

Avnet Sales Up Slightly Year-Over-Year

Avnet Incorporated reported sales of \$6.3 billion in calendar 1Q13, up +0.3% over the same period last year. Sequentially, sales were down -6% reflecting normal seasonality based on strong year-end sales in their Technology Solutions business segment. The Electronics Marketing (components) business was up +1.1% year-over-year and +3.3% sequentially. Book to bill was positive in the quarter and has remained positive through April. Component sales in North America were down -9.5% from the same quarter last year due to the ongoing impact of the decision to exit the low-margin commercial components business in Latin America. Sales in the region were up +4.3% sequentially. Europe posted its first positive results in five quarters with increases of +0.7% year-over-year and +20.2% sequentially. Asia/Pacific was down -7.8% sequentially but up +14.1% year-over-year, also reflecting normal seasonality.

The following identifies how each of Avnet's business sectors performed in calendar 1Q13.

Avnet Market Sector Performance (% change sales)

Business Sector	Year-Over-Year	Sequential
Technology Solutions	-0.9%	-17.3%
Electronics Mktg. (Components)	1.1%	3.3%
Total	0.3%	-6.0%

The following identifies Avnet's Electronic Marketing sector performance in each region.

Avnet EM Performance by Region (% change sales)

Region	Year-Over-Year	Sequential
North America	-9.5%	0.0%
EMEA	0.7%	20.2%
Asia Pacific	14.1%	-7.8%
Total World	1.1%	3.3%

*EMEA – Europe, Middle East, Africa

Operating income for the quarter was \$167.6 million, down -14.3% sequentially and down -22.7% year-over-year. Net income was \$86.2 million, down -37.3% sequentially and down -41.6% year-over-year. Ending inventory was \$2,285 million, up +2.7% sequentially but down -8.2% year-over-year. Inventory days on hand (DOH) were 37.6 at the end of the quarter, up 3.2 days sequentially but down 3.5 days year-over-year.

Outlook

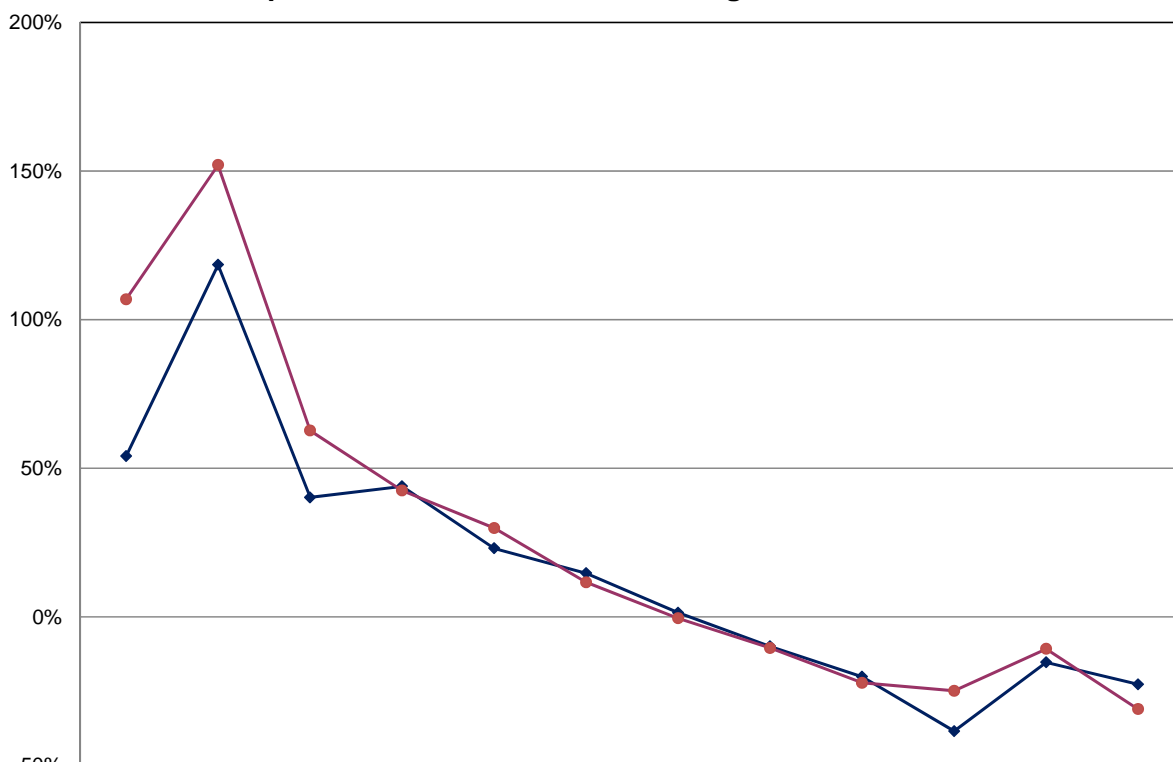
Guidance for 2Q13 is in the \$6.2 to \$6.8 billion range with growth projected primarily in the components business.

