ARROW ELECTRONICS INC
Form 10-K
February 07, 2017

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

FORM 10-K

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

For the fiscal year ended December 31, 2016

OR

o 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 1-4482

ARROW ELECTRONICS, INC.
(Exact name of registrant as specified in its charter)

New York	11-1806155
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
9201 East Dry Creek Road, Centennial, Colorado	80112
(Address of principal executive offices)	(Zip Code)

(303) 824-4000
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, $1 par value	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 x No o

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

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 x No o

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x   No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the 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. o

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 (check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was $5,551,436,416.

There were 88,929,608 shares of Common Stock outstanding as of February 1, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

The definitive proxy statement related to the registrant's Annual Meeting of Shareholders, to be held May 11, 2017 is incorporated by reference in Part III to the extent described therein.

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PART I

Item 1. Business.

Arrow Electronics, Inc. (the "company" or "Arrow") is a global provider of products, services, and solutions to industrial and commercial users of electronic components and enterprise computing solutions. The company has one of the world's broadest portfolios of product offerings available from leading electronic components and enterprise computing solutions suppliers, coupled with a range of services, solutions and tools that help industrial and commercial customers introduce innovative products, reduce their time to market, and enhance their overall competitiveness. Arrow was incorporated in New York in 1946 and serves over 125,000 customers.

Arrow's diverse worldwide customer base consists of original equipment manufacturers ("OEMs"), contract manufacturers ("CMs"), and other commercial customers. These customers include manufacturers of industrial equipment (such as machine tools, factory automation, and robotic equipment) and consumer products serving industries ranging from telecommunications, automotive and transportation, aerospace and defense, medical, professional services, and alternative energy, among others. Customers also include value-added resellers ("VARs") of enterprise computing solutions.

The company maintains over 300 sales facilities and 49 distribution and value-added centers in 53 countries, serving over 90 countries. Through this network, Arrow guides innovation forward by helping its customers deliver new technologies, new materials, new ideas, and new electronics that impact the business community and consumers.

The company has two business segments, the global components business and the global enterprise computing solutions ("ECS") business. The company distributes electronic components to OEMs and CMs through its global components business segment and provides enterprise computing solutions to VARs through its global ECS business segment. For 2016, approximately 65% of the company's sales were from the global components business segment, and approximately 35% of the company's sales were from the global ECS business segment. The financial information about the company's business segments and geographic operations is found in Note 16 of the Notes to the Consolidated Financial Statements.

The company's financial objectives are to grow sales faster than the market, increase the markets served, grow profits faster than sales, and increase return on invested capital. To achieve its objectives, the company seeks to capture significant opportunities to grow across products, markets, and geographies. To supplement its organic growth strategy, the company continually evaluates strategic acquisitions to broaden its product and value-added service offerings, increase its market penetration, and expand its geographic reach.

Global Components

Global components markets and distributes electronic components and provides a comprehensive range of value-added capabilities throughout the entire life cycle of technology products and services. The company provides customers with the ability to deliver the latest technologies to the market through design engineering, global marketing and integration, global logistics, and supply chain management. The company offers the convenience of accessing, from a single source, multiple technologies and products from its suppliers with rapid or scheduled deliveries. Additionally, the company offers expertise in reverse logistics, asset management, and asset recovery to maximize value at the end of a product's life cycle. Most of the company's customers require delivery of their orders on schedules or volumes that are generally not available on direct purchases from manufacturers.
As one of the largest providers of electronic components and related services in the world, global components covers the world's largest electronics markets - the Americas, EMEA (Europe, Middle East, and Africa), and Asia Pacific regions. The Americas include operations in Argentina, Barbados, Brazil, Canada, Costa Rica, Mexico, and the United

States. In the EMEA region, the global components business segment operates in Austria, Belgium, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Germany, Hungary, Israel, Italy, the Netherlands, Norway, Poland, Portugal, Romania, the Russian Federation, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, Ukraine, and the United Kingdom. In the Asia Pacific region, the global components business segment operates in Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam.

Within the global components business segment, sales of approximately 67% consist of semiconductor products and related services; approximately 19% consist of passive, electro-mechanical, and interconnect products, consisting primarily of capacitors, resistors, potentiometers, power supplies, relays, switches, and connectors; approximately 10% consist of computing and memory; and approximately 4% consist of other products and services.

Over the past three years, the global components business segment completed 14 strategic acquisitions to broaden its product and service offerings, to further expand its geographic reach in the Asia Pacific region, and to increase its digital capabilities to meet the evolving needs of customers and suppliers. These acquisitions also expanded the company's global components business segment's portfolio of products and services across the full product lifecycle including new product development, reverse logistics, and electronics asset disposition.

Global ECS

The company's global ECS business segment is a leading value-added provider of comprehensive computing solutions and services. Global ECS’ portfolio of computing solutions includes datacenter, cloud, security, and analytics solutions. Global ECS brings broad market access, extensive supplier relationships, scale and resources to help its VARs meet the needs of their end-users. Global ECS works with VARs to tailor complex IT solutions for their end-users. Customers have access to various services including engineering and integration support, warehousing and logistics, marketing resources, and authorized hardware and software training. Global ECS’ suppliers benefit from demand creation, speed to market, and efficient supply chain management. For these suppliers, global ECS is the aggregation point to over 20,000 VARs.

Global ECS operates in 32 countries around the world, largely in the Americas, EMEA, and the Asia Pacific regions. The Americas include operations in the United States, Canada, and Brazil. In the EMEA region, the global ECS business segment operates in Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Iceland, Ireland, Israel, Italy, Latvia, Lithuania, Luxembourg, Morocco, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, the United Arab Emirates, and the United Kingdom. The Asia Pacific region includes offices in Australia, India, and New Zealand.

Within the global ECS business segment, sales of approximately 43% consist of software, 35% consist of storage, 8% consist of proprietary servers, 9% consist of industry standard servers, and 5% consist of other products and services.

Over the past three years, the global ECS business segment completed 4 strategic acquisitions to further expand its geographic reach and its portfolio of products. Aligned with the vision of guiding innovation forward in the IT channel, the company is investing in emerging and adjacent markets, such as managed services and unified computing, within the ECS business.

Customers and Suppliers

The company and its affiliates serve over 125,000 industrial and commercial customers. Industrial customers range from major OEMs and CMs to small engineering firms, while commercial customers primarily include VARs and OEMs. No single customer accounted for more than 3% of the company's 2016 consolidated sales.

