

Arrow Sales Flat Year-Over-Year But Up 8.9% Sequentially

Arrow Electronics reported sales of \$5.4 billion in 4Q12. This represents a year-over-year decrease of 0.7% from 4Q11, but a sequential increase of 8.9% from 3Q12. Results were slightly above projections.

The book-to-bill ratio was positive throughout the quarter and reported to be the highest quarterly book-to-bill ratio in the past three years. Enterprise Computing Solutions posted its twelfth straight quarter with positive year-over-year growth, far outpacing the industry. Electronic Components, however, came in below industry averages with a 7.5% year-over-year decrease.

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

Arrow Electronics Performance by Business Segment (% change sales)

Business Sector	Year-Over-Year	Sequential
Enterprise Computing Solutions	11.0%	39.4%
Components	-7.5%	-5.5%
Total World	-0.7%	8.9%

The following identifies how Arrow Electronics performed in each region in 4Q12.

Arrow Electronics Performance by Region (% change sales)

Region	Year-Over-Year	Sequential
North America	2.7%	11.0%
Europe	-5.4%	19.9%
Asia Pacific	-2.2%	-9.7%
Total World	-0.7%	8.9%

Operating income for the quarter was \$264.1 million, up 13.8% year-over-year and up 61.3% sequentially from 3Q12. Net income was \$174.1 million up 0.7% year over year and up 68.6% sequentially. Inventory level at quarter's end remained unchanged from the end of 3Q12 at \$2.1 billion. Inventory days on hand (DOH), however, went down from 43.4 to 39.4 days at the end of the period, based primarily on the high level of ECS sales.

Outlook

In spite of the positive book-to-bill ratio, overall sales guidance for 1Q13 is slightly below the 4Q12 level. This is primarily due to seasonality in the Enterprise Computing Solutions business, with the high end of estimates for Global Components showing a slight sequential increase.

Bishop & Associates' Comments

Arrow has outperformed the distribution industry in the three most recent quarters. Their components marketing plan of expansion into vertical markets continues to show positive results with lighting up 22% in the quarter and 10% for the year. Medical and alternative energy were up 7% and 6% respectively in the quarter. Supplier expansion and geographically independent marketing plans continue to drive sales in the ECS Sector. Stability in their inventory levels bodes well for connector suppliers who should see no further order erosion due to inventory reduction efforts. Based on Arrow's proven ability to manage their business through various cycles, the short range outlook remains positive.

The following compares Arrow's quarterly year-over-year change in sales to the distribution industry and the overall connector industry since 4Q09.

**Arrow vs. Industry
Year-Over-Year Sales Growth**

