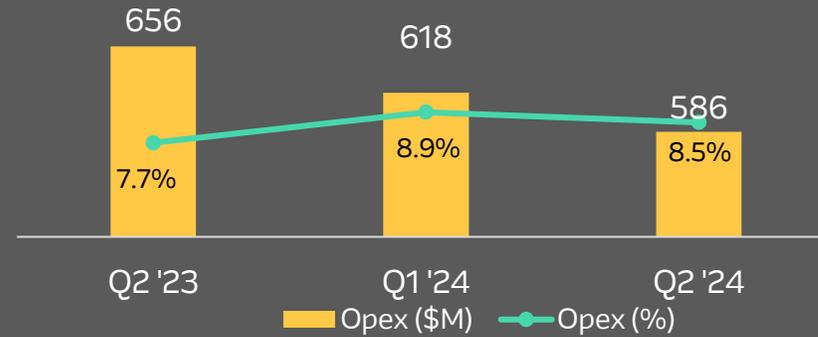
Revenue figures are GAAP and reflect year-on-year performance changes  
Amounts may not calculate precisely due to rounding

# Q2 2024 financial metrics

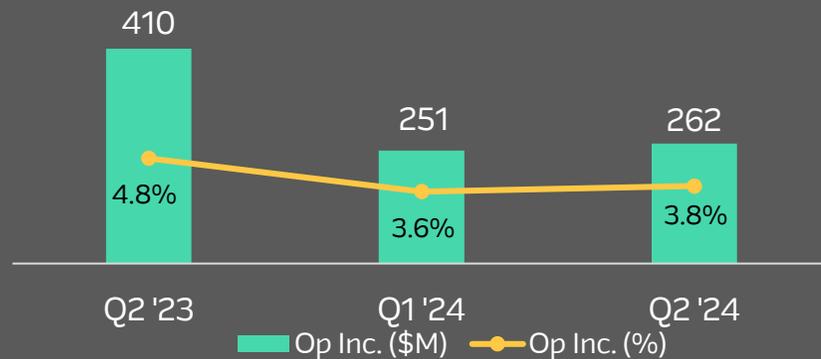
## Sales & Non-GAAP Gross Margin<sup>1</sup>



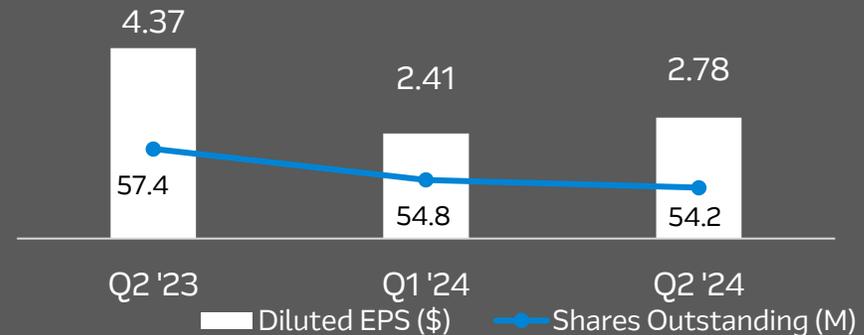
## Non-GAAP Operating Expenses<sup>1</sup>



## Non-GAAP Operating Income<sup>1</sup>



## Non-GAAP Diluted EPS<sup>1</sup>



Interest and other expense, net in Q2 '24 was \$67 million  
 Non-GAAP Effective Tax Rate was 22.4%<sup>1</sup>

# Working capital

## Net Working Capital (\$B)



- **Non-GAAP Return on Working Capital (ROWC)<sup>1</sup>** was 15.5% in the second quarter, down 640 basis points year on year. The decrease in ROWC related primarily to lower operating income in global components
- **Non-GAAP Return on Invested Capital (ROIC)<sup>1</sup>** was 9.0% in the second quarter, down 440 basis points year on year. The decrease in ROIC related primarily to lower operating income in global components.

## Cash Conversion (Days)



# Q2 2024 balance sheet and cash highlights



Operating Cashflow was \$320M in Q2



Net Debt was \$3.1B



Repurchased \$50M in shares



# Q3 2024 guidance

Consolidated Sales	\$6.37 billion to \$6.97 billion
Global components	\$4.70 billion to \$5.10 billion
Global ECS	\$1.67 billion to \$1.87 billion
Diluted Earnings Per Share*	\$1.70 to \$1.90
Non-GAAP Diluted Earnings Per Share*	\$2.10 to \$2.30
Interest and other expense, net	\$70 million

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

- We estimate changes in foreign currencies to increase year on year sales by \$7 million and have no impact on earnings per share on a diluted basis compared to the third quarter of 2023.
- We estimate changes in foreign currencies to increase quarter on quarter growth in sales by approximately \$30 million and earnings per share on a diluted basis by \$0.02 compared to the second quarter of 2024.





