AVNET INC
Form 10-K
August 07, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended June 27, 2015

or

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

For the transition period from to

Commission file number 1-4224

Avnet, Inc.

(Exact name of registrant as specified in its charter)

New York	11-1890605
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2211 South 47th Street,	85034

Phoenix, Arizona (Zip Code)

(Address of principal executive offices)

Registrant's telephone number, including area code (480) 643-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

The aggregate market value (approximate) of the registrant's common equity held by non-affiliates based on the closing price of a share of the registrant's common stock for New York Stock Exchange composite transactions on December 26, 2014 (the last business day of the registrant's most recently completed second fiscal quarter) was $5,931,014,369.

As of July 24, 2015, the total number of shares outstanding of the registrant's Common Stock was 134,457,853 shares, net of treasury shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement (to be filed pursuant to Reg. 14A) relating to the Annual Meeting of Shareholders anticipated to be held on November 12, 2015 are incorporated herein by reference in Part III of this Report.

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PART I

Item 1. Business

Avnet, Inc., incorporated in New York in 1955, together with its consolidated subsidiaries (the "Company" or "Avnet"), is a global value-added distributor of electronic components, enterprise computer and storage products, IT solutions and 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"), systems integrators ("SIs"), independent software vendors ("ISVs") 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 customers and suppliers.

Organizational Structure

Avnet has two primary operating groups — Electronics Marketing ("EM") and Technology Solutions ("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"). Each operating group has its own management team led by a group president and includes regional presidents and senior executives within the operating group who manage various functions within the businesses. Each operating group also has distinct financial reporting that is evaluated at the corporate level on which operating decisions and strategic planning for the Company as a whole are made. Divisions ("business units") exist within each operating group that serve primarily as sales and marketing units to further streamline the sales and marketing efforts within each operating group and enhance each operating group's ability to work with its customers and suppliers, generally along more specific product lines or geographies. However, each business unit relies heavily on the support services provided by the operating group as well as centralized support at the corporate level.

A description of each operating group is presented below. Further financial information by operating group and region is provided in Note 16 to the consolidated financial statements appearing in Item 15 of this Annual Report on Form 10-K.

Avnet's foreign operations are subject to a variety of risks. These risks are discussed further under Risk Factors in Item 1A and under Quantitative and Qualitative Disclosures About Market Risk in Item 7A of this Report. Additionally, the specific translation impacts of foreign currency fluctuations, most notably the Euro, on the Company's consolidated financial statements are further discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Report.

Electronics Marketing

EM markets and sells semiconductors, interconnect, passive and electromechanical devices ("IP&E") and embedded products for the world's leading electronic component manufacturers. With a global reach that extends to more than 70 countries, EM's products and services cater 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 support and 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.

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EM Design Chain Solutions

EM offers design chain support and services that provide engineers with a host of technical design solutions that serve as an extension of a supplier's sales force, which helps make it economically viable to reach a customer segment that seeks complex products and technologies. With access to a suite of design tools and engineering support from any point in the design cycle, customers can get product specifications along with evaluation kits and reference designs that enable a broad range of applications from concept through detailed design including new product introduction. EM also offers engineering and technical resources deployed globally to support product design, bill of materials development, design support and services and technical education and training. By utilizing EM's design chain support and services, customers can optimize their component selection and accelerate their time to market. The extensive technology line card EM offers provides customers access to a diverse range of products from electronic component manufacturers.

EM Supply Chain Solutions

EM supply chain support and services provide end-to-end solutions focused on OEMs, EMS providers and electronic component manufacturers, enabling them to optimize supply chains on a local, regional or global basis. By combining internal competencies in global warehousing and logistics, finance, information technology and asset management with its global footprint and extensive partner relationships, EM's supply chain support and services develop a deeper level of engagement with its customers. These customers can continuously manage their supply chains to meet the demands of a competitive environment globally without a commensurate investment in physical assets, systems and personnel. With proprietary planning tools and a variety of inventory management solutions, EM can provide unique solutions that meet a customer's just-in-time requirements and minimize risk in a variety of scenarios including lean manufacturing, demand flow and outsourcing.

Embedded Solutions

Avnet Embedded provides embedded computing solutions including technical design, integration and assembly to developers of application-specific computing solutions in the non-PC market. Avnet Embedded also provides solutions for intelligent embedded and innovative display solutions primarily targeting industrial applications, including touch and passive displays. In addition, Avnet Embedded develops and manufactures standard board and industrial subsystems and application-specific devices that enable it to produce specialized systems tailored to specific customer requirements. Avnet Embedded serves OEMs that require embedded systems and solutions, including engineering, product prototyping, integration and other value-added services in the medical, telecommunications, industrial and digital editing markets.

EM Sales and Marketing Divisions

Each of EM's regions has sales and marketing business units that generally focus on a specific customer segment, particular product lines or a specific geography. The business units offer access to one of the industry's broadest line cards and convenient one-stop shopping with an emphasis on responsiveness, engineering support, on-time delivery and quality. Certain specialty services are made available to the individual business units through common support service units. Customers are further supported by a sophisticated e-Commerce platform, which includes a host of powerful functions such as parametric search capabilities for component part selection, bill of material optimization and component cross-referencing. The site enables end-to-end online service from part and inventory searches, price checking and ordering to online payment. EM Americas addresses the needs of its customers and suppliers through focused channels to service small- to medium-sized customers, global customers, defense and aerospace customers and contract manufacturers. In EMEA, business units, which are organized by semiconductors, IP&E and embedded products and design and supply

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chain solutions, address customers on both a pan-European and regional basis. EM Asia goes to market with sales and marketing business units within China, South Asia, Australia, New Zealand, Taiwan and Japan.

Technology Solutions

As a leading global IT solutions distributor, TS works with its business partners in the supply chain to create and deliver effective datacenter and IT lifecycle solutions that solve the business challenges of end-users around the world. These complex IT solutions span the entire IT lifecycle and are sold and delivered to a variety of TS' customer partners, including VARs, ISVs, SIs and OEMs. These solutions can include any combination of services, software and hardware that address among other items, infrastructure and application management, cloud computing, automation, orchestration, datacenter transformation, security, big data, aftermarket and IT lifecycle services, and multilingual vendor accredited training. TS also serves non-PC OEMs requiring embedded systems and solutions, including engineering, product prototyping, integration and other value-added products and services. In addition, TS provides the latest hard disk drives and microprocessor, motherboard and DRAM module technologies to manufacturers of general-purpose computers and system builders.

Customer partners rely on TS' supplier relationships and experienced logistics, sales, marketing, financial, technical and IT services experts to help them identify and capitalize on business opportunities in high-growth technologies, vertical markets and geographies. Suppliers rely on TS' technology expertise and global scale and scope to broaden their customer base and grow sales in markets around the world. TS and its ecosystem of highly trained and knowledgeable channel partners serve as an extension of suppliers' salesforces to sell and deliver end-to-end IT solutions to end users. Through dedicated practices and partnerships, TS and its channel partners provide the education, tools, resources, skills and support needed around core technologies like storage, networking and security, along with industry-leading solutions and services incorporating next-generation technologies like big data and analytics, cloud computing and converged infrastructure. They also provide the specialization required to successfully implement and maintain these solutions in high-growth vertical markets, including energy, finance, government, healthcare and retail.

To continue to meet customer expectations in an evolving IT ecosystem, TS and its channel partners are focused on delivering solutions that expand end users' product delivery capabilities, extend their reach and resources, and enhance project success and return on investment for deployments that span the entire IT lifecycle.

Acquisitions

Avnet has historically pursued a strategic acquisition program to further its strategic objectives and support key business initiatives. This program was a significant factor in Avnet becoming one of the largest value-added distributors of electronic components, enterprise computer and storage products, IT services and embedded subsystems. Avnet expects to continue to pursue strategic acquisitions to expand its market presence, increase its scale and scope, and increase its product and service offerings.

There were no acquisitions in fiscal 2015. During fiscal 2014, the Company completed three acquisitions with aggregate annualized sales of approximately $492.0 million. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II of this Annual Report on Form 10-K for additional information on acquisitions completed during fiscal 2014 and 2013.

Major Products

One of Avnet's competitive strengths is the breadth and quality of the suppliers whose products it distributes. IBM products accounted for approximately 11%, 13% and 12% of the Company's consolidated sales during fiscal 2015,

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and 2013, respectively, and was the only supplier from which sales of its products exceeded 10% of consolidated sales. Listed in the table below are the major product categories and the Company’s approximate sales of each during the past three fiscal years.

	Years Ended		
	June 27, 2015	June 28, 2014	June 29, 2013
	(Millions)		
Semiconductors	$ 15,715.8	$ 14,558.4	$ 13,720.8
Computer products	9,614.2	10,571.6	9,346.0
Connectors, passives, electromechanical and other	2,594.7	2,369.7	2,392.1
	$ 27,924.7	$ 27,499.7	$ 25,458.9

Certain prior year product sales have been reclassified into different product categories to conform to the fiscal 2015 product categorization.

Competition & Markets

The electronic components and computer products industries continue to be extremely competitive and are subject to rapid technological advances. The Company’s major competitors include Arrow Electronics, Inc., Future Electronics and World Peace Group, and, to a lesser extent, Ingram Micro, Inc. and Tech Data Corp. There are also certain smaller, specialized competitors who generally focus on narrower regions, markets, products or particular sectors. In addition, the Company may compete with its own suppliers that maintain a direct salesforce. As a result of these factors, Avnet must remain competitive in its pricing of goods and services.

A key competitive factor in the electronic component and computer product distribution industry is the need to carry a sufficient amount of inventory to meet customers’ rapid delivery requirements. To minimize its exposure related to valuation of inventory on hand, the majority of the Company’s products are purchased pursuant to non-exclusive distributor agreements, which typically provide certain protections for product obsolescence and price erosion. These agreements are generally cancelable upon 30 to 180 days’ notice and, in most cases, provide for inventory return privileges upon cancellation. In addition, the Company enhances its competitive position by offering a variety of value-added services, which entail the performance of services and/or processes tailored to individual customer specifications and business needs such as point of use replenishment, testing, assembly, supply chain management and materials management. For the year ended June 27, 2015, service sales constituted less than 10% of the Company’s total sales.

A competitive advantage is the size of the Company’s supplier base. Because of the number of Avnet’s suppliers, many customers can simplify their procurement process and make all of their required purchases from Avnet, rather than purchasing from several different vendors.

Seasonality

Historically, Avnet’s business has not been materially impacted by seasonality, with the exception of a relatively minor impact on consolidated results from the growth in sales at the TS business during the December quarter primarily driven by the calendar year end selling and buying patterns of key suppliers and customers, respectively.

Number of Employees

At June 27, 2015, Avnet had approximately 18,800 employees.

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Available Information

The Company files its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other documents with the U.S. Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934. A copy of any document the Company files with the SEC is available for review at the SEC's public reference room, 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the public reference room by calling the SEC at 1-800-SEC-0330. The Company's SEC filings are also available to the public on the SEC's website at http://www.sec.gov and through the New York Stock Exchange ("NYSE"), 20 Broad Street, New York, New York 10005, on which the Company's common stock is listed.

A copy of any of the Company's filings with the SEC, or any of the agreements or other documents that constitute exhibits to those filings, can be obtained by request directed to the Company at the following address and telephone number:

Avnet, Inc.

2211 South 47th Street

Phoenix, Arizona 85034

(480) 643-2000

Attention: Corporate Secretary

The Company also makes these filings available, free of charge, through its website (see "Avnet Website" below).

Avnet Website

In addition to the information about Avnet contained in this Report, extensive information about the Company can be found at www.avnet.com, including information about its management team, products and services and corporate governance practices.

The corporate governance information on the website includes the Company's Corporate Governance Guidelines, the Code of Conduct and the charters for each of the committees of Avnet's Board of Directors. In addition, amendments to the Code of Conduct, committee charters and waivers granted to directors and executive officers under the Code of Conduct, if any, will be posted in this area of the website. These documents can be accessed at www.avnet.com under the "Investors — Corporate governance" caption. Printed versions of the Corporate Governance Guidelines, Code of Conduct and charters of the Board committees can be obtained, free of charge, by writing to the Company at the address listed above in "Available Information."

In addition, the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports, if any, filed or furnished pursuant to Section 13(a) or 15(d) of Securities Exchange Act of 1934, as well as Section 16 filings made by any of the Company's executive officers or directors with respect to Avnet common stock, are available on the Company's website (www.avnet.com under the "Investors — SEC filings" caption) as soon as reasonably practicable after the report is electronically filed with, or furnished to, the Securities and Exchange Commission.

These details about Avnet's website and its content are only for information. The contents of the Company's website are not, nor shall they be deemed to be, incorporated by reference in this Report.

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Item 1A. Risk Factors

Forward-Looking Statements and Risk Factors

This Report contains forward-looking statements with respect to the financial condition, results of operations and business of Avnet. These statements are generally identified by words like “believes,” “plans,” “expects,” “anticipates,” “should,” “will,” “may,” “estimates” or similar expressions. Forward-looking statements are subject to numerous assumptions, risks and uncertainties. Except as required by law, Avnet does not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Factors that may cause actual results to differ materially from those contained in the forward-looking statements include those discussed below.

The factors discussed below make the Company’s operating results for future periods difficult to predict and, therefore, prior results are not necessarily indicative of results to be expected in future periods. Any of the below factors, or any other factors discussed elsewhere in this Report, may have an adverse effect on the Company’s financial results, operations, prospects and liquidity. The Company’s operating results have fluctuated in the past and likely will continue to do so. If the Company’s operating results fall below its forecasts and the expectations of public market analysts and investors, the trading price of the Company’s common stock will likely decrease.

Economic weakness and uncertainty could adversely affect the Company’s results and prospects.

The Company’s financial results, operations and prospects depend significantly on worldwide economic conditions, the demand for its products and services, and the financial condition of its customers and suppliers. Economic weakness and uncertainty have in the past resulted, and may result in the future, in decreased sales, margins and earnings. Economic weakness and uncertainty may also lead the Company to impair assets, including goodwill, intangible assets and other long-lived assets, take restructuring actions and reduce expenses in response to decreased sales or margins. The Company may not be able to adequately adjust its cost structure in a timely fashion, which may adversely impact its profitability. Uncertainty about economic conditions may increase foreign currency volatility in markets in which the Company transacts business, which may negatively impact the Company’s results. Economic weakness and uncertainty also make it more difficult for the Company to manage inventory levels and/or collect customer receivables, which may result in provisions to create reserves, write-offs, reduced access to liquidity and higher financing costs.

The electronic components and computer industries are highly competitive and if the Company fails to compete effectively, its sales, gross profit margins and prospects may decline.

The market for the Company’s products and services is very competitive and subject to rapid technological advances, new market entrants, non-traditional competitors, changes in industry standards and changes in customer needs. Not only does the Company compete with other global distributors, it also competes for customers with regional distributors and some of the Company’s own suppliers that maintain direct sales efforts. The Company’s failure to maintain and enhance its competitive position could adversely affect its business and prospects. Furthermore, the Company’s efforts to compete in the marketplace could cause deterioration of gross profit margins and, thus, overall profitability.

The size of the Company’s competitors vary across market sectors, as do the resources the Company has allocated to the sectors and geographic areas in which it does business. Therefore, some competitors may have greater resources or a more extensive customer base than the Company has in one or more of its market sectors and geographic areas, which may result in the Company not being able to effectively compete in certain markets which could impact the Company’s profitability and prospects.

