

Fourth Quarter

2019

CFO Commentary

As reflected in our earnings release, there are a number of items that impact the comparability of our results with those in the trailing quarter and prior quarter of last year. The discussion of our results may exclude these items to give you a better sense of our operating results. As always, the operating information we provide to you should be used as a complement to GAAP numbers. For a complete reconciliation between our GAAP and non-GAAP results, please refer to our earnings release and the earnings reconciliation found at the end of this document.

The following reported and adjusted information included in this CFO commentary is unaudited and should be read in conjunction with the company's 2019 Annual Report on form 10-K as filed with the Securities and Exchange Commission.

Full-year 2019

cash provided by
operating activities
of \$858 million.

Fourth-Quarter Summary

Fourth-quarter earnings per share on a diluted basis exceeded the midpoint of our expectations, and sales were in line with our expectations. Global components increased scale in Asia resulting in record fourth-quarter and full-year sales for the region.

Enterprise computing solutions delivered operating income growth, year over year, adjusted for changes in foreign currencies. Actions were largely completed under the previously disclosed cost optimization program that is designed to produce \$130 million in annual cost savings. The cost optimization program, combined with the wind down of the PC and mobility asset disposition business, position the company for rapid profit growth when demand conditions improve.

Conditions for the global components business did not improve during the fourth quarter. Demand from smaller customers who utilize more engineering and design services remained weak, particularly in the Americas and Europe.

For the enterprise computing solutions business, the demand environment during the fourth quarter was largely consistent with our expectations. In aggregate, billings increased at a low single-digit rate year over year. Our portfolio approach is designed to deliver consistent results.

The first quarter will be negatively impacted by our Mar. 28, 2020 closing date, two days earlier than 2019 and three days before the end of the calendar quarter. We estimate the earlier close will negatively impact sales by \$225 million and earnings per share by \$.11, but full-year results will not be affected.

We are experiencing delays and extended lead times of products manufactured in China related to business and transportation shutdowns. The situation remains uncertain, and we cannot quantify potential impacts to our outlook at this time.

Fourth-quarter earnings per share on a diluted basis were \$2.20 and compared to our prior guidance of \$2.10 to \$2.26.

Consolidated Overview

Fourth Quarter 2019

P&L Highlights*	Q4 2019	Y/Y Change	Y/Y Change Adjusted for Acquisitions, Dispositions & Currency	Q/Q Change
Sales	\$7,338	(7)%	(5)%	4%
Sales adjusted for wind down	\$7,319	(6)%	(5)%	4%
Gross Profit Margin	11.2%	(110) bps	(90) bps	(10) bps
Non-GAAP Gross Profit Margin	11.3%	(100) bps	(90) bps	flat
Operating Income	\$238	(29)%	(25)%	37%
Operating Margin	3.2%	(100) bps	(90) bps	80 bps
Non-GAAP Operating Income	\$285	(21)%	(20)%	13%
Non-GAAP Operating Margin	3.9%	(70) bps	(70) bps	30 bps
Net Income	\$112	(51)%	(38)%	22%
Diluted EPS	\$1.36	(48)%	(35)%	23%
Non-GAAP Net Income	\$181	(20)%	(18)%	17%
Non-GAAP Diluted EPS	\$2.20	(15)%	(13)%	18%

\$ in millions, except per share data; may reflect rounding. Prior periods adjusted for new accounting standards.