# Thank You Q&A



# Consolidated second-quarter overview

(\$ in millions, except per share data)

	Q2 2024	Q2 2023	Y/Y CHANGE	Q2 2023 IN CONSTANT CURRENCY	Y/Y CHANGE IN CONSTANT CURRENCY	Q1 2024	Q/Q CHANGE
P&L Highlights*							
Sales	\$6,893	\$8,515	-19%	\$8,462	-19%	\$6,924	0%
Gross Profit Margin	12.3%	12.5%	-20 bps	12.5%	-20 bps	12.4%	-10 bps
Operating Income	\$212	\$392	-46%	\$388	-45%	\$186	14%
Operating Margin	3.1%	4.6%	-150 bps	4.6%	-150 bps	2.7%	40 bps
Non-GAAP Operating Income	\$262	\$410	-36%	\$407	-36%	\$251	4%
Non-GAAP Operating Margin	3.8%	4.8%	-100 bps	4.8%	-100 bps	3.6%	20 bps
Net Income	\$109	\$237	-54%	\$234	-53%	\$84	30%
Diluted EPS	\$2.01	\$4.12	-51%	\$4.07	-51%	\$1.53	31%
Non-GAAP Net Income	\$150	\$251	-40%	\$248	-39%	\$132	14%
Non-GAAP Diluted EPS	\$2.78	\$4.37	-36%	\$4.32	-36%	\$2.41	15%

	Q2 2024	Q2 2023	Y/Y CHANGE	Q2 2023 IN CONSTANT CURRENCY	Y/Y CHANGE IN CONSTANT CURRENCY	Q1 2024	Q/Q CHANGE
Operating expenses	\$634	\$674	-6%	\$670	-5%	\$672	-6%
Operating expenses margin	9.2%	7.9%	130 bps	7.9%	130 bps	9.7%	-50 bps
Non-GAAP Operating expenses	\$586	\$656	-11%	\$652	-10%	\$618	-5%
Non-GAAP Operating expenses margin	8.5%	7.7%	80 bps	7.7%	80 bps	8.9%	-40 bps

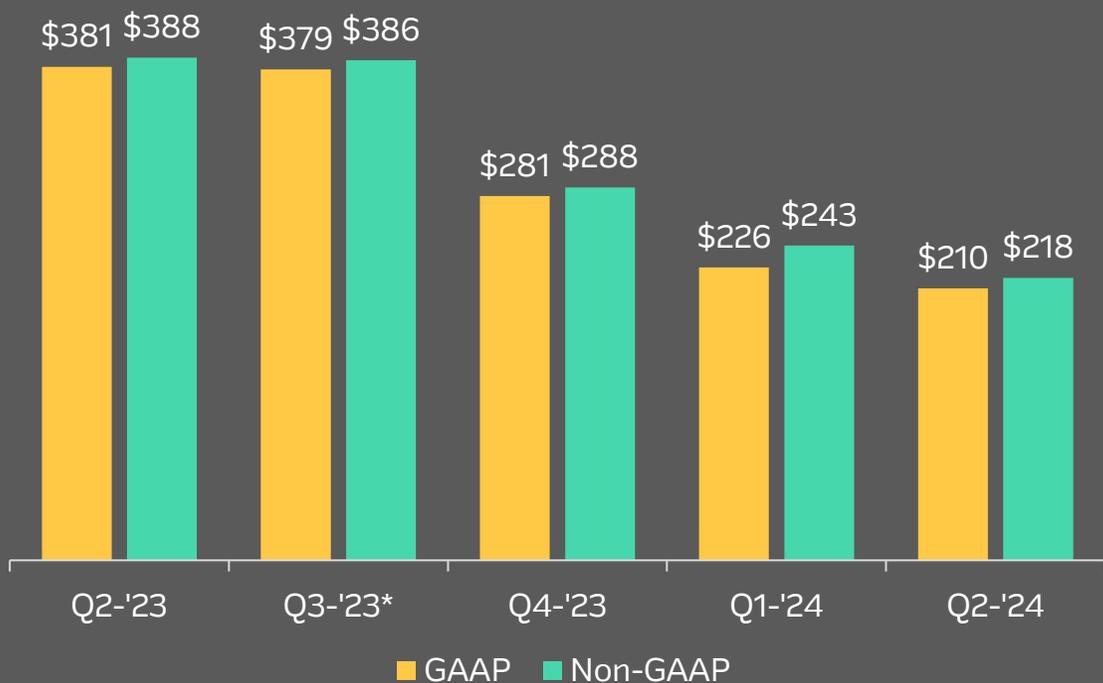
# Revenue history

(\$ in millions, may reflect rounding)

