

Arrow Electronics

Earnings Presentation

Third Quarter 2024

October 31, 2024

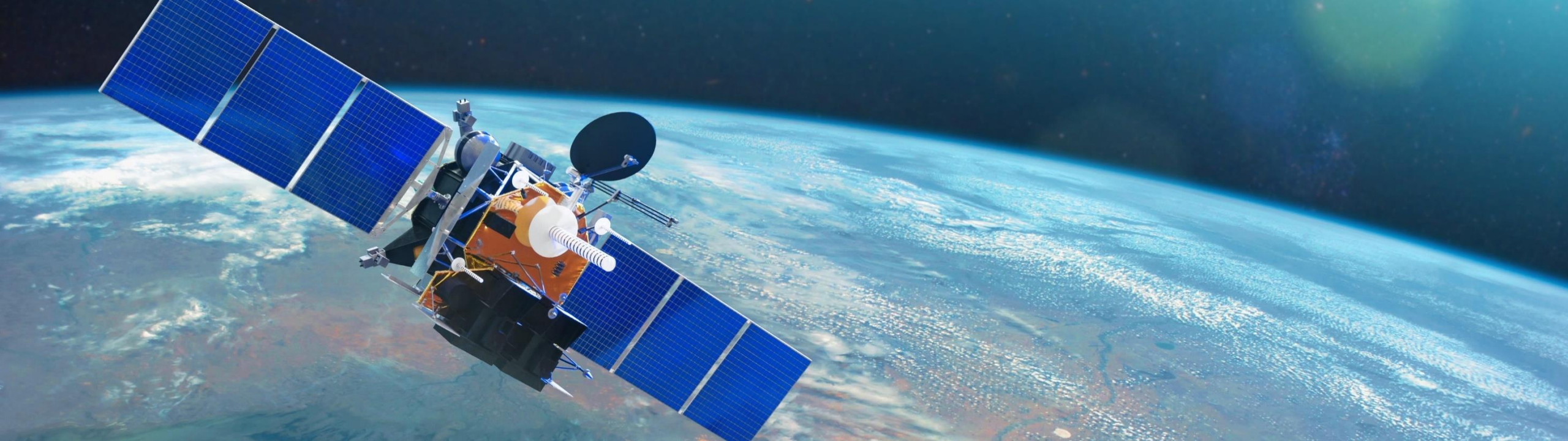
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Safe harbor

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 fourth 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, the timing of the completion of the Operating Expense Efficiency Plan (the “Plan”) and Arrow’s estimated costs and expected operating reductions from the Plan, 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: incurrence of additional charges not currently contemplated and failure to realize contemplated cost savings due to unanticipated events that may occur, including in connection with the implementation of our restructuring plan; 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; restructuring activities and impacts thereof; 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



Q3 2024 highlights

CONSOLIDATED SALES

\$6.8 Billion

OPERATING MARGIN¹

3.2 Percent

DILUTED EARNINGS PER SHARE¹

\$2.38

- Revenue above midpoint of guidance range and earnings per share exceeded high end of guidance range
- Additional Q3 2024 financial information:
 - \$215 million operating income¹
 - \$128 million net income¹
 - \$81 million operating cash flow
 - \$50 million in share repurchases



Global components

- Leading indicators remained relatively stable
- Regional third-quarter perspectives:
 - APAC – Mixed patterns, but stability overall; continued IP&E revenue growth with relative strength in Transportation
 - Americas – Grew sequentially with strength across several verticals lead by Aerospace & defense; decline in Industrials
 - EMEA – Continued broad-based declines from later cycle entry
- Margin decline from regional and customer mix



Enterprise computing solutions

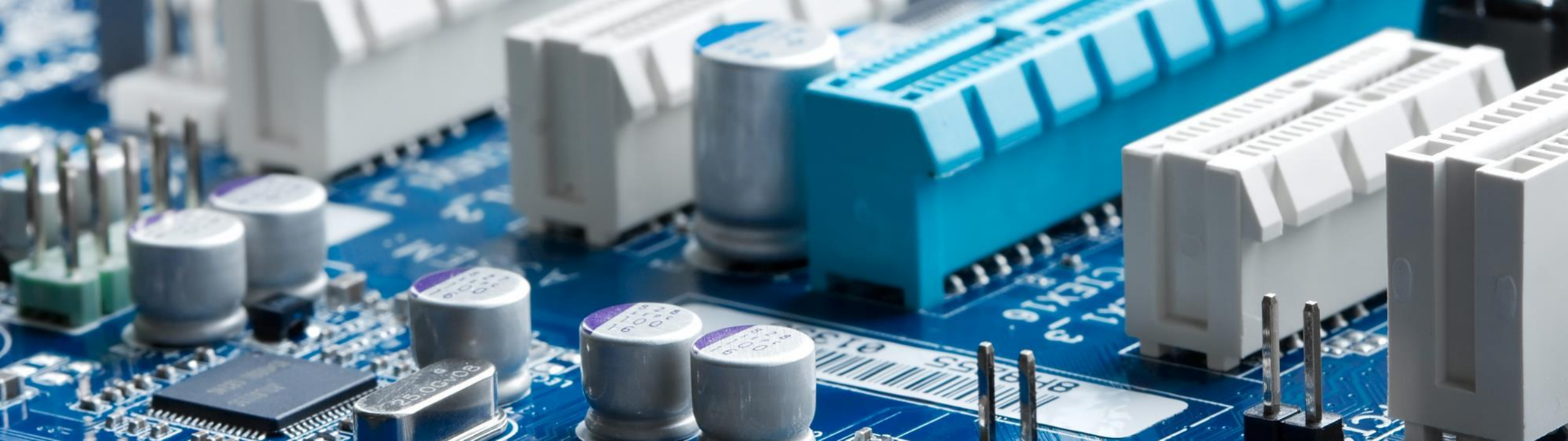
- Continued strength in EMEA and improving execution in North America drove year-over-year revenue and gross profit dollar growth
- Pivot to more hybrid cloud solutions and realignment of North American business leading to better outcomes:
 - Growing backlog
 - More recurring revenue
 - Accretive contribution margins



