The Bishop Report NEWS BRIEF
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News Brief No. 26-13
May 9, 2013

Arrow Sales Down -0.8% Year-Over-Year

Arrow Electronics reported sales of $4.9 billion in calendar 1Q13, down -0.8% from the same period last year. Sequentially, sales were down -10.2% which was midpoint of the guidance provided at the beginning of the quarter and in line with normal seasonality. The Enterprise Computing Solutions segment was up +7.6% year-over-year, marking the thirteenth consecutive quarter of year-over-year growth. The Electronic Components segment was down -4.7% versus the same quarter last year, but was up +0.2% sequentially from the 4Q12. Book-to-bill was positive in the quarter and has remained positive through April. Component sales in North America were down -5.5% year-over-year and down -0.9% sequentially as a result of continuing economic uncertainty. Notably, Arrow outperformed the overall component distribution results in North America in the quarter. European component sales were down -16.1% year-over-year, but up +14.9% sequentially. Legacy business remained sluggish, but growth in several vertical segments such as lighting and automotive boosted results. Asia/Pacific was down -5.3% sequentially, which is typical due to the occurrence of the Lunar New Year. They did, however, post double-digit gains, +11.2%, versus the same period last year.

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

Arrow Market Sector
Performance (% change sales)

Business Sector	Year-Over-Year	Sequential
Components	-4.7%	0.2%
Enterprise Computing Solutions	7.6%	-25.3%
Total World	**-0.8%**	**-10.2%**

The following identifies Arrow's Electronic Components sector performance in each region.

Arrow Components
Performance by Region (% change sales)

Region	Year-Over-Year	Sequential
North America	-5.5%	-0.9%
Europe	-16.1%	14.9%
Asia Pacific	11.2%	-5.3%
Total World	**-4.7%**	**0.2%**

Operating income for the quarter was $137.6 million, down -47.9% sequentially and down -26.6% year-over-year. Net income was $78 million, down -55.4% sequentially and down -31.4% year-over-year. Ending inventory was $2,057 million, up +0.2% sequentially and +2.3% year-over-year. Inventory days on hand (DOH) was 44 at the end of the quarter, up 4.6 days sequentially and 1.3 days year-over-year.

Outlook

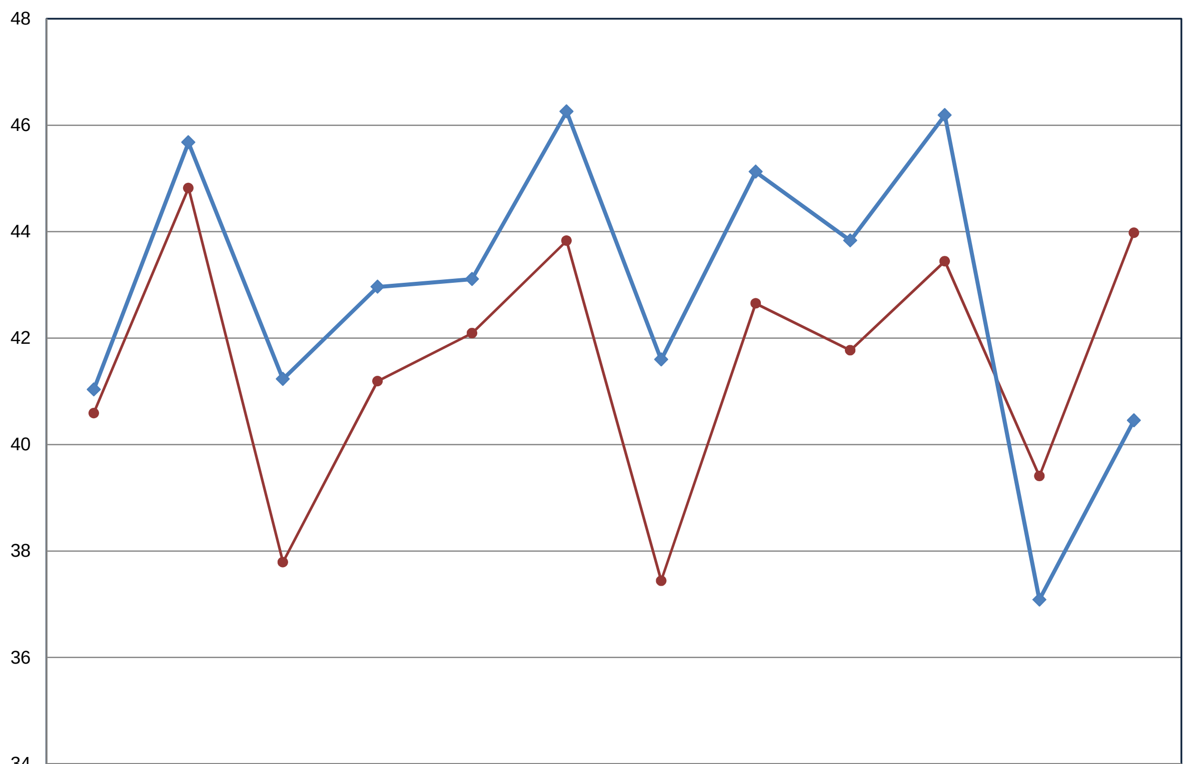
Guidance for 2Q13 is in the $4.9 to $5.3 billion range, which at the high-end would represent a small increase both sequentially and year-over-year. Most growth potential is projected in the components business, which at the high end of guidance would be up +5% sequentially. Arrow has also indicated a targeted $75 million reduction in annual costs, with $5 to $10 million of that being implemented in the current quarter.