The company’s sales teams focus on an extensive portfolio of products and services to support customers’ material management and production needs, including connecting customers to the company’s field application engineers that provide technical support and serve as a gateway to the company’s supplier partners. The company’s sales representatives generally focus on a specific customer segment, particular product lines or a specific geography, and provide end-to-end product offerings and solutions with an emphasis on helping customers introduce innovative products, reduce their time to market, and enhance their overall competitiveness.

Substantially all of the company's sales are made on an order-by-order basis, rather than through long-term sales contracts. As such, the nature of the company's business does not provide visibility of material forward-looking information from its customers and suppliers beyond a few months.

No single supplier accounted for more than 8% of the company's consolidated sales in 2016. The company believes that many of the products it sells are available from other sources at competitive prices. However, certain parts of the company's business, such as the company's global ECS business segment, rely on a limited number of suppliers with the strategy of providing focused support, extensive product knowledge, and customized service to suppliers and VARs. Most of the company's purchases are pursuant to distributor agreements, which are typically non-exclusive and cancelable by either party at any time or on short notice.

Distribution Agreements

Generally, our agreements with manufacturers protect us against the potential write-down of inventories due to technological change or manufacturers' price reductions. Write-downs of inventories to market value are based upon contractual provisions, which typically provide certain protections to the company for product obsolescence and price erosion in the form of return privileges, scrap allowances, and price protection. Under the terms of the related distributor agreements and assuming the company complies with certain conditions, such suppliers are required to credit the company for reductions in manufacturers' list prices.

As of December 31, 2016, this type of arrangement covered approximately 54% of the company's consolidated inventories. In addition, under the terms of many such agreements, the company has the right to return to the manufacturer, for credit, a defined portion of those inventory items purchased within a designated period of time.

A manufacturer, which elects to terminate a distribution agreement, is generally required to purchase from the company the total amount of its products carried in inventory. As of December 31, 2016, this type of repurchase arrangement covered approximately 62% of the company's consolidated inventories.

While these inventory practices do not wholly protect the company from inventory losses, the company believes that they currently provide substantial protection from such losses.

Competition

The company operates in a highly competitive environment, both in the United States and internationally. The company competes with other large multinational and national electronic components and enterprise computing solutions distributors, as well as numerous other smaller, specialized competitors who generally focus on narrower markets, products, or particular sectors. The company also competes for customers with its suppliers. The size of the company's competitors vary across markets sectors, as do the resources the company has allocated to the sectors in which it does business. Therefore, some of the company's competitors may have a more extensive customer and/or supplier base than the company in one or more of its market sectors. There is significant competition within each market sector and geography served that creates pricing pressure and the need to improve services. Other competitive factors include rapid technological changes, product availability, credit availability, speed of delivery, ability to tailor solutions to customer needs, quality and depth of product lines and training, as well as service and support provided by the distributor to the customer.

The company also faces competition from companies entering or expanding into the logistics and product fulfillment, electronic catalog distribution, and e-commerce supply chain services markets. As the company seeks to expand its business into new areas in order to stay competitive in the market, the company may encounter increased competition from its current and/or new competitors.

The company believes that it is well equipped to compete effectively with its competitors in all of these areas due to its comprehensive product and service offerings, highly-skilled work force, and global distribution network.

Employees

The company and its affiliates employed approximately 18,700 employees worldwide as of December 31, 2016.

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 SEC is reachable at 1-800-SEC-0330 for further information on the public reference room. The company's SEC filings are also available to the public on the SEC's Web site at http://www.sec.gov and through the New York Stock Exchange ("NYSE"), 11 Wall 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:

Arrow Electronics, Inc.
9201 East Dry Creek Road
Centennial, Colorado 80112
(303) 824-4000
Attention: Corporate Secretary

The company also makes these filings available, free of charge, through its website (http://www.arrow.com) as soon as reasonably practicable after the company files such material with the SEC. The company does not intend this internet address to be an active link or to otherwise incorporate the contents of the website into this Annual Report on Form 10-K.

Executive Officers

The following table sets forth the names, ages, and the positions held by each of the executive officers of the company as of February 7, 2017:

Name	Age	Position
Michael J. Long	58	Chairman, President, and Chief Executive Officer
Sean J. Kerins	54	President, Arrow Global Enterprise Computing Solutions
Andy King	53	President, Arrow Global Components
Vincent P. Melvin	53	Senior Vice President, Chief Information Officer
M. Catherine Morris	58	Senior Vice President, Chief Strategy Officer
Chris Stansbury	51	Senior Vice President, Chief Financial Officer
Gregory P. Tarpinian	55	Senior Vice President, General Counsel, and Secretary
Gretchen K. Zech	47	Senior Vice President, Global Human Resources

Set forth below is a brief account of the business experience during the past five years of each executive officer of the company.

Michael J. Long has been Chairman of the Board of Directors and Chief Executive Officer of the company for more than five years. He has been a Director and President of the company for more than five years.

Sean J. Kerins was appointed President of Arrow Global Enterprise Computing Solutions in May 2014. Prior thereto he served as President of North America Enterprise Computing Solutions from July 2010 to May 2014.

Andy King was appointed President of Arrow Global Components in November 2015. Prior thereto he served as President of EMEA Components from November 2013 to November 2015 and Vice President of Sales in EMEA Components from November 2011 to November 2013.

Vincent P. Melvin was appointed Senior Vice President of the company in December 2013. Prior thereto he served as Vice President of the company from September 2006 to December 2013. He has been the Chief Information Officer of the company for more than five years.

M. Catherine Morris has been Senior Vice President and Chief Strategy Officer of the company for more than five years.

Chris Stansbury was appointed Senior Vice President and Chief Financial Officer in May 2016. Prior thereto he served as Vice President, Finance and Chief Accounting Officer from August 2014 to May 2016. Prior to joining Arrow he served as the Vice President, Finance and Chief Financial Officer for Hewlett Packard's Global Networking business from September 2013 to July 2014, and prior thereto he served as a Vice President of Finance for Hewlett Packard from August 2010 to August 2013.

Gregory P. Tarpinian was appointed Senior Vice President, General Counsel, and Secretary of the company effective January 2015. Prior thereto he served as the Vice President of Legal Affairs for more than five years.