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An industry down-cycle in semiconductors, IT hardware or software products could significantly affect the Company's operating results.

The semiconductor and technology industries historically have experienced periodic fluctuations in product supply and demand, often associated with changes in technology and manufacturing capacity, and are generally considered to be highly cyclical. During each of the last three fiscal years, sales of semiconductors represented approximately 50% of the Company's consolidated sales, and the Company's sales, particularly those of EM, closely follow the strength or weakness of the semiconductor industry. Further, economic weakness or changes in customer needs could cause a decline in spending on information technology, hardware or software products, which could have a negative impact on TS. While the Company attempts to identify changes in market conditions as soon as possible, the dynamics of these industries make prediction of and timely reaction to such changes difficult. Future downturns in the semiconductor and technology industries could adversely affect the Company's operating results and negatively impact the Company's ability to maintain its current profitability levels.

Failure to maintain its relationships with key suppliers could adversely affect the Company's sales.

One of the Company's competitive strengths is the breadth and quality of the suppliers whose products the Company distributes. However, sales of products and services from one of the Company's suppliers, IBM, accounted for approximately 11% of the Company's consolidated sales in fiscal 2015. Management expects IBM products and services to continue to account for roughly a similar percentage of the Company's consolidated sales in fiscal 2016. The Company's contracts with its suppliers, including those with IBM, vary in duration and are generally terminable by either party at will upon notice. To the extent IBM or other primary suppliers significantly reduce their volume of business with the Company in the future, because of a product shortage, an unwillingness to do business with Avnet, changes in strategy or otherwise, the Company's business and relationships with its customers could be negatively affected because its customers depend on the Company's distribution of electronic components and computer products from the industry's leading suppliers. In addition, suppliers' strategy shifts or performance issues may negatively affect the Company's financial results. The competitive landscape has also experienced a consolidation among suppliers, which could negatively impact the Company's profitability and customer base. Further, to the extent that any of the Company's key suppliers modify the terms of their contracts including, without limitation, the terms regarding price protection, rights of return, rebates or other terms that protect or enhance the Company's gross margins, it could negatively affect the Company's results of operations, financial condition or liquidity.

The Company's non-U.S. locations represent a significant portion of its sales and, consequently, the Company is exposed to risks associated with operating internationally.

During fiscal 2015, 2014 and 2013 approximately 64%, 65% and 63%, respectively, of the Company's sales came from its operations outside the United States. As a result of the Company's international operations, in particular those in emerging and developing economies, the Company's operations are subject to a variety of risks that are specific to international operations, including, but not limited to, the following:

- potential restrictions on the Company's ability to repatriate funds from its foreign subsidiaries;
- foreign currency and interest rate fluctuations and the impact on the Company's results of operations;
- import and export duties and value-added taxes;
- compliance with foreign and domestic import and export regulations, data privacy regulations, business licensing requirements, environmental regulations and anti-corruption laws, the failure of which could result in severe penalties including monetary fines, criminal proceedings and suspension of import or export privileges;

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- complex and changing tax laws and regulations;
- regulatory requirements and prohibitions that differ between jurisdictions;
- economic and political instability, terrorism and potential military conflicts or civilian unrest;
- fluctuations in freight costs, limitations on shipping and receiving capacity, and other disruptions in the transportation and shipping infrastructure;
- natural disasters and health concerns;
- differing environmental regulations and employment practices and labor issues; and
- the risk of non-compliance with local laws.

In addition to the cost of compliance, the potential criminal penalties for violations of import or export regulations and anti-corruption laws by the Company or its third-party agents create heightened risks for the Company's international operations. In the event that a governing regulatory body determined that the Company had violated applicable import or export regulations or anti-corruption laws, the Company could be fined significant sums, incur sizable legal defense costs and/or its import or export capabilities could be restricted, which could have a material and adverse effect on the Company's business. Additionally, allegations that the Company has violated a governmental regulation may negatively impact the Company's reputation, which may result in customers or suppliers being unwilling to do business with the Company. While the Company has adopted measures and controls designed to ensure compliance with these laws, the Company cannot be assured that such measures will be adequate or that its business will not be materially and adversely impacted in the event of an alleged violation.

The Company transacts sales, pays expenses, owns assets and incurs liabilities in countries using currencies other than the U.S. Dollar. Because the Company's consolidated financial statements are presented in U.S. Dollars, the Company must translate sales, income and expenses, as well as assets and liabilities, into U.S. Dollars at exchange rates in effect during each reporting period. Therefore, increases or decreases in the exchanges rates between the U.S. Dollar and other currencies the Company transacts in affect the Company's reported amounts of sales, operating income, assets and liabilities denominated in foreign currencies. In addition, unexpected and dramatic changes in foreign currency exchange rates may negatively affect the Company's earnings from those markets. While the Company may use derivative financial instruments to further reduce its net exposure to foreign currency exchange rate fluctuations, there can be no assurance that fluctuations in foreign currency exchange rates will not materially affect the Company's financial results. Further, foreign currency instability and disruptions in the credit and capital markets may increase credit risks for some of the Company's customers and may impair its customers' ability to repay existing obligations.

The Company's acquisition strategy may not produce the expected benefits, which may adversely affect the Company's results of operations.

Avnet has made, and expects to continue to make, strategic acquisitions or investments in companies around the world to further its strategic objectives and support key business initiatives. Acquisitions and investments involve risks and uncertainties, some of which may differ from those associated with Avnet's historical operations. The risks relating to such acquisitions and investments include, but are not limited to, risks relating to expanding into emerging markets and business areas, adding additional product lines and services, impacting existing customer and supplier relationships, incurring costs or liabilities associated with the companies acquired and diverting management's attention from existing business operations. As a result, the Company's profitability may be negatively impacted. In addition, the Company may not be successful in integrating the acquired businesses or the integration may be more difficult, costly or time-consuming than anticipated. Further, any litigation relating to a potential acquisition will result in an increase in the expenses

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associated with the acquisition or cause a delay in completing the acquisition, thereby impacting the Company's profitability. The Company may experience disruptions that could, depending on the size of the acquisition, have an adverse effect on its business, especially where an acquisition target may have pre-existing compliance issues or pre-existing deficiencies or material weaknesses in internal controls. Furthermore, the Company may not realize all of the anticipated benefits from its acquisitions, which could adversely affect the Company's financial performance.

Major disruptions to the Company's logistics capability could have an adverse impact on the Company's operations.

The Company's global logistics services are operated through specialized, centralized or outsourced distribution centers around the globe. The Company also depends almost entirely on third-party transportation service providers for the delivery of products to its customers. A major interruption or disruption in service at one or more of its distribution centers for any reason (such as natural disasters, pandemics, or significant disruptions of services from the Company's third-party transportation providers) could cause cancellations or delays in a significant number of shipments to customers and, as a result, could have an adverse impact on the Company's business partners, and on the Company's business, operations and financial performance.

If the Company sustains cyber attacks or other privacy or data security incidents that result in security breaches, it could suffer a loss of sales and increased costs, exposure to significant liability, reputational harm and other negative consequences.

The Company's information technology may be subject to cyber attacks, security breaches or computer hacking. Experienced computer programmers and hackers may be able to penetrate the Company's security controls and misappropriate or compromise sensitive personal, proprietary or confidential information, create system disruptions or cause shutdowns. They also may be able to develop and deploy viruses, worms and other malicious software programs that attack the Company's systems or otherwise exploit any security vulnerabilities. The Company's systems and the data stored on those systems may also be vulnerable to security incidents or security attacks, acts of vandalism or theft, coordinated attacks by activist entities, misplaced or lost data, human errors, or other similar events that could negatively affect the Company's systems and its data, as well as the data of the Company's business partners. Further, third parties, such as hosted solution providers, that provide services to the Company, could also be a source of security risk in the event of a failure of their own security systems and infrastructure.

The costs to eliminate or address the foregoing security threats and vulnerabilities before or after a cyber incident could be significant. The Company's remediation efforts may not be successful and could result in interruptions, delays or cessation of service, and loss of existing or potential suppliers or customers. In addition, breaches of the Company's security measures and the unauthorized dissemination of sensitive personal, proprietary or confidential information about the Company, its business partners or other third parties could expose the Company to significant potential liability and reputational harm. As threats related to cyber attacks develop and grow, the Company may also find it necessary to make further investments to protect its data and infrastructure, which may impact the Company's profitability. Although the Company has insurance coverage for protecting against cyber attacks, it may not be sufficient to cover all possible claims, and the Company may suffer losses that could have a material adverse effect on its business. As a global enterprise, the Company could also be negatively impacted by existing and proposed laws and regulations, as well as government policies and practices related to cybersecurity, privacy, data localization and data protection.

If the Company's internal information systems fail to function properly, or if the Company is unsuccessful in the implementation, integration or upgrade of information systems, its business operations could suffer.

The Company is dependent on its information systems to facilitate the day-to-day operations of the business and to produce timely, accurate and reliable information on financial and operational results. Currently, the Company's global

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operations are tracked with multiple information systems, some of which are subject to ongoing IT projects designed to streamline or optimize the Company's global information systems. There is no guarantee that the Company will be successful at all times in these efforts or that there will not be implementation or integration difficulties that will adversely affect the Company's ability to complete business transactions timely or the accurate and timely recording and reporting of financial data. A failure of any of these information systems in a way described above or material difficulties in upgrading these information systems could have an adverse effect on the Company's business and its compliance with reporting obligations under federal securities laws.

Declines in the value of the Company's inventory or unexpected order cancellations by the Company's customers could adversely affect its business, results of operations, financial condition and liquidity.

The electronic components and computer products industries are subject to rapid technological change, new and enhanced products, changes in customer needs and changes in industry standards, which can contribute to a decline in value or obsolescence of inventory. Regardless of the general economic environment, it is possible that prices will decline due to a decrease in demand or an oversupply of products and, as a result of the price declines, there may be greater risk of declines in inventory value. Although it is the policy of many of the Company's suppliers to offer certain protections from the loss in value of inventory (such as price protection and limited rights of return), the Company cannot be assured that such policies will fully compensate for the loss in value, or that the suppliers will choose to, or be able to, honor such agreements, some of which are not documented and, therefore, subject to the discretion of the supplier. In addition, the majority of the Company's sales are made pursuant to individual purchase orders, rather than through long-term sales contracts. Where there is a contract, such contract is generally terminable at will upon notice. The Company cannot be assured that unforeseen new product developments, declines in the value of the Company's inventory or unforeseen order cancellations by its customers will not adversely affect the Company's business, results of operations, financial condition or liquidity.

Substantial defaults by the Company's customers or suppliers on its accounts receivable or the loss of significant customers could have a significant negative impact on the Company's business, results of operations, financial condition or liquidity.

A significant portion of the Company's working capital consists of accounts receivable. If entities responsible for a significant amount of accounts receivable were to cease doing business, direct their business elsewhere, become insolvent or unable to pay the amount they owe the Company, or were to become unwilling or unable to make such payments in a timely manner, the Company's business, results of operations, financial condition or liquidity could be adversely affected. An economic or industry downturn could adversely affect the collectability of these accounts receivable, which could result in longer payment cycles, increased collection costs and defaults in excess of management's expectations. A significant deterioration in the Company's ability to collect on accounts receivable in the United States could also impact the cost or availability of financing under its accounts receivable securitization program.

The Company may not have adequate or cost-effective liquidity or capital resources.

The Company's ability to satisfy its cash needs and implement its capital allocation strategy depends on its ability to generate cash from operations and to access the financial markets, both of which are subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond the Company's control.

The Company may need to satisfy its cash needs through external financing. However, external financing may not be available on acceptable terms or at all. As of June 27, 2015, Avnet had total debt outstanding of approximately $1.98 billion under various notes, secured borrowings and committed and uncommitted lines of credit with financial institutions. The Company needs cash to make interest payments on, and to repay, this indebtedness and for general corporate purposes,

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such as funding its ongoing working capital and capital expenditure needs. Under the terms of any external financing, the Company may incur higher than expected financing expenses and become subject to additional restrictions and covenants. Any material increase in the Company's financing costs could have an adverse effect on its profitability.

Under certain of its credit facilities, the Company is required to maintain certain specified financial ratios and meet certain tests. If the Company fails to meet these financial ratios and/or tests, it may be unable to continue to utilize these facilities. If the Company is unable to utilize these facilities, it may not have sufficient cash available to make interest payments, to repay indebtedness or for general corporate needs. General economic or business conditions, domestic and foreign, may be less favorable than management expects and could adversely impact the Company's sales or its ability to collect receivables from its customers, which may impact access to the Company's accounts receivable securitization program.

The agreements governing some of the Company's financings contain various covenants and restrictions that limit the discretion of management in operating its business and could prevent engaging in some activities that may be beneficial to the Company's business.

The agreements governing the Company's financing, including its credit facility, accounts receivable securitization program and the indentures governing the Company's outstanding notes, contain various covenants and restrictions that, in certain circumstances, limit the Company's ability, and the ability of certain subsidiaries, to:

- grant liens on assets;
- make restricted payments (including, under certain circumstances, paying dividends on common stock or redeeming or repurchasing common stock);
- make certain investments;
- merge, consolidate or transfer all or substantially all of the Company's assets;
- incur additional debt; or
- engage in certain transactions with affiliates.

As a result of these covenants and restrictions, the Company may be limited in the future in how it conducts its business and may be unable to raise additional debt, repurchase common stock, pay a dividend, compete effectively or make further investments.

The Company may become involved in intellectual property disputes that could cause it to incur substantial costs, divert the efforts of management or require it to pay substantial damages or licensing fees.

From time to time, the Company receives notifications alleging infringements of intellectual property rights allegedly held by others relating to the Company's business or the products or services it sells. Litigation with respect to patents or other intellectual property matters could result in substantial costs and diversion of management and other resources and could have an adverse effect on the Company's operations. Further, the Company may be obligated to indemnify and defend its customers if the products or services the Company sells are alleged to infringe any third party's intellectual property rights. While the Company may be able to seek indemnification from its suppliers for itself and its customers against such claims, there is no assurance that it will be successful in realizing such indemnification or that the Company will be fully protected against such claims. In addition, the Company is exposed to potential liability for technology that it develops for which it has no indemnification protections. If an infringement claim against the Company is successful, the Company may be required to pay damages or seek royalty or license arrangements, which may not be available on

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commercially reasonable terms. The Company may have to stop selling certain products or services, which could affect its ability to compete effectively.

Failure to comply with the requirements of environmental regulations could adversely affect the Company's business.

The Company is subject to various federal, state, local and foreign laws and regulations addressing environmental and other impacts from product disposal, use of hazardous materials in products, recycling of products at the end of their useful life and other related matters. While the Company strives to ensure it is in full compliance with all applicable regulations, certain of these regulations impose liability without fault. Additionally, the Company may be held responsible for the prior activities of an entity it acquired. Failure to comply with these regulations could result in substantial costs, fines and civil or criminal sanctions, as well as third-party claims for property damage or personal injury. Further, environmental laws may become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with violations.

Changes in tax rules and regulations, changes in interpretation of tax rules and regulations, changes in business performance or unfavorable assessments from tax audits could affect the Company's effective tax rates, deferred taxes, financial condition and results of operations.

As a multinational corporation, the Company is subject to the tax laws and regulations of the United States and many foreign jurisdictions. From time to time, regulations may be enacted that could adversely affect the Company's tax positions. There can be no assurance that the Company's cash flow, and in some cases the effective tax rate, will not be adversely affected by these potential changes in regulations or by changes in the interpretation of existing tax law and regulations. The tax laws and regulations of the various countries where the Company has operations are extremely complex and subject to varying interpretations. Although the Company believes that its historical tax positions are sound and consistent with applicable laws, regulations and existing precedent, there can be no assurance that these tax positions will not be challenged by relevant tax authorities or that the Company would be successful in defending against any such challenge.