Bishop & Associates' Comments

Avnet's operating income, which was down \$49.2 million year-over-year was negatively impacted by \$52 million in expenses related to recent acquisitions. When adjusted for these one-time charges, op income is actually up by \$2.8 million due in large part to the cost reductions implemented last year, which generated savings of \$7.1 million in the quarter. While there are currently no concrete plans, the company is considering cost reductions of up to another \$40 million this year.

Margins are up slightly, +0.2% and due to the uncertain market conditions will probably remain at the current level of 12% for the balance of the year. Based on Bishop's outlook for stable pricing for the balance of 2013, there should be no changes in distributor connector resale prices

**Avnet vs Industry
Op Income Year-Over-Year % Change**

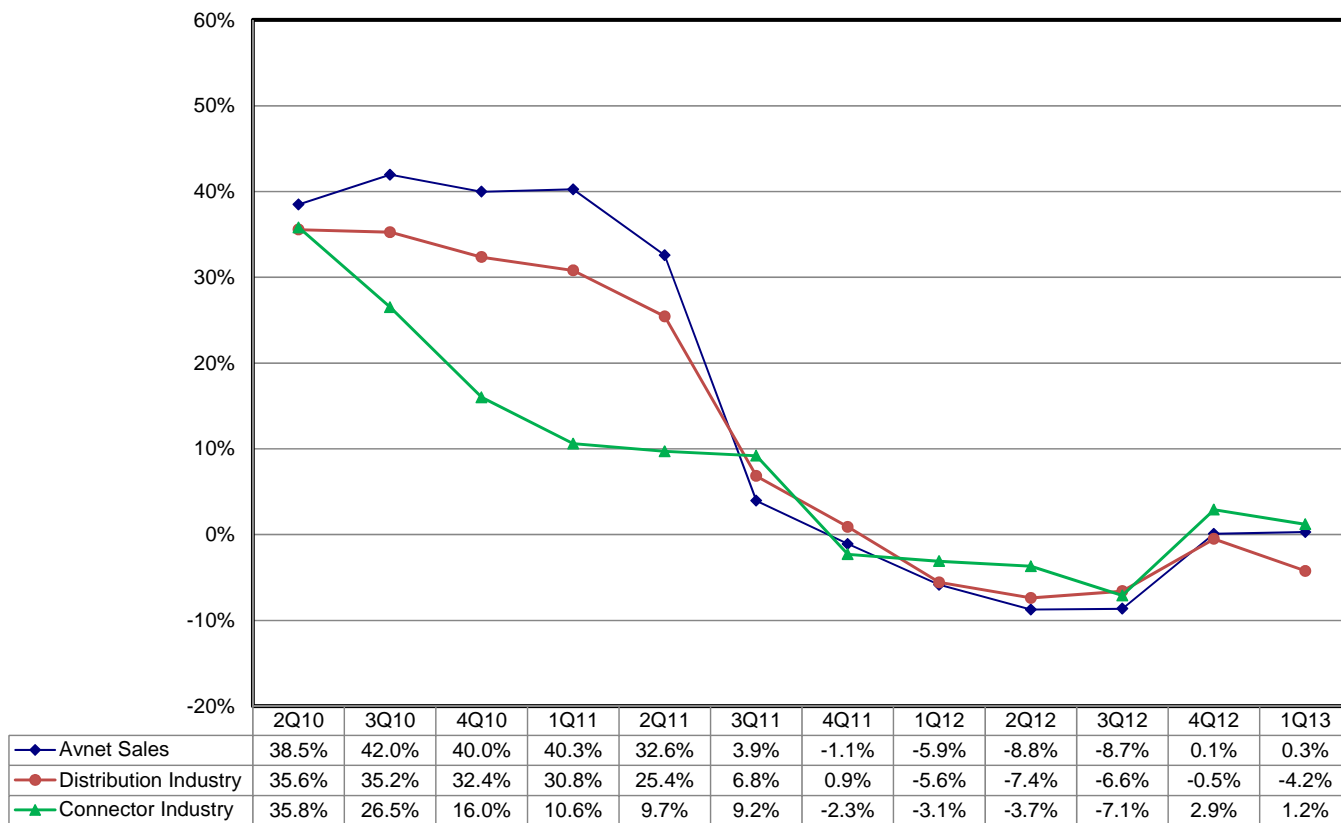


The small percentage in gross margins, when combined with cost reductions, enabled Avnet to outperform the distribution industry, in spite of the significant one-time charges taken in the quarter.

Based on inventory levels and current sales projections, connector suppliers will not see an increase over current sales levels to distributors for the remainder of 1H13. Since DOH is in a very comfortable range, however, any increase in distributor sales activity should be quickly passed through to suppliers.

The following compares Avnet's quarterly year-over-year change in sales to the industry since 2Q10.

**Avnet vs Industry
Year-over-Year Sales Growth**



Avnet has outperformed the distribution industry in each of the last two quarters, in spite of their exit from low margin business in Latin America. The distribution industry, however, has failed to keep up with overall connector industry sales. The chart demonstrates how the industry sales were down through 2010 and 2011 as distributors burned off inventory. When those adjustments were complete, the supplier and distributor results closely paralleled each other. The connector industry has outperformed distribution by a small percentage for the last five quarters. This is typical in a down market as end users are able to get product directly from suppliers with short lead times.