Gretchen K. Zech has been Senior Vice President of Global Human Resources of the company for more than five years.

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Item 1A. Risk Factors.

Described below and throughout this report are certain risks that the company's management believes are applicable to the company's business and the industry in which it operates. If any of the described events occur, the company's business, results of operations, financial condition, liquidity, or access to the capital markets could be materially adversely affected. When stated below that a risk may have a material adverse effect on the company's business, it means that such risk may have one or more of these effects. There may be additional risks that are not presently material or known. There are also risks within the economy, the industry, and the capital markets that could materially adversely affect the company, including those associated with an economic recession, inflation, a global economic slowdown, and those associated with customers' inability or refusal to pay for the products and services provided by the company. There are also risks associated with the occurrence of natural disasters such as tsunamis, hurricanes, tornadoes, and floods. These factors affect businesses generally, including the company's customers and suppliers and, as a result, are not discussed in detail below except to the extent such conditions could materially affect the company and its customers and suppliers in particular ways. Included below are some risks pertaining to specific government regulation, however, not all regulations applicable to the company or unanticipated regulation changes (such as changes in tax regulations in the various geographies we operate) have been described. The continuing expansion of government laws and regulations, some that may apply specifically to the company's industry and others to the market generally, as well as any actions taken by activist investors, could negatively impact the company's profitability.

If the company is unable to maintain its relationships with its suppliers or if the suppliers materially change the terms of their existing agreements with the company, the company's business could be materially adversely affected.

A substantial portion of the company's inventory is purchased from suppliers with which the company has entered into non-exclusive distribution agreements. These agreements are typically cancelable on short notice (generally 30 to 90 days). Some of the company's businesses rely on a limited number of suppliers to provide a high percentage of their revenues. For example, sales of products from one of the company's components suppliers, Instruments, accounted for approximately 7.5% of the company's consolidated sales. To the extent that the company's significant suppliers reduce the amount of products they sell through distribution, are unwilling to continue to do business with the company, or are unable to continue to meet or significantly alter their obligations, the company's business could be materially adversely affected. In addition, to the extent that the company's suppliers modify the terms of their contracts with the company, limit supplies due to capacity constraints, or other factors, there could be a material adverse effect on the company's business.

The competitive pressures the company faces could have a material adverse effect on the company's business.

The company operates in a highly competitive international environment. The company competes with other large multinational and national electronic components and enterprise computing solutions distributors, as well as numerous other smaller, specialized competitors who generally focus on narrower markets, products, or particular sectors. The company also competes for customers with its suppliers. The size of the company's competitors vary across market sectors, as do the resources the company has allocated to the sectors in which it does business. Therefore, some of the company's competitors may have a more extensive customer and/or supplier base than the company in one or more of its market sectors. There is significant competition within each market sector and geography that creates pricing pressure and the need for constant attention to improve services. Other competitive factors include rapid technological changes, product availability, credit availability, speed of delivery, ability to tailor solutions to customer needs, quality and depth of product lines and training, as well as service and support provided by the distributor to the customer. The Company also faces competition from companies in the logistics and product fulfillment, catalog distribution, and e-commerce supply chain services markets. As the company continues to expand its business into new areas in order to stay competitive in the market, such as in the area of the "Internet of Things" and its expansion in the digital market, the company may encounter increased competition from its current and/or new competitors. The company's failure to maintain and enhance its competitive position could have a material adverse effect on its business.

The company was recently the victim of fraud and may not be able to adequately anticipate, prevent, or mitigate damage resulting from criminal and other illegal or fraudulent activities committed against it.

The company determined that it was the target of criminal fraud by persons impersonating a company executive, which resulted in unauthorized transfers of cash from a company account in Europe to outside bank accounts in Asia in January 2016. The information gathered by the company indicates that this was an isolated event not associated with a security breach or loss of data. The company determined that its internal controls did not operate effectively to prevent or timely detect the unauthorized cash disbursements. As a result, company management initiated a thorough and detailed remediation plan. The company does not believe that these deficiencies had an adverse effect on its reported operating results or financial condition.

It is clear that global businesses like ours are facing increasing risks of criminal, illegal and other fraudulent acts. The evolving nature of such threats, in light of new and sophisticated methods used by criminals, including phishing, misrepresentation, social engineering and forgery, are making it increasingly difficult for us to anticipate and adequately mitigate these risks. In addition, designing and implementing measures to defend against, prevent and detect these types of activities are increasingly costly and invasive into the operations of the business. As a result, we could experience a material loss in the future to the extent that controls and other measures we implement to address these threats fail to prevent or detect such acts.

Products sold by the company may be found to be defective and, as a result, warranty and/or product liability claims may be asserted against the company, which may have a material adverse effect on the company.

The company sells its components at prices that are significantly lower than the cost of the equipment or other goods in which they are incorporated. As a result, the company may face claims for damages (such as consequential damages) that are disproportionate to the revenues and profits it receives from the components involved in the claims. While the company typically has provisions in its supplier agreements that hold the supplier accountable for defective products, and the company and its suppliers generally exclude consequential damages in their standard terms and conditions, the company's ability to avoid such liabilities may be limited as a result of differing factors, such as the inability to exclude such damages due to the laws of some of the countries where it does business. The company's business could be materially adversely affected as a result of a significant quality or performance issue in the products sold by the company, if it is required to pay for the associated damages. Although the company currently has product liability insurance, such insurance is limited in coverage and amount. Further, when relying on contractual liability exclusions, the company could lose customers if their claims are not addressed to their satisfaction.

Declines in value and other factors pertaining to the company's inventory could materially adversely affect its business.

The market for the company's products and services is subject to rapid technological change, evolving industry standards, changes in end-market demand, oversupply of product, and regulatory requirements, which can contribute to the decline in value or obsolescence of inventory. Although most of the company's suppliers provide the company with certain protections from the loss in value of inventory (such as price protection and certain rights of return), the company cannot be sure that such protections will fully compensate it for the loss in value, or that the suppliers will choose to, or be able to, honor such agreements. For example, many of the company's suppliers will not allow products to be returned after they have been held in inventory beyond a certain amount of time, and, in most instances, the return rights are limited to a certain percentage of the amount of product the company purchased in a particular time frame. All of these factors pertaining to inventory could have a material adverse effect on the company's business.

