

AVNET INC
Form 10-Q
April 25, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 29, 2014

Commission File #1-4224
AVNET, INC.
Incorporated in New York

IRS Employer Identification No. 11-1890605
2211 South 47th Street, Phoenix, Arizona 85034
(480) 643-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 18, 2014, the total number of shares outstanding of the registrant's Common Stock was 138,399,637 shares, net of treasury shares.

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

| | March 29, 2014 | June 29, 2013 |
|--|-----------------------------------|------------------|
| | (Thousands, except share amounts) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$960,149 | \$1,009,343 |
| Receivables, less allowances of \$92,605 and \$95,656, respectively | 4,983,890 | 4,868,973 |
| Inventories | 2,510,352 | 2,264,341 |
| Prepaid and other current assets | 199,054 | 214,221 |
| Total current assets | 8,653,445 | 8,356,878 |
| Property, plant and equipment, net | 522,321 | 492,606 |
| Goodwill | 1,344,389 | 1,261,288 |
| Intangible assets, net | 197,829 | 172,212 |
| Other assets | 182,796 | 191,696 |
| Total assets | \$10,900,780 | \$10,474,680 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Short-term debt | \$848,388 | \$838,190 |
| Accounts payable | 3,207,036 | 3,278,152 |
| Accrued expenses and other | 709,130 | 705,102 |
| Total current liabilities | 4,764,554 | 4,821,444 |
| Long-term debt | 1,221,977 | 1,206,993 |
| Other long-term liabilities | 178,382 | 157,118 |
| Total liabilities | 6,164,913 | 6,185,555 |
| Commitments and contingencies (Note 6) | | |
| Shareholders' equity: | | |
| Common stock \$1.00 par; authorized 300,000,000 shares; issued 138,410,597 shares and 137,126,784 shares, respectively | 138,411 | 137,127 |
| Additional paid-in capital | 1,343,292 | 1,320,901 |
| Retained earnings | 3,099,075 | 2,802,966 |
| Accumulated other comprehensive income | 155,900 | 28,895 |
| Treasury stock at cost, 42,078 shares and 38,238 shares, respectively | (811 |) (764 |
| Total shareholders' equity | 4,735,867 | 4,289,125 |
| Total liabilities and shareholders' equity | \$10,900,780 | \$10,474,680 |
| See notes to consolidated financial statements. | | |

AVNET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Third Quarters Ended | | Nine Months Ended | |
|---|------------------------------------|-------------------|-------------------|-------------------|
| | March 29, 2014 | March 30, 2013 | March 29, 2014 | March 30, 2013 |
| | (Thousands, except per share data) | | | |
| Sales | \$6,683,616 | \$6,298,699 | \$20,450,945 | \$18,868,221 |
| Cost of sales | 5,878,704 | 5,542,676 | 18,062,230 | 16,659,358 |
| Gross profit | 804,912 | 756,023 | 2,388,715 | 2,208,863 |
| Selling, general and administrative expenses | 593,986 | 561,072 | 1,736,689 | 1,656,052 |
| Restructuring, integration and other expenses (Note 13) | 26,083 | 27,341 | 66,624 | 89,655 |
| Operating income | 184,843 | 167,610 | 585,402 | 463,156 |
| Other income (expense), net | 2,511 | 4,106 | (1,488) |) 6,649 |
| Interest expense | (25,326) |) (27,341) |) (80,529) |) (79,029) |
| Gain on legal settlement, bargain purchase and other (Notes 2 and 6) | 2,965 | — | 22,102 | 31,350 |
| Income before income taxes | 164,993 | 144,375 | 525,487 | 422,126 |
| Income tax expense | 51,142 | 58,179 | 166,148 | 98,144 |
| Net income | \$113,851 | \$86,196 | \$359,339 | \$323,982 |
| Earnings per share: | | | | |
| Basic | \$0.82 | \$0.63 | \$2.61 | \$2.34 |
| Diluted | \$0.81 | \$0.62 | \$2.57 | \$2.31 |
| Shares used to compute earnings per share: | | | | |
| Basic | 138,418 | 137,102 | 137,845 | 138,215 |
| Diluted | 140,179 | 139,015 | 140,015 | 140,316 |
| Cash dividends paid per common share | \$0.15 | \$— | \$0.45 | \$— |

See notes to consolidated financial statements.

AVNET, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

| | Third Quarters Ended | | Nine Months Ended | |
|--|----------------------|-------------------|-------------------|-------------------|
| | March 29, 2014 | March 30, 2013 | March 29, 2014 | March 30, 2013 |
| | (Thousands) | | | |
| Net income | \$ 113,851 | \$ 86,196 | \$ 359,339 | \$ 323,982 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustments and other | 14,069 | (110,447 |) 122,066 | 27,047 |
| Pension adjustments, net | 1,644 | 42 | 4,939 | 208 |
| Total comprehensive income (loss) | \$ 129,564 | \$ (24,209 |) \$ 486,344 | \$ 351,237 |
| See notes to consolidated financial statements. | | | | |