The Company's future income tax expense could also be adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities and changes to its operating structure.

If the Company fails to maintain effective internal controls, it may not be able to report its financial results accurately or timely, or prevent or detect fraud, which could have an adverse effect on the Company's business or the market price of the Company's securities.

Effective internal controls over financial reporting are necessary for the Company to provide reasonable assurance with respect to its financial reports and to effectively prevent or detect fraud. If the Company cannot provide reasonable assurance with respect to its financial reports and effectively prevent or detect fraud, its brand and operating results could be harmed. Internal controls over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Therefore, even effective internal controls cannot provide absolute assurance with respect to the preparation and fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal controls over financial reporting to future periods are subject to the risk that the internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. If the Company fails to maintain the adequacy of its internal controls, including any failure to implement required new or improved internal controls, or if the Company experiences difficulties in their implementation, the Company's business and operating results could be harmed, the Company may be subject to sanctions or investigations by regulatory authorities, and the Company could fail to meet its reporting obligations, which could have an adverse effect on its business or the market price of the Company’s securities.

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Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The Company owns and leases approximately 1.8 million and 5.9 million square feet of space, respectively, of which approximately 38% is located in the United States. The following table summarizes certain of the Company's key facilities:

Location	Square Footage	Leased or Owned	Primary Use
Groveport, Ohio	580,000	Leased	TS warehousing, integration and value-added operations
Chandler, Arizona	400,000	Owned	EM warehousing and value-added operations
Tongeren, Belgium	390,000	Owned	EM and TS warehousing and value-added operations
Poing, Germany	570,000	Owned	EM warehousing, value-added operations and offices
Chandler, Arizona	230,000	Leased	EM and TS warehousing, integration and value-added operations
Nettetal, Germany	200,000	Owned	EM and TS warehousing and value-added operations
Hong Kong, China	180,000	Leased	EM warehousing and value-added operations
Duluth, Georgia	180,000	Leased	TS warehousing, integration and value-added operations
Phoenix, Arizona	180,000	Leased	Corporate and EM headquarters
Tempe, Arizona	130,000	Leased	TS headquarters

Item 3. Legal Proceedings

As a result primarily of certain former manufacturing operations, Avnet has incurred and may have future liability under various federal, state and local environmental laws and regulations, including those governing pollution and exposure to, and the handling, storage and disposal of, hazardous substances. For example, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA") and similar state laws, Avnet is and may be liable for the costs of cleaning up environmental contamination on or from certain of its current or former properties, and at off-site locations where the Company disposed of wastes in the past. Such laws may impose joint and several liability. Typically, however, the costs for cleanup at such sites are allocated among potentially responsible parties based upon each party's relative contribution to the contamination, and other factors.

Pursuant to SEC regulations, including but not limited to Item 103 of Regulation S-K, the Company regularly assesses the status of and developments in pending environmental legal proceedings to determine whether any such proceedings should be identified specifically in this discussion of legal proceedings, and has concluded that no particular pending environmental legal proceeding requires public disclosure. Based on the information known to date, management believes that the Company has appropriately accrued in its consolidated financial statements for its share of the estimated costs of environmental matters.

The Company is also party to various other lawsuits, claims, investigations and other legal proceedings arising from time to time in the normal course of business. While litigation is subject to inherent uncertainties, management currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on the Company’s financial position, liquidity or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market price per share

The Company's common stock is listed on the New York Stock Exchange under the symbol AVT. Quarterly high and low stock closing prices (as reported for the New York Stock Exchange composite transactions) and dividends declared for the last two fiscal years were:

	2015			2014		
Fiscal Quarters	High	Low	Dividends Declared	High	Low	Dividends Declared
1st	$ 45.17	$ 40.88	$ 0.16	$ 41.73	$ 33.97	$ 0.15
2nd	45.05	36.54	0.16	43.43	38.77	0.15
3rd	47.12	40.97	0.16	46.17	39.32	0.15
4th	46.15	42.09	0.16	47.50	41.68	0.15

In August 2013, the Company's Board of Directors initiated a quarterly cash dividend of $0.15 per share of outstanding common stock. In August 2014, the Board of Directors increased the quarterly cash dividend to $0.16 per share of outstanding common stock. The declaration and payment of future dividends will be at the discretion of the Board of Directors and will be dependent upon the Company's financial condition, results of operations, capital requirements, and other factors the Board of Directors deems relevant. In addition, certain of the Company's debt facilities may restrict the declaration and payment of dividends, depending upon the Company's then current compliance with certain covenants.

Record Holders

As of July 24, 2015, there were 2,508 registered holders of record of Avnet's common stock.

Equity Compensation Plan Information as of June 27, 2015

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights		Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans	
Equity compensation plans approved by security holders	4,580,331	(1)	$ 32.90	4,840,055	(2)

(1) Includes 2,015,378 shares subject to options outstanding, 1,930,352 restricted stock units and 634,601 performance share units awarded but not yet vested or vested but not yet delivered.
(2) Does not include 298,151 shares available for future issuance under the Employee Stock Purchase Plan, which is a non-compensatory plan.

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Stock Performance Graphs and Cumulative Total Returns

The graph below compares the cumulative 5-year total return of holders of Avnet, Inc.'s common stock with the cumulative total returns of the S&P 500 index and certain of Avnet's peer companies ("peer group") in the electronics and information technology distribution industry. The graph tracks the performance of a hypothetical $100 investment in Avnet's common stock, in the peer group, and the S&P 500 index (with the reinvestment of all dividends) from July 3, 2010 to June 27, 2015. The companies comprising the peer group that Avnet has historically used are: Agilysys, Inc., Anixter International, Inc., Arrow Electronics, Inc., Ingram Micro, Inc., Insight Enterprises, Inc., Scansource, Inc., Synnex Corp. and Tech Data Corp.

	7/3/2010	7/2/2011	6/30/2012	6/29/2013	6/28/2014	6/27/2015
Avnet, Inc.	$ 100	$ 135.74	$ 128.69	$ 140.12	$ 184.22	$ 179.96
S&P 500	100	130.69	137.81	166.20	207.10	222.47
Peer Group	100	149.95	133.82	155.90	229.92	211.04

The stock price performance included in this graph is not necessarily indicative of future stock price performance. The Company does not make or endorse any predictions as to future stock performance. The performance graph is furnished solely to accompany this Report and is not being filed for purposes of the Securities Exchange Act of 1934, as

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amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Issuer Purchases of Equity Securities

In November 2014, the Company's Board of Directors amended the Company's existing share repurchase program to authorize the repurchase of up to $1.0 billion of common stock in the open market, privately negotiated transactions, block trades, accelerated share repurchase transactions or any combination of such method. The timing and actual number of shares repurchased will depend on a variety of factors such as price, corporate and regulatory requirements, and prevailing market conditions. The following table includes, if any, the Company's monthly purchases of Avnet's common stock during the fourth quarter ended June 27, 2015, under the share repurchase program, which is part of a publicly announced plan:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased under the Plans or Programs
April	—	$ —	—	$ 318,254,000
May	40,500	$ 42.89	40,500	$ 316,517,000
June	327,864	$ 42.85	327,864	$ 302,467,000

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Item 6. Selected Financial Data

	Years Ended June 27, 2015		June 28, 2014		June 29, 2013		June 30, 2012		July 2, 2011	
	(Millions, except for per share and ratio data)									
Income:										
Sales	$ 27,924.7		$ 27,499.7		$ 25,458.9		$ 25,707.5		$ 26,534.4	
Gross profit	3,193.1		3,225.7		2,979.8		3,050.6		3,107.8	
Operating income(a)	827.7		789.9		626.0		884.2		930.0	
Income tax expense(b)	141.1		155.5		99.2		223.8		201.9	
Net income(c)	571.9		545.6		450.1		567.0		669.1	
Financial Position:										
Working capital(d)	4,369.8		3,975.4		3,535.4		3,455.7		3,749.5	
Total assets	10,800.0		11,255.5		10,474.7		10,167.9		9,905.6	
Long-term debt	1,646.5		1,213.8		1,207.0		1,272.0		1,273.5	
Shareholders’ equity	4,685.0		4,890.2		4,289.1		3,905.7		4,056.1	
Per Share:										
Basic earnings	4.18		3.95		3.26		3.85		4.39	
Diluted earnings	4.12		3.89		3.21		3.79		4.34	
Cash dividends declared	0.64		0.60		—		—		—	
Book value per diluted share	33.8		34.9		30.64		26.12		26.28	
Ratios:										
Operating income as a percentage of sales	3.0	%	2.9	%	2.5	%	3.4	%	3.5	%
Net income as a percentage of sales	2.0	%	2.0	%	1.8	%	2.2	%	2.5	%
Return on capital	11.6	%	11.4	%	10.6	%	12.9	%	15.2	%
Quick ratio	1.4:1		1.2:1		1.2:1		1.2:1		1.2:1	
Current ratio	2.0:1		1.8:1		1.7:1		1.7:1		1.8:1	
Total debt to capital	29.7	%	29.8	%	32.3	%	35.4	%	27.2	%

(a) All fiscal years presented include restructuring, integration and other expenses, which totaled $90.8 million before tax, $65.9 million after tax and $0.47 per share on a diluted basis in fiscal 2015, $94.6 million before tax, $70.8 million after tax and $0.50 per share on a diluted basis in fiscal 2014, $149.5 million before tax, $116.4 million after tax and $0.83 per share on a diluted basis in fiscal 2013, $73.6 million before tax, $53.0 million after tax and $0.35 per share on a diluted basis in fiscal 2012 and $77.2 million before tax, $56.2 million after tax and $0.36 per share on a diluted basis in fiscal 2011.

(b) Certain fiscal years presented included the impact of tax benefits primarily due to the release of valuation allowances net of additional reserves including $55.1 million and $0.39 per share on a diluted basis in fiscal 2015, $43.8 million and $0.31 per share on a diluted basis in fiscal 2014, $50.4 million and $0.36 per share on a diluted basis in fiscal 2013, $8.6 million and $0.06 per share on a diluted basis in fiscal 2012, and $32.9 million and $0.21 per share on a diluted basis in fiscal 2011.

(c) All fiscal years presented were impacted by other expense or income amounts that impact the comparability between years including a gain on legal settlement of $22.1 million before tax, $13.5 million after tax and $0.09 per share on a diluted basis in fiscal 2014, a gain on bargain purchase and other of $31.0 million before and after tax and $0.22 per share on a diluted basis in fiscal 2013, a gain on bargain purchase and other of $2.9 million before tax, $3.5 million after tax and $0.02 per share on a diluted basis in fiscal 2012, and a gain on bargain purchase and other of $22.7 million before tax, $25.7 million after tax and $0.17 per share on a diluted basis in fiscal 2011.

(d) This calculation of working capital is defined as current assets less current liabilities.

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Summary of quarterly results (unaudited):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year(a)
	(Millions, except per share amounts)				
2015(b)					
Sales	$ 6,839.6	$ 7,551.9	$ 6,736.9	$ 6,796.3	$ 27,924.7
Gross profit	795.5	837.5	774.4	785.8	3,193.1
Net income	127.9	163.7	121.5	158.7	571.9
Diluted earnings per share	0.91	1.18	0.88	1.15	4.12
2014(c)					
Sales	$ 6,345.5	$ 7,421.9	$ 6,683.6	$ 7,048.7	$ 27,499.7
Gross profit	735.2	848.6	804.9	837.0	3,225.7
Net income	120.6	124.9	113.9	186.3	545.6
Diluted earnings per share	0.86	0.89	0.81	1.33	3.89

(a) Quarters may not total to the fiscal year due to rounding.

(b) First quarter of fiscal 2015 results were impacted by restructuring, integration and other expenses of $18.3 million before tax, $13.2 million after tax and $0.09 per share on a diluted basis and an income tax benefit of $5.9 million primarily related to certain items impacting the effective income tax rate. Second quarter results were impacted by restructuring, integration and other expenses of $13.3 million before tax, $10.2 million after tax and $0.07 per share on a diluted basis and an income tax benefit of $5.6 million primarily related to certain items impacting the effective income tax rate. Third quarter results were impacted by restructuring, integration and other expenses of $15.5 million before tax, $12.0 million after tax and $0.09 per share on a diluted basis and an income tax expense of $2.2 million primarily related to certain items impacting the effective income tax rate. Fourth quarter results were impacted by restructuring, integration and other expenses of $43.7 million before tax, $30.5 million after tax and $0.22 per share on a diluted basis and an income tax benefit of $45.8 million and $0.33 per share on a diluted basis as a result of the release of valuation allowances against certain deferred tax assets.

(c) First quarter of fiscal 2014 results were impacted by restructuring, integration and other expenses of $12.1 million before tax, $8.8 million after tax and $0.06 per share on a diluted basis and a gain on legal settlement of $19.1 million before tax, $11.7 million after tax and $0.08 per share on a diluted basis related to an award payment received. Second quarter results were impacted by restructuring, integration and other expenses of $28.4 million before tax, $21.7 million after tax and $0.15 per share on a diluted basis and an income tax expense of $8.2 million primarily related to certain items impacting the effective income tax rate. Third quarter results were impacted by restructuring, integration and other expenses of $26.1 million before tax, $19.3 million after tax and $0.14 per share on a diluted basis. Fourth quarter results were impacted by restructuring, integration and other expenses of $28.0 million before tax, $20.9 million after tax and $0.15 per share on a diluted basis and an income tax benefit of $58.2 million and $0.41 per share on a diluted basis as a result of the release of valuation allowances against certain deferred tax assets.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

For an understanding of Avnet and the significant factors that influenced the Company's performance during the past three fiscal years, the following discussion should be read in conjunction with the description of the business appearing in Item 1 of this Report and the consolidated financial statements, including the related notes and schedule, and other information appearing in Item 15 of this Report. The Company operates on a "52/53 week" fiscal year. Fiscal 2015, 2014 and 2013 all contained 52 weeks.

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 EMEA, 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 generally accepted accounting principles in the U.S. ("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 by adjusting the exchange rates used in current periods to be consistent with the exchange rates in effect during prior periods, 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:

	Years Ended June 27, 2015	June 28, 2014	June 29, 2013
	(Thousands)		
Operating income	$ 827,673	$ 789,940	$ 625,981
Restructuring, integration and other expenses	90,805	94,623	149,501
Amortization of acquired intangible assets and other	54,049	46,783	32,370
Adjusted operating income	$ 972,527	$ 931,346	$ 807,852

Management believes that providing this additional information is useful to the reader to better assess and understand operating performance, especially when comparing results with prior periods or forecasting performance for future periods,

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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.

Results of Operations

Executive Summary

Sales for fiscal 2015 were $27.92 billion, an increase of 1.5% from fiscal 2014 sales of $27.50 billion. Organic sales in constant currency increased 5.4% year over year. EM sales of $17.34 billion increased 4.8% and organic sales in constant currency increased 9.1% year over year. This increase in organic sales was primarily related to double digit growth in the EMEA and Asia regions. TS sales of $10.58 billion decreased 3.4% and organic sales in constant currency remained flat year over year.

Gross profit margin of 11.4% decreased 30 basis points from fiscal 2014 as a result of gross profit margin declines at both EM and TS.