The company is subject to environmental laws and regulations that could materially adversely affect its business.

A number of jurisdictions in which the company's products are sold have enacted laws addressing environmental and other impacts from product disposal, use of hazardous materials in products, use of chemicals in manufacturing, recycling of products at the end of their useful life, and other related matters. These laws prohibit the use of certain substances in the manufacture of the company's products and impose a variety of requirements for modification of manufacturing processes, registration, chemical testing, labeling, and other matters. Failure to comply with these laws or any other applicable environmental regulations could result in fines or suspension of sales. Additionally, these directives and regulations may result in the company having non-compliant inventory that may be less readily salable or have to be written off.

Some environmental laws impose liability, sometimes without fault, for investigating or cleaning up contamination on or emanating from the company's currently or formerly owned, leased, or operated property, as well as for damages to property or natural resources and for personal injury arising out of such contamination. As the distribution business, in general, does not involve the manufacture of products, it is typically not subject to significant liability in this area. However, there may be occasions, including through acquisitions, where environmental liability arises. Two sites for which the company assumed responsibility as part of the Wyle Electronics ("Wyle") acquisition are known to have environmental issues, one at Norco, California and the other at Huntsville, Alabama. The company was also named as a defendant in a private lawsuit filed in connection with alleged contamination at a small industrial building formerly leased by Wyle Laboratories in El Segundo, California. The lawsuit was settled, but the possibility remains that government entities or others may attempt to involve the company in further characterization or remediation of groundwater issues in the area. The presence of environmental contamination could also interfere with ongoing operations or adversely affect the company's ability to sell or lease its properties. The discovery of contamination for which the company is responsible, the enactment of new laws and regulations, or changes in how existing requirements are enforced, could require the company to incur costs for compliance or subject it to unexpected liabilities.

Expansion into the electronic asset disposition market has broadened the company's risk profile.

The company has expanded into the electronics asset disposition business, pursuant to which it provides services related to electronic devices being disposed of by business customers. These services include, the cleansing of storage devices from customer equipment and either recycling it through resale or disposing of it in an environmentally compliant manner. The company may also hold equipment in order to protect and preserve customer data. If the company does not meet its contractual and regulatory obligations with respect to such data, it could be subject to financial damages, penalties, and damage to reputation. Also, the company's or its subcontractors' failure to comply with applicable environmental laws and regulations in disposing of the equipment could result in liability. Such environmental liability may be joint and several, meaning that the company could be held responsible for more than its share of the liability involved.   To the extent that company fails to comply with its obligations and such failure is not covered by insurance, the company's business could be adversely affected.

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

The company requires cash or committed liquidity facilities for general corporate purposes, such as funding its ongoing working capital, acquisitions, and capital expenditure needs, as well as to refinance indebtedness. At December 31, 2016, the company had cash and cash equivalents of $534.3 million. In addition, the company currently has access to committed credit lines and an asset securitization program of $2.7 billion, of which the company had outstanding borrowings of $460.0 million at December 31, 2016. The company's ability to satisfy its cash needs 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 its control.

The company may, in the future, need to access the financial markets to satisfy its cash needs. The company's ability to obtain external financing is affected by various factors including general financial market conditions and the company's debt ratings. Further, any increase in the company's level of debt, change in status of its debt from unsecured to secured debt, or deterioration of its operating results may cause a reduction in its current debt ratings. Any downgrade in the company's current debt rating or tightening of credit availability could impair the company's ability to obtain additional financing or renew existing credit facilities on acceptable terms. Under the terms of any external financing, the company may incur higher financing expenses and become subject to additional restrictions and covenants. For example, the company's existing debt agreements contain restrictive covenants, including covenants requiring compliance with specified financial ratios, and a failure to comply with these or any other covenants may result in an event of default. The company's lack of access to cost-effective capital resources, an increase in the company's financing costs, or a breach of debt covenants could have a material adverse effect on the company's business.

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

The agreements governing the company's financings contain various covenants and restrictions that, in certain circumstances, could limit its ability to:

- grant liens on assets;
- make investments;
- merge, consolidate, or transfer all or substantially all of its 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 how it conducts its business and may be unable to raise additional debt, compete effectively, or make investments.

The company's failure to have long-term sales contracts may have a material adverse effect on its business.

Most of the company's sales are made on an order-by-order basis, rather than through long-term sales contracts. The company generally works with its customers to develop non-binding forecasts for future orders. Based on such non-binding forecasts, the company makes commitments regarding the level of business that it will seek and accept, the inventory that it purchases, and the levels of utilization of personnel and other resources. A variety of conditions, both specific to each customer and generally affecting each customer's industry may cause customers to cancel, reduce, or delay orders that were either previously made or anticipated, file for bankruptcy protection or fail, or default on their payments. Generally, customers cancel, reduce, or delay purchase orders and commitments without penalty. The company seeks to mitigate these risks, in some cases, by entering into noncancelable/nonreturnable sales agreements, but there is no guarantee that such agreements will adequately protect the company. Significant or numerous cancellations, reductions, delays in orders by customers, loss of customers, and/or customer defaults on payments could materially adversely affect the company's business.

The company's revenues originate primarily from the sales of semiconductor, PEMCO (passive, electro-mechanical and interconnect), IT hardware and software products, the sales of which are traditionally cyclical.

The semiconductor industry historically has experienced fluctuations in product supply and demand, often associated with changes in technology and manufacturing capacity and subject to significant economic market upturns and downturns. Sales of semiconductor products and related services represented approximately 42%, 41%, and 42% of the company's consolidated sales in 2016, 2015, and 2014, respectively. The sale of the company's PEMCO products closely tracks the semiconductor market. Accordingly, the company's revenues and profitability, particularly in its global components business segment, tend to closely follow the strength or weakness of the semiconductor market. Further, economic weakness could cause a decline in spending in information technology, which could have a negative impact on the company's ECS business. A cyclical downturn in the technology industry could have a material adverse effect on the company's business and negatively impact its ability to maintain historical profitability levels.