AVNET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Nine Months Ended | |
|---|-------------------|-------------------|
| | March 29, 2014 | March 30, 2013 |
| | (Thousands) | |
| Cash flows from operating activities: | | |
| Net income | \$359,339 | \$323,982 |
| Non-cash and other reconciling items: | | |
| Depreciation | 67,392 | 65,284 |
| Amortization | 33,081 | 23,844 |
| Deferred income taxes | 20,850 | 9,037 |
| Stock-based compensation | 33,896 | 35,923 |
| Gain on bargain purchase and other (Note 2) | — | (31,350) |
| Other, net | 54,824 | 57,800 |
| Changes in (net of effects from businesses acquired): | | |
| Receivables | (55,853) | (2,897) |
| Inventories | (114,258) | 192,244 |
| Accounts payable | (148,825) | (175,909) |
| Accrued expenses and other, net | (46,541) | (68,544) |
| Net cash flows provided by operating activities | 203,905 | 429,414 |
| Cash flows from financing activities: | | |
| Issuance of notes in public offering, net of issuance cost | — | 349,258 |
| Repayment of notes | (300,000) | — |
| Borrowings (repayments) under accounts receivable securitization program, net | 230,000 | (259,000) |
| Borrowings (repayments) of bank and other debt, net | 56,658 | (191,775) |
| Repurchases of common stock | (1,252) | (207,192) |
| Dividends paid on common stock | (62,009) | — |
| Other, net | 10,390 | 4,499 |
| Net cash flows used by financing activities | (66,213) | (304,210) |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (81,232) | (75,415) |
| Acquisitions of businesses, net of cash acquired (Note 2) | (116,882) | (244,062) |
| Cash proceeds from divestitures, net of cash divested | — | 3,613 |
| Other, net | 4,058 | 289 |
| Net cash flows used by investing activities | (194,056) | (315,575) |
| Effect of exchange rate changes on cash and cash equivalents | 7,170 | 4,431 |
| Cash and cash equivalents: | | |
| — (decrease) | (49,194) | (185,940) |
| — at beginning of period | 1,009,343 | 1,006,864 |
| — at end of period | \$960,149 | \$820,924 |

Additional cash flow information (Note 11)

See notes to consolidated financial statements.

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation and new accounting pronouncements

In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments necessary to present fairly Avnet, Inc. and its consolidated subsidiaries (the "Company" or "Avnet") financial position, results of operations, comprehensive income and cash flows. All such adjustments are of a normal recurring nature.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results may differ from these estimates.

Interim results of operations are not necessarily indicative of the results to be expected for the full fiscal year. The information included in this Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2013.

Certain prior-period amounts have been reclassified to conform to the current-period presentation.

New accounting pronouncements

In July 2013, the Financial Accounting Standards Board issued Accounting Standards Update No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ("ASU 2013-11"). ASU 2013-11 requires the netting of unrecognized tax benefits ("UTBs") against a deferred tax asset for a loss or other carryforward that would apply in settlement of the uncertain tax positions. UTBs are required to be netted against all available same-jurisdiction loss or other tax carryforwards, rather than only against carryforwards that are created by the UTBs. ASU 2013-11 is effective for years, including interim periods within those years, beginning after December 15, 2013. The adoption of ASU 2013-11 in the first quarter of fiscal 2015 is not expected to have a material impact on the Company's consolidated financial statements.

2. Acquisitions and divestitures

During the first nine months of fiscal 2014, the Company completed three acquisitions with historical annualized sales of approximately \$490 million. Cash paid for acquisitions during the first nine months of fiscal 2014 was \$116.9 million, net of cash acquired and contingent consideration. The Company has not disclosed the pro-forma impact of the fiscal 2014 acquisitions as such impact was not material.

The aggregate consideration for the acquisitions was \$219.7 million, which consisted of the following (in thousands):

| | |
|--------------------------|-----------|
| Cash paid | \$181,645 |
| Contingent consideration | 38,081 |
| Total | \$219,726 |

The contingent consideration arrangements stipulate that the Company pay up to a maximum of approximately \$50 million of additional consideration to the former shareholders of the acquired businesses based upon the achievement of certain future operating results. The Company estimated the fair value of the contingent consideration using an income approach, which is based on significant inputs, primarily forecasted future operating results of the acquired businesses, not observable in the market and thus represents a Level 3 measurement as defined in ASC 820. The Company adjusts the fair value of contingent consideration as a result of the passage of time and if there are changes to the inputs used in the income approach.

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The Company has not yet completed its evaluation and determination of the fair value of certain assets and liabilities acquired, primarily the final valuation and assessment of (i) amortizable intangible assets acquired, (ii) contingent consideration due to the sellers, (iii) working capital acquired and liabilities assumed, and (iv) certain income tax accounts. The Company expects these final valuations and assessments will be completed by the end of fiscal 2014, which may result in additional adjustments to the values presented in the following table:

| | Preliminary Acquisition Method Values (Thousands) |
|---|--|
| Cash | \$64,763 |
| Accounts receivable, net | 36,216 |
| Inventories | 95,202 |
| Other current assets | 6,599 |
| Property, plant and equipment and other non-current assets | 28,155 |
| Intangible assets | 55,543 |
| Total identifiable assets acquired | \$286,478 |
| Accounts payable, accrued liabilities and other current liabilities | 66,848 |
| Short-term debt | 45,942 |
| Other long-term liabilities | 15,149 |
| Total identifiable liabilities assumed | \$127,939 |
| Net identifiable assets acquired | 158,539 |
| Goodwill | 61,187 |
| Net assets acquired | \$219,726 |

Goodwill of \$50.6 million was assigned to the Electronics Marketing ("EM") reportable segment and goodwill of \$10.6 million was assigned to the Technology Solutions ("TS") reportable segment. The goodwill recognized is attributable primarily to expected synergies of the acquired businesses. The amount of goodwill that is expected to be deductible for income tax purposes is not material. The Company periodically adjusts the value of goodwill to reflect changes that occur as a result of adjustments to the preliminary purchase price allocation during the measurement periods following the dates of acquisition.

The Company has recognized restructuring, integration, and other expenses associated with fiscal 2014 and other recent acquisitions, which are described further in Note 13.

Gain on bargain purchase and other

During the first quarter of fiscal 2013, the Company acquired Internix, Inc., a company publicly traded on the Tokyo Stock Exchange, through a tender offer. After assessing the assets acquired and liabilities assumed, the consideration paid was below book value even though the price paid per share represented a premium to the trading levels at that time. During the first half of fiscal 2013, the Company recognized a total gain on bargain purchase related to Internix of \$33.0 million before and after tax and \$0.23 per share on a diluted basis (inclusive of adjustments occurring subsequent to the first quarter of fiscal 2013).