- Consolidated sales were \$7.34 billion; sales were \$7.32 billion adjusted for the wind down of the PC and mobility asset disposition business
 - Adjusted sales were in line with the midpoint of our prior expectation of \$7.125 billion to \$7.525 billion
 - Changes in foreign currencies negatively impacted sales growth by \$65 million or 1 percentage point year over year
- Consolidated gross profit margin was 11.2%; gross profit margin was 11.3% adjusted for the wind down
 - Down 100 basis points year over year due to lower sales of higher value products and solutions in all regions for global components and a higher mix of Asia components sales
- Operating income margin was 3.2% and non-GAAP operating income margin was 3.9%
 - Operating expenses as a percentage of sales were 7.7%, down 30 basis points year over year
 - Non-GAAP operating expenses as a percentage of sales were 7.4%, down 30 basis points year over year
- Interest and other expense, net was \$50 million
 - Slightly below our prior expectation of \$52 million

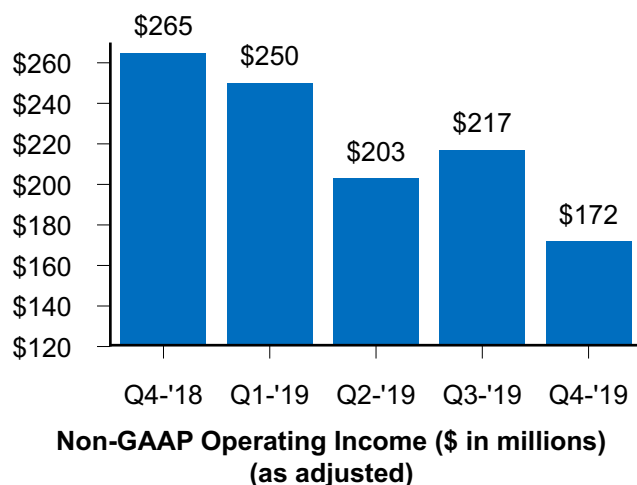
Fourth-Quarter 2019 CFO Commentary

- Effective tax rate was 33.9%, and non-GAAP effective tax rate was 22.1%
 - Non-GAAP effective tax rate was near the lower end of our long-term target range of 23% - 25%
- Diluted shares outstanding were 82.5 million
 - In line with our prior expectation of 83 million
- Diluted earnings per share were \$1.36
 - Below our prior expectation of \$1.82 - \$1.98
- Non-GAAP diluted earnings per share were \$2.20
 - Above the midpoint of our prior expectation of \$2.10 - \$2.26
 - Changes in foreign currencies negatively impacted earnings per share by approximately \$.04 compared to the fourth quarter of 2018

A reconciliation of non-GAAP adjusted financial measures, including sales, as adjusted, operating income, as adjusted, net income attributable to shareholders, as adjusted, and net income per share, as adjusted, to GAAP financial measures is presented in the reconciliation tables included herein.

Components

Global

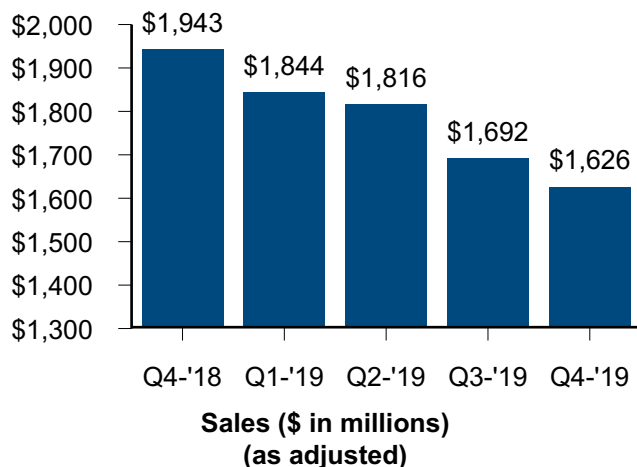


Global components
fourth-quarter sales
decreased 8% year
over year as adjusted.