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

In 2016, 2015, and 2014, approximately 56%, 54%, and 54%, respectively, of the company's sales came from its operations outside the United States. As a result of the company's international sales and locations, its operations are subject to a variety of risks that are specific to international operations, including the following:

- import and export regulations that could erode profit margins or restrict exports;
- the burden and cost of compliance with international laws, treaties, and technical standards and changes in those regulations;
- potential restrictions on transfers of funds;
- import and export duties and value-added taxes;
- transportation delays and interruptions;
- the burden and cost of compliance with complex multi-national tax laws and regulations;
- uncertainties arising from local business practices and cultural considerations;
- enforcement of the Foreign Corrupt Practices Act, or similar laws of other jurisdictions;
- foreign laws that potentially discriminate against companies which are headquartered outside that jurisdiction;
- volatility associated with sovereign debt of certain international economies;
- the uncertainty surrounding the implementation and effects of Brexit;
- potential military conflicts and political risks; and
- currency fluctuations, which the company attempts to minimize through traditional hedging instruments.

Furthermore, products the company sells which are either manufactured in the United States or based on U.S. technology ("U.S. Products") are subject to the Export Administration Regulations ("EAR") when exported and re-exported to and from all international jurisdictions, in addition to the local jurisdiction's export regulations applicable to individual shipments. Licenses or proper license exemptions may be required by local jurisdictions' export regulations, including EAR, for the shipment of certain U.S. Products to certain countries, including China, India, Russia, and other countries in which the company operates. Non-compliance with the EAR or other applicable export regulations can result in a wide range of penalties including the denial of export privileges, fines, criminal penalties, and the seizure of inventories. In the event that any export regulatory body determines that any shipments made by the company violate the applicable export regulations, the company could be fined significant sums and/or its export capabilities could be restricted, which could have a material adverse effect on the company's business.

Also, the company's gross margins in the components business in the Asia/Pacific region tend to be lower than those in the other markets in which the company sells products and services. If sales in this market increase as a percentage of overall sales, consolidated gross margins will be lower. The financial impact of lower gross profit on returns on working capital is offset, in part, by lower working capital requirements. While the company has and will continue to adopt measures to reduce the potential impact of losses resulting from the risks of doing business abroad, it cannot ensure that such measures will be adequate and, therefore, could have a material adverse effect on its business.

Certain tax policy efforts, including the Organisation for Economic Co-operation and Development’s ("OECD") Base Erosion and Profit Shifting ("BEPS") Project, the European Commission’s state aid investigations, and other initiatives could have an adverse effect on the taxation of international businesses. Furthermore, many of the countries where we are subject to taxes, including the United States, are independently evaluating their tax policy and we may see significant changes in legislation and regulations concerning taxation. Certain countries have already enacted legislation which could affect international businesses, and other countries have become more aggressive in their approach to audits and enforcement of their applicable tax laws. Such changes, to the extent they are brought into tax legislation, regulations, policies, or practices, could increase our effective tax rates in many of the countries where we have operations and have an adverse effect on our overall tax rate, along with increasing the complexity, burden and cost of tax compliance, all of which could impact our operating results, cash flows and financial condition.

When the company makes acquisitions, it may take on additional liabilities or not be able to successfully integrate such acquisitions.

As part of the company's history and growth strategy, it has acquired other businesses. Acquisitions involve numerous risks, including the following:

- effectively combining the acquired operations, technologies, or products;
- unanticipated costs or assumed liabilities, including those associated with regulatory actions or investigations;
- not realizing the anticipated financial benefit from the acquired companies;
- diversion of management's attention;
- negative effects on existing customer and supplier relationships; and
- potential loss of key employees, especially those of the acquired companies.

Further, the company has made, and may continue to make acquisitions of, or investments in new services, businesses or technologies to expand its current service offerings and product lines. Some of these may involve risks that may differ from those traditionally associated with the company's core distribution business, including undertaking product or service warranty responsibilities that in its traditional core business would generally reside primarily with its suppliers. If the company is not successful in mitigating or insuring against such risks, it could have a material adverse effect on the company's business.

The company's goodwill and identifiable intangible assets could become impaired, which could reduce the value of its assets and reduce its net income in the year in which the write-off occurs.

Goodwill represents the excess of the cost of an acquisition over the fair value of the assets acquired. The company also ascribes value to certain identifiable intangible assets, which consist primarily of customer relationships and trade names, among others, as a result of acquisitions. The company may incur impairment charges on goodwill or identifiable intangible assets if it determines that the fair values of the goodwill or identifiable intangible assets are less than their current carrying values. The company evaluates, on a regular basis, whether events or circumstances have occurred that indicate all, or a portion, of the carrying amount of goodwill or identifiable intangible assets may no longer be recoverable, in which case an impairment charge to earnings would become necessary.

Refer to Notes 1 and 3 of the Notes to the Consolidated Financial Statements and 'Critical Accounting Policies' in Management's Discussion and Analysis of Financial Condition and Results of Operations for further discussion of the impairment testing of goodwill and identifiable intangible assets.

A decline in general economic conditions or global equity valuations could impact the judgments and assumptions about the fair value of the company's businesses and the company could be required to record impairment charges on its goodwill or other identifiable intangible assets in the future, which could impact the company's consolidated balance sheet, as well as the company's consolidated statement of operations. If the company is required to recognize an impairment charge in the future, the charge would not impact the company's consolidated cash flows, current liquidity, or capital resources.

If the company fails to maintain an effective system of internal controls or discovers material weaknesses in its internal controls over financial reporting, it may not be able to report its financial results accurately or timely or detect fraud, which could have a material adverse effect on its business.

An effective internal control environment is necessary for the company to produce reliable financial reports and is an important part of its effort to prevent financial fraud. The company is required to annually evaluate the effectiveness of the design and operation of its internal controls over financial reporting. Based on these evaluations, the company may conclude that enhancements, modifications, or changes to internal controls are necessary or desirable. While management evaluates the effectiveness of the company's internal controls on a regular basis, these controls may not always be effective. There are inherent limitations on the effectiveness of internal controls, including collusion, management override, and failure in human judgment. In addition, control procedures are designed to reduce rather than eliminate financial statement risk. If the company fails to maintain an effective system of internal controls, or if management or the company's independent registered public accounting firm discovers material weaknesses in the company's internal controls, it may be unable to produce reliable financial reports or prevent fraud, which could have a material adverse effect on the company's business. In addition, the company may be subject to sanctions or investigation by regulatory authorities, such as the SEC or the NYSE. Any such actions could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of the company's financial statements, which could cause the market price of its common stock to decline or limit the company's access to capital.

Cyber security and privacy breaches may hurt the company’s business, damage its reputation, increase its costs, and cause losses.