Operating income margin was 3.0% in fiscal 2015 as compared to 2.9% in fiscal 2014. Excluding restructuring, integration and other expenses and amortization expense associated with acquired intangible assets from both periods, adjusted operating income margin was 3.5% in fiscal 2015 as compared to 3.4% in fiscal 2014. EM operating income margin of 4.6% increased 8 basis points year over year primarily due to improvements in EMEA. TS operating income margin of 3.1% increased 18 basis points year over year primarily due to improvements in EMEA.

Three-Year Analysis of Sales: By Operating Group and Geography

	Years Ended						Percent Change	
	June 27, 2015	% of Total	June 28, 2014	% of Total	June 29, 2013	% of Total	2015 to 2014	2014 to 2013
	(Dollars in millions)							
Sales by Operating Group:								
EM Americas	$ 4,922.1	17.6	$ 4,844.9	17.6 %	$ 5,263.8	20.7 %	1.6 %	(8.0) %
EM EMEA	5,004.6	17.9	5,094.9	18.5	4,096.0	16.1	(1.8)	24.4
EM Asia	7,418.0	26.6	6,604.6	24.0	5,734.6	22.5	12.3	15.2
Total EM	17,344.7	62.1	16,544.4	60.1	15,094.4	59.3	4.8	9.6
TS Americas	6,221.9	22.3	6,084.6	22.1	5,452.8	21.4	2.3	11.6
TS EMEA	2,871.6	10.3	3,151.2	11.5	3,181.9	12.5	(8.9)	(1.0)
TS Asia	1,486.5	5.3	1,719.5	6.3	1,729.8	6.8	(13.6)	(0.6)
Total TS	10,580.0	37.9	10,955.3	39.9	10,364.5	40.7	(3.4)	5.7
Total Avnet, Inc.	$ 27,924.7		$ 27,499.7		$ 25,458.9		1.5 %	8.0 %

Sales by Geographic Area:																
Americas	$	11,144.0	39.9	%	$	10,929.5	39.7	%	$	10,716.6	42.1	%	2.0	%	2.0	%
EMEA		7,876.2	28.2			8,246.1	30.0			7,277.9	28.6		(4.5)		13.3	
Asia/Pacific		8,904.5	31.9			8,324.1	30.3			7,464.4	29.3		7.0		11.5	
	$	27,924.7			$	27,499.7			$	25,458.9						

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Sales

Items Impacting Year-over-Year Sales Comparisons

During fiscal 2014 and 2013, the Company acquired several businesses impacting both operating groups, as presented in the following table. There were no acquisitions in fiscal 2015. To facilitate more meaningful year-over-year comparisons, the discussions that follow include organic sales as well as sales on a reported basis.

Acquired Business	Group & Region	Approximate Annualized Sales (1) (Millions)	Acquisition Date
Fiscal 2014			
MSC Investoren GmbH	EM EMEA	$ 461	October 2013
Nisko Semiconductors, Ltd.	EM EMEA	18	August 2013
Seamless Technologies, Inc.	TS Americas	13	July 2013
Total fiscal 2014		$ 492	
Fiscal 2013			
RTI Holdings	EM Asia	$ 78	April 2013
TSSLink, Inc.	TS Americas	10	December 2012
Universal Semiconductor, Inc.	EM Americas	75	December 2012
Genilogix	TS Americas	23	November 2012
Brightstar Partners, Inc.	TS Americas	14	November 2012
Magirus AG	TS EMEA	633	October 2012
Tekdata Interconnections, Limited	EM EMEA	10	October 2012
Internix, Inc.	EM Asia	264	August 2012
C.R.G. Electronics, Ltd.	EM EMEA	24	August 2012
Pepperweed Consulting	TS Americas	12	August 2012
Mattelli Limited	TS EMEA	1	July 2012
Altron GmbH & Co KG	EM EMEA	34	July 2012
Total fiscal 2013		$ 1,178	

(1) Represents the approximate annual sales for the acquired businesses' most recent fiscal year prior to acquisition by Avnet and based upon average foreign currency exchange rates for such fiscal year.

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Fiscal 2015 Comparison to Fiscal 2014

The table below provides the comparison of reported fiscal 2015 and 2014 sales for the Company and its operating groups to organic sales to allow readers to better assess and understand the Company's sales performance by operating group.

	Sales as Reported	Sales from Acquisitions/ Divestitures	Organic Sales	2015 to 2014 Organic Sales Change
	(Dollars in millions)			
EM	$ 17,344.7	$ —	$ 17,344.7	4.1 %
TS	10,580.0	—	10,580.0	(3.4)
Fiscal 2015	$ 27,924.7	$ —	$ 27,924.7	1.1
EM	$ 16,544.4	$ 119.9	$ 16,664.3	
TS	10,955.3	—	10,955.3	
Fiscal 2014	$ 27,499.7	$ 119.9	$ 27,619.6	

Sales for fiscal 2015 were $27.92 billion, an increase of 1.5%, or $425.0 million, from fiscal 2014 consolidated sales of $27.50 billion. Organic sales increased 1.1% year over year and increased 5.0% in constant currency. The organic sales increase was primarily due to organic growth at EM as discussed further below.

EM sales of $17.34 billion for fiscal 2015 increased 4.8% from fiscal 2014 sales of $16.54 billion. EM sales were impacted by the weaker Euro during fiscal 2015 in comparison to fiscal 2014 as EM organic sales in constant currency increased 8.3% year over year due to growth across all regions. On a regional basis, sales in the Americas increased 1.6%. In EMEA, organic sales in constant currency increased 7.8% due to strong demand across the region. Asia sales increased 12.3% year over year, which was primarily due to increased select high volume supply chain engagements in fiscal 2015 compared to fiscal 2014. The higher growth rate in Asia and the effect of the weaker Euro during fiscal 2015 resulted in a regional shift in the mix of sales toward Asia, which represented approximately 43% of total EM sales in fiscal 2015 compared to approximately 40% in fiscal 2014. Such regional mix shift had a corresponding impact on fiscal 2015 EM gross profit margin and operating income margin.

TS sales of $10.58 billion for fiscal 2015 decreased 3.4% from fiscal 2014 sales of $10.96 billion. Sales remained flat year over year in constant currency. On a regional basis, sales in the Americas region increased 2.3%. In EMEA, sales in constant currency decreased 1.4%. Asia sales decreased 13.6% year over year, which was primarily due to double digit declines in computing components.

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Fiscal 2014 Comparison to Fiscal 2013

The table below provides the comparison of reported fiscal 2014 and 2013 sales for the Company and its operating groups to organic sales to allow readers to better assess and understand the Company's sales performance by operating group.

	Sales as Reported	Sales from Acquisitions/ Divestitures	Transfer of Operations from EM to TS(1)	Organic Sales	2014 to 2013 Organic Sales Change
	(Dollars in millions)				
EM	$ 16,544.4	$ 119.9	$ —	$ 16,664.3	9.1 %
TS	10,955.3	—	—	10,955.3	(0.2)
Fiscal 2014	$ 27,499.7	$ 119.9	$ —	$ 27,619.6	5.2
EM	$ 15,094.4	$ 627.1	$ (443.2)	$ 15,278.3	
TS	10,364.5	166.2	443.2	10,973.9	
Fiscal 2013	$ 25,458.9	$ 793.3	$ —	$ 26,252.2	

(1) To adjust reported sales for the impact of certain operations transferred from EM to TS at the beginning of fiscal 2014.

Consolidated sales for fiscal 2014 were $27.50 billion, an increase of 8.0%, or $2.04 billion, from fiscal 2013 consolidated sales of $25.46 billion. Organic sales increased 5.2% year over year and increased 4.8% in constant currency. The organic sales increase was primarily due to organic growth at EM as discussed further below.

EM sales of $16.54 billion for fiscal 2014 increased 9.6% from fiscal 2013 sales of $15.09 billion. EM organic sales in constant currency increased 8.2% year over year. On a regional basis, organic sales in the Americas remained flat year over year. In EMEA, there was strong growth with organic sales increasing 8.8% in constant currency. Asia organic sales increased 13.0% year over year, which was primarily due to increased select high volume supply chain engagements in fiscal 2014 compared to fiscal 2013. The higher growth rate in Asia resulted in a regional shift in the mix of sales toward Asia, which represented approximately 40% of total EM sales in fiscal 2014 compared to approximately 38% in fiscal 2013. Such regional mix shift had a corresponding impact on fiscal 2014 EM gross profit margin and operating income margin.

TS sales of $10.96 billion for fiscal 2014 increased 5.7% from fiscal 2013 sales of $10.36 billion. Organic sales remained flat year over year in constant currency. In the Americas region, year-over-year organic sales increased 2.7%, offset by organic sales declines of 8.8% in constant currency at TS EMEA. On a product level, growth in hardware, software and services was partially offset by declines in servers and computing components.

Gross Profit and Gross Profit Margins

Gross profit in fiscal 2015 was $3.19 billion, a decrease of $32.6 million, or 1.0%, from fiscal 2014. Gross profit increased 3.3% year over year on an organic basis in constant currency. Gross profit margin of 11.4% decreased 30 basis points year over year. EM gross profit margin decreased year over year primarily related to the above mentioned geographic mix shift towards Asia, the weaker Euro adversely impacting the contribution to gross profit margin from the higher margin EMEA region and from declines in Asia from an increase in select high volume supply chain engagements,

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which were partially offset by an increase in gross profit margin in EMEA. TS gross profit margin decreased slightly year over year, with improvements in the EMEA and Asia regions being offset by a decline in the Americas.

Gross profit in fiscal 2014 was $3.23 billion, an increase of $245.9 million, or 8.3%, from fiscal 2013 and an increase of 2.4% on an organic basis in constant currency. Gross profit margin of 11.7% remained essentially flat, increasing by 3 basis points over fiscal 2013. EM gross profit margin remained flat year over year primarily related to increases in the western regions being offset by declines in Asia. The decline in Asia gross margin was primarily due to the effects of an increase in select high volume supply chain engagements in fiscal 2014. With respect to regional mix, the Asia region contributed approximately 40% of EM sales in fiscal 2014 from approximately 38% in fiscal 2013. TS gross profit margin remained flat year over year, with improvements in the EMEA region being offset by a decline in the Americas.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A expenses") were $2.27 billion in fiscal 2015, a decrease of $66.5 million, or 2.8%, from fiscal 2014. This decrease consisted primarily of decreases due to the impact of differences in foreign currency exchange rates between the fiscal years and decreases due to prior restructuring actions. These decreases were partially offset by increases due to fiscal 2014 acquisitions and increases to fund organic growth and other costs. In fiscal 2015, SG&A expenses as a percentage of sales were 8.1% and as a percentage of gross profit were 71.2% as compared with 8.5% and 72.6%, respectively, in fiscal 2014. SG&A expenses as a percentage of gross profit at EM decreased 197 basis points year over year due primarily to the benefits of recent restructuring and cost savings actions and from an increase in gross profit due to increased sales, partially offset by increases associated with fiscal 2014 acquisitions and increases to fund organic growth and other costs. SG&A expenses as a percentage of gross profit at TS decreased 224 basis points from fiscal 2014 due primarily to the benefits of recent restructuring and costs savings actions, partially offset by the decrease in gross profit and increases to fund organic growth and other costs.

SG&A expenses were $2.34 billion in fiscal 2014, an increase of $136.8 million, or 6.2%, from fiscal 2013. This increase consisted primarily of an increase of approximately $138.0 million related to expenses from businesses acquired, and to a lesser extent from an approximately $18.0 million increase related to the impact of differences in foreign currency exchange rates between the fiscal years. These increases were partially offset by a decrease related to recent restructuring and cost reduction actions net of SG&A expense increases to fund organic growth and other costs, including employee merit compensation increases. In fiscal 2014, SG&A expenses as a percentage of sales were 8.5% and as a percentage of gross profit were 72.6% as compared with 8.7% and 74.0%, respectively, in fiscal 2013. SG&A expenses as a percentage of gross profit at EM decreased 241 basis points year over year due primarily to the benefits of restructuring and cost savings actions and from an increase in gross profit, partially offset by increases associated with recently acquired businesses that were not fully integrated for the entire fiscal 2014 and increases to fund organic growth and other costs. SG&A expenses as a percentage of gross profit at TS decreased 15 basis points from fiscal 2013 due primarily to the benefits of restructuring and costs savings actions and the increase in gross profit, partially offset by the increases associated with recently acquired businesses and increases to fund organic growth and other costs.

Restructuring, Integration and Other Expenses

During fiscal 2015, the Company took certain restructuring actions in an effort to reduce future operating costs including restructuring activities for certain regional and global businesses to better align such operations, products and services with the known and anticipated demands of the Company's suppliers and customers. In addition, the Company incurred integration and other costs primarily associated with acquired businesses and certain global and regional businesses. As a result, during fiscal 2015 the Company recorded restructuring, integration and other expenses of $90.8 million. The Company recorded $58.7 million for restructuring costs, and expects to realize approximately $50.0 million

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in incremental annualized operating costs savings as a result of such restructuring actions. Restructuring expenses consisted of $25.9 million for severance, $8.8 million for facility exit costs, $18.2 million for asset impairments, and $5.8 million for other restructuring expenses. Integration and other costs including acquisition costs were $19.1 million and $13.7 million, respectively. The Company also recorded a net benefit of $0.7 million for changes in estimates for restructuring liabilities established in prior years. The after tax impact of restructuring, integration and other expenses were $65.9 million and $0.47 per share on a diluted basis.

The Company expects to incur additional restructuring expenses of up to $10.0 million through the second quarter of fiscal 2016 related to such restructuring actions initiated in fiscal 2015 in order to achieve the above targeted annualized cost savings. When realized, the annualized cost savings are expected to benefit the EM operating group by approximately $20.0 million and the TS operating group by approximately $30.0 million.

During 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. As a result, during fiscal 2014 the Company recorded restructuring, integration and other expenses of $94.6 million. Restructuring expenses of $65.7 million consisted of $53.3 million for severance, $11.6 million for facility exit costs and asset impairments, and $0.9 million for other restructuring expenses. Integration and other costs including acquisition costs were $20.5 million and $8.8 million, respectively. The Company also recorded a net benefit of $0.3 million for changes in estimates for restructuring liabilities established in prior years. The after tax impact of restructuring, integration and other expenses was $70.8 million and $0.50 per share on a diluted basis.

During fiscal 2013, the Company took certain restructuring actions to reduce costs in both operating groups in response to the then current market conditions and incurred acquisition and integration costs primarily associated with recently acquired businesses. As a result, the Company recorded restructuring, integration and other expenses of $149.5 million. Restructuring expenses of $120.0 million consisted of $73.3 million for severance, $34.4 million for facility exit costs and asset impairments, and $12.3 million for other restructuring expenses. Integration costs were $35.7 million and other costs were a net benefit of $3.2 million. The Company also recorded a benefit of $3.1 million for changes in estimates for restructuring liabilities established in prior years. The after tax impact of restructuring, integration and other expenses was $116.4 million and $0.83 per share on a diluted basis.

See Note 17, “Restructuring, integration and other expenses” to the Company’s consolidated financial statements included in Item 15 of this Annual Report on Form 10-K for additional information related to restructuring, integration and other expenses.