Closing thoughts

- In Global Components we remain focused on our strategic priorities:
 - Supply chain services
 - Demand creation
 - Engineering services
 - IP&E
- In Enterprise Computing Solutions:
 - ArrowSphere becoming central to go-to-market
 - Expanding customer base
 - Growing recurring revenue





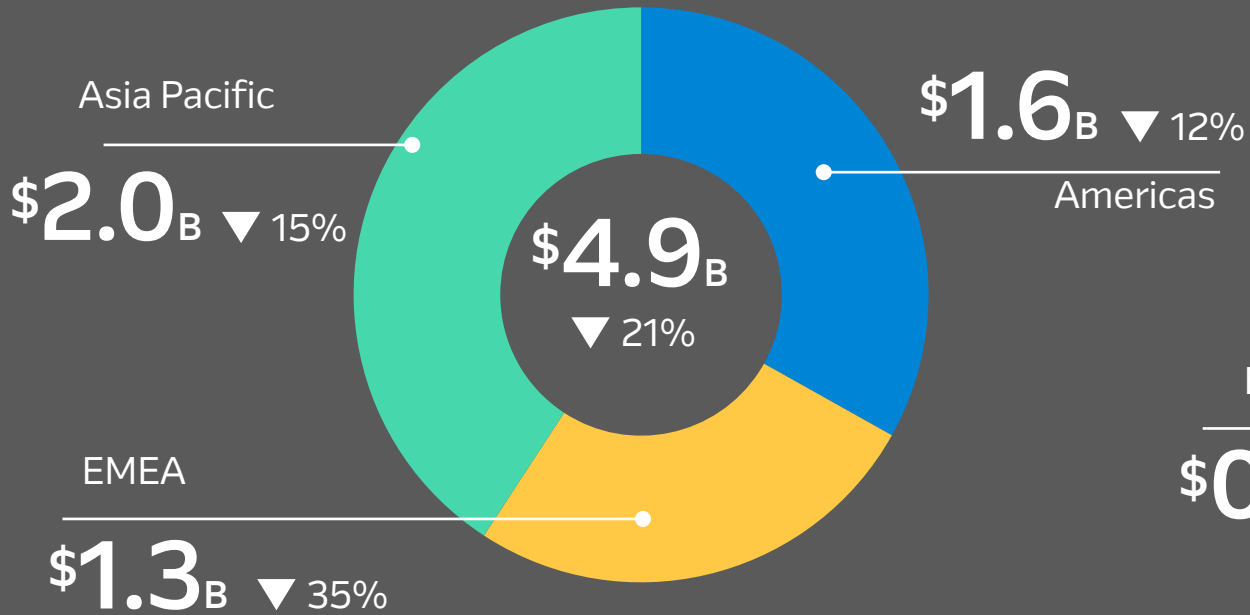
Raj Agrawal