The company’s information technology systems could be subject to invasion, cyber-attack, or data privacy breaches by employees, others with authorized access, and unauthorized persons. Such attacks could result in disruption to the company’s operations, loss or disclosure of, or damage to, the company’s or any of its customer’s or supplier’s data or confidential information. The company’s information technology systems security measures may also be breached due to employee error, malfeasance, or otherwise. Additionally, outside parties may attempt to fraudulently induce employees, customers or suppliers to disclose sensitive information in order to gain access to the company’s data and information technology systems. Any such breach could result in significant legal and financial exposure, damage to the company’s reputation, loss of competitive advantage, and a loss of confidence in the security of the company’s information technology systems that could potentially have an impact on the company’s business. Because the techniques used to obtain unauthorized access, disable or degrade, or sabotage the company’s information technology systems change frequently and often are not recognized until launched, the company may be unable to anticipate these techniques or to implement adequate preventive measures. Further, third parties, such as hosted solution providers, that provide services for the company’s operations, could also be a source of security risk in the event of a failure of their own security systems and infrastructure. In addition, sophisticated hardware and operating system software and applications that the company procures from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of the company’s information technology systems. Although the company has developed systems and processes that are designed to protect information and prevent data loss and other security breaches, including systems and processes designed to reduce the impact of a security breach, such measures cannot provide absolute security. Such breaches, whether successful or unsuccessful, could result in the company incurring costs related to, for example, rebuilding internal systems, defending against litigation, responding to regulatory inquiries or actions, paying damages, or taking other remedial steps.

Also, global privacy legislation, enforcement, and policy activity are rapidly expanding and creating a complex compliance environment. The company’s failure to comply with federal, state, or international privacy related or data protection laws and regulations could result in proceedings against the company by governmental entities or others. Although the company has insurance coverage for protecting against cyber security risks, 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.

The company relies heavily on its internal information systems, which, if not properly functioning, could materially adversely affect the company's business.

The company's current global operations reside on multiple technology platforms. The size and complexity of the company's computer systems make them potentially vulnerable to breakdown, malicious intrusion, and random attack. Because many of the company's systems consist of a number of legacy, internally developed applications, it can be harder to upgrade and may be more difficult to adapt to commercially available software.

The company is in process of implementing a global enterprise resource planning ("ERP") system to standardize its global components processes worldwide and adopt best-in-class capabilities. The conversion is substantially complete in the EMEA and Asia/Pacific regions, while the conversion in the Americas region is expected to be implemented in 2017. The company has committed significant resources to this new ERP system, which replaces multiple legacy systems of the company. This conversion is extremely complex, in part, because of the wide range of processes and the multiple legacy systems that must be integrated globally. The company is using a controlled project plan that it believes will provide for the adequate allocation of resources. However, such a plan, or a divergence from it, may result in cost overruns, project delays, or business interruptions. During the conversion process, the company may be limited in its ability to integrate any business that it may want to acquire. Failure to properly or adequately address these issues could impact the company's ability to perform necessary business operations, which could materially adversely affect the company's business.

The company may be subject to intellectual property rights claims, which are costly to defend, could require payment of damages or licensing fees and could limit the company's ability to use certain technologies in the future.

Certain of the company's products and services include intellectual property owned primarily by the company's third party suppliers and, to a lesser extent, the company itself. Substantial litigation and threats of litigation regarding intellectual property rights exist in the semiconductor/integrated circuit, software and some service industries. From time to time, third parties (including certain companies in the business of acquiring patents not for the purpose of developing technology but with the intention of aggressively seeking licensing revenue from purported infringers) may assert patent, copyright and/or other intellectual property rights to technologies that are important to the company's business. In some cases, depending on the nature of the claim, the company may be able to seek indemnification from its suppliers for itself and its customers against such claims, but there is no assurance that it will be successful in obtaining such indemnification or that the company is fully protected against such claims. In addition, the company is exposed to potential liability for technology that it develops itself or combines multiple technologies of its suppliers for which it may have limited or no indemnification protections. In any dispute involving products or services that incorporate intellectual property from multiple sources or is developed, licensed by the company, or obtained through acquisition, the company's customers could also become the targets of litigation. The company is obligated in many instances 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. Any infringement claim brought against the company, regardless of the duration, outcome, or size of damage award, could:

- result in substantial cost to the company;
- divert management's attention and resources;
- be time consuming to defend;
- result in substantial damage awards; or
- cause product shipment delays.

Additionally, if an infringement claim is successful the company may be required to pay damages or seek royalty or license arrangements, which may not be available on commercially reasonable terms. The payment of any such damages or royalties may significantly increase the company's operating expenses and harm the company's operating results and financial condition. Also, royalty or license arrangements may not be available at all. The company may have to stop selling certain products or using technologies, which could affect the company's ability to compete effectively.

Compliance with government regulations regarding the use of "conflict minerals" may result in increased costs and risks to the company.

As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Act"), the SEC has promulgated disclosure requirements regarding the use of certain minerals, which are mined from the Democratic Republic of Congo and adjoining countries, known as conflict minerals. The disclosure rules were effective in May 2014. The company must publicly disclose the process it took to determine whether it manufactures (as defined in the Act) any products that contain conflict minerals. Customers typically rely on the company to provide critical data regarding the parts they purchase, including conflict mineral information. The company's material sourcing is broad-based and multi-tiered, and it is not able to easily verify the origins for conflict minerals used in all of the products it sells. The company has many suppliers and each provides conflict mineral information in a different manner, if at all. Accordingly, because the supply chain is complex, the company may face reputational challenges if it is unable to sufficiently verify the origins of conflict minerals used in its products. Additionally, customers may demand that the products they purchase be free of conflict minerals. This may limit the number of suppliers that can provide products in sufficient quantities to meet customer demand or at competitive prices.

Item 1B. Unresolved Staff Comments.

None.

Item 2.   Properties.

The company owns and leases sales offices, distribution centers, and administrative facilities worldwide. Its executive office is located in Centennial, Colorado and occupies a 129,000 square foot facility under a long-term lease expiring in 2017. The company owns 15 locations throughout the Americas, EMEA, and Asia Pacific regions and occupies approximately 450 additional locations under leases due to expire on various dates through 2031. The company believes its facilities are well maintained and suitable for company operations.

Item 3. Legal Proceedings.