In addition, during the second quarter of fiscal 2013, the Company divested a small business in TS Asia for which it recognized a loss of \$1.7 million before and after tax and \$0.01 per share on a diluted basis. The combination of this loss on divestiture and the gain on bargain purchase noted above resulted in a gain of \$31.4 million for the first half of fiscal 2013.

During the first half of fiscal 2013, the Company received proceeds of \$3.6 million, net of cash divested, related to the divestiture described above and the receipt of contingent consideration associated with a divestiture completed in the prior fiscal year, for which there was no gain or loss as the proceeds were applied against the contingent consideration receivable that was established at the time of sale.

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

3. Goodwill and intangible assets

Goodwill

The following table presents the change in the goodwill balances by reportable segment for the nine months ended March 29, 2014. Substantially all of the accumulated impairment was recognized in fiscal 2009.

| | Electronics Marketing (Thousands) | Technology Solutions | Total |
|----------------------------------|---|-------------------------|--------------|
| Gross goodwill | \$1,646,940 | \$994,082 | \$2,641,022 |
| Accumulated impairment | (1,045,110) | (334,624) | (1,379,734) |
| Carrying value at June 29, 2013 | 601,830 | 659,458 | 1,261,288 |
| Additions | 50,565 | 10,622 | 61,187 |
| Adjustments | 808 | 552 | 1,360 |
| Foreign currency translation | 10,567 | 9,987 | 20,554 |
| Carrying value at March 29, 2014 | \$663,770 | \$680,619 | \$1,344,389 |
| Gross goodwill | \$1,708,880 | \$1,015,243 | \$2,724,123 |
| Accumulated impairment | (1,045,110) | (334,624) | (1,379,734) |
| Carrying value at March 29, 2014 | \$663,770 | \$680,619 | \$1,344,389 |

The goodwill additions are a result of businesses acquired during the first nine months of fiscal 2014 (see Note 2) and goodwill adjustments represent the net purchase accounting adjustments for acquisitions during the related measurement periods.

Intangible Assets

The following table presents the Company's acquired intangible assets at March 29, 2014 and June 29, 2013, respectively. These intangible assets have a weighted average life of approximately 8 years.

| | March 29, 2014 | | | June 29, 2013 | | |
|------------------|--|-----------------------------|-------------------|-----------------------------|-----------------------------|-------------------|
| | Gross Carrying Amount (Thousands) | Accumulated Amortization | Net Book Value | Gross Carrying Amount | Accumulated Amortization | Net Book Value |
| Customer related | \$338,506 | \$(145,469) | \$193,037 | \$276,107 | \$(109,946) | \$166,161 |
| Trade name | 3,147 | (1,084) | 2,063 | 3,320 | (480) | 2,840 |
| Other | 3,876 | (1,147) | 2,729 | 4,177 | (966) | 3,211 |
| | \$345,529 | \$(147,700) | \$197,829 | \$283,604 | \$(111,392) | \$172,212 |

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Intangible asset amortization expense was \$12.2 million and \$8.7 million for the third quarters of fiscal 2014 and 2013, respectively, and \$33.1 million and \$23.8 million for the first nine months of fiscal 2014 and 2013, respectively. The following table presents the estimated future amortization expense for the remainder of fiscal 2014, the next five fiscal years and thereafter (in thousands):

| Fiscal Year | |
|--------------------------|-----------|
| Remainder of fiscal 2014 | \$12,089 |
| 2015 | 47,762 |
| 2016 | 35,882 |
| 2017 | 31,828 |
| 2018 | 23,296 |
| 2019 | 17,473 |
| Thereafter | 29,499 |
| Total | \$197,829 |

4. External financing

Short-term debt consists of the following:

| | March 29, 2014 | June 29, 2013 |
|--|-------------------|------------------|
| | (Thousands) | |
| Bank credit facilities | \$257,237 | \$177,118 |
| Accounts receivable securitization program | 590,000 | 360,000 |
| 5.875% Notes due March 15, 2014 | — | 299,950 |
| Other debt due within one year | 1,151 | 1,122 |
| Short-term debt | \$848,388 | \$838,190 |

Bank credit facilities consist of various committed and uncommitted lines of credit and other forms of bank debt with financial institutions utilized primarily to support the working capital requirements of foreign operations. The weighted average interest rate on the bank credit facilities was 3.6% and 4.3% at March 29, 2014 and June 29, 2013, respectively.

In August 2013, the Company amended and extended its accounts receivable securitization program (the "Program") with a group of financial institutions to allow the Company to sell, on a revolving basis, an undivided interest of up to \$800.0 million in eligible receivables while retaining a subordinated interest in a portion of the receivables. The Program does not qualify for sale accounting treatment and, as a result, any borrowings under the Program are recorded as debt on the consolidated balance sheets. The Program contains certain covenants, all of which the Company was in compliance with as of March 29, 2014. The Program has a one-year term that expires in August 2014. Interest on borrowings is calculated using a base rate or a commercial paper rate plus a spread of 0.35%. The facility fee is 0.35%.

In March 2014, the Company redeemed the \$300.0 million of outstanding 5.875% Notes due March 15, 2014 upon their maturity.

AVNET, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Long-term debt consists of the following:

| | March 29, 2014 | June 29, 2013 |
|-------------------------------------|-------------------|------------------|
| | (Thousands) | |
| 6.000% Notes due September 1, 2015 | \$250,000 | \$250,000 |
| 6.625% Notes due September 15, 2016 | 300,000 | 300,000 |
| 5.875% Notes due June 15, 2020 | 300,000 | 300,000 |
| 4.875% Notes due December 1, 2022 | 350,000 | 350,000 |
| 2012 Credit Facility | 20,000 | 6,700 |
| Other long-term debt | 4,163 | 2,879 |
| Long-term debt before discount | 1,224,163 | 1,209,579 |
| Discount on notes | (2,186 |) (2,586 |
| Long-term debt | \$1,221,977 | \$1,206,993 |

The Company has a five-year \$1.0 billion senior unsecured revolving credit facility (the "2012 Credit Facility") with a syndicate of banks that expires in November 2016. Under the 2012 Credit Facility, the Company may select from various interest rate options, currencies and maturities. The 2012 Credit Facility contains certain covenants, all of which the Company was in compliance with as of March 29, 2014. At March 29, 2014, there were \$20.0 million in borrowings outstanding under the 2012 Credit Facility and \$2.0 million in letters of credit issued, which represent a utilization of borrowing capacity but are not recorded in the consolidated balance sheets as the letters of credit are not debt. At June 29, 2013, there were \$6.7 million in borrowings outstanding and \$2.3 million in letters of credit issued under the 2012 Credit Facility.