Operating Income

During fiscal 2015, the Company had operating income of $827.7 million, representing a 4.8% increase as compared with fiscal 2014 operating income of $789.9 million. Operating income margin was 3.0% as compared with 2.9% in fiscal 2014. Both years included restructuring, integration and other expenses and the amortization of acquired intangible assets. Excluding these amounts from both years, adjusted operating income was $972.5 million, or 3.5% of sales, in fiscal 2015 representing a 4.4% increase as compared with $931.3 million, or 3.4% of sales, in fiscal 2014. EM operating income of $797.4 million increased 6.6% year over year, with all regions contributing to the increase. EM’s operating income margin increased 8 basis points year over year to 4.6%. The increase in EM operating income margin was primarily due to an increase in EMEA in constant currency, partially offset by the weaker Euro adversely impacting the contribution to operating income margin in EMEA, the geographic mix shift towards Asia discussed above, as well as an increase in select high volume supply chain engagements between fiscal years. TS operating income of $325.7 million increased 2.5% year

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over year and operating income margin increased 18 basis points to 3.1% primarily due to improvements in the EMEA region.

During fiscal 2014, the Company had operating income of $789.9 million, representing a 26.2% increase as compared with fiscal 2013 operating income of $626.0 million. Consolidated operating income margin was 2.9% as compared with 2.5% in fiscal 2013. Both years included restructuring, integration and other expenses and the amortization of acquired intangible assets. Excluding these amounts from both years, adjusted operating income was $931.3 million, or 3.4% of sales, in fiscal 2014 representing a 15.3% increase as compared with $807.9 million, or 3.2% of sales, in fiscal 2013. EM operating income of $747.9 million increased 17.7% year over year, led by EM EMEA with higher sales and operating income compared to fiscal 2013, and with all EM regions delivering increased operating income in comparison to fiscal 2013. EM's operating income margin increased 31 basis points year over year to 4.5%. The increase in EM operating income margin was primarily due to increases at EM Americas and EM Asia due primarily to a combination of reduced operating expenses as a result of recent restructuring and cost reduction initiatives as well as improved operating leverage, partially offset by increases in operating expenses at EM EMEA from a fiscal 2014 acquisition, from which all synergies had not yet been realized. TS operating income of $317.8 million increased 6.2% year over year and operating income margin remained essentially flat at 2.9%, with improvements at TS Asia being offset by declines in the western regions.

Interest Expense

Interest expense for fiscal 2015 was $95.7 million, a decrease of $9.2 million, or 8.7%, compared with fiscal 2014. The decrease in interest expense was primarily due to the repayment at maturity of $300.0 million of 5.875% Notes at the end of the third quarter of fiscal 2014 and a corresponding lower average borrowing rate.

Interest expense for fiscal 2014 was $104.8 million, a decrease of $2.8 million, or 2.6%, compared with fiscal 2013. The decrease in interest expense was primarily due to the repayment at maturity of $300.0 million of 5.875% Notes at the end of the third quarter of fiscal 2014 and a corresponding lower average borrowing rate.

Other Income (Expense), net

During fiscal 2015, the Company recognized $19.0 million of other expense as compared with $6.1 million in fiscal 2014. The increase in other expense in fiscal 2015 is primarily attributable to the strengthening of the U.S. Dollar relative to foreign currencies, including the Euro, during fiscal 2015 and the corresponding higher costs incurred to purchase forward foreign currency exchange contracts in order to economically hedge such foreign currency exposures.

During fiscal 2014, the Company recognized $6.1 million of other expense as compared with $0.1 million in fiscal 2013. The increase in other expense in fiscal 2014 is primarily attributable to fiscal 2013 benefiting from a realized gain on the sale of marketable securities and to a lesser extent lower interest income in fiscal 2014 compared to fiscal 2013. Fiscal 2014 and fiscal 2013 had similar amounts of net foreign currency exchange losses.

Gain on Legal Settlement, Bargain Purchase and Other

During fiscal 2014, the Company received award payments and recognized a gain on legal settlement of $22.1 million before tax, $13.5 million after tax and $0.09 per share on a diluted basis.

During fiscal 2013, the Company recognized a gain on bargain purchase and other of $31.0 million before tax, which consisted of (i) a gain on bargain purchase related to the acquisition of Internix of $32.7 million before and after tax and $0.23 per share on a diluted basis, which was partially offset by (ii) a loss of $1.7 million before and after tax and

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per share on a diluted basis as a result of the divestiture of a small business in the TS Asia region.

Income Tax Provision

Avnet's effective tax rate on income before income taxes was 19.8% in fiscal 2015 as compared with an effective tax rate of 22.2% in fiscal 2014. Included in the fiscal 2015 effective tax rate is a net tax benefit of $55.1 million, which is comprised primarily of (i) a net tax benefit of $51.6 million for the release of a valuation allowance against deferred tax assets that were determined to be realizable, related to a legal entity in EMEA, and (ii) a net tax benefit of $16.2 million primarily related to favorable audit settlements, partially offset by $7.6 million of tax expense primarily related to newly established valuation allowances. The fiscal 2015 effective tax rate is lower than the fiscal 2014 effective tax rate primarily due to a greater tax benefit from the valuation allowance released in fiscal 2015 as compared with the amount released in fiscal 2014, partially offset by a lower amount of tax benefits from audit settlements in fiscal 2015 as compared to fiscal 2014.

In fiscal 2015 and 2014, the valuation allowance release associated with this EMEA legal entity was $51.6 million and $33.6 million, respectively, net of the U.S. tax expense associated with the release. Excluding the benefit related to the release of the tax valuation allowance associated with such EMEA legal entity, the effective tax rate for fiscal 2015 and fiscal 2014 would have been 27.0%. As of fiscal 2015, the Company no longer has a valuation allowance related to this EMEA legal entity.

Avnet's effective tax rate on income before income taxes was 22.2% in fiscal 2014 as compared with an effective tax rate of 18.1% in fiscal 2013. Included in the fiscal 2014 effective tax rate is a net tax benefit of $43.8 million, which is comprised primarily of (i) a tax benefit of $33.4 million for the release of valuation allowances against deferred tax assets that were determined to be realizable, primarily related to a legal entity in EMEA, and (ii) a net tax benefit of $7.0 million resulting from losses related to an investment in a foreign subsidiary. The fiscal 2014 effective tax rate is higher than the fiscal 2013 effective tax rate primarily due to a lower amount of tax benefits from audit settlements in fiscal 2014 as compared to fiscal 2013, partially offset by a greater tax benefit from the valuation allowances released in fiscal 2014 as compared with the amount released in fiscal 2013.

Avnet's effective tax rate is primarily a function of the tax rates in the numerous jurisdictions in which it does business applied to the mix of income before taxes. The effective tax rate may vary year over year as a result of changes in tax requirements in these jurisdictions, management's evaluation of its ability to recognize its net deferred tax assets and the establishment of liabilities for unfavorable outcomes of tax positions taken on certain matters that are common to multinational enterprises and the actual outcome of those matters, including the elimination of existing liabilities for favorable outcomes of tax positions or the expiration of statutes of limitations related to such liabilities.

See Note 9, "Income taxes" to the Company's consolidated financial statements included in Item 15 of this Annual Report on Form 10-K for additional information related to income taxes and valuation allowances.

Net Income

As a result of the factors described in the preceding sections of this MD&A, the Company's net income in fiscal 2015 was $571.9 million, or $4.12 per share on a diluted basis, compared with net income of $545.6 million, or $3.89 per share on a diluted basis, in fiscal 2014 and $450.1 million, or $3.21 per share on a diluted basis, in fiscal 2013.

Liquidity and Capital Resources

Cash Flows

Cash Flows from Operating Activities

The Company generated $583.9 million of cash from its operating activities in fiscal 2015 as compared to a cash generation of $237.4 million in fiscal 2014. These operating cash flows are comprised of: (i) cash flows generated from net income, adjusted for the impact of non-cash and other items, which includes depreciation and amortization expenses, deferred income taxes, stock-based compensation expense and other non-cash items (primarily, provisions for doubtful accounts and periodic pension costs) and (ii) cash flows used for, or generated from, working capital and other, excluding cash and cash equivalents. Cash used for working capital and other was $303.4 million during fiscal 2015, including increases in receivables of $204.1 million, inventories of $73.2 million, and a decrease in accrued expenses and other of $182.7 million, partially offset by an increase in accounts payable of $156.6 million. Receivables and inventories days on hand has not changed significantly from the end of fiscal 2014.

During fiscal 2014, the Company generated $237.4 million of cash from operating activities as compared with $696.2 million in fiscal 2013. Cash used for working capital and other was $564.3 million during fiscal 2014, including increases in receivables of $306.9 million, inventories of $226.1 million, and a decrease in accrued expenses and other of $80.0 million, partially offset by an increase in accounts payable of $48.7 million. Receivables and inventories days on hand has not changed significantly from the end of fiscal 2013.

Cash Flows from Financing Activities

During fiscal 2015, the Company received net proceeds of $35.0 million under the Company's accounts receivable securitization program and made net repayments of $115.2 million for bank and other debt. In addition, during fiscal 2015, the Company used $87.3 million and $160.0 million of cash to pay quarterly cash dividends on common stock and to repurchase common stock under the Company's share repurchase program.

During fiscal 2014, the Company repaid upon maturity the $300.0 million of 5.875% Notes due in March 2014. The Company received proceeds of $38.8 million and $255.0 million from net borrowings of bank and other debt, and the accounts receivable securitization program, respectively. In addition, during fiscal 2014, the Company used $82.8 million and $8.6 million of cash to pay quarterly cash dividends on common stock and to repurchase common stock under the Company's share repurchase program.

During fiscal 2013, the Company repaid $490.9 million under the accounts receivable securitization program and its revolving credit facility. The Company also received net proceeds of $349.3 million from the issuance of $350 million of 4.875% Notes due December 1, 2022. In addition, during fiscal 2013, the Company used $207.2 million of cash to repurchase common stock under the Company's share repurchase program.

Cash Flows from Investing Activities

During fiscal 2015, the Company used $174.4 million for capital expenditures primarily related to information system development costs and computer hardware and software purchases and facilities costs and $12.0 million for other investing activities.

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During fiscal 2014, the Company used $116.9 million of cash for acquisitions, net of cash acquired, and $123.2 million for capital expenditures primarily related to information system development costs and computer hardware and software purchases.

During fiscal 2013, the Company used $262.3 million of cash for acquisitions, net of cash acquired, and $97.4 million for capital expenditures primarily related to information system development costs and computer hardware and software purchases.

Financing Transactions

The Company uses a variety of financing arrangements, both short-term and long-term, to fund its operations in addition to cash generated from operations. The Company also uses several sources of funding so that it does not become overly dependent on one source and to achieve lower cost of funding through these different alternatives. These financing arrangements include public bonds, short-term and long-term bank loans and an accounts receivable securitization program (the "Program").

The Company has several small lines of credit and other forms of bank debt in various foreign locations to fund the short-term working capital, foreign exchange, overdraft and letter of credit needs of its wholly owned subsidiaries in EMEA, Asia, Latin America and Canada. Avnet generally guarantees its subsidiaries' obligations under these facilities. Outstanding borrowings under such forms of debt as of the end of fiscal 2015 was $82.9 million.

See Note 7, "Debt" to the Company's consolidated financial statements included in Item 15 of this Annual Report on Form 10-K for additional information on financing transactions including the Company's five-year $1.25 billion senior unsecured revolving credit facility entered into in fiscal 2014 (the "2014 Credit Facility"), the Program and the outstanding Notes as of June 27, 2015. The Company was in compliance with all covenants under outstanding debt agreements as of June 27, 2015.

Covenants and Conditions

The Program requires the Company to maintain certain minimum interest coverage and leverage ratios in order to continue utilizing the Program. The Program also contains certain covenants relating to the quality of the receivables sold. If these conditions are not met, the Company may not be able to borrow any additional funds and the financial institutions may consider this an amortization event, as defined in the Program agreements, which would permit the financial institutions to liquidate the accounts receivables sold to cover any outstanding borrowings. Circumstances that could affect the Company's ability to meet the required covenants and conditions of the Program include the Company's ongoing profitability and various other economic, market and industry factors. Management does not believe that the covenants under the Program limit the Company's ability to pursue its intended business strategy or its future financing needs. The Company was in compliance with all covenants of the Program as of June 27, 2015.

The 2014 Credit Facility contains certain covenants with various limitations on debt incurrence, share repurchases, dividends, investments and capital expenditures and also includes financial covenants requiring the Company to maintain minimum interest coverage and leverage ratios. Management does not believe that the covenants in the 2014 Credit Facility limit the Company's ability to pursue its intended business strategy or its future financing needs. The Company was in compliance with all covenants of the 2014 Credit Facility as of June 27, 2015.

See Liquidity below for further discussion of the Company's availability under these various facilities.

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Liquidity

The Company had cash and cash equivalents of $932.6 million as of June 27, 2015, of which $850.6 million was held outside the U.S. As of June 28, 2014, the Company had cash and cash equivalents of $929.0 million, of which $815.4 million was held outside of the U.S.

As of June 27, 2015, the Company had a combined total borrowing capacity of $2.15 billion under the 2014 Credit Facility and the Program. There were $50.0 million in borrowings outstanding and $1.9 million in letters of credit issued under the 2014 Credit Facility and $650.0 million outstanding under the Program. During fiscal 2015, the Company had an average daily balance outstanding under the 2014 Credit Facility of approximately $57.0 million and $798.0 million under the Program. During fiscal 2014, the Company had an average daily balance outstanding under its previous credit facility of approximately $7.0 million and $534.0 million under the Program. The Company expects to either refinance or use a combination of availability under the Program, availability under the 2014 Credit Facility and cash on hand to repay the $250.0 million of 6.00% Notes due September 2015 during the first quarter of fiscal 2016.

Liquidity is subject to many factors, such as normal business operations as well as general economic, financial, competitive, legislative, and regulatory factors that are beyond the Company's control. Cash balances generated and held in foreign locations are used for ongoing working capital, capital expenditure needs and to support acquisitions. These balances are currently expected to be permanently reinvested outside the United States. If these funds were needed for general corporate use in the United States, the Company would incur significant income taxes to repatriate cash held in foreign locations, but only to the extent the repatriated cash is in excess of any outstanding intercompany loans due to Avnet, Inc. from foreign subsidiaries. In addition, local government regulations may restrict the Company's ability to move funds among various locations under certain circumstances. Management does not believe such restrictions would limit the Company's ability to pursue its intended business strategy.

During fiscal 2014, the Company utilized $116.9 million of cash, net of cash acquired, for acquisitions. The Company has made, and expects to continue to make, strategic investments through acquisition activity to the extent the investments strengthen Avnet's competitive position and meet management's return on capital thresholds.

In addition to continuing to make investments in acquisitions, as of June 27, 2015, the Company may repurchase up to an aggregate of $302.5 million of the Company's common stock through a $1.00 billion share repurchase program approved by the Board of Directors. Subsequent to June 27, 2015, through July 31, 2015, the Company has repurchased 1.6 million shares at an aggregate cost of $64.2 million. The Company plans to repurchase stock from time to time at the discretion of management, subject to strategic considerations, market conditions and other factors. The Company may terminate or limit the share repurchase program at any time without prior notice. The timing and actual number of shares purchased will depend on a variety of factors such as share price, corporate and regulatory requirements, and prevailing market conditions. Additionally, the Company currently expects to pay quarterly cash dividends on shares of its common stock, subject to approval of the Board of Directors. During fiscal 2015, the Company paid cash dividends of $87.3 million on its common stock or $0.16 per share on a quarterly basis.

During periods of weakening demand in the electronic component and enterprise computer solutions industry, the Company typically generates cash from operating activities. Conversely, the Company is more likely to use operating cash flows for working capital requirements during periods of higher growth.