Environmental and Related Matters

In connection with the purchase of Wyle in August 2000, the company acquired certain of the then outstanding obligations of Wyle, including Wyle's indemnification obligations to the purchasers of its Wyle Laboratories division for environmental clean-up costs associated with any then existing contamination or violation of environmental regulations. Under the terms of the company's purchase of Wyle from the sellers, the sellers agreed to indemnify the company for certain costs associated with the

Wyle environmental obligations, among other things. In 2012, the company entered into a settlement agreement with the sellers pursuant to which the sellers paid $110.0 million and the company released the sellers from their indemnification obligation. As part of the settlement agreement the company accepted responsibility for any potential subsequent costs incurred related to the Wyle matters. The company is aware of two Wyle Laboratories facilities (in Huntsville, Alabama and Norco, California) at which contaminated groundwater was identified and will require environmental remediation. As further discussed in Note 15 of the Notes to the Consolidated Financial Statements, the Huntsville, Alabama site is being investigated by the company under the direction of the Alabama Department of Environmental Management. The Norco, California site is subject to a consent decree, entered in October 2003, between the company, Wyle Laboratories, and the California Department of Toxic Substance Control. In addition, the company was named as a defendant in several lawsuits related to the Norco facility and a third site in El Segundo, California which have now been settled to the satisfaction of the parties.

The company expects these environmental liabilities to be resolved over an extended period of time. Costs are recorded for environmental matters when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Accruals for environmental liabilities are adjusted periodically as facts and circumstances change, assessment and remediation efforts progress, or as additional technical or legal information becomes available. Environmental liabilities are difficult to assess and estimate due to various unknown factors such as the timing and extent of remediation, improvements in remediation technologies, and the extent to which environmental laws and regulations may change in the future. Accordingly, the company cannot presently fully estimate the ultimate potential costs related to these sites until such time as a substantial portion of the investigation at the sites is completed and remedial action plans are developed and, in some instances implemented. To the extent that future environmental costs exceed amounts currently accrued by the company, net income would be adversely impacted and such impact could be material.

Accruals for environmental liabilities are included in "Accrued expenses" and "Other liabilities" in the company's consolidated
balance sheets.

As successor-in-interest to Wyle, the company is the beneficiary of various Wyle insurance policies that covered liabilities arising out of operations at Norco and Huntsville. To date, the company has recovered approximately $37.0 million from certain insurance carriers relating to environmental clean-up matters at the Norco site. The company is considering the best way to pursue its potential claims against insurers regarding liabilities arising out of operations at Huntsville. The resolution of these matters will likely take several years. The company has not recorded a receivable for any potential future insurance recoveries related to the Norco and Huntsville environmental matters, as the realization of the claims for recovery are not deemed probable at this time.

The company believes the settlement amount together with potential recoveries from various insurance policies covering environmental remediation and related litigation will be sufficient to cover any potential future costs related to the Wyle acquisition; however, it is possible unexpected costs beyond those anticipated could occur.

Tekelec Matter

In 2000, the company purchased Tekelec Europe SA ("Tekelec") from Tekelec Airtronic SA and certain other selling shareholders. Subsequent to the closing of the acquisition, Tekelec received a product liability claim in the amount of €11.3 million. The product liability claim was the subject of a French legal proceeding started by the claimant in 2002, under which separate determinations were made as to whether the products that are subject to the claim were defective and the amount of damages sustained by the purchaser. The manufacturer of the products also participated in this proceeding. The claimant has commenced legal proceedings against Tekelec and its insurers to recover damages in the amount of €3.7 million and expenses of €0.3 million plus interest. In May 2012, the French court ruled in favor of Tekelec and dismissed the plaintiff's claims. In January 2015, the Court of Appeals confirmed the French court's ruling. Our counsel obtained a certificate of non-appeal in July 2016. Accordingly, the plaintiffs are precluded from appealing or bringing a new action asserting the same claims. Based upon these developments, the company has released the contingency reserve related to Tekelec during 2016.

Antitrust Investigation
On January 21, 2014, the company received a Civil Investigative Demand in connection with an investigation by the Federal Trade Commission ("FTC") relating generally to the use of a database program (the “database program”) that has operated for more than ten years under the auspices of the Global Technology Distribution Council ("GTDC"), a trade group of which the company is a member. Under the database program, certain members of the GTDC who participate in the program provide sales data to a third party independent contractor chosen by the GTDC. The data is aggregated by the third party and the aggregated data is made available to the program participants. The company understands that other members participating in the database program have received similar Civil Investigative Demands.

In April 2014, the company responded to the Civil Investigative Demand. The Civil Investigative Demand merely sought information, and no proceedings have been instituted against any person. The company continues to believe that there has not been any conduct by the company or its employees that would be actionable under the antitrust laws in connection with its participation in the database program. Since this matter is at a preliminary stage, it is not possible to predict the potential impact, if any, of the Civil Investigative Demand or whether any actions may be instituted by the FTC against any person.

Other

From time to time, in the normal course of business, the company may become liable with respect to other pending and threatened litigation, environmental, regulatory, labor, product, and tax matters. While such matters are subject to inherent uncertainties, it is not currently anticipated that any such matters will materially impact the company's consolidated financial position, liquidity, or results of operations.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Market Information

The company's common stock is listed on the NYSE (trading symbol: "ARW"). The high and low sales prices during each quarter of 2016 and 2015 are as follows:

Year	High	Low
2016:		
Fourth Quarter	$72.44	$59.25
Third Quarter	67.21	59.88
Second Quarter	67.99	59.06
First Quarter	65.32	46.66
2015:		
Fourth Quarter	$59.98	$51.60
Third Quarter	59.27	50.79
Second Quarter	63.77	57.67
First Quarter	64.67	54.27

Record Holders

On February 1, 2017, there were approximately 1,597 shareholders of record of the company's common stock.

Dividend History

The company did not pay cash dividends on its common stock during 2016 or 2015. While from time to time the Board of Directors (the "Board") considers the payment of dividends on the common stock, the declaration of future dividends is dependent upon the company's earnings, financial condition, and other relevant factors, including debt covenants.

Equity Compensation Plan Information

The following table summarizes information, as of December 31, 2016, relating to the Omnibus Incentive Plan, which was approved by the company's shareholders and under which cash-based awards, non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance share units, covered employee annual incentive awards, and other stock-based awards may be granted.

