

- (c) First quarter of fiscal 2019 net income was impacted by restructuring, integration and other expenses of \$11.5 million after tax, and a discrete income tax expense of \$8.2 million. Second quarter results were impacted by restructuring, integration and other expenses of \$46.6 million after tax and a discrete income tax expense of \$16.7 million. Third quarter results were impacted by restructuring, integration and other expenses of \$2.6 million after tax and a discrete income tax expense of \$4.1 million. Fourth quarter results were impacted by restructuring, integration and other expenses of \$20.7 million after tax, a goodwill impairment expense of \$118.8 million after tax and a discrete income tax benefit of \$20.9 million.

## 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 8 of this Report. The Company operates on a "52/53 week" fiscal year. Fiscal years 2020, 2019 and 2018 all contain 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 subsidiaries in EMEA and Asia, are referred to as "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 adjusted for certain items that impact the year-over-year analysis, which includes the impact of certain 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 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. Sales taking into account 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), (ii) goodwill and intangible asset impairment expenses, and (iii) amortization of acquired intangible assets and other 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, 2020	June 29, 2019	June 30, 2018
		(Thousands)	
Operating (loss) income	\$ (4,628)	\$ 365,911	\$ 209,218
Restructuring, integration and other expenses	81,870	108,144	145,125
Goodwill and intangible asset impairment expenses	144,092	137,396	181,440
Amortization of acquired intangible assets and other	81,555	84,257	91,923
Adjusted operating income	<u>\$ 302,889</u>	<u>\$ 695,708</u>	<u>\$ 627,706</u>