- Sales decreased 8% year over year adjusted for the wind down of the PC and mobility asset disposition business and for changes in foreign currencies
 - Sales decreased 10% year over year as reported
- Lead times contracted year over year and were largely unchanged compared to the third quarter
- Backlog decreased year over year but increased compared to the third quarter
- Book-to-bill was 0.99, up from 0.95 in the fourth quarter of 2018
- Operating margin of 3.2% decreased 160 basis points year over year
- Non-GAAP operating margin of 3.6% decreased 150 basis points year over year
 - Margin unchanged in Asia and decreased in the Americas and Europe year over year
- Return on working capital decreased year over year

Components

Americas

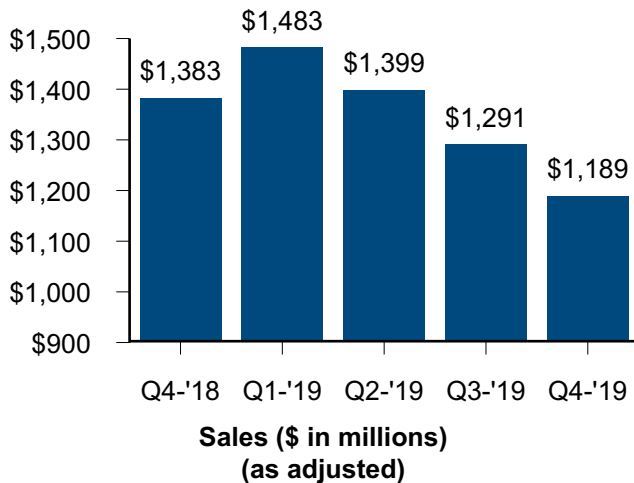


- Sales decreased 16% year over year adjusted for the wind down of the PC and mobility asset disposition business
 - Sales decreased 19% year over year as reported
 - Key verticals such as aerospace and defense, communications, industrial, and transportation decreased year over year

Americas components sales decreased 16% year over year as adjusted.

Components

Europe



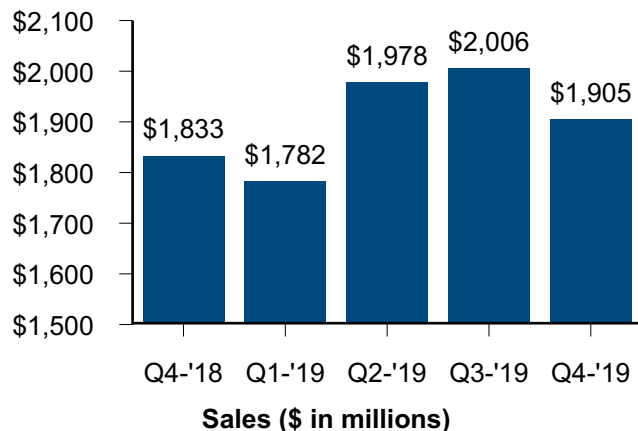
- Sales decreased 12% year over year adjusted for the wind down of the PC and mobility asset disposition business and for changes in foreign currencies
 - Sales decreased 16% year over year as reported
 - The aerospace and defense, lighting and transportation verticals decreased year over year



Europe components sales decreased 12% year over year as adjusted.

Components

Asia

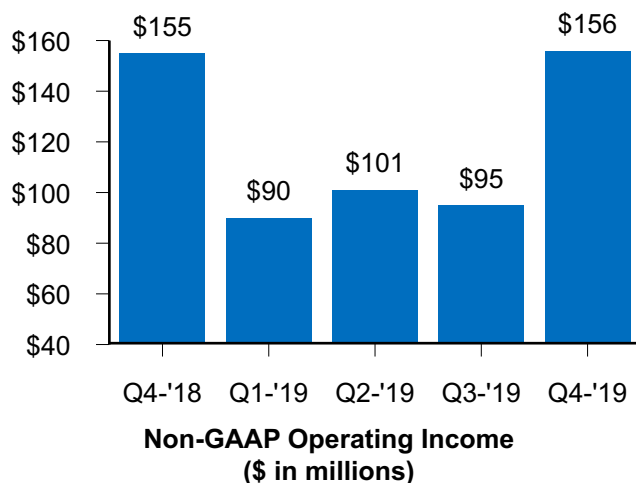


- Sales increased 4% year over year
 - Record fourth-quarter sales
 - Key tracked verticals including transportation, wireless, and lighting decreased year over year

Asia components sales increased 4% year over year.