Senior Vice President and CFO

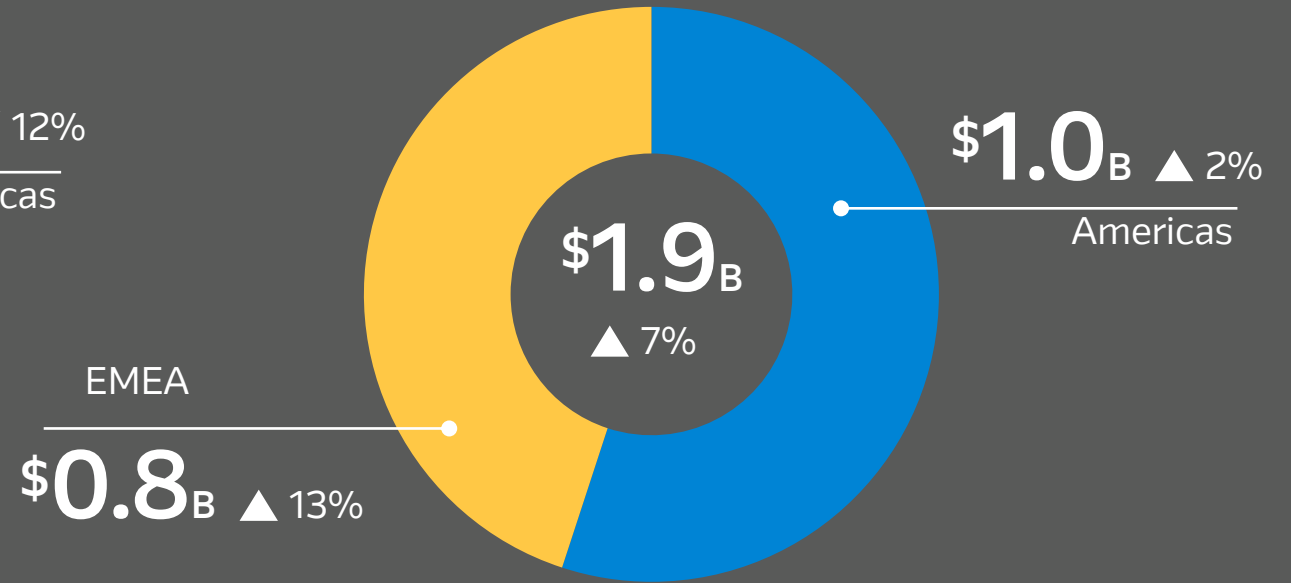


Q3 2024 revenue (\$6.8B consolidated)

Global Components



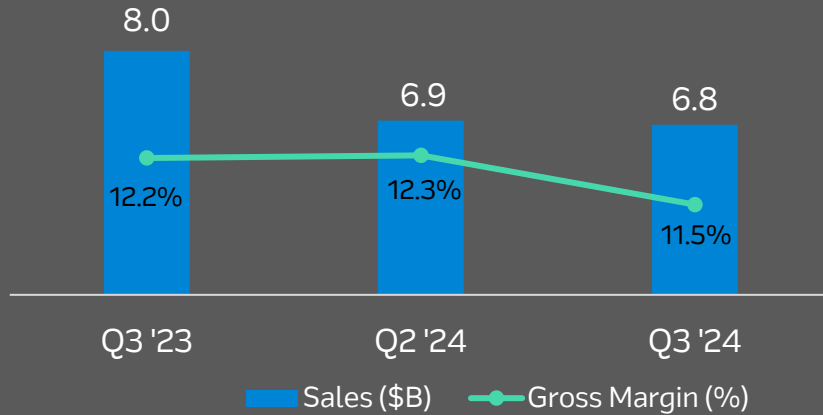
Enterprise Computing Solutions



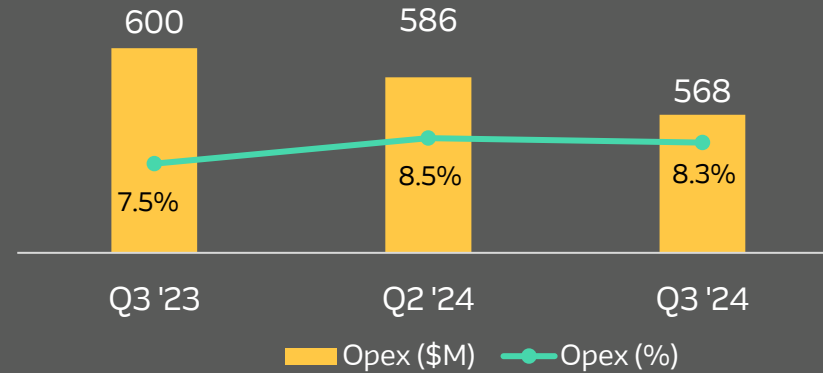
Revenue figures are GAAP and reflect year-on-year performance changes
Amounts may not calculate precisely due to rounding