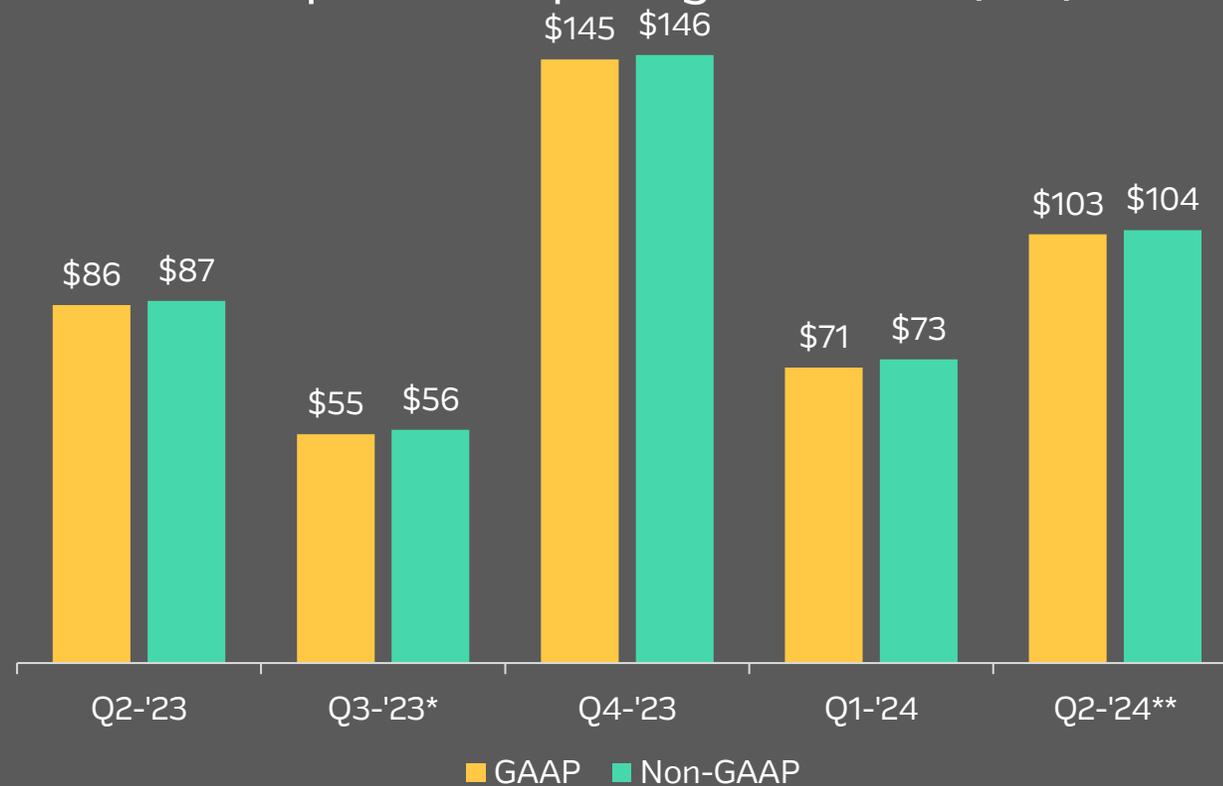
	Q2'23	Q3 '23	Q4'23	Q1'24	Q2'24	YoY change	QoQ change
Global Components Total	\$6,683	\$6,245	\$5,636	\$5,191	\$5,032	-25%	-3%
Americas	2,067	1,870	1,785	1,597	1,573	-24%	-2%
Europe, Middle East & Africa	2,153	1,987	1,688	1,657	1,439	-33%	-13%
Asia Pacific	2,463	2,388	2,163	1,938	2,020	-18%	4%
Enterprise Computing Solutions Total	1,832	1,762	2,213	1,733	1,861	2%	7%
Europe, Middle East & Africa	831	746	1,067	825	897	8%	9%
Americas	1,001	1,016	1,146	908	964	-4%	6%
Arrow Electronics Total	\$8,515	\$8,007	\$7,849	\$6,924	\$6,893	-19%	0%