At March 29, 2014, the carrying value and fair value of the Company's total debt was \$2.07 billion and \$2.18 billion, respectively. At June 29, 2013, the carrying value and fair value of the Company's total debt was \$2.05 billion and \$2.13 billion, respectively. Fair value was estimated primarily based upon quoted market prices.

5. Derivative financial instruments

Many of the Company's subsidiaries purchase and sell products in currencies other than their functional currencies. This subjects the Company to the risks associated with fluctuations in foreign currency exchange rates. The Company reduces this risk by utilizing natural hedging (i.e., offsetting receivables and payables) as well as by creating offsetting positions through the use of derivative financial instruments, primarily forward foreign exchange contracts typically with maturities of less than sixty days ("economic hedges"). The Company continues to have exposure to foreign currency risks to the extent they are not hedged. The Company adjusts any economic hedges to fair value through the consolidated statements of operations primarily within "other income (expense), net." Therefore, the changes in valuation of the underlying items being economically hedged are offset by the changes in fair value of the forward foreign exchange contracts. The amounts representing the fair value of foreign exchange contracts, based upon level 2 criteria under the fair value hierarchy, are classified in the captions "other current assets" or "accrued expenses and other," as applicable, in the accompanying consolidated balance sheets and were not material as of March 29, 2014 and June 29, 2013. The Company did not have material gains or losses related to the forward foreign exchange contracts during the first nine months and third quarters of fiscal 2014 and fiscal 2013.

The Company generally does not hedge its investments in its foreign operations. The Company does not enter into derivative financial instruments for trading or speculative purposes and monitors the financial stability and credit standing of its counterparties.

6. Commitments and contingencies

Bell

During fiscal 2011, the Company recognized a contingent liability for potential unpaid import duties associated with the acquisition of Bell Microproducts Inc. ("Bell"). Prior to the acquisition of Bell by Avnet, Customs and Border Protection ("CBP") initiated a review of the importing process at one of Bell's subsidiaries and identified compliance

deficiencies. Subsequent to the acquisition of Bell by Avnet, CBP began a compliance audit. The Company evaluated projected duties, interest and penalties that potentially may be imposed as a result of the audit and recognized a contingent liability of \$10.0 million. Depending on the ultimate resolution of the matter with CBP, the Company estimates that the range of the potential exposure associated with the liability may

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

be up to \$73.0 million; however, the Company believes the contingent liability recorded is a reasonable estimate of the liability based upon the facts available at this time.

LCD Class Action Settlement

The Company filed a proof of claim in the settlement of a class action proceeding that sought damages from certain manufacturers of LCD flat panel displays. A settlement was reached in the proceedings and in the first quarter of fiscal 2014 the federal district judge overseeing the proceeding issued an order approving the distribution of settlement funds to the class claimants and the Company received an award payment of \$19.1 million. In the third quarter of fiscal 2014, the federal district judge overseeing the proceedings issued an order approving a final distribution of funds and the Company received a final award payment of \$3.0 million. The total award of \$22.1 million is classified within "gain on legal settlement, bargain purchase and other" in the consolidated statements of operations.

Other

From time to time, the Company may become a party to, or be otherwise involved in various lawsuits, claims, investigations and other legal proceedings arising in the ordinary course of conducting its business. While litigation is subject to inherent uncertainties, management does not anticipate that any ongoing matters will have a material adverse effect on the Company's financial condition, liquidity or results of operations.

7. Income taxes

The Company's effective tax rate on its income before income taxes was 31.0% in the third quarter of fiscal 2014 as compared with 40.3% in the third quarter of fiscal 2013. During the third quarter of fiscal 2014, the Company's effective tax rate was favorably impacted by the mix of income in lower tax rate jurisdictions and a lower level of increases to valuation allowances and reserves.

For the first nine months of fiscal 2014 and 2013, the Company's effective tax rate was 31.6% and 23.2%, respectively. This increase in the effective tax rate was due primarily to the fiscal 2013 effective tax rate including the favorable settlement of two IRS audits for the Company and an acquired company, and a non-taxable gain on a bargain purchase, partially offset by increases to valuation allowances and reserves. Due to the reduced level of income before income taxes in the first nine months of fiscal 2013, the net favorable impact of these items on the effective tax rate was significant. The effective tax rate for the first nine months of fiscal 2013 was also favorably impacted, to a lesser extent, by the mix of income earned in lower tax rate jurisdictions.

Prior to fiscal 2011, the Company had established a full valuation allowance against significant net operating loss carry-forward deferred tax assets related to a legal entity in EMEA due to, among several other factors, a history of losses in that entity. Since fiscal 2011, the Company determined that a full valuation allowance related to this entity was no longer required due to the expected continuation of improved earnings in the foreseeable future and, as a result, the Company's effective tax rate was positively impacted (decreased) from the release of portions of the valuation allowance. The Company will continue to evaluate the need for a valuation allowance against these deferred tax assets and will adjust the valuation allowance as deemed appropriate which, if reduced, could result in a significant decrease to the effective tax rate. The carrying value of the Company's deferred tax assets is dependent upon the Company's ability to generate sufficient future taxable income in certain tax jurisdictions and factors that are considered in such an evaluation include historic levels of income, expectations and risk associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies.