Q3 2024 financial metrics

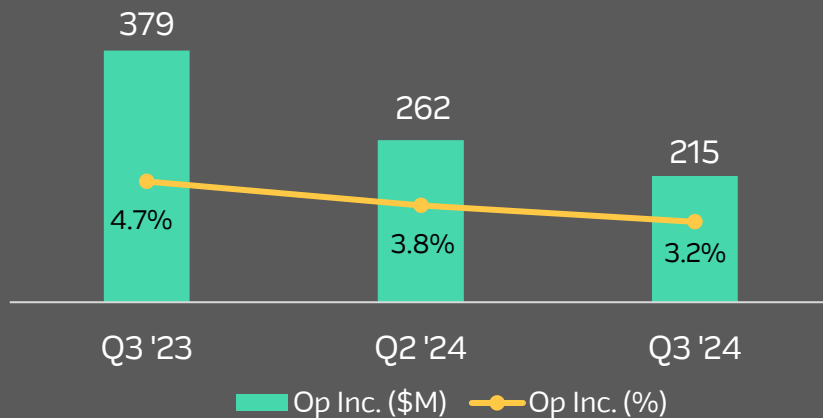
Sales & Non-GAAP Gross Margin¹



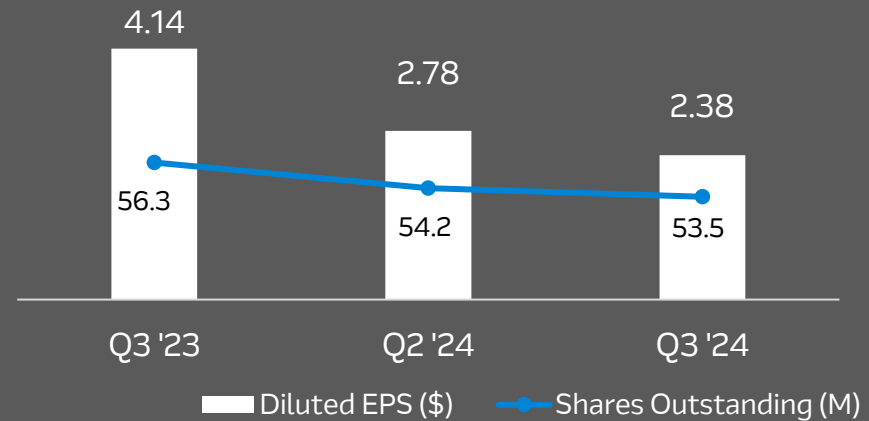
Non-GAAP Operating Expenses¹



Non-GAAP Operating Income¹



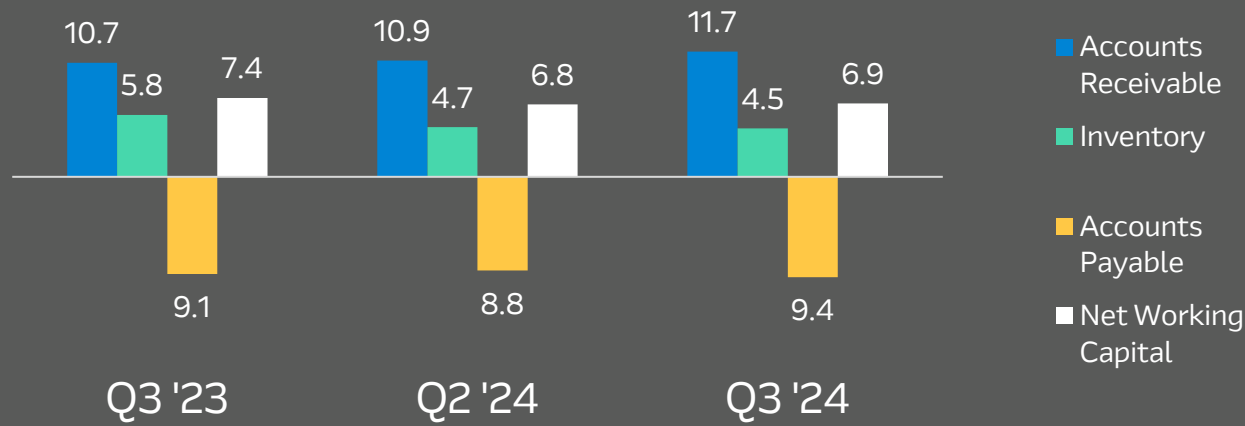
Non-GAAP Diluted EPS¹



Interest and other expense, net in Q3 '24 was \$63 million
 Non-GAAP Effective Tax Rate was 15.9%¹

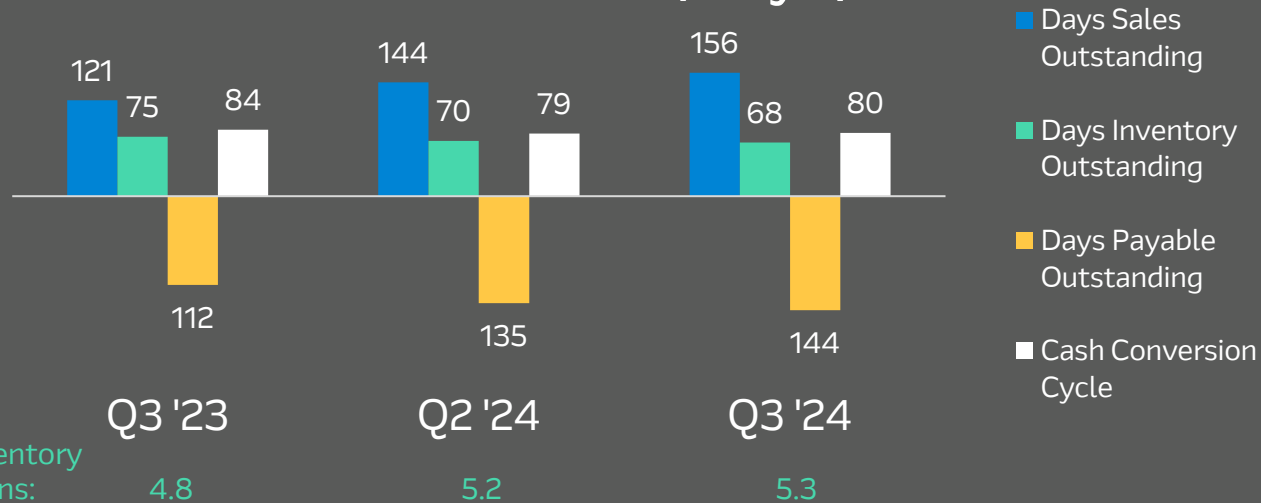
Working capital

Net Working Capital (\$B)



- **Non-GAAP Return on Working Capital (ROWC)¹** was 12.5% in the third quarter, down 810 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)¹** was 8.1% in the third quarter, down 450 basis points year on year. The decrease in ROIC related primarily to lower operating income in Global Components.