# 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

\*\* Q2-'24 ECS operating income included a \$20 million benefit for the collection of certain aged receivables related to one 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, 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, loss on extinguishment of debt, restructuring, integration, and other charges, net gains and losses on investments, impact of wind down to inventory, and the 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 2024 GAAP to non-GAAP outlook reconciliation

(\$ in billions, except per share data)

## NON-GAAP SALES RECONCILIATION

	Quarter Ended			Quarter Ended		
	28-Sep-24	30-Sep-23	% Change	28-Sep-24	29-Jun-24	% Change
Global components sales, GAAP	\$ 4.70 - 5.10	\$ 6.25	(25%) - (18%)	\$ 4.70 - 5.10	\$ 5.03	(7%) - 1%
Impact of changes in foreign currencies	—	-		—	0.02	
Global components sales, constant currency	\$ 4.70 - 5.10	\$ 6.25	(25%) - (18%)	\$ 4.70 - 5.10	\$ 5.05	(7%) - 1%
Global ECS sales, GAAP	\$ 1.67 - 1.87	\$ 1.76	(5%) - 6%	\$ 1.67 - 1.87	\$ 1.86	(10%) - 0%
Impact of changes in foreign currencies	—	0.01		—	0.01	
Global ECS sales, constant currency	\$ 1.67 - 1.87	\$ 1.77	(6%) - 6%	\$ 1.67 - 1.87	\$ 1.87	(11%) - 0%

## NON-GAAP EARNINGS RECONCILIATION

	REPORTED GAAP MEASURE	INTANGIBLE AMORTIZATION EXPENSE	RESTRUCTURING & INTEGRATION CHARGES	NON-GAAP MEASURE
Net income per diluted share	\$1.70 to \$1.90	\$0.10	\$0.30	\$2.10 to \$2.30

# Quarterly GAAP to non-GAAP reconciliation

(\$ in thousands, except per share data)

## Three months ended June 29, 2024

	Reported GAAP measure	Intangible Amortization Expense	Restructuring & Integration charges	Impact of Wind Down <sup>(1)</sup>	Non-recurring tax items	Other <sup>(2)</sup>	Non-GAAP measure
Operating income	\$ 212,275	\$ 7,456	\$ 40,537	\$ 1,627	\$ -	\$ -	\$ 261,895
Income before income taxes	139,386	7,456	40,537	1,627	-	6,272	195,278
Net income attributable to shareholders	\$ 108,698	\$ 5,457	\$ 30,323	\$ 1,238	\$ -	\$ 4,766	\$ 150,482
Net income per diluted share <sup>(4)</sup>	\$ 2.01	\$ 0.10	\$ 0.56	\$ 0.02	\$ -	\$ 0.09	\$ 2.78
Effective tax rate <sup>(5)</sup>	21.4%						22.4%

## Three months ended July 1, 2023

	Reported GAAP measure	Intangible Amortization Expense	Restructuring & Integration charges	Impact of Wind Down <sup>(1)</sup>	Non-recurring tax items	Other <sup>(3)</sup>	Non-GAAP measure
Operating income	\$ 392,250	\$ 7,908	\$ 10,333	\$ -	\$ -	\$ -	\$ 410,491
Income before income taxes	310,171	7,908	10,333	-	-	(497)	327,915
Net income attributable to shareholders	\$ 236,559	\$ 5,780	\$ 7,736	\$ -	\$ 942	\$ (378)	\$ 250,639
Net income per diluted share <sup>(4)</sup>	\$ 4.12	\$ 0.10	\$ 0.13	\$ -	\$ 0.02	\$ (0.01)	\$ 4.37
Effective tax rate <sup>(5)</sup>	23.3%						23.1%

## Three months ended March 30, 2024

	Reported GAAP measure	Intangible Amortization Expense	Restructuring & Integration charges	Impact of Wind Down <sup>(1)</sup>	Non-recurring tax items	Other <sup>(3)</sup>	Non-GAAP measure
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
Net income attributable to shareholders	\$ 83,601	\$ 5,532	\$ 34,842	\$ 7,957	\$ -	\$ (74)	\$ 131,858
Net income per diluted share <sup>(4)</sup>	\$ 1.53	\$ 0.10	\$ 0.64	\$ 0.15	\$ -	\$ -	\$ 2.41
Effective tax rate <sup>(5)</sup>	21.0%						22.6%

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

(2) Other includes loss (gain) on investments, net and loss on extinguishment of debt.