8. Pension plan

The Company has a noncontributory defined benefit pension plan (the "Plan") for which the components of net periodic pension costs during the third quarters and nine months ended March 29, 2014 and March 30, 2013 were as follows:

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

| | Third Quarters Ended | | Nine Months Ended | |
|--------------------------------------|----------------------|-------------------|-------------------|-------------------|
| | March 29, 2014 | March 30, 2013 | March 29, 2014 | March 30, 2013 |
| | (Thousands) | | | |
| Service cost | \$9,183 | \$9,230 | \$27,549 | \$27,690 |
| Interest cost | 4,289 | 3,663 | 12,867 | 10,989 |
| Expected return on plan assets | (7,727) | (6,976) | (23,181) | (20,928) |
| Recognized net actuarial loss | 3,171 | 3,724 | 9,513 | 11,172 |
| Amortization of prior service credit | (393) | (393) | (1,179) | (1,179) |
| Net periodic pension cost | \$8,523 | \$9,248 | \$25,569 | \$27,744 |

The Company made contributions to the Plan of \$30.0 million during the first nine months of fiscal 2014. The Company expects to make an additional contribution to the Plan of \$10.0 million in the fourth quarter of fiscal 2014.

9. Shareholders' equity

Share repurchase program

In August 2012, the Company's Board of Directors amended the Company's existing share repurchase program to authorize the repurchase of up to \$750.0 million of common stock in the open market or through privately negotiated transactions. The timing and actual number of shares purchased will depend on a variety of factors such as price, corporate and regulatory requirements, and prevailing market conditions. During the third quarter and first nine months of fiscal 2014, the Company repurchased 31,700 shares under this program at an average market price of \$39.50 per share for a total cost of \$1.3 million. Since the beginning of the repurchase program through the end of the first nine months of fiscal 2014, the Company has repurchased 17,921,700 shares at an aggregate cost of \$526.8 million, and \$223.2 million remains available for future repurchases under the share repurchase program.

Common stock dividend

In February 2014, the Company's Board of Directors approved a dividend of \$0.15 per common share to the shareholders of record on March 4, 2014. Dividend payments of \$20.7 million were made in March 2014.

During the first nine months of fiscal 2014, the Company has paid dividends of \$0.45 per common share and \$62.0 million in total.

10. Earnings per share

| | Third Quarters Ended | | Nine Months Ended | |
|--|------------------------------------|-------------------|-------------------|-------------------|
| | March 29, 2014 | March 30, 2013 | March 29, 2014 | March 30, 2013 |
| | (Thousands, except per share data) | | | |
| Numerator: | | | | |
| Net income | \$113,851 | \$86,196 | \$359,339 | \$323,982 |
| Denominator: | | | | |
| Weighted average common shares for basic earnings per share | 138,418 | 137,102 | 137,845 | 138,215 |
| Net effect of dilutive stock option, restricted stock and performance share awards | 1,761 | 1,913 | 2,170 | 2,101 |
| Weighted average common shares for diluted earnings per share | 140,179 | 139,015 | 140,015 | 140,316 |
| Basic earnings per share | \$0.82 | \$0.63 | \$2.61 | \$2.34 |
| Diluted earnings per share | \$0.81 | \$0.62 | \$2.57 | \$2.31 |

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

For the three and nine months ended March 29, 2014 and for the three months ended March 30, 2013, none of the outstanding options were excluded from the calculation of diluted earnings per share because all of the outstanding options were dilutive. For the nine months ended March 30, 2013, 565,840 options were excluded from this calculation, because the exercise price for those options was above the average market price of the Company's shares for those periods and inclusion of these options in the diluted earnings per share calculation would have had an anti-dilutive effect.

11. Additional cash flow information

Interest and income taxes paid in the nine months ended March 29, 2014 and March 30, 2013 were as follows:

| | Nine Months Ended | |
|-------------------|-------------------|-------------------|
| | March 29, 2014 | March 30, 2013 |
| | (Thousands) | |
| Interest paid | \$86,844 | \$82,114 |
| Income taxes paid | \$165,885 | \$131,218 |

The Company includes book overdrafts as part of accounts payable on its consolidated balance sheets and reflects changes in such balances as part of cash flows from operating activities in its consolidated statements of cash flows. During the nine months ended March 29, 2014, the Company had non-cash financing activities of \$38.1 million related to contingent consideration in connection with acquisition activity in fiscal 2014.

12. Segment information

At the beginning of fiscal 2014, the Company began excluding amortization expense associated with acquired intangible assets from the operating income of the Electronics Marketing ("EM") and Technology Solutions ("TS") reportable operating segments ("operating groups") in order to measure such operating results consistent with how many technology companies measure operating performance and given that such amortization expense is non-cash in nature. As a result of this change, prior period segment information has been recast to conform to the new measure of profitability used during fiscal 2014. The change in the measure of operating group profitability did not impact the determination of the Company's operating groups or the previously reported consolidated financial results.

At the beginning of fiscal 2014, a portion of the Company's reverse logistics operations, which was previously included in the EM operating group, was combined within the TS operating group. The Company also combined its regional computing components operations within EM and TS into a single global organization within TS. As a result of these changes, sales, operating income and assets previously reported in the EM operating group in fiscal 2013 have been included within the TS operating group in fiscal 2014. The Company does not view the amount of sales, operating income, or assets of such transferred operations to be a material change to the composition of its operating groups for financial reporting purposes. Sales related to such transferred operations reported in the EM operating group in the third quarter and first nine months of fiscal 2013 were \$110.9 million and \$344.6 million, respectively. The transfer of such operations between operating groups did not impact the determination of the Company's operating groups or the previously reported consolidated financial results.