Cash Conversion (Days)



Q3 2024 balance sheet and cash highlights



Operating Cashflow was \$81M in Q3



Net Debt was \$3.0B



Repurchased \$50M in shares



Q4 2024 guidance

Consolidated Sales	\$6.67 billion to \$7.27 billion
Global components	\$4.50 billion to \$4.90 billion
Global ECS	\$2.17 billion to \$2.37 billion
Diluted Earnings Per Share ⁽¹⁾	\$1.35 to \$1.55
Non-GAAP Diluted Earnings Per Share ⁽¹⁾	\$2.48 to \$2.68
Interest and other expense, net	\$60 million to \$65 million

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

- We estimate changes in foreign currencies to increase sales by \$60 million and earnings per share on a diluted basis by \$0.02 compared to the fourth quarter of 2023.
- We estimate changes in foreign currencies to have no material impact on growth in sales or earnings per share on a diluted basis compared to the third quarter of 2024.





Thank You Q&A

Consolidated third-quarter overview

(\$ in millions, except per share data)

	Q3 2024	Q3 2023	Y/Y CHANGE	Q3 2023 IN CONSTANT CURRENCY	Y/Y CHANGE IN CONSTANT CURRENCY	Q2 2024	Q/Q CHANGE
P&L Highlights							
Sales	\$6,823	\$8,007	-15%	\$8,044	-15%	\$6,893	-1%
Gross Profit Margin	11.5%	12.2%	-70 bps	12.2%	-70 bps	12.3%	-80 bps
Operating Income	\$175	\$340	-48%	\$342	-49%	\$212	-17%
Operating Margin	2.6%	4.2%	-160 bps	4.3%	-170 bps	3.1%	-50 bps
Non-GAAP Operating Income	\$215	\$379	-43%	\$382	-44%	\$262	-18%
Non-GAAP Operating Margin	3.2%	4.7%	-150 bps	4.7%	-150 bps	3.8%	-60 bps
Net Income	\$101	\$199	-49%	\$200	-50%	\$109	-7%
Diluted EPS	\$1.88	\$3.53	-47%	\$3.55	-47%	\$2.01	-6%
Non-GAAP Net Income	\$128	\$233	-45%	\$234	-46%	\$150	-15%
Non-GAAP Diluted EPS	\$2.38	\$4.14	-43%	\$4.16	-43%	\$2.78	-14%

	Q3 2024	Q3 2023	Y/Y CHANGE	Q3 2023 IN CONSTANT CURRENCY	Y/Y CHANGE IN CONSTANT CURRENCY	Q2 2024	Q/Q CHANGE
Operating expenses	\$610	\$640	-5%	\$641	-5%	\$634	-4%
Operating expenses margin	8.9%	8.0%	90 bps	8.0%	90 bps	9.2%	-30 bps
Non-GAAP Operating expenses	\$568	\$600	-5%	\$602	-6%	\$586	-3%
Non-GAAP Operating expenses margin	8.3%	7.5%	80 bps	7.5%	80 bps	8.5%	-20 bps