Management believes that Avnet's available borrowing capacity, its current cash on hand and the Company's expected ability to generate operating cash flows in the future will be sufficient to meet its future liquidity needs. The

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Company also may issue debt or equity securities in the future and management believes the Company will have adequate access to the capital markets, if needed.

See Item 6, "Selected Financial Data" to the Company's consolidated financial statements included in this Annual Report on Form 10-K for additional information on the Company's liquidity and related ratios.

Long-Term Contractual Obligations

The Company has the following contractual obligations outstanding as of June 27, 2015 (in millions):

	Total	Due in Less Than 1 Year	Due in 1-3 Years	Due in 4-5 Years	Due After 5 Years
Long-term debt, including amounts due within one year(1)	$ 1,982.9	$ 331.1	$ 951.7	$ 350.1	$ 350.0
Interest expense on long-term notes(2)	$ 256.7	$ 66.4	$ 78.8	$ 70.2	$ 41.3
Operating leases	$ 399.7	$ 99.2	$ 133.4	$ 74.3	$ 92.8

(1) Excludes discount on long-term notes.
(2) Represents interest expense due on long-term public notes with fixed interest rates and variable debt assuming the same interest rate as of the end of fiscal 2015.

At June 27, 2015, the Company had an estimated liability for income tax contingencies of $103.9 million, which is not included in the above table. Cash payments associated with the settlement of these liabilities that are expected to be paid within the next 12 months is $3.0 million. The settlement period for the remaining amount of the unrecognized tax benefits, including related accrued interest and penalties, cannot be determined and therefore was not included in the table. The Company does not currently have any material long-term commitments for purchases of inventories from suppliers or for capital expenditures.

Critical Accounting Policies

The Company's consolidated financial statements have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales and expenses. These estimates and assumptions are based upon the Company's continuous evaluation of available information including historical results and anticipated future events. Actual results may differ materially from these estimates.

The Securities and Exchange Commission defines critical accounting policies as those that are, in management's view, most important to the portrayal of the Company's financial condition and results of operations and that require significant judgments and estimates. Management believes the Company's most critical accounting policies relate to:

Valuation of Receivables

The Company maintains an allowance for doubtful accounts for estimated losses primarily resulting from customer defaults. Bad debt expense and the related allowance for doubtful accounts is determined based upon historic customer default experience as well as the Company's regular assessment of the financial condition of its customers. Therefore, if actual collection experience or the financial condition of customers were to change, management would evaluate whether adjustments to the allowance for doubtful accounts are necessary.

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Valuation of Inventories

Inventories are recorded at the lower of cost (first in — first out) or estimated market value. The Company's inventories include high-technology components, embedded systems and computing technologies sold into rapidly changing, cyclical and competitive markets wherein such inventories may be subject to declines in market value or technological obsolescence.

The Company regularly evaluates inventories for obsolescence, current market prices and other factors that may render inventories less marketable. Write-downs are recorded so that inventories reflect the approximate net realizable value and take into account the Company's contractual provisions with its suppliers, which may provide certain protections to the Company for product obsolescence and price erosion in the form of rights of return and price protections. Because of the large number of products and suppliers and the complexity of managing the process around price protections and stock rotations, estimates are made regarding the realizable value of inventories. Additionally, assumptions about future demand, market conditions and decisions to discontinue certain product lines impact the evaluation of whether to write-down inventories. If assumptions about future demand change or actual market conditions are less favorable than those assumed by management, management would evaluate whether additional write-downs of inventories are required. In any case, actual net realizable values could be different from those currently estimated.

Accounting for Income Taxes

Management's judgment is required in determining income tax expense, measuring deferred tax assets and liabilities and the valuation allowances recorded against net deferred tax assets and unrecognized tax benefits. The recoverability of the Company's net deferred tax assets is dependent upon its ability to generate sufficient future taxable income in certain jurisdictions. In addition, the Company considers historic levels of income, expectations and risk associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for valuation allowances. Should the Company determine that it is not able to realize all or part of its deferred tax assets in the future, additional valuation allowances may be recorded against the deferred tax assets with a corresponding increase to income tax expense in the period such determination is made. Similarly, should the Company determine that it is able to realize all or part of its deferred tax assets that have an associated valuation allowance established, the Company may release a valuation allowance with a corresponding benefit to income tax expense in the period such determination is made.

The Company establishes contingent liabilities for potentially unfavorable outcomes of positions taken on certain tax matters. These liabilities are based on management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. There may be differences between the anticipated and actual outcomes of these matters that may result in changes in estimates to such liabilities. To the extent such changes in estimates are necessary, the Company's effective tax rate may potentially fluctuate as a result. In accordance with the Company's accounting policy, accrued interest and penalties related to unrecognized tax benefits are recorded as a component of income tax expense.

In determining the Company's income tax expense, management considers current tax regulations in the numerous jurisdictions in which it operates, and exercises judgment for interpretation and application. Changes to such tax regulations or disagreements with the Company's interpretation or application by tax authorities in any of the Company's major jurisdictions may have a significant impact on the Company's income tax expense.

Goodwill and Intangible Asset Impairment

The Company has been subject to the financial impact of integrating acquired businesses and expenses related to business restructurings, including those related to businesses acquired and in response to market conditions. In connection

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with such events, management is required to make estimates about the financial impact of such restructuring and integration activities that are inherently uncertain. Accrued liabilities are established based on estimates to cover the cost of severance, facility consolidation and closure, lease termination fees and the impairment of long-lived assets including acquired intangible assets. Actual amounts incurred could be different from those estimated.

In assessing goodwill for impairment, the Company is required to make significant judgments related to the fair value of its reporting units including assumptions about the future operating performance of such reporting units. The Company is also required to make judgments regarding the evaluation of changes in events or circumstances that would more likely than not reduce the fair value of any of its reporting units below their carrying value, the results of which would determine whether an interim goodwill impairment test must be performed. Should these assumptions or judgments change in the future based upon market conditions or should the structure of the Company’s reporting units change based upon changes in business strategy or structure, the Company may be required to perform an interim impairment test which may result in a goodwill impairment expense.

During fiscal 2015, 2014 and 2013, the Company performed its annual goodwill impairment test and determined there was no goodwill impairment at any of its reporting units. The Company does not believe there were any reporting units that were at risk of failing the goodwill impairment test in fiscal 2015, but there were two reporting units for which the estimated fair value was not substantially in excess of the carrying value of the reporting unit as of the goodwill impairment testing date. The percentage by which the estimated fair value exceeded carrying value was approximately 7% for TS Asia, which has approximately 4% of the Company’s total goodwill and approximately 9% for TS EMEA, which has approximately 13% of the Company’s total goodwill.

In order to estimate the fair value of its reporting units, the Company uses a combination of an income approach, specifically a discounted cash flow methodology, and a market approach. The discounted cash flow methodology includes market participant assumptions for, among other factors, forecasted sales, gross profit margins, operating profit margins, cash flows, perpetual growth rates and long-term discount rates, all of which require significant judgments and estimates by management which are inherently uncertain. The market approach methodology requires significant assumptions related to market multiples, capital structure and control premiums. These assumptions, judgments and estimates may change in the future based upon market conditions or other events and could result in goodwill impairment expense.

Long-lived assets, including property, plant and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable, which requires the Company to use judgment. For purposes of recognition and measurement of an impairment loss, long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (“asset group”). An impairment is recognized when the estimated undiscounted cash flows expected to result from the use of the asset group and its eventual disposition is less than its carrying amount. An impairment is measured as the amount by which an asset group’s net book value exceeds its estimated fair value. The determination of fair value requires the Company to make certain judgments and assumptions. The Company considers a long-lived asset to be abandoned when it has ceased use of such abandoned asset and if the Company has no intent to use or repurpose the asset in the future. The Company continually evaluates the carrying value and the remaining economic useful life of all long-lived assets and will adjust the carrying value and remaining useful life if and when appropriate.

See Note 1 and Note 6 in the Notes to Consolidated Financial Statements contained in Item 15 of this Annual Report on Form 10-K for further discussion on the goodwill impairment test evaluation.

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Contingencies and Litigation

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

The Company also is currently subject to various pending and potential legal matters and investigations relating to compliance with governmental laws and regulations, including import/export, environmental, anticorruption and competition. For certain of these matters it is not possible to determine the ultimate outcome, and the Company cannot reasonably estimate the maximum potential exposure or the range of possible loss for such matters due primarily to being in the preliminary stages of the related proceedings and investigations. The Company currently believes that the resolution of such matters will not have a material adverse effect on the Company's financial position or liquidity, but could possibly be material to our results of operations in any one reporting period.

Revenue Recognition and Related Policies

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and collectability is reasonably assured. Generally, these criteria are met upon the actual shipment or delivery of products or services to the customer depending upon the underlying sales terms. Accordingly, although management makes certain estimates related to possible returns of products from customers, discounts and customer rebates, such amounts do not require significant judgments or assumptions.

Provisions for sales returns are estimated based on historical sales returns experience, credit memo experience and other known factors. Provisions are made for discounts and rebates, which are primarily timing or volume-specific, and are generally based on historical trends and anticipated customer buying patterns. Sales from maintenance contracts where Avnet is considered to be the principal are deferred and recognized as sales over the life of the maintenance agreement and are not material to the consolidated results of operations of the Company.

The Company evaluates the criteria outlined in ASC Topic 605-45, Principal Agent Considerations, in determining whether it is appropriate to record the gross amount of sales and related costs or the net amount (gross fees less related cost of sales or services) depending upon whether the Company is the principal or agent for certain sales arrangements. Generally, transactions that qualify for net accounting treatment consist of the sale of supplier service contracts for which the Company has no continuing involvement or the performance of logistics services to deliver product for which the Company is not the primary obligor.

The Company must also make estimates related to the recognition of consideration received from suppliers for price protection, product rebates, marketing/promotional activities, or any other supplier programs. Consideration received or due from these supplier programs are recognized when earned under the terms and conditions of the supplier programs as adjustments to product costs, or selling, general and administrative expenses depending upon the nature and contractual requirements related to the consideration received. Some of these supplier programs may extend over one or more reporting periods.

Recently Issued Accounting Pronouncements

See Note 1 in the Notes to Consolidated Financial Statements contained in Item 15 of this Annual Report on Form 10-K for the discussion of recently issued accounting pronouncements.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company seeks to reduce earnings and cash flow volatility associated with changes in interest rates and foreign currency exchange rates by entering into financial arrangements, from time to time, which are intended to provide an economic hedge against all or a portion of the risks associated with such volatility. The Company continues to have exposure to such risks to the extent they are not economically hedged.

The following table sets forth the scheduled maturities of the Company's debt outstanding at June 27, 2015 (dollars in millions):

	Fiscal Year 2016	2017	2018	2019	2020	Thereafter	Total
Liabilities:							
Fixed rate debt(1)	$ 253.1	$ 300.5	$ 0.2	$ 0.1	$ 300.0	$ 350.0	$ 1,203.9
Floating rate debt	$ 78.0	$ 651.0	$ —	$ —	$ 50.0	$ —	$ 779.0

(1) Excludes discounts on long-term notes.

The following table sets forth the carrying value and fair value of the Company's debt and the average interest rate at June 27, 2015 and June 28, 2014 (dollars in millions):

	Carrying Value at June 27, 2015	Fair Value at at June 27, 2015	Carrying Value at June 28, 2014	Fair Value at June 28, 2014
Liabilities:				
Fixed rate debt(1)	$ 1,203.9	$ 1,267.4	$ 1,363.6	$ 1,474.7
Average interest rate	5.8 %		5.4 %	
Floating rate debt	$ 779.0	$ 779.0	$ 717.4	$ 717.4
Average interest rate	1.2 %		1.1 %	

(1) Excludes discounts on long-term notes. Fair value was estimated primarily based upon quoted market prices for the Company's public long-term notes.

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 currency 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 currency exchange contracts. The amounts representing the fair value of forward foreign currency 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 June 27, 2015 and June 28, 2014. The Company did not have material gains or losses related to the forward foreign currency exchange contracts during fiscal 2015 and 2014. A hypothetical 10% change in foreign currency exchange rates under the contracts outstanding at June 27, 2015 would result in an increase or decrease of approximately $90.0 million to the fair value of the forward foreign currency exchange contracts, which would generally be offset by an opposite effect on the underlying exposure

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being economically hedged.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data are listed under Item 15 of this Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the reporting period covered by this report on Form 10-K. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report on Form 10-K, the Company's disclosure controls and procedures are effective such that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission's rules and forms and is accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

During the fourth quarter of fiscal 2015, there were no changes to the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

The Company's management, including its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of June 27, 2015. In making this assessment, management used the 2013 framework established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and concluded that the Company maintained effective internal control over financial reporting as of June 27, 2015.

The Company's independent registered public accounting firm, KPMG LLP, has audited the effectiveness of the Company's internal controls over financial reporting as of June 27, 2015, as stated in its audit report which is included herein.

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Item 9B. Other Information

Not applicable.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information called for by Item 10 is incorporated in this Report by reference to the Company’s definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 12, 2015.

Item 11. Executive Compensation

The information called for by Item 11 is incorporated in this Report by reference to the Company’s definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 12, 2015.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information called for by Item 12 is incorporated in this Report by reference to the Company’s definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 12, 2015.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information called for by Item 13 is incorporated in this Report by reference to the Company’s definitive proxy statement relating to the Annual Meeting of Shareholders anticipated to be held on November 12, 2015.

Item 14. Principal Accounting Fees and Services

The information called for by Item 14 is incorporated in this Report by reference to the Company’s definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 12, 2015.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

a. The following documents are filed as part of this Report:

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

AVNET, INC.

(Registrant)

Date: August 7, 2015 By: /s/ RICHARD HAMADA
Richard Hamada
Chief Executive Officer and Director

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby authorizes and appoints each of Richard Hamada and Kevin Moriarty his or her attorneys-in-fact, for him or her in any and all capacities, to sign any amendments to this Report, and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorneys-in-fact, or their substitute, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on August 7, 2015.