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

| | Third Quarters Ended | | Nine Months Ended | |
|--|----------------------|-------------------|-------------------|-------------------|
| | March 29, 2014 | March 30, 2013 | March 29, 2014 | March 30, 2013 |
| | (Thousands) | | | |
| Sales: | | | | |
| Electronics Marketing | \$4,133,004 | \$3,797,206 | \$12,225,911 | \$11,123,851 |
| Technology Solutions | 2,550,612 | 2,501,493 | 8,225,034 | 7,744,370 |
| | \$6,683,616 | \$6,298,699 | \$20,450,945 | \$18,868,221 |
| Operating income (expense): | | | | |
| Electronics Marketing | \$193,437 | \$165,023 | \$540,905 | \$457,117 |
| Technology Solutions | 60,887 | 68,616 | 243,703 | 220,400 |
| Corporate | (30,530) | (29,942) | (98,126) | (100,862) |
| | 223,794 | 203,697 | 686,482 | 576,655 |
| Restructuring, integration and other expenses (Note 13) | (26,083) | (27,341) | (66,624) | (89,655) |
| Amortization of acquired intangible assets and other | (12,868) | (8,746) | (34,456) | (23,844) |
| | \$184,843 | \$167,610 | \$585,402 | \$463,156 |
| Sales, by geographic area: | | | | |
| Americas ⁽¹⁾ | \$2,567,139 | \$2,620,295 | \$8,119,450 | \$7,935,867 |
| EMEA ⁽²⁾ | 2,160,383 | 1,883,007 | 6,105,393 | 5,355,124 |
| Asia/Pacific ⁽³⁾ | 1,956,094 | 1,795,397 | 6,226,102 | 5,577,230 |
| | \$6,683,616 | \$6,298,699 | \$20,450,945 | \$18,868,221 |

Includes sales from the United States of \$2.30 billion and \$2.30 billion for the third quarters ended March 29, 2014, and March 30, 2013, respectively. Includes sales from the United States of \$7.20 billion and \$6.90 billion for the first nine months of fiscal 2014 and 2013, respectively.

Includes sales from Germany of \$861.4 million for the third quarter ended March 29, 2014, and \$2.50 billion for the first nine months of fiscal 2014. Includes sales from Germany and the United Kingdom of \$736.4 million and \$317.3 million, respectively, for the third quarter ended March 30, 2013, and \$2.02 billion and \$903.7 million, respectively, for the first nine months of fiscal 2013.

Includes sales from China (including Hong Kong) and Taiwan of \$700.3 million and \$605.7 million, respectively, for the third quarter ended March 29, 2014, and sales of \$2.20 billion and \$2.00 billion for the first nine months of fiscal 2014, respectively. Includes sales from China (including Hong Kong), Taiwan, and Singapore of \$561.6 million, \$563.2 million and \$282.7 million, respectively, for the third quarter ended March 30, 2013, and \$1.80 billion, \$1.73 billion and \$858.6 million, respectively, for the first nine months of fiscal 2013.

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

| | March 29, 2014 (Thousands) | June 29, 2013 |
|--|----------------------------------|------------------|
| Assets: | | |
| Electronics Marketing | \$6,596,057 | \$6,316,326 |
| Technology Solutions | 4,108,383 | 3,838,421 |
| Corporate | 196,340 | 319,933 |
| | \$10,900,780 | \$10,474,680 |
| Property, plant, and equipment, net, by geographic area: | | |
| Americas ⁽¹⁾ | \$289,306 | \$282,986 |
| EMEA ⁽²⁾ | 203,125 | 177,908 |
| Asia/Pacific | 29,890 | 31,712 |
| | \$522,321 | \$492,606 |

⁽¹⁾ Includes property, plant and equipment, net, of \$281.0 million and \$273.4 million as of March 29, 2014 and June 29, 2013, respectively, in the United States.

⁽²⁾ Includes property, plant and equipment, net, of \$98.7 million and \$62.8 million in Germany and Belgium, respectively, as of March 29, 2014 and \$92.7 million and \$45.1 million in Germany and Belgium, respectively, as of June 29, 2013.

13. Restructuring, integration and other expenses Fiscal 2014

During the third quarter and first nine months of fiscal 2014, the Company took certain actions in an effort to reduce future operating costs including activities necessary to achieve planned synergies from recently acquired businesses. In addition, the Company incurred integration and other costs primarily associated with acquired or divested businesses and for the consolidation of facilities. The following table presents the restructuring, integration and other expenses incurred during the third quarter and first nine months of fiscal 2014:

| | Third Quarter Ended March 29, 2014 (Thousands, except per share data) | Nine Months Ended March 29, 2014 |
|--|--|--|
| Restructuring expenses | \$19,276 | \$46,180 |
| Integration costs | 3,864 | 12,332 |
| Other costs including acquisition costs | 2,329 | 6,870 |
| Changes in estimates for prior restructuring liabilities | 614 | 1,242 |
| Restructuring, integration and other expenses before tax | \$26,083 | \$66,624 |
| Restructuring, integration and other expenses after tax | \$19,275 | \$49,872 |
| Restructuring, integration and other expenses per share on a diluted basis | \$0.14 | \$0.36 |

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The activity related to the restructuring liabilities established during fiscal 2014 is presented in the following table:

| | Severance | Facility Exit Costs and Asset Impairments | Other | Total |
|---|-------------|--|---------|------------|
| | (Thousands) | | | |
| Fiscal 2014 restructuring expenses | \$38,857 | \$6,442 | \$881 | \$46,180 |
| Cash payments | (13,839) |) (1,630) |) (9) |) (15,478) |
| Non-cash amounts | (260) |) (2,591) |) (538) |) (3,389) |
| Other, principally foreign currency translation | 19 | (6) |) 10 | 23 |
| Balance at March 29, 2014 | \$24,777 | \$2,215 | \$344 | \$27,336 |

Severance expense recorded in the first nine months of fiscal 2014 related to the reduction, or planned reduction, of over 750 employees, primarily in operations, sales and business support functions, in connection with cost reduction actions taken in both operating groups, including reductions in recently acquired businesses. Facility exit costs primarily consists of liabilities for remaining lease obligations and the impairment of long-lived assets for locations and information systems the Company has ceased using. Other restructuring costs related primarily to other miscellaneous restructuring and exit costs. Of the \$46.2 million in restructuring expenses recorded during the first nine months of fiscal 2014, \$32.0 million related to EM, \$13.7 million related to TS and \$0.5 million related to corporate business support functions. As of March 29, 2014, management expects the majority of the remaining severance, facility exit costs and other liabilities to be paid by the first quarter of fiscal 2015. During the third quarter of fiscal 2014, the Company incurred \$10.3 million of severance and facility exit costs, related to the restructuring activities initiated, during the second and third quarters of fiscal 2014, but not yet completed, and expects to incur up to approximately \$10.0 million to \$15.0 million of additional restructuring costs through the first quarter of fiscal 2015 for such activities that are not yet completed.