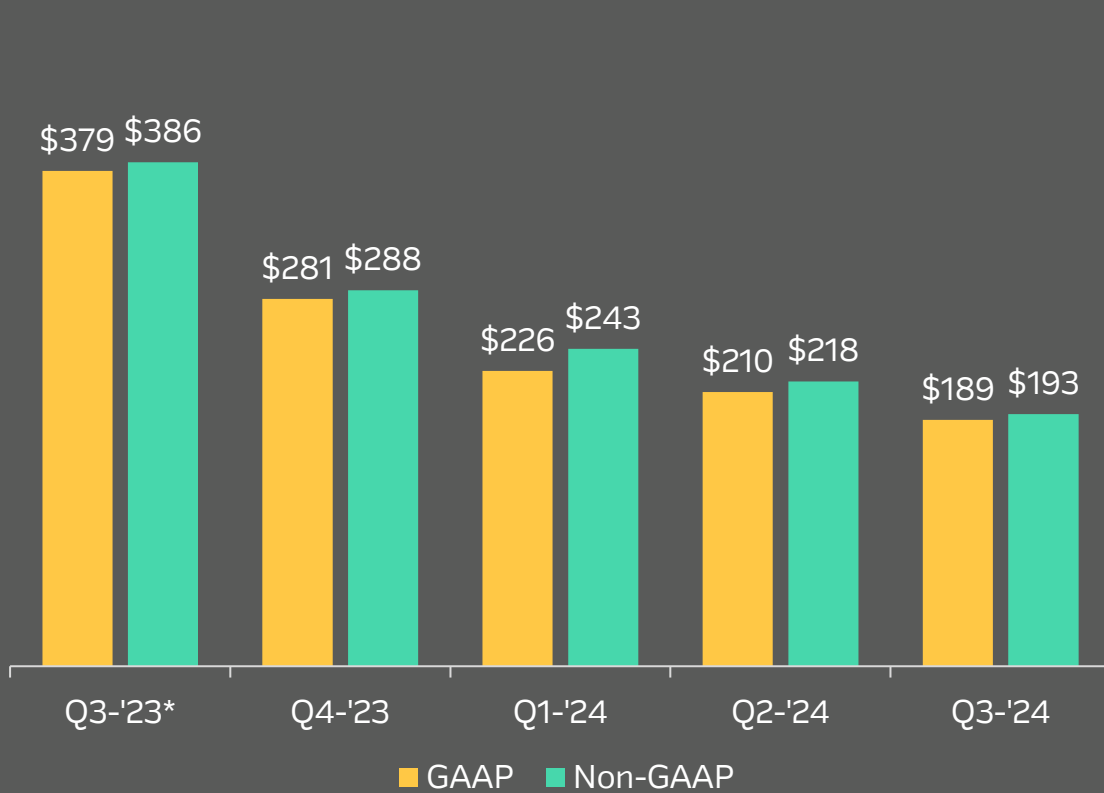
Revenue history

(\$ in millions, may reflect rounding)

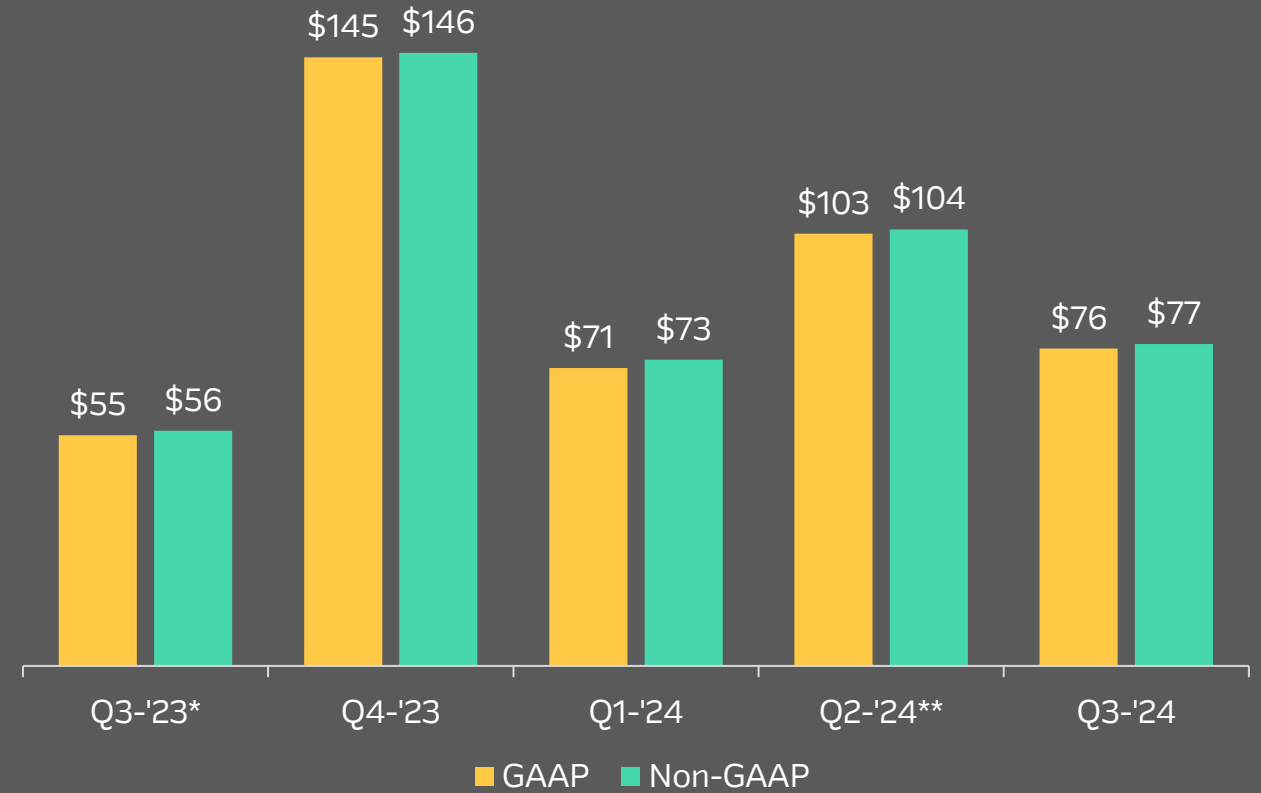
	Q3 '23	Q4'23	Q1'24	Q2'24	Q3'24	YoY change	QoQ change
Global Components Total	\$6,245	\$5,636	\$5,191	\$5,032	\$4,946	-21%	-2%
Americas	1,870	1,785	1,597	1,573	1,638	-12%	4%
Europe, Middle East & Africa	1,987	1,688	1,657	1,439	1,290	-35%	-10%
Asia Pacific	2,388	2,163	1,938	2,020	2,018	-15%	0%
Enterprise Computing Solutions Total	1,762	2,213	1,733	1,861	1,877	7%	1%
Europe, Middle East & Africa	746	1,067	825	897	844	13%	-6%
Americas	1,016	1,146	908	964	1,033	2%	7%
Arrow Electronics Total	\$8,007	\$7,849	\$6,924	\$6,893	\$6,823	-15%	-1%

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, consolidated net income, noncontrolling interest, 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.