Enterprise Computing Solutions

Global

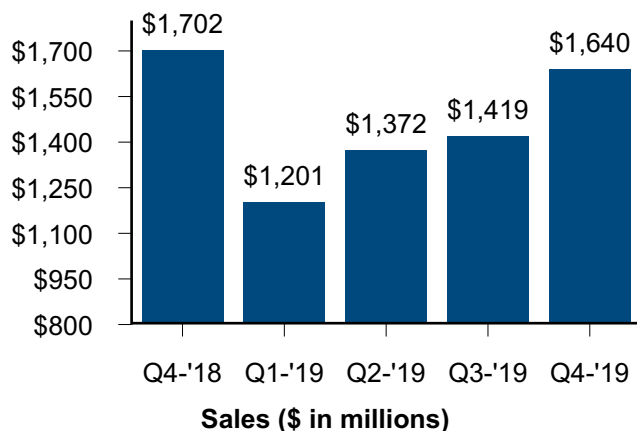


- Sales decreased 1% year over year adjusted for a disposition and changes in foreign currencies
 - Sales decreased 2% year over year as reported
- Billings increased at a low-single-digit rate year over year adjusted for changes in foreign currencies
- Operating income decreased 2% year over year
 - Non-GAAP operating income increased 2% year over year adjusted for a disposition and changes in foreign currencies
- Operating margin of 5.7% was flat year over year; non-GAAP operating margin of 6.0% increased 20 basis points year over year
 - Increased in both regions
- Return on working capital remains favorable

Enterprise computing solutions operating income increased 2% year over year as adjusted.

Enterprise Computing Solutions

Americas

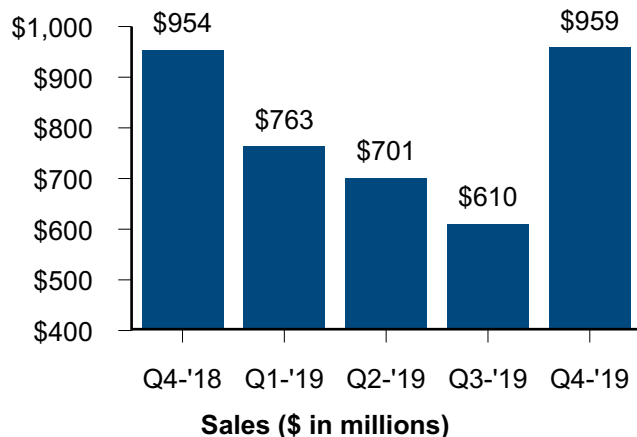


- Sales decreased 3% year over year adjusted for changes in foreign currencies
 - Sales decreased 4% year over year as reported
 - Growth in networking, security, services, and proprietary servers year over year
 - Industry-standard servers decreased year over year
 - Operating income was flat year over year

Enterprise Computing
Solutions Americas
operating income was
flat year over year.

Enterprise Computing Solutions

Europe



- Sales increased 4% year over year adjusted for a disposition and changes in foreign currencies
 - Sales increased 1% year over year as reported
 - Growth in storage, infrastructure software, and proprietary servers year over year
 - Security decreased year over year
 - Operating income increased year over year

Enterprise Computing Solutions Europe sales increased 4% year over year as adjusted.