Integration costs are primarily related to the integration of acquired businesses and incremental costs incurred as part of the consolidation, relocation and closure of warehouse and office facilities. Integration costs include consulting costs for IT system and business operation integration assistance, facility moving costs, legal fees, travel, meeting, marketing and communication costs that are incrementally incurred as a result of such integration activities. Also included in integration costs are incremental salary costs specific to integration, consolidation and closure activities. Other costs consists primarily of professional fees incurred for acquisitions, additional costs incurred related businesses divested or exited in prior periods, any ongoing facilities operating costs associated with the consolidation, relocation and closure of facilities once such facilities have been vacated or substantially vacated, and other miscellaneous costs that relate to restructuring, integration and other expenses. Integration and other costs in the first nine months of fiscal 2014 were comprised of many different costs, none of which were individually material.

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Fiscal 2013

During fiscal 2013, the Company incurred restructuring expenses related to various restructuring actions intended to reduce costs in response to the then current market conditions. The following table presents the activity during the first nine months of fiscal 2014 related to the remaining restructuring liabilities established during fiscal 2013:

| | Severance | Facility Exit Costs and Asset Impairments | Other | Total |
|---|-------------|--|---------|----------|
| | (Thousands) | | | |
| Balance at June 29, 2013 | \$25,254 | \$16,211 | \$370 | \$41,835 |
| Cash payments | (19,501) | (5,844) | (1,230) | (26,575) |
| Changes in estimates, net | (2,198) | (1,285) | 1,590 | (1,893) |
| Non-cash amounts | — | 538 | (756) | (218) |
| Other, principally foreign currency translation | 197 | 310 | 151 | 658 |
| Balance at March 29, 2014 | \$3,752 | \$9,930 | \$125 | \$13,807 |

As of March 29, 2014, management expects the majority of the remaining severance and other liabilities to be paid by the end of fiscal 2014 and the remaining facility exit cost liabilities to be paid by the end of fiscal 2018.

Fiscal 2012 and prior

As of June 29, 2013, there was \$4.7 million of restructuring liabilities remaining related to restructuring actions taken in fiscal years 2012 and prior, the majority of which relates to facility exit costs. The remaining balance for such historical restructuring actions as of March 29, 2014 was \$1.8 million, which is expected to be paid by the end of fiscal 2016.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

For a description of the Company's critical accounting policies and an understanding of the significant factors that influenced the Company's performance during the quarter ended March 29, 2014, this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the consolidated financial statements, including the related notes, appearing in Item 1 of this Report, as well as the Company's Annual Report on Form 10-K for the year ended June 29, 2013.

There are references to the impact of foreign currency translation in the discussion of the Company's results of operations. When the U.S. Dollar strengthens and the stronger exchange rates of the current year are used to translate the results of operations of Avnet's subsidiaries denominated in foreign currencies, the resulting impact is a decrease in U.S. Dollars of reported results. Conversely, when the U.S. Dollar weakens and the weaker exchange rates of the current year are used to translate the results of operations of Avnet's subsidiaries denominated in foreign currencies, the resulting impact is an increase in U.S. Dollars of reported results. In the discussion that follows, results excluding this impact, primarily for Europe, the Middle East and Africa, are referred to as "excluding the translation impact of changes in foreign currency exchange rates" or "constant currency."

In addition to disclosing financial results that are determined in accordance with U.S. generally accepted accounting principles ("GAAP"), the Company also discloses certain non-GAAP financial information, including:

• Sales, income or expense items excluding the translation impact of changes in foreign currency exchange rates, as discussed above.

• Sales adjusted for certain items that impact the year-over-year analysis, which includes the impact of acquisitions by adjusting Avnet's prior periods to include the sales of acquired businesses as if the acquisitions had occurred at the beginning of the earliest period presented. In addition, the prior year sales are adjusted for (i) divestitures by adjusting Avnet's prior periods to exclude the sales of divested businesses as if the divestitures had occurred at the beginning of the earliest period presented, and (ii) the transfer of a portion of Avnet's reverse logistics operations and a regional computing components operation at the beginning of fiscal 2014 from the Electronics Marketing ("EM") operating group to the Technology Solutions ("TS") operating group. Sales taking into account the combination of these adjustments are referred to as "organic sales."

• Operating income excluding (i) restructuring, integration and other expenses (see Restructuring, Integration and Other Expenses in this MD&A) and (ii) amortization of acquired intangible assets and other. Operating income excluding such amounts is referred to as adjusted operating income.

The reconciliation of operating income to adjusted operating income is presented in the following table:

| | Third Quarters Ended | | Nine Months Ended | |
|--|----------------------|-------------------|-------------------|-------------------|
| | March 29, 2014 | March 30, 2013 | March 29, 2014 | March 30, 2013 |
| | (Thousands) | | | |
| GAAP operating income | \$184,843 | \$167,610 | \$585,402 | \$463,156 |
| Restructuring, integration and other expenses | 26,083 | 27,341 | 66,624 | 89,655 |
| Amortization of acquired intangible assets and other | 12,868 | 8,746 | 34,456 | 23,844 |
| Adjusted operating income | \$223,794 | \$203,697 | \$686,482 | \$576,655 |

Management believes that providing this additional information is useful to the reader to better assess and understand operating performance, especially when comparing results with previous periods or forecasting performance for future periods, primarily because management typically monitors the business both including and excluding these adjustments to GAAP results. Management also uses these non-GAAP measures to establish operational goals and, in some cases, for measuring performance for compensation purposes. However, analysis of results on a non-GAAP basis should be used as a complement to, and in conjunction with, results presented in accordance with GAAP.