Fourth-quarter 2024 GAAP to non-GAAP outlook reconciliation

(\$ in billions, except per share data)

NON-GAAP SALES RECONCILIATION

	Quarter Ended			Quarter Ended		
	31-Dec-24	31-Dec-23	% Change	31-Dec-24	28-Sep-24	% Change
Global components sales, GAAP	\$ 4.50 - 4.90	\$ 5.64	(20%) - (13%)	\$ 4.50 - 4.90	\$ 4.95	(9%) - (1%)
Impact of changes in foreign currencies	—	0.04		—	—	
Global components sales, constant currency	\$ 4.50 - 4.90	\$ 5.68	(21%) - (14%)	\$ 4.50 - 4.90	\$ 4.95	(9%) - (1%)
Global ECS sales, GAAP	\$ 2.17 - 2.37	\$ 2.21	(2%) - 7%	\$ 2.17 - 2.37	\$ 1.88	15% - 26%
Impact of changes in foreign currencies	—	0.02		—	—	
Global ECS sales, constant currency	\$ 2.17 - 2.37	\$ 2.23	(3%) - 6%	\$ 2.17 - 2.37	\$ 1.88	15% - 26%

NON-GAAP EARNINGS RECONCILIATION

REPORTED GAAP MEASURE	INTANGIBLE AMORTIZATION	RESTRUCTURING & INTEGRATION	NON-GAAP MEASURE
	EXPENSE	CHARGES	
Net income per diluted share	\$1.35 to \$1.55	\$1.03	\$2.48 to \$2.68

Quarterly GAAP to non-GAAP reconciliation

(\$ in thousands, except per share data)

Three months ended September 28, 2024

	Reported GAAP measure	Intangible Amortization Expense	Restructuring & Integration charges	Impact of Wind Down ⁽¹⁾	Other ⁽²⁾	Non-GAAP measure
Operating income	\$ 175,262	\$ 7,308	\$ 34,466	\$ (1,857)	\$ -	\$ 215,179
Income before income taxes	116,095	7,308	34,466	(1,857)	(3,757)	152,255
Provision for income taxes	15,198	1,819	8,592	(444)	(902)	24,263
Consolidated net income	100,897	5,489	25,874	(1,413)	(2,855)	127,992
Noncontrolling interests	330	136	-	-	-	466
Net income attributable to shareholders	\$ 100,567	\$ 5,353	\$ 25,874	\$ (1,413)	\$ (2,855)	\$ 127,526
Net income per diluted share ⁽⁴⁾	\$ 1.88	\$ 0.10	\$ 0.48	\$ (0.03)	\$ (0.05)	\$ 2.38
Effective tax rate ⁽⁵⁾	13.1%					15.9%

Three months ended September 30, 2023

	Reported GAAP measure	Intangible Amortization Expense	Restructuring & Integration charges	Impact of Wind Down ⁽¹⁾	Other ⁽²⁾	Non-GAAP measure
Operating income	\$ 340,083	\$ 7,863	\$ 31,359	\$ -	\$ -	\$ 379,305
Income before income taxes	252,282	7,863	31,359	-	6,159	297,663
Provision for income taxes	52,241	1,959	7,321	-	1,476	62,997
Consolidated net income	200,041	5,904	24,038	-	4,683	234,666
Noncontrolling interests	1,382	138	-	-	-	1,520
Net income attributable to shareholders	\$ 198,659	\$ 5,766	\$ 24,038	\$ -	\$ 4,683	\$ 233,146
Net income per diluted share ⁽⁴⁾	\$ 3.53	\$ 0.10	\$ 0.43	\$ -	\$ 0.08	\$ 4.14
Effective tax rate ⁽⁵⁾	20.7%					21.2%

Three months ended June 29, 2024

	Reported GAAP measure	Intangible Amortization Expense	Restructuring & Integration charges	Impact of Wind Down ⁽¹⁾	Other ⁽³⁾	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
Provision for income taxes	29,762	1,864	10,214	389	1,506	43,735
Consolidated net income	109,624	5,592	30,323	1,238	4,766	151,543
Noncontrolling interests	926	135	-	-	-	1,061
Net income attributable to shareholders	\$ 108,698	\$ 5,457	\$ 30,323	\$ 1,238	\$ 4,766	\$ 150,482
Net income per diluted share ⁽⁴⁾	\$ 2.01	\$ 0.10	\$ 0.56	\$ 0.02	\$ 0.09	\$ 2.78
Effective tax rate ⁽⁵⁾	21.4%					22.4%

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

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

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

(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 and operating expense reconciliation

(\$ in thousands)