Consolidated Overview

Full-Year 2019

P&L Highlights*	2019	Y/Y Change	Y/Y Change Adjusted for Acquisitions, Dispositions, & Currency
Sales	\$28,917	(3)%	flat
Sales adjusted for wind down	\$28,676	(2)%	flat
Gross Profit Margin	11.4%	(110) bps	(80) bps
Non-GAAP Gross Profit Margin	11.6%	(80) bps	(70) bps
Operating Income	\$108	(91)%	(76)%
Operating Margin	0.4%	(350) bps	(310) bps
Non-GAAP Operating Income	\$1,057	(16)%	(14)%
Non-GAAP Operating Margin	3.7%	(60) bps	(60) bps
Net Income	\$(204)	NM	NM
Diluted EPS	\$(2.44)	NM	NM
Non-GAAP Net Income	\$636	(18)%	(16)%
Non-GAAP Diluted EPS	\$7.55	(14)%	(12)%

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

- Consolidated full-year sales were flat year over year adjusted for the wind down of the PC and mobility asset disposition business and changes in foreign currencies
 - Sales decreased 3% year over year as reported
- Gross margin decreased 80 basis points year over year as adjusted due to lower sales of higher value products and solutions in all regions for global components
 - Gross margin decreased 110 basis points year over year as reported
- Operating income margin decreased 60 basis points year over year as adjusted
 - Reported operating income margin impacted by the write down of the PC and mobility asset disposition business
- Interest and other expense, net was \$204 million
 - Decreased \$11 million year over year primarily due to lower debt balances
- Effective tax rate was impacted by non-cash losses
- Non-GAAP effective tax rate was 24.3%
 - Within our prior long-term target range of 23.5% to 25.5% and our new long-term target range of 23% to 25%

Cash Flow from Operations

Cash flow from operating activities was \$495 million in the fourth quarter and was \$858 million in 2019.

Working Capital

Working capital to sales was 16.7% in the fourth quarter, up 30 basis points year over year. Working capital to sales was 18.2% in 2019, up 100 basis points from 2018. Return on working capital was 23.2% in the fourth quarter, down 450 basis points year over year. Return on working capital was 20.2% in 2019, down 480 basis points from 2018.

Return on Invested Capital

Return on invested capital was 11.3% in the fourth quarter, down 150 basis points year over year, and was 9.6% in 2019, down 170 basis points from 2018.

Share Buyback

We repurchased approximately 1.2 million shares for \$100 million. Total cash returned to shareholders over the last 12 months was approximately \$390 million.

Debt and Liquidity

Net-debt-to-last-12-months EBITDA ratio is approximately 2.2x. Total liquidity was \$3.1 billion when including cash of \$300 million.

We repurchased approximately \$100 million of our stock in the fourth quarter, bringing total cash returned to shareholders in 2019 to approximately \$390 million.

Arrow Electronics Outlook

Guidance

We are expecting the average USD-to-Euro exchange rate for the first quarter of 2020 to be \$1.12 to €1 compared to \$1.14 to €1 in the first quarter of 2019. We estimate changes in foreign currencies will have negative impacts on growth of approximately \$30 million on sales, and \$.01 on earnings per share on a diluted basis compared to the first quarter of 2019.

We are expecting the March 28, 2020 closing date, two days earlier than the first quarter of 2019 and three days before the end of the calendar first quarter to negatively impact ECS sales by \$225 million and consolidated earnings per share on a diluted basis by \$.11.

First-Quarter 2020 Guidance

Consolidated Sales	\$6.225 billion to \$6.625 billion
Global Components	\$4.55 billion to \$4.75 billion
Global ECS	\$1.675 billion to \$1.875 billion
Diluted Earnings Per Share*	\$.99 to \$1.09
Non-GAAP Diluted Earnings Per Share*	\$1.29 to \$1.39
Interest and other expense, net	\$52 million
Diluted shares outstanding	82 million

* Assumes an average tax rate of approximately 24.5% compared to the 23% to 25% long term target range.

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 2019 Annual Report on Form 10-K, 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 press release includes forward-looking statements that 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: industry conditions, changes in product supply, pricing and customer demand, competition, other vagaries in the global components and global ECS markets, changes in relationships with key suppliers, increased profit margin pressure, changes in legal and regulatory matters, non-compliance with certain regulations, such as export, anti-trust, and anti-corruption laws, and the company's ability to generate cash flow. Forward-looking statements are those statements which are not statements of historical fact. 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. 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.