OVERVIEW

Organization

Avnet, Inc., incorporated in New York in 1955, together with its consolidated subsidiaries (the “Company” or “Avnet”), is one of the world’s largest value-added distributors, based on sales, of electronic components, enterprise computer and storage products, IT services and embedded subsystems. Avnet creates a vital link in the technology supply chain that connects the world’s leading electronic component and computer product manufacturers and software developers with a global customer base of original equipment manufacturers (“OEMs”), electronic manufacturing services (“EMS”) providers, original design manufacturers (“ODMs”), and value-added resellers (“VARs”). Avnet distributes electronic components, computer products and software, as received from its suppliers or through a customized solution, and offers assembly and other value-added services. In addition, Avnet provides engineering design, materials management and logistics services, system integration and configuration, and supply chain services customized to meet specific requirements of both customers and suppliers.

Avnet has two primary operating groups — EM and TS. Both operating groups have operations in each of the three major economic regions of the world: the Americas; Europe, the Middle East and Africa (“EMEA”); and Asia/Pacific, consisting of Asia, Australia and New Zealand (“Asia” or “Asia/Pac”). A brief summary of each operating group is provided below:

EM markets and sells semiconductors and interconnect, passive and electromechanical devices (“IP&E”) and embedded products for the world’s leading electronic component manufacturers. EM markets and sells its products and services to a diverse customer base serving many end-markets including automotive, communications, computer hardware and peripherals, industrial and manufacturing, medical equipment, and defense and aerospace. EM also offers an array of value-added services that help customers evaluate, design-in and procure electronic components throughout the lifecycle of their technology products and systems. By working with EM, customers and suppliers can accelerate their time to market and realize cost efficiencies in both the design and manufacturing process.

As a leading global IT solutions distributor, TS focuses on the value-added distribution of enterprise computing servers and systems, software, storage, services and complex solutions from the world’s foremost technology manufacturers. TS partners with its customers and suppliers to create and deliver effective data center and IT lifecycle solutions that solve the business challenges of end-user customers locally and around the world. TS serves a number of customer segments, from VARs, system integrators and independent software vendors to the worldwide OEM market for computing technology and non-PC OEMs requiring embedded systems and solutions including engineering, product prototyping, integration and other value-added services. TS also provides the latest hard disk drives, microprocessor, motherboard and DRAM module technologies to manufacturers of general-purpose computers and system builders.

Results of Operations

Executive Summary

Sales for the third quarter of fiscal 2014 were \$6.68 billion, as compared to the third quarter of fiscal 2013 sales of \$6.30 billion. The increase in year-over-year sales of \$384.9 million was primarily the result of a \$335.8 million increase at EM, primarily due to the EMEA and Asia regions, and a \$49.1 million increase at TS, primarily in the Americas region.

Gross profit margin of 12.0% remained relatively consistent between the year-over-year quarters. EM gross profit margin increased 12 basis points and TS gross profit margin decreased 24 basis points year over year.

The Company's operating income margin was 2.8% in the third quarter of fiscal 2014 as compared to 2.7% in the third quarter of fiscal 2013. Excluding restructuring, integration and other expenses, as well as amortization expense from acquired intangibles from both periods, adjusted operating income margin was 3.3% of sales in the third quarter of fiscal 2014 as compared to 3.2% of sales in the third quarter of fiscal 2013. EM operating income margin, excluding such expenses, increased 33 basis points year over year to 4.7%. The increase in EM operating income margin was primarily due to the increase in gross profit margin noted above and a reduction in operating expenses primarily from the impact of restructuring actions taken over recent quarters, partially offset by increases in operating expenses due to recent acquisitions from which expected cost synergies have not yet been fully realized. TS operating income margin, excluding such expenses, decreased by 35 basis points year over year to 2.4% primarily due to a decline in gross profit

margin and a net increase in operating expenses.

The Company has taken expense reduction actions primarily related to achieving planned synergies from recent acquisitions and to increase operating profitability. The Company incurred \$19.3 million of restructuring expenses in the third quarter of fiscal 2014, which were partially related to the restructuring actions initiated in the second quarter of fiscal 2014 associated with certain recent acquisitions and from other expense reduction actions. When all such restructuring actions are substantially complete, which is expected to occur by the first quarter of fiscal 2015, the Company expects to realize approximately \$35.0 million to \$40.0 million

in annualized operating cost benefits, which includes approximately \$25.0 million to \$30.0 million of the expected annualized savings disclosed in the second quarter of fiscal 2014.

Sales

The table below provides the comparison of reported third quarter fiscal 2014 and 2013 sales for Avnet and the EM and TS operating groups to organic sales (as defined above) to allow readers to better understand and assess the Company's sales performance by operating group and region.

| | As Reported and Organic Q3-Fiscal 2014 (Dollars in thousands) | As Reported Q3-Fiscal 2013 | As Reported Year-Year % Change | Organic Sales Q3-Fiscal 2013 | Organic Year-Year % Change | |
|----------------|---|-------------------------------------|---|---------------------------------------|----------------------------------|----|
| Avnet, Inc. | \$6,683,616 | \$6,298,699 | 6.1 | % \$6,442,691 | 3.7 | % |
| EM | 4,133,004 | 3,797,206 | 8.8 | 3,826,925 | 8.0 | |
| TS | 2,550,612 | 2,501,493 | 2.0 | 2,615,766 | (2.5 |) |
| EM Americas | \$1,193,591 | \$1,320,139 | (9.6 |)% \$1,207,273 | (1.1 |)% |