Signature	Title
/s/ RICHARD HAMADA	Chief Executive Officer and Director
Richard Hamada	(Principal Executive Officer)
/s/ WILLIAM H. SCHUMANN, III William H. Schumann, III	Chairman of the Board and Director
/s/ RODNEY C. ADKINS Rodney C. Adkins	Director
/s/ WILLIAM J. AMELIO William J. Amelio	Director
/s/ J. VERONICA BIGGINS	Director

J. Veronica Biggins	
/s/ MICHAEL A. BRADLEY Michael A. Bradley	Director
/s/ R. KERRY CLARK R. Kerry Clark	Director
/s/ JAMES A. LAWRENCE James A. Lawrence	Director
/s/ AVID MODJTABAI Avid Modjtabai	Director
/s/ RAY M. ROBINSON Ray M. Robinson	Director
/s/ KEVIN MORIARTY Kevin Moriarty	Senior Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Avnet, Inc.:

We have audited the accompanying consolidated balance sheets of Avnet, Inc. and subsidiaries (the Company) as of June 27, 2015 and June 28, 2014, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 27, 2015. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule for each of the years in the three-year period ended June 27, 2015, as listed in the accompanying index. We also have audited the Company's internal control over financial reporting as of June 27, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Avnet, Inc. and subsidiaries as of June 27, 2015 and June 28, 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended June 27, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule for each of the years in the three-year period ended June 27, 2015, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Furthermore, in our opinion, Avnet, Inc. maintained, in all material respects, effective internal control over financial reporting as of June 27, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP

Phoenix, Arizona

August 7, 2015

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AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 27, 2015	June 28, 2014
	(Thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 932,553	$ 928,971
Receivables, less allowances of $80,721 and $96,382, respectively	5,054,307	5,220,528
Inventories	2,482,183	2,613,363
Prepaid and other current assets	173,030	191,337
Total current assets	8,642,073	8,954,199
Property, plant and equipment, net	568,779	534,999
Goodwill	1,278,756	1,348,468
Intangible assets, net	99,731	184,308
Other assets	210,614	228,680
Total assets	$ 10,799,953	$ 11,250,654
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 331,115	$ 865,088
Accounts payable	3,338,052	3,402,369
Accrued expenses and other	603,129	711,369
Total current liabilities	4,272,296	4,978,826
Long-term debt	1,646,501	1,208,951
Other liabilities	196,135	172,684
Total liabilities	6,114,932	6,360,461
Commitments and contingencies (Notes 11 and 13)		
Shareholders' equity:		
Common stock $1.00 par; authorized 300,000,000 shares; issued 135,496,472 shares and 138,285,825 shares, respectively	135,496	138,286
Additional paid-in capital	1,408,422	1,355,663
Retained earnings	3,582,599	3,257,407
Accumulated other comprehensive (loss) income	(441,038)	139,512
Treasury stock at cost, 31,901 shares and 36,836 shares, respectively	(458)	(675)
Total shareholders' equity	4,685,021	4,890,193
Total liabilities and shareholders' equity	$ 10,799,953	$ 11,250,654

See notes to consolidated financial statements.

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AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended June 27, 2015	June 28, 2014	June 29, 2013
	(Thousands, except per share amounts)		
Sales	$ 27,924,657	$ 27,499,654	$ 25,458,924
Cost of sales	24,731,537	24,273,923	22,479,123
Gross profit	3,193,120	3,225,731	2,979,801
Selling, general and administrative expenses	2,274,642	2,341,168	2,204,319
Restructuring, integration and other expenses	90,805	94,623	149,501
Operating income	827,673	789,940	625,981
Other (expense) income, net	(19,043)	(6,092)	(74)
Interest expense	(95,665)	(104,823)	(107,653)
Gain on legal settlement, bargain purchase and other (Notes 2 and 13)	—	22,102	31,011
Income before income taxes	712,965	701,127	549,265
Income tax expense	141,052	155,523	99,192
Net income	$ 571,913	$ 545,604	$ 450,073
Earnings per share:			
Basic	$ 4.18	$ 3.95	$ 3.26
Diluted	$ 4.12	$ 3.89	$ 3.21
Shares used to compute earnings per share:			
Basic	136,688	137,991	137,951
Diluted	138,791	140,119	140,003
Cash dividends paid per common share	$ 0.64	$ 0.60	$ —

See notes to consolidated financial statements.

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AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended June 27, 2015	June 28, 2014	June 29, 2013
	(Thousands)		
Net income	$ 571,913	$ 545,604	$ 450,073
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments and other	(561,022)	108,754	44,597
Pension adjustments, net	(19,528)	1,863	30,130
Total comprehensive (loss) income	$ (8,637)	$ 656,221	$ 524,800

See notes to consolidated financial statements.

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AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended June 27, 2015, June 28, 2014 and June 29, 2013

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
	(Thousands)					
Balance, June 30, 2012	$ 142,586	1,263,817	2,545,858	(45,832)	(697)	3,905,732
Net income	—	—	450,073	—	—	450,073
Translation adjustments	—	—	—	44,597	—	44,597
Pension liability adjustments, net of tax of $19,062	—	—	—	30,130	—	30,130
Repurchases of common stock (Note 4)	(6,620)	—	(192,965)	—	—	(199,585)
Stock-based compensation, including related tax benefits of $4,110	1,161	33,291	—	—	(67)	34,385
Acquisition of non-controlling interest (Note 2)	—	23,793	—	—	—	23,793
Balance, June 29, 2013	137,127	1,320,901	2,802,966	28,895	(764)	4,289,125
Net income	—	—	545,604	—	—	545,604
Translation adjustments	—	—	—	108,754	—	108,754
Pension liability adjustments, net of tax of $5,013	—	—	—	1,863	—	1,863
Cash dividends	—	—	(82,755)	—	—	(82,755)
Repurchases of common stock (Note 4)	(208)		(8,408)			(8,616)
Stock-based compensation, including related tax	1,367	34,762	—	—	89	36,218

benefits of $8,432						
Balance, June 28, 2014	138,286	1,355,663	3,257,407	139,512	(675)	4,890,193
Net income	—	—	571,913	—	—	571,913
Translation adjustments	—	—	—	(561,022)	—	(561,022)
Pension liability adjustments, net of tax of $7,540	—	—	—	(19,528)	—	(19,528)
Cash dividends	—	—	(87,330)	—	—	(87,330)
Repurchases of common stock (Note 4)	(4,001)	—	(159,391)	—	—	(163,392)
Stock-based compensation, including related tax benefits of $4,370	1,211	52,759	—	—	217	54,187
Balance, June 27, 2015	$ 135,496	$ 1,408,422	$ 3,582,599	$ (441,038)	$ (458)	$ 4,685,021

See notes to consolidated financial statements.

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AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended June 27, 2015	June 28, 2014	June 29, 2013
	(Thousands)		
Cash flows from operating activities:			
Net income	$ 571,913	$ 545,604	$ 450,073
Non-cash and other reconciling items:			
Depreciation	95,645	92,464	88,333
Amortization	51,674	44,724	32,343
Deferred income taxes	18,436	(15,644)	(10,019)
Stock-based compensation	62,006	45,916	43,677
Gain on bargain purchase and other (Note 2)	—	—	(31,011)
Other, net	87,649	88,687	75,327
Changes in (net of effects from businesses acquired):			
Receivables	(204,114)	(306,873)	(94,203)
Inventories	(73,226)	(226,141)	225,667
Accounts payable	156,565	48,651	(78,834)
Accrued expenses and other, net	(182,665)	(79,970)	(5,156)
Net cash flows provided by operating activities	583,883	237,418	696,197
Cash flows from financing activities:			
Issuance of notes in a public offering, net of issuance costs	—	—	349,258
Repayment of notes	—	(300,000)	—
Borrowings under accounts receivable securitization program, net	35,000	255,000	(310,000)
(Repayments) borrowings of bank and other debt, net	(115,173)	38,765	(180,941)
Repurchases of common stock (Note 4)	(159,984)	(8,616)	(207,192)
Dividends paid on common stock	(87,330)	(82,755)	—
Other, net	(13,501)	9,109	4,792
Net cash flows used for financing activities	(340,988)	(88,497)	(344,083)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(174,374)	(123,242)	(97,379)
Acquisitions of businesses, net of cash acquired	—	(116,882)	(262,306)
Other, net	(11,969)	2,666	6,631
Net cash flows used for investing activities	(186,343)	(237,458)	(353,054)
Effect of exchange rate changes on cash and cash equivalents	(52,970)	8,165	3,419
Cash and cash equivalents:			
— increase (decrease)	3,582	(80,372)	2,479
— at beginning of period	928,971	1,009,343	1,006,864
— at end of period	$ 932,553	$ 928,971	$ 1,009,343

Additional cash flow information (Note 15)

See notes to consolidated financial statements.

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AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Principles of consolidation — The accompanying consolidated financial statements include the accounts of Avnet, Inc. and all of its majority-owned and controlled subsidiaries (the “Company” or “Avnet”). All intercompany accounts and transactions have been eliminated.

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

Fiscal year — The Company operates on a “52/53 week” fiscal year, which ends on the Saturday closest to June 30th. Fiscal 2015, 2014, and 2013 all contained 52 weeks. Unless otherwise noted, all references to “fiscal” or any other “year” shall mean the Company’s fiscal year.

Management estimates — The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, reported amounts of sales and expenses during the reporting period and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ materially from those estimates.

Cash and cash equivalents — The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventories — Inventories, comprised principally of finished goods, are stated at cost (first-in, first-out) or market, whichever is lower. The Company regularly reviews the cost of inventory against its estimated market value, considering historical experience and any rights of return or price protection provided by the Company’s suppliers, and records a lower of cost or market write-down if any inventories have a cost in excess of their estimated net realizable value.

Investments — Investments in joint ventures and entities (“ventures”) in which the Company has an ownership interest of greater than 50% and exercises control over the ventures are consolidated in the accompanying consolidated financial statements. Non-controlling interests in the years presented are not material and, as a result, are included in the caption “accrued expenses and other” in the accompanying consolidated balance sheets. Investments in ventures in which the Company exercises significant influence but not control are accounted for using the equity method of accounting. Investments in ventures in which the Company’s ownership interest is less than 20% and over which the Company does not exercise significant influence are accounted for using the cost method of accounting. The Company monitors ventures for events or changes in circumstances that indicate that the fair value of a venture is less than its carrying value, in which case the Company would further review the venture to determine if it is other-than-temporarily impaired. During fiscal 2015, 2014 and 2013 the Company did not have any material investments in ventures.

Depreciation, amortization and useful lives — The Company reports property, plant and equipment at cost, less accumulated depreciation. Cost includes the price paid to acquire or construct the assets, required installation costs, interest capitalized during the construction period, and any expenditure that substantially adds to the value of or substantially extends the useful life of an existing asset. Additionally, the Company capitalizes qualified costs related to software obtained or developed for internal use. Software obtained for internal use has generally been enterprise-level business logistics and finance software that is customized to meet the Company’s specific operational requirements. The Company

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begins depreciation and amortization (“depreciation”) for property, plant and equipment when an asset is both in the location and condition for its intended use.

Property, plant, and equipment is depreciated using the straight-line method over their estimated useful lives. The estimated useful lives for property, plant, and equipment are typically as follows: buildings — 30 years; machinery, fixtures and equipment — 2-10 years; information technology hardware and software — 2-10 years; and leasehold improvements — over the applicable minimum lease term or economic useful life if shorter.

The Company amortizes intangible assets acquired in business combinations using the straight-line method over the estimated economic useful lives of the intangible assets from the date of acquisition, which is generally between 5-10 years.

Long-lived assets impairment — Long-lived assets, including property, plant and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. For purposes of recognition and measurement of an impairment loss, long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (“asset group”). An impairment is recognized when the estimated undiscounted cash flows expected to result from the use of the asset group and its eventual disposition is less than its carrying amount. An impairment is measured as the amount by which an asset group’s carrying value exceeds its estimated fair value. The Company considers a long-lived asset to be abandoned when it has ceased use of such abandoned asset and if the Company has no intent to use or repurpose the asset in the future. The Company continually evaluates the carrying value and the remaining economic useful life of long-lived assets and will adjust the carrying value and remaining useful life if and when appropriate.

Goodwill — Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value assigned to the individual assets acquired and liabilities assumed. The Company does not amortize goodwill, but instead tests goodwill for impairment at least annually in the fourth quarter and, if necessary, records any impairment resulting from such goodwill impairment testing as a component of operating expenses. Impairment testing is performed at the reporting unit level, and the Company has identified six reporting units, defined as each of the three regions (Americas, EMEA, and Asia Pacific) within the Company’s two reportable segments (EM and TS). The Company will perform an interim impairment test between required annual tests if facts and circumstances indicate that it is more likely than not that the fair value of a reporting unit that has goodwill is less than its carrying value.

In performing goodwill impairment testing, the Company may first make a qualitative assessment of whether it is more-likely-than-not that a reporting unit’s fair value is less than its carrying value. If the qualitative assessment indicates it is more-likely-than-not that a reporting unit’s fair value is not greater than its carrying value, the Company must perform a two-step qualitative impairment test. The Company defines the fair value of a reporting unit as the price that would be received to sell the reporting unit as a whole in an orderly transaction between market participants at the impairment test date. To determine the fair value of a reporting unit, the Company primarily uses the income approach methodology of valuation, which includes the discounted cash flow method, and the market approach methodology of valuation, which considers values of comparable businesses to estimate the fair value of the Company’s reporting units.

Significant management judgment is required when estimating the fair value of the Company’s reporting units from a market participant perspective including the forecasting of future operating results, the discount rates and expected future

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growth rates used in the discounted cash flow method of valuation, and in the selection of comparable businesses and related market multiples that are used in the market approach. If the estimated fair value of the reporting unit exceeds the carrying value assigned to that reporting unit, goodwill is not impaired and no further impairment testing is required.

If the carrying value assigned to a reporting unit exceeds its estimated fair value in the first step, then the Company is required to perform the second step of the goodwill impairment test. In this step, the Company assigns the fair value of the reporting unit calculated in the first step to all of the assets and liabilities of that reporting unit, as if a market participant just acquired the reporting unit in a business combination. The excess of the fair value of the reporting unit determined in the first step of the impairment test over the total amount assigned to the assets and liabilities in the second step of the impairment test represents the implied fair value of goodwill. If the carrying value of a reporting unit's goodwill exceeds the implied fair value of goodwill, the Company would record an impairment loss equal to the difference. If there is no such excess then all goodwill for a reporting unit is considered impaired.

Foreign currency translation — The assets and liabilities of foreign operations are translated into U.S. Dollars at the exchange rates in effect at the balance sheet date, with the related translation adjustments reported as a separate component of shareholders' equity and comprehensive income. Results of operations are translated using the average exchange rates prevailing throughout the period. Transactions denominated in currencies other than the functional currency of the Avnet subsidiaries that are party to the transactions are translated at exchange rates in effect at the balance sheet date or upon settlement of the transaction. Gains and losses from such translation are recorded in the consolidated statements of operations as a component of "other income (expense), net." In fiscal 2015, 2014 and 2013, gains or losses on foreign currency transactions were not material.

Income taxes — The Company follows the asset and liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized for the estimated future tax impact of differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized within income tax expense in the period in which the new rate is enacted. Based upon historical and estimated levels of future taxable income and analysis of other key factors, the Company may increase or decrease a valuation allowance against its deferred tax assets, as deemed necessary, to state such assets at their estimated net realizable value.

The Company establishes contingent liabilities for potentially unfavorable outcomes of positions taken on certain tax matters. These liabilities are based on management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by the relevant tax authorities. There may be differences between the estimated and actual outcomes of these matters that may result in future changes in estimates to such contingent liabilities. To the extent such changes in estimates are required; the Company's effective tax rate may potentially fluctuate as a result. In accordance with the Company's accounting policies, accrued interest and penalties related to unrecognized tax benefits are recorded as a component of income tax expense.

Self-insurance — In the United States, the Company is primarily self-insured for workers' compensation, medical, and general, product and automobile liability costs; however, the Company also has stop-loss insurance policies in place to limit the Company's exposure to individual and aggregate claims made. Liabilities for these programs are estimated based upon outstanding claims and claims estimated to be incurred but not yet reported based upon historical loss experience. These estimates are subject to variability due to changes in trends of losses for outstanding claims and incurred but not reported claims, including external factors such as the number of and cost of claims, benefit level changes and claim settlement patterns.

Revenue recognition — Revenue from the sale of products or services is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and collectability is reasonably assured. Generally, these criteria are met upon either shipment or delivery to customers, depending upon the sales terms. A majority of the Company's product sales come from products Avnet purchases from a supplier and holds in inventory. A portion of the Company's sales of products are shipped directly from its suppliers to its customers ("drop-ship"). In such drop-ship arrangements, Avnet negotiates the price with the customer, pays the supplier directly for the products shipped and bears credit risk of collecting payment from its customers. Furthermore, in such drop-shipment arrangements, the Company bears responsibility for accepting returns of products from the customer even if the Company, in turn, has a right to return the products to the original supplier if the products are defective. Under these sales terms, the Company serves as the principal with the customer and, therefore, recognizes the gross sale and cost of sale of the product upon shipment by the supplier.