Bishop & Associates' Comments

Arrow's inventory, which has historically had a better than industry turnover rate, has trailed the overall distribution average for the past two quarters. When measured in days-on-hand (DOH) Arrow carried three days less inventory than the industry average as recently as the third quarter of last year, but exceeded the industry average by 2.1 days in 4Q12 and 3.5 days in the most recent quarter.

The following compares Arrow's quarter ending inventory DOH to the industry since 2Q10.

Arrow vs. Industry
Inventory Days on Hand



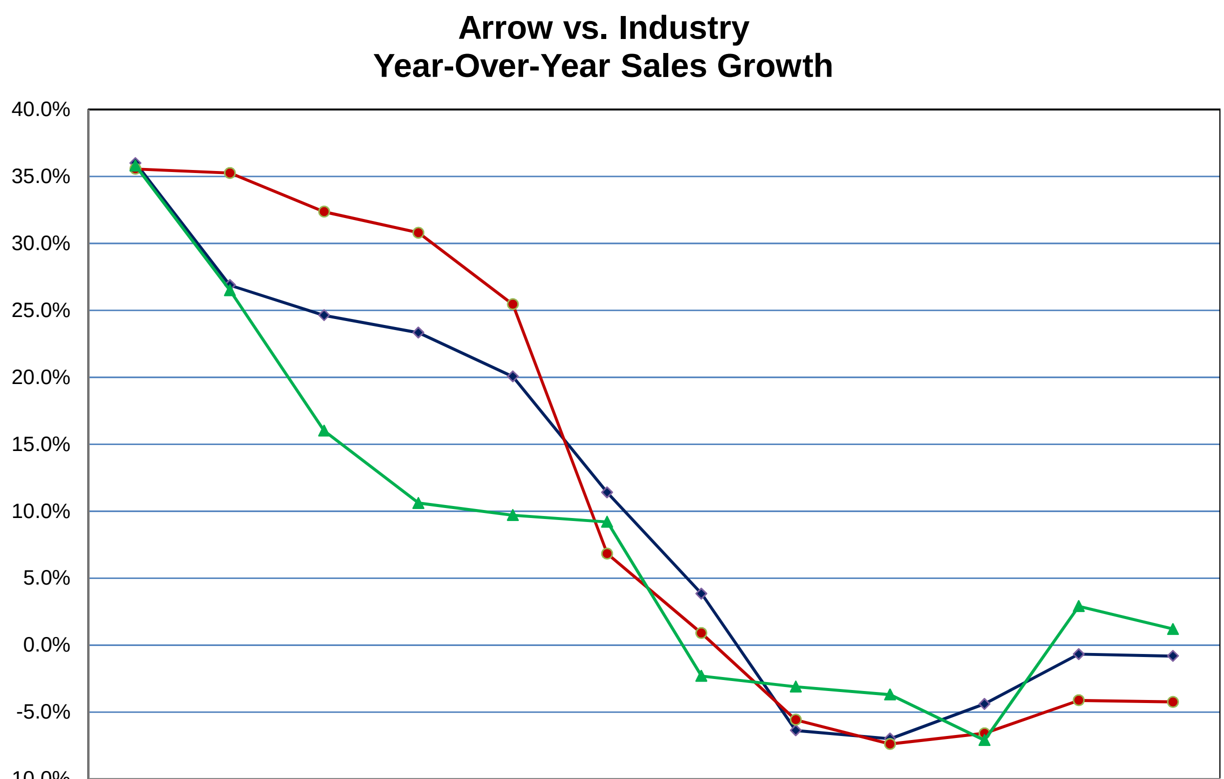
	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13
Arrow	40.6	44.8	37.8	41.2	42.1	43.8	37.4	42.7	41.8	43.4	39.4	44.0
Distribution Industry	41.0	45.7	41.2	43.0	43.1	46.3	41.6	45.1	43.8	46.2	37.1	40.5

Arrow has traditionally done an excellent job of managing their inventory and we are confident that they will quickly bring the levels back into line. This may not bode well for connector suppliers who will see a negative impact until adjustments are complete.

On a positive note, Arrow's PEMCO (Passive, Electro-mechanical and Connector) sales initiatives in the Americas have gained momentum and were up in the quarter +1% sequentially and +5% year-over-year.

Margins on shipments are flat to last year, but booking margins have increased marginally. This small increase is not expected to have a significant impact on connector products and based on Bishop's outlook for stable pricing for the balance of 2013, there should be no changes in distributor connector resale prices.

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



	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13
Arrow	36.0%	26.9%	24.6%	23.3%	20.1%	11.4%	3.8%	-6.4%	-7.0%	-4.4%	-0.7%	-0.8%
Distribution Industry	35.6%	35.2%	32.4%	30.8%	25.4%	6.8%	0.9%	-5.6%	-7.4%	-6.6%	-4.1%	-4.2%
Connector Industry	35.8%	26.5%	16.0%	10.6%	9.7%	9.2%	-2.3%	-3.1%	-3.7%	-7.1%	2.9%	1.2%

Arrow has outperformed the distribution industry in each of the last four quarters. 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.