For a further discussion of factors to consider in connection with these forward-looking statements, investors should refer to Item 1A Risk Factors of the company's Annual Report on Form 10-K for the year ended Dec. 31, 2019.

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, net income attributable to shareholders, and net income per basic and diluted share.

The company provides sales, gross profit, and operating expenses as adjusted for the impact of changes in foreign currencies (referred to as changes in foreign currencies) by re-translating prior period results at current period foreign exchange rates, the impact of dispositions by adjusting the company's operating results for businesses disposed, as if the dispositions had occurred at the beginning of the earliest period presented (referred to as dispositions), the impact of the company's personal computer and mobility asset disposition business (referred to as wind down), the impact of inventory write-downs related to the digital business (referred to as “digital inventory write-downs and recoveries”), and the impact of the notes receivable reserves and inventory write-downs related to the AFS business (referred to as “AFS notes receivable reserves and credits” and “AFS inventory write-downs and recoveries,” respectively). Operating income, net income attributable to shareholders, and net income per basic and diluted share are adjusted to exclude identifiable intangible asset amortization, restructuring, integration, and other charges, loss on disposition of businesses, net, AFS notes receivable reserves and credits and inventory write-downs and recoveries, digital inventory write-downs and recoveries, the impact of non-cash charges related to goodwill, trade names, and long-lived assets, and the impact of wind down. Net income attributable to shareholders, and net income per basic and diluted share are also adjusted to exclude pension settlements, net gains and losses on investments, and certain tax adjustments including related interest expense. A reconciliation of the company's non-GAAP financial information to GAAP is set forth in the tables 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 and underlying trends in the company's business because management considers these items referred to above to be outside the company's core operating results. This non-GAAP financial information is among the primary indicators management uses as a basis for evaluating the company's financial and operating performance. In addition, the company's Board of Directors may use this non-GAAP financial information in evaluating management performance and setting management compensation.

The presentation of this additional non-GAAP financial information is not meant to be considered in isolation or as a substitute for, or alternative to, operating income, net income attributable to shareholders and net income per basic and diluted share determined in accordance with GAAP. Analysis of results and outlook on a non-GAAP basis should be used as a complement to, and in conjunction with, data presented in accordance with GAAP.

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

Earnings Reconciliation

(\$ in thousands, except per share data)

Three months ended December 31, 2019

	Reported GAAP measure	Intangible amortization expense	Restructuring & Integration charges	AFS Write Downs	Digital Write Downs	Impairments	Impact of Wind Down ⁽⁴⁾	Tax Adjustments ⁽⁶⁾	Other ⁽¹⁾	Non-GAAP measure
Sales	\$ 7,338,190	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (19,375)	\$ —	\$ —	\$ 7,318,815
Gross Profit	822,943	—	—	—	1,117	—	5,388	—	—	829,448
Operating income	238,108	14,311	16,350	2,850	1,117	—	10,912	—	1,002	284,650
Income before income taxes	169,648	14,311	16,350	2,850	1,117	—	10,942	—	17,919	233,137
Provision for income taxes	57,460	4,050	3,042	607	156	—	(18,380)	1,806	2,700	51,441
Consolidated net income	112,188	10,261	13,308	2,243	961	—	29,322	(1,806)	15,219	181,696
Noncontrolling interests	175	138	—	—	—	—	—	—	—	313
Net income attributable to shareholders	\$ 112,013	\$ 10,123	\$ 13,308	\$ 2,243	\$ 961	\$ —	\$ 29,322	\$ (1,806)	\$ 15,219	\$ 181,383
Net income per diluted share ⁽⁵⁾	\$ 1.36	\$ 0.12	\$ 0.16	\$ 0.03	\$ 0.01	\$ —	\$ 0.36	\$ (0.02)	\$ 0.18	\$ 2.20
Effective tax rate	33.9%									22.1%