In addition, the Company has certain contractual relationships with its customers and suppliers whereby Avnet assumes an agency relationship in the sales transaction. In such agency arrangements, the Company recognizes the net fee associated with serving as an agent in sales with no associated cost of sales.

Revenues from maintenance contracts where Avnet is the principal are recognized ratably over the life of the contracts, generally ranging from one to three years.

Revenues are recorded net of discounts, customer rebates and estimated returns. Provisions are made for discounts and customer rebates, which are primarily timing or volume specific, and are estimated based on historical trends and anticipated customer buying patterns. Provisions for returns and other sales adjustments are estimated based on historical sales returns experience, credit memo experience and other known factors.

Vendor allowances and consideration — Consideration received from suppliers for price protection, product rebates, marketing/promotional activities, or any other programs are recorded when earned under the terms and conditions of such supplier programs as adjustments to product costs or selling, general and administrative expenses depending upon the nature and contractual requirements related to the consideration received. Some of these supplier programs requires management to make estimates and may extend over one or more reporting periods.

Comprehensive income — Comprehensive income represents net income for the year adjusted for certain changes in shareholders' equity. Accumulated comprehensive income items impacting comprehensive income includes foreign currency translation and the impact of the Company's pension liability adjustments, net of tax (see Note 4).

Stock-based compensation — The Company measures stock-based payments at fair value and generally recognizes the associated operating expense in the consolidated statement of operations over the requisite service period (see Note 12). A stock-based payment is considered vested for accounting expense attribution purposes when the employee's retention of the award is no longer contingent on providing continued service. Accordingly, the Company recognizes all stock-based compensation expense for an award on the grant date for awards granted to retirement eligible employees or over the period from the grant date to the date retirement eligibility is achieved, if less than the stated requisite service

period. The expense attribution approach for retirement eligible employees does not affect the overall amount of compensation expense recognized, but instead accelerates the recognition of expense.

Restructuring and Exit Activities — The determination of when the Company accrues for involuntary termination benefits under restructuring plans depends on whether the termination benefits are provided under an on-going benefit arrangement or under a one-time benefit arrangement. The Company accounts for on-going benefit arrangements in accordance with ASC 712 Nonretirement Postemployment Benefits and accounts for one-time benefit arrangements in accordance with ASC 420 Exit or Disposal Cost Obligations. If applicable, the Company records such costs into operating expense over the terminated employee's future service period beyond any minimum retention period. Other costs associated with restructuring or exit activities may include contract termination costs including operating leases and impairments of long-lived assets, which are expensed in accordance with ASC 420 and ASC 360 Property, Plant and Equipment, respectively.

Business Combinations — The Company accounts for business acquisitions using the acquisition method of accounting and records any identifiable definite-lived intangible assets separate from goodwill. Intangible assets are recorded at their fair value based on estimates as of the date of acquisition. Goodwill is recorded as the residual amount of the purchase price consideration less the fair value assigned to the individual identifiable assets acquired and liabilities assumed as of the date of acquisition. Contingent consideration, which represents an obligation of the acquirer to transfer additional assets or equity interests to the former owner as part of the purchase price if specified future events occur or conditions are met, is accounted for at the acquisition date fair value either as a liability or as equity depending on the terms of the acquisition agreement.

Concentration of credit risk — Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash and cash equivalents and trade accounts receivable. The Company invests its excess cash primarily in overnight time deposits and institutional money market funds with highly rated financial institutions. To reduce credit risk, management performs ongoing credit evaluations of its customers' financial condition and, in some instances, has obtained credit insurance coverage to reduce such risk. The Company maintains reserves for potential credit losses from customers, but has not historically experienced material losses related to individual customers or groups of customers in any particular end market or geographic area.

Fair value — The Company measures financial assets and liabilities at fair value based upon an exit price, representing the amount that would be received from the sale of an asset or paid to transfer a liability, in an orderly transaction between market participants. ASC 820, Fair Value Measurements, requires inputs used in valuation techniques for measuring fair value on a recurring or non-recurring basis be assigned to a hierarchical level as follows: Level 1 are observable inputs that reflect quoted prices for identical assets or liabilities in active markets. Level 2 are observable market-based inputs or unobservable inputs that are corroborated by market data and Level 3 are unobservable inputs that are not corroborated by market data. During fiscal 2015, 2014, and 2013, there were no transfers of assets measured at fair value between the three levels of fair value hierarchy. The carrying amounts of the Company's financial instruments, including cash and cash equivalents, receivables and accounts payable approximate their fair values at June 27, 2015 due to the short-term nature of these assets and liabilities. At June 27, 2015 and June 28, 2014, the Company had $11.1 million and $19.7 million, respectively, of cash equivalents that were measured at fair value based upon Level 1 criteria. See Note 7 for further discussion of the fair value of the Company's long-term debt and Note 10 for a discussion of the fair value of the Company's pension plan assets.

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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 currency exchange contracts typically with maturities of less than 60 days (“economic hedges”). The Company continues to have exposure to foreign currency risks to the extent they are not economically 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 currency exchange contracts. The amounts representing the fair value of forward 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 June 27, 2015 and June 28, 2014. The Company did not have material gains or losses related to the forward foreign exchange contracts during fiscal 2015, fiscal 2014 and fiscal 2013.

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

Accounts receivable securitization — The Company has an accounts receivable securitization program whereby the Company sells certain receivables and retains a subordinated interest and servicing rights to those receivables. The securitization program does not qualify for off balance sheet sales accounting and is accounted for as a secured financing as discussed further in Note 3.

Recently issued accounting pronouncements — In July 2013, the Financial Accounting Standards Board (“FASB”) 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 against a deferred tax asset for a loss or other carryforward that would apply in settlement of the uncertain tax positions. Unrecognized tax benefits 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 unrecognized tax benefits. 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 did not have a material impact on the Company’s consolidated financial statements.

In April 2014, the FASB issued Accounting Standards Update No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (“ASU 2014-08”), which changes the criteria for determining which disposals should be presented as discontinued operations and the related disclosure requirements. ASU 2014-08 is effective for the Company on a prospective basis in the first quarter of fiscal 2016 with early adoption permitted for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued. The Company early adopted ASU 2014-08 in first quarter of fiscal 2015, which did not have a material impact on the Company’s consolidated financial statements.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), to supersede nearly all existing revenue recognition guidance under GAAP. The core principles of ASU 2014-09 are to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Application of the requirements of ASU 2014-09 may require more judgment and estimates within the revenue recognition process compared to existing GAAP. In July 2015, the FASB approved a one-year delay in the effective date of ASU 2014-09, which makes the effective date for the Company the first quarter of fiscal 2019. The Company may adopt the requirements of ASU 2014-09 using either of two acceptable adoption methods: (i) retrospective adoption to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (ii) adoption with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined within ASU 2014-09. The Company is currently evaluating the potential impact of the future adoption of ASU 2014-09 on its consolidated financial statements, including the method of adoption to be used.

In April 2015, the FASB issued Accounting Standards Update 2015-03, Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”). ASU 2015-03 requires the presentation of debt issuance costs in the consolidated balance sheets as a reduction to the related debt liability rather than as an asset. Amortization of debt issue costs continues to be classified as interest expense. ASU 2015-03 is effective for fiscal years beginning after December 15, 2016 with early adoption permitted. The Company early adopted ASU 2015-03 for the fiscal year ended June 27, 2015, and reclassified $4.9 million of debt issuance costs from Other assets to Long-term debt in the Company’s consolidated balance sheet.

2. Acquisitions and divestitures

The Company had no acquisitions in fiscal 2015. As of June 27, 2015, the estimated fair value of all contingent consideration from prior year acquisitions was $31.5 million.

2014 Acquisitions

During fiscal 2014, the Company acquired three businesses with historical annualized sales of approximately $492.0 million (unaudited). Cash paid for acquisitions during fiscal 2014 was $116.9 million, net of cash acquired. The Company has not disclosed the pro-forma impact of the fiscal 2014 acquisitions as such impact was not material to the Company’s consolidated financial position or results of operations. During fiscal 2014 and fiscal 2015, there were no material measurement period adjustments for the fiscal 2014 acquisitions.

The aggregate consideration, excluding cash acquired, for the fiscal 2014 acquisitions was $219.7 million, which consisted of the following (in thousands):

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

The contingent consideration arrangements stipulate that the Company pay up to a maximum of approximately $50.0 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 of $38.1 million 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

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AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Company adjusts the fair value of contingent consideration through operating expenses if there are changes to the inputs used in the income approach and as a result of the passage of time.

The following table presents the purchase price allocation for fiscal 2014 acquisitions:

	Acquisition Method Values (Thousands)
Cash	$ 64,763
Receivables	36,216
Inventories	95,202
Other current assets	6,597
Property, plant and equipment and other non-current assets	28,155
Intangible assets	53,502
Total identifiable assets acquired	284,435
Accounts payable, accrued liabilities and other current liabilities	(66,848)
Short-term debt	(45,942)
Other long-term liabilities	(14,535)
Total identifiable liabilities assumed	(127,325)
Net identifiable assets acquired	157,110
Goodwill	62,616
Net assets acquired	$ 219,726

Goodwill of $52.0 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 has recognized restructuring, integration and other expenses associated with fiscal 2014 acquisitions which are described further in Note 17.

Historical Acquisitions

Internix, Inc., a company publicly traded on the Tokyo Stock Exchange, was acquired in the first quarter of fiscal 2013 through a tender offer. After assessing the fair value of the identifiable assets acquired and liabilities assumed, the consideration paid was below fair value even though the price paid per share represented a premium to the trading levels at that time. During fiscal 2013, the Company recognized a gain on bargain purchase related to Internix of $32.7 million before and after tax and $0.23 per share on a diluted basis.

During fiscal 2013, the Company also acquired the remaining non-controlling interest in a consolidated subsidiary for a purchase price that was less than its carrying value. The Company has reflected the difference between the purchase price and the carrying value of the non-controlling interest of $23.8 million as additional paid-in capital in the accompanying consolidated statement of shareholders' equity.

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

3. Accounts receivable securitization

In August 2014, the Company amended and extended its accounts receivable securitization program (the “Program”) with a group of financial institutions to allow the Company to transfer, on an ongoing revolving basis, an undivided interest in a designated pool of accounts receivable, to provide security or collateral for borrowings up to $900.0 million. The Program does not qualify for off balance sheet sale accounting treatment and, as a result, any borrowings under the Program are recorded as debt on the consolidated balance sheets. Under the Program, the Company legally isolates certain U.S. trade receivables into a wholly-owned and consolidated bankruptcy remote special purpose entity. Such isolated receivables, which are recorded within “Receivables” in the consolidated balance sheets, totaled $1.41 billion and $1.65 billion at June 27, 2015 and June 28, 2014, respectively. The Program contains certain covenants relating to the quality of the receivables sold. The Program also requires the Company to maintain certain minimum interest coverage and leverage ratios, which the Company was in compliance with as of June 27, 2015. The Program has a two-year term that expires in August 2016. As a result of the two-year term, outstanding borrowings under the Program are classified as long-term debt at June 27, 2015. There were $650.0 million in borrowings outstanding under the Program as of June 27, 2015 and $615.0 million as of June 28, 2014. Interest on borrowings is calculated using a base rate or a commercial paper rate plus a spread of 0.38%. The facility fee is 0.38%.

4. Shareholders’ equity

Accumulated comprehensive income (loss)

The following table includes the balances within accumulated other comprehensive income (loss):

	June 27, 2015	June 28, 2014	June 29, 2013
	(Thousands)		
Accumulated translation adjustments and other	$ (316,873)	$ 244,149	$ 135,395
Accumulated pension liability adjustments, net of income taxes	(124,165)	(104,637)	(106,500)
Total accumulated other comprehensive income (loss)	$ (441,038)	$ 139,512	$ 28,895

Comprehensive income (loss) includes foreign currency translation adjustments and pension liability adjustments. Amounts reclassified out of accumulated comprehensive income (loss), net of tax, to operating expenses during fiscal 2015, 2014 and 2013 substantially all related to net periodic pension costs as discussed further in Note 10.

Share repurchase program

In November 2014, the Company’s Board of Directors amended the Company’s existing share repurchase program to authorize the repurchase of up to $1.0 billion of common stock in the open market, privately negotiated transactions, block trades, accelerated share repurchase transactions or any combination of such method. The timing and actual number of shares repurchased will depend on a variety of factors such as price, corporate and regulatory requirements, and prevailing market conditions. During fiscal 2015, the Company repurchased 4.0 million shares under this program at an average market price of $40.84 per share for a total cost of $163.4 million. This amount differs from the cash used for repurchases of common stock on the consolidated statement of cash flows to the extent repurchases were not settled at the end of the year. Repurchased shares were retired. Since the beginning of the repurchase program through the end of fiscal

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2015, the Company has repurchased 22.1 million shares at an aggregate cost of $697.5 million, and $302.5 million remains available for future repurchases under the share repurchase program.

Common stock dividend

During fiscal 2015, the Company has paid dividends of $0.64 per common share and $87.3 million in total.

5. Property, plant and equipment, net

Property, plant and equipment are recorded at cost and consist of the following:

	June 27, 2015	June 28, 2014
	(Thousands)	
Buildings	$ 122,035	$ 132,291
Machinery, fixtures and equipment	238,864	266,416
Information technology hardware and software	712,099	699,466
Leasehold improvements	140,928	118,907
Depreciable property, plant and equipment, gross	1,213,926	1,217,080
Accumulated depreciation	(773,013)	(783,485)
Depreciable property, plant and equipment, net	440,913	433,595
Land	40,032	31,730
Construction in progress	87,834	69,674
Property, plant and equipment, net	$ 568,779	$ 534,999

Depreciation expense related to property, plant and equipment was $95.6 million, $92.5 million and $88.3 million in fiscal 2015, 2014 and 2013, respectively.

6. Goodwill and intangible assets

The following table presents the change in goodwill balances by reportable segment for fiscal year 2015. All of the accumulated impairment was recognized in fiscal 2009.

	Electronics Marketing	Technology Solutions	Total

	(Thousands)		
Gross goodwill	$ 1,713,567	$ 1,014,635	$ 2,728,202
Accumulated impairment	(1,045,110)	(334,624)	(1,379,734)
Carrying value at June 28, 2014	668,457	680,011	1,348,468
Additions	—	—	—
Adjustments	561	7	568
Foreign currency translation	(29,912)	(40,368)	(70,280)
Carrying value at June 27, 2015	$ 639,106	$ 639,650	$ 1,278,756
Gross goodwill	$ 1,684,216	$ 974,274	$ 2,658,490
Accumulated impairment	(1,045,110)	(334,624)	(1,379,734)
Carrying value at June 27, 2015	$ 639,106	$ 639,650	$ 1,278,756

Goodwill adjustments represent the net purchase accounting adjustments for acquisitions during the related measurement periods.

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AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Based upon the Company's annual impairment tests performed in the fourth quarters of fiscal 2015, 2014 and 2013, there was no impairment of goodwill in the respective fiscal years. The goodwill impairment testing requirements and related assumptions used are described further in Note 1.

The following table presents the Company's acquired identifiable intangible assets:

June&nbs