

Avnet Sales Flat Year-Over-Year

Avnet Incorporated reported sales of \$6.7 billion in calendar 4Q12, essentially flat to the same period in 2011. Sequentially, sales were up 14.1% versus 3Q12. The book-to-bill ratio was virtually flat in all regions and early reports indicate that it remained flat in January.

A strong component sales increase in Asia Pacific was offset by decreases in the Americas of 9.8% year-over-year and 1.8% sequentially. Management has attributed much of that result to their decision to exit the low-margin commercial components business in Latin America. Sales in Europe were also lower.

Revenue estimates for calendar 1Q13 range from \$5.9 billion to \$6.6 billion. The midpoint would be flat year-over-year. The component segment is guided to be up slightly and technology solutions down. These results would be in line with normal seasonality.

The following identifies how each of Avnet's business sectors performed in calendar 4Q12.

Avnet Market Sector Performance (% change sales)

Business Sector	Year-Over-Year	Sequential
Technology Solutions	-2.3%	36.5%
Electronics Mktg. (Components)	2.2%	0.6%
Total	0.1%	14.1%

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	-9.8%	-1.8%
EMEA	-3.0%	-4.5%
Asia Pacific	19.4%	6.2%
Total World	2.2%	0.6%

*EMEA – Europe, Middle East, Africa

Operating income for the quarter was \$195.6 million down -15.3% year over year but up 42.4% sequentially. Net income was \$137.5 million down -6.5% year over year but up 64.9% sequentially.

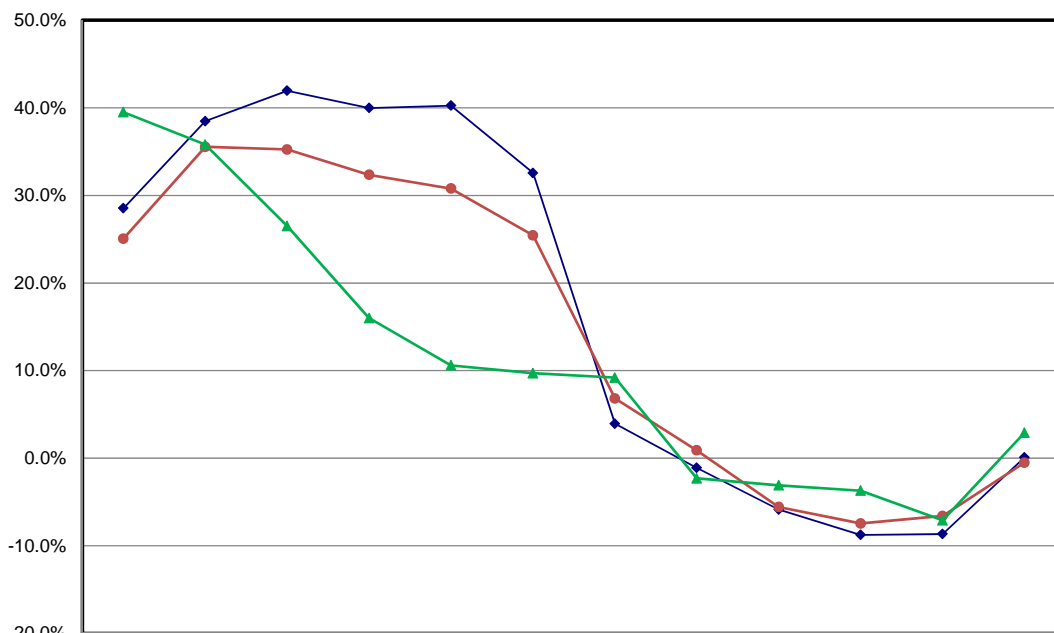
Ending inventory was \$2,224 million, down 11.5% year-over-year and 5.8% sequentially. Inventory days on hand (DOH) were 34.4 at the end of the period, down from 41.7 at the end of the previous quarter and also down from 38.9 at the end of 4Q11.

Bishop & Associates' Comments

Avnet's sales result in the quarter is slightly above industry average of -0.5%. Rick Hamada, CEO attributed the strong net income results to the completion of their resource alignment activities, which were expected to trim \$90 million from annual expenses. He does not anticipate further cuts in 2013. Avnet's inventory levels are at the lowest since 2009. They do not anticipate any significant change and are comfortable at these levels since supplier lead times are currently short. They will reevaluate their inventory going into 2Q13. If this pattern is repeated throughout the distribution industry, connector suppliers cannot expect a boost in POP sales until late in the first half at the earliest.

The following compares Avnet's quarterly year-over-year change in sales to the industry since 1Q10.

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



◆ Avnet Sales	28.5%	38.5%	42.0%	40.0%	40.3%	32.6%	3.9%	-1.1%	-5.9%	-8.8%	-8.7%	0.1%
● Distribution Industry	25.1%	35.6%	35.2%	32.4%	30.8%	25.4%	6.8%	0.9%	-5.6%	-7.5%	-6.6%	-0.5%
▲ Connector Industry	39.5%	35.8%	26.5%	16.0%	10.6%	9.7%	9.2%	-2.3%	-3.1%	-3.7%	-7.1%	2.9%