Three months ended December 31, 2018

	Reported GAAP measure	Intangible amortization expense	Restructuring & Integration charges	AFS Write Downs	Digital Write Downs	Impairments	Impact of Wind Down ⁽⁴⁾	Tax Adjustments ⁽⁶⁾	Other ⁽²⁾	Non-GAAP measure
Sales	\$ 7,918,182	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (102,965)	\$ —	\$ —	\$ 7,815,217
Gross Profit	975,370	—	—	—	—	—	(16,947)	—	—	958,423
Operating income	334,380	9,493	11,126	—	—	—	4,471	—	—	359,470
Income before income taxes	264,965	9,493	11,126	—	—	—	4,114	—	11,886	301,584
Provision for income taxes	32,474	2,772	4,786	—	—	—	1,635	28,323	3,025	73,015
Consolidated net income	232,491	6,721	6,340	—	—	—	2,479	(28,323)	8,861	228,569
Noncontrolling interests	1,838	142	—	—	—	—	—	—	—	1,980
Net income attributable to shareholders	\$ 230,653	\$ 6,579	\$ 6,340	\$ —	\$ —	\$ —	\$ 2,479	\$ (28,323)	\$ 8,861	\$ 226,589
Net income per diluted share ⁽⁵⁾	\$ 2.63	\$ 0.08	\$ 0.07	\$ —	\$ —	\$ —	\$ 0.03	\$ (0.32)	\$ 0.10	\$ 2.59
Effective tax rate	12.3%									24.2%

Three months ended September 29, 2019

	Reported GAAP measure	Intangible amortization expense	Restructuring & Integration charges	AFS Write Downs	Digital Write Downs	Impairments	Impact of Wind Down ⁽⁴⁾	Tax Adjustments ⁽⁶⁾	Other ⁽³⁾	Non-GAAP measure
Sales	\$ 7,078,118	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (60,130)	\$ —	\$ —	\$ 7,017,988
Gross Profit	798,841	—	—	—	1,101	—	(3,541)	—	—	796,401
Operating income	173,218	10,265	31,087	(664)	1,101	711	36,917	—	—	252,635
Income before income taxes	122,321	10,265	31,087	(664)	1,101	711	36,842	—	(1,126)	200,537
Provision for income taxes	29,340	2,860	8,922	(178)	272	—	3,753	—	(249)	44,720
Consolidated net income	92,981	7,405	22,165	(486)	829	711	33,089	—	(877)	155,817
Noncontrolling interests	850	138	—	—	—	—	—	—	—	988
Net income attributable to shareholders	\$ 92,131	\$ 7,267	\$ 22,165	\$ (486)	\$ 829	\$ 711	\$ 33,089	\$ —	\$ (877)	\$ 154,829
Net income per diluted share ⁽⁵⁾	\$ 1.10	\$ 0.09	\$ 0.27	\$ (0.01)	\$ 0.01	\$ 0.01	\$ 0.40	\$ —	\$ (0.01)	\$ 1.86
Effective tax rate	24.0%									22.3%

⁽¹⁾Other includes loss on disposition of businesses, net, gain (loss) on investments, net, interest related to uncertain tax position related to the Tax Act, and pension settlement.

⁽²⁾Other includes gain/loss on investments, net, and pension settlement.

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

⁽⁴⁾Amounts for restructuring, integration, and other charges, identifiable intangible asset amortization, loss on disposition of businesses, net, certain tax adjustments, and impairments related to the personal computer and mobility asset disposition business are included in "impact of wind down" above.

⁽⁵⁾In all periods presented, the sum of the components for diluted EPS, as adjusted may not agree to totals, as presented, due to rounding.

⁽⁶⁾Includes income tax expense related to repatriation of foreign earnings and the Tax Act.