	Quarter Ended				
	<u>9/30/2023</u>	<u>12/31/2023</u>	<u>3/30/2024</u>	<u>6/29/2024</u>	<u>9/28/2024</u>
Consolidated Gross Profit	\$ 979,597	\$ 989,550	\$ 857,826	\$ 846,444	\$ 784,828
Impact of wind down to inventory	-	-	10,459	1,627	(1,857)
Consolidated non-GAAP Gross Profit	<u>\$ 979,597</u>	<u>\$ 989,550</u>	<u>\$ 868,285</u>	<u>\$ 848,071</u>	<u>\$ 782,971</u>

	Quarter Ended				
	<u>9/30/2023</u>	<u>12/31/2023</u>	<u>3/30/2024</u>	<u>6/29/2024</u>	<u>9/28/2024</u>
Consolidated Operating Expense	\$ 639,514	\$ 672,871	\$ 671,909	\$ 634,169	\$ 609,566
Intangible Amortization Expense	(7,863)	(7,491)	(7,546)	(7,456)	(7,308)
Restructuring & Integration charges	<u>(31,359)</u>	<u>(39,664)</u>	<u>(46,856)</u>	<u>(40,537)</u>	<u>(34,466)</u>
Consolidated non-GAAP Operating Expense	<u>\$ 600,292</u>	<u>\$ 625,716</u>	<u>\$ 617,507</u>	<u>\$ 586,176</u>	<u>\$ 567,792</u>

Return on working capital reconciliation

(\$ in thousands)

	Quarter Ended	
	September 28, 2024	September 30, 2023
Numerator:		
Consolidated operating income, as reported	\$ 175,262	\$ 340,083
	x4	x4
Annualized consolidated operating income	\$ 701,048	\$ 1,360,332
Non-GAAP consolidated operating income	\$ 215,179	\$ 379,305
	x4	x4
Annualized non-GAAP consolidated operating income	\$ 860,716	\$ 1,517,220
Denominator:		
Accounts receivable, net	\$ 11,726,601	\$ 10,663,164
Inventories	4,529,655	5,805,520
Less: Accounts payable	9,392,389	9,090,554
Working capital	\$ 6,863,867	\$ 7,378,130
Return on working capital	10.2%	18.4%
Return on working capital (Non-GAAP)	12.5%	20.6%

Return on invested capital reconciliation

(\$ in thousands)

	Quarter Ended	
	September 28, 2024	September 30, 2023
Numerator:		
Consolidated operating income, as reported	\$ 175,262	\$ 340,083
Equity in earnings of affiliated companies ⁽¹⁾	1,002	1,392
Less: Noncontrolling interests ⁽¹⁾	330	1,382
Consolidated operating income, as adjusted	175,934	340,093
Less: Tax effect ⁽²⁾	23,080	70,704
After-tax consolidated operating income, as adjusted	152,854	269,389
	x4	x4
Annualized after-tax consolidated operating income, as adjusted	\$ 611,416	\$ 1,077,556
Non-GAAP consolidated operating income	\$ 215,179	\$ 379,305
Equity in earnings of affiliated companies ⁽¹⁾	1,002	1,392
Less: Noncontrolling interests ⁽¹⁾	466	1,520
Non-GAAP consolidated operating income, as adjusted	215,715	379,177
Less: Tax effect ⁽³⁾	34,427	80,600
After-tax non-GAAP consolidated operating income, as adjusted	181,288	298,577
	x4	x4
Annualized after-tax non-GAAP operating income, as adjusted	\$ 725,152	\$ 1,194,308
Denominator:		
Average short-term borrowings, including current portion of long-term debt ⁽⁴⁾	\$ 885,182	1,038,415
Average long-term debt ⁽⁴⁾	2,421,277	3,143,915
Average total equity ⁽⁴⁾	5,925,063	5,603,974
Average cash and cash equivalents ⁽⁴⁾	230,505	286,838
Invested capital	\$ 9,001,017	\$ 9,499,466
Return on invested capital	6.8%	11.3%
Return on invested capital (Non-GAAP)	8.1%	12.6%

(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 September 28, 2024 and September 30, 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 September 28, 2024 and September 30 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>9/30/2023</u>	<u>12/31/2023</u>	<u>3/30/2024</u>	<u>6/29/2024</u>	<u>9/28/2024</u>
Global components operating income, as reported	\$ 379,053	\$ 281,260	\$ 225,562	\$ 210,201	\$ 188,600
Intangible assets amortization expense	6,640	6,436	6,488	6,399	6,247
Impact of wind down to inventory	<u>-</u>	<u>-</u>	<u>10,459</u>	<u>1,627</u>	<u>(1,857)</u>
Global components non-GAAP operating income	<u>\$ 385,693</u>	<u>\$ 287,696</u>	<u>\$ 242,509</u>	<u>\$ 218,227</u>	<u>\$ 192,990</u>
Global ECS operating income, as reported	\$ 54,624	\$ 145,053	\$ 71,459	\$ 102,581	\$ 75,614
Intangible assets amortization expense	<u>1,223</u>	<u>1,055</u>	<u>1,058</u>	<u>1,057</u>	<u>1,061</u>
Global ECS non-GAAP operating income	<u>\$ 55,847</u>	<u>\$ 146,108</u>	<u>\$ 72,517</u>	<u>\$ 103,638</u>	<u>\$ 76,675</u>