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

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

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

# Gross profit reconciliation

(\$ in thousands)

	Quarter Ended				
	<u>7/1/2023</u>	<u>9/30/2023</u>	<u>12/31/2023</u>	<u>3/30/2024</u>	<u>6/29/2024</u>
Consolidated Gross Profit, as reported	\$ 1,066,049	\$ 979,597	\$ 989,550	\$ 857,826	\$ 846,444
Impact of wind down to inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,459</u>	<u>1,627</u>
Consolidated non-GAAP gross profit	<u>\$ 1,066,049</u>	<u>\$ 979,597</u>	<u>\$ 989,550</u>	<u>\$ 868,285</u>	<u>\$ 848,071</u>

# Return on working capital reconciliation

(\$ in thousands)

	Quarter Ended	
	June 29, 2024	July 1, 2023
<b>Numerator:</b>		
Consolidated operating income, as reported	\$ 212,275	\$ 392,250
	x4	x4
Annualized consolidated operating income	\$ 849,100	\$ 1,569,000
Non-GAAP consolidated operating income	\$ 261,895	\$ 410,491
	x4	x4
Annualized non-GAAP consolidated operating income	\$ 1,047,580	\$ 1,641,964
<b>Denominator:</b>		
Accounts receivable, net	\$ 10,886,501	\$ 11,035,898
Inventories	4,654,793	5,452,198
Less: Accounts payable	8,770,862	8,981,212
Working capital	\$ 6,770,432	\$ 7,506,884
Return on working capital	12.5%	20.9%
Return on working capital (Non-GAAP)	15.5%	21.9%

# Return on invested capital reconciliation

(\$ in thousands)

	Quarter Ended	
	June 29, 2024	July 1, 2023
<b>Numerator:</b>		
Consolidated operating income, as reported	\$ 212,275	\$ 392,250
Equity in earnings of affiliated companies <sup>(1)</sup>	1,254	3,061
Less: Noncontrolling interests <sup>(1)</sup>	926	1,232
Consolidated operating income, as adjusted	212,603	394,079
Less: Tax effect <sup>(2)</sup>	45,274	92,218
After-tax consolidated operating income, as adjusted	167,329	301,861
	x4	x4
Annualized after-tax consolidated operating income, as adjusted	\$ 669,316	\$ 1,207,444
Non-GAAP consolidated operating income	\$ 261,895	\$ 410,491
Equity in earnings of affiliated companies <sup>(1)</sup>	1,254	3,061
Less: Noncontrolling interests <sup>(1)</sup>	1,061	1,368
Non-GAAP consolidated operating income, as adjusted	262,088	412,184
Less: Tax effect <sup>(3)</sup>	58,567	95,690
After-tax non-GAAP consolidated operating income, as adjusted	203,521	316,494
	x4	x4
Annualized after-tax non-GAAP operating income, as adjusted	\$ 814,084	\$ 1,265,976
<b>Denominator:</b>		
Average short-term borrowings, including current portion of long-term debt <sup>(4)</sup>	\$ 903,118	316,216
Average long-term debt <sup>(4)</sup>	2,555,782	3,695,942
Average total equity <sup>(4)</sup>	5,791,694	5,627,327
Average cash and cash equivalents <sup>(4)</sup>	227,910	222,968
Invested capital	\$ 9,022,684	\$ 9,416,517
Return on invested capital	7.4%	12.8%
Return on invested capital (Non-GAAP)	9.0%	13.4%

(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 June 29, 2024 and July 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 June 29, 2024 and July 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>7/1/2023</u>	<u>9/30/2023</u>	<u>12/31/2023</u>	<u>3/30/2024</u>	<u>6/29/2024</u>
Global components operating income, as reported	\$ 381,314	\$ 379,053	\$ 281,260	\$ 225,562	\$ 210,201
Intangible assets amortization expense	6,679	6,640	6,436	6,488	6,399
Impact of wind down to inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,459</u>	<u>1,627</u>
Global components non-GAAP operating income	<u>\$ 387,993</u>	<u>\$ 385,693</u>	<u>\$ 287,696</u>	<u>\$ 242,509</u>	<u>\$ 218,227</u>
Global ECS operating income, as reported	\$ 86,228	\$ 54,624	\$ 145,053	\$ 71,459	\$ 102,581
Intangible assets amortization expense	<u>1,229</u>	<u>1,223</u>	<u>1,055</u>	<u>1,058</u>	<u>1,057</u>
Global ECS non-GAAP operating income	<u>\$ 87,457</u>	<u>\$ 55,847</u>	<u>\$ 146,108</u>	<u>\$ 72,517</u>	<u>\$ 103,638</u>