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
Equity compensation plans approved by security holders	3,392,164	$ 52.29	5,862,454
Total	3,392,164	$ 52.29	5,862,454

Performance Graph

The following graph compares the performance of the company's common stock for the periods indicated with the performance of the Standard & Poor's 500 Stock Index ("S&P 500 Stock Index") and the average performance of a group consisting of the company's peer companies ("Peer Group") on a line-of-business basis. During 2016, the companies included in the new Peer Group are Anixter International Inc., Avnet, Inc., Celestica Inc., Flextronics International Ltd., Jabil Circuit, Inc., Tech Data Corporation, and WESCO International, Inc.. During 2016, Ingram Micro Inc. was dropped from the peer group following its acquisition by Tianjin Tianhai Investment Company, Ltd. The graph assumes $100 invested on December 31, 2011 in the company, the S&P 500 Stock Index, and the Peer Group. Total return indices reflect reinvestment of dividends and are weighted on the basis of market capitalization at the time of each reported data point.

	2011	2012	2013	2014	2015	2016
Arrow Electronics	100	102	145	155	145	191
Peer Group	100	107	138	159	153	188
S&P 500 Stock Index	100	116	154	175	177	198

Issuer Purchases of Equity Securities

The following table shows the company's Board approved share-repurchase programs for the years ended December 31, 2014, 2015, and 2016 (in thousands):

Month of Board Approval	Dollar Value Approved for Repurchase	Dollar Value of Shares Repurchased	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program
May 2014	$ 200,000	$ 200,000	$ —
December 2014	200,000	200,000	—
September 2015	400,000	280,088	119,912
December 2016	400,000	—	400,000
Total	$ 1,200,000	$ 680,088	$ 519,912

The following table shows the share-repurchase activity for the quarter ended December 31, 2016 (in thousands except per share data):

Month	Total Number of Shares Purchased(a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program(b)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program
October 2 through October 29, 2016	$ —	$ —	$ —	$ 169,074
October 30 through November 26, 2016	408,225	66.37	408,225	141,978
November 27 through December 31, 2016	322,894	68.67	321,405	519,912
Total	$ 731,119		$ 729,630	

(a) Includes share repurchases under the Share-Repurchase Programs and those associated with shares withheld from employees for stock-based awards, as permitted by the Omnibus Incentive Plan, in order to satisfy the required tax withholding obligations.

(b) The difference between the "total number of shares purchased" and the "total number of shares purchased as part of publicly announced program" for the quarter ended December 31, 2016 is 1,489 shares, which relate to shares withheld from employees for stock-based awards, as permitted by the Omnibus Incentive Plan, in order to satisfy the required tax withholding obligations. The purchase of these shares were not made pursuant to any publicly announced repurchase plan.

Item 6. Selected Financial Data.

The following table sets forth certain selected consolidated financial data and must be read in conjunction with the company's consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K (dollars in thousands except per share data):

For the years ended December 31:	2016 (a)	2015 (b)	2014 (c)	2013 (d)	2012 (e)
Sales	$23,825,261	$23,282,020	$22,768,674	$21,357,285	$20,405,128
Operating income	$858,539	$824,482	$762,257	$693,500	$804,123
Net income attributable to shareholders	$522,750	$497,726	$498,045	$399,420	$506,332
Net income per share:					
Basic	$5.75	$5.26	$5.05	$3.89	$4.64
Diluted	$5.68	$5.20	$4.98	$3.85	$4.56
At December 31:					
Accounts receivable and inventories, net	$9,602,332	$8,627,908	$8,379,107	$7,937,046	$6,976,618
Total assets	14,206,366	13,021,930	12,435,301	12,051,562	10,779,737
Long-term debt	2,696,334	2,380,575	2,067,898	2,216,811	1,581,528
Shareholders' equity	4,413,438	4,142,443	4,153,970	4,180,232	3,983,222

(a) Operating income and net income attributable to shareholders include identifiable intangible asset amortization of $54.9 million and restructuring, integration, and other charges of $73.6 million.

(b) Operating income and net income attributable to shareholders include identifiable intangible asset amortization of $51.0 million and restructuring, integration, and other charges of $68.8 million. Net income attributable to shareholders includes a loss on prepayment of debt of $2.9 million, a gain on sale of investment of $2.0 million, and a loss on investment of $3.0 million.

(c) Operating income and net income attributable to shareholders include identifiable intangible asset amortization of $44.1 million, restructuring, integration, and other charges of $39.8 million, and a non-cash impairment charge associated with discontinuing the use of a trade name of $78.0 million. Net income attributable to shareholders also includes a gain on sale of investment of $29.7 million.

(d) Operating income and net income attributable to shareholders include identifiable intangible asset amortization of $36.8 million and restructuring, integration, and other charges of $92.7 million. Net income attributable to shareholders also includes a loss on prepayment of debt of $4.3 million, an increase in the provision of income taxes of $20.8 million, and interest expense of $1.6 million relating to the settlement of certain international tax matters.

(e) Operating income and net income attributable to shareholders include identifiable intangible asset amortization of $36.5 million restructuring, integration, and other charges of $47.4 million, and a gain of $79.2 million related to the settlement of a legal matter.

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

Overview

The company is a global provider of products, services, and solutions to industrial and commercial users of electronic components and enterprise computing solutions. The company has one of the world's broadest portfolios of product offerings available from leading electronic components and enterprise computing solutions suppliers, coupled with a range of services, solutions and tools that help industrial and commercial customers introduce innovative products, reduce their time to market, and enhance their overall competitiveness. The company has two business segments, the global components business segment and the global ECS business segment. The company distributes electronic components to OEMs and CMs through its global components business segment and provides enterprise computing solutions to VARs through its global ECS business segment. For 2016, approximately 65% of the company's sales were from the global components business segment and approximately 35% of the company's sales were from the global ECS business segment.

The company's financial objectives are to grow sales faster than the market, increase the markets served, grow profits faster than sales, and increase return on invested capital. To achieve its objectives, the company seeks to capture significant opportunities to grow across products, markets, and geographies. To supplement its organic growth strategy, the company continually evaluates strategic acquisitions to broaden its product and value-added service offerings, increase its market penetration, and/or expand its geographic reach.

Executive Summary

Consolidated sales for 2016 increased by 2.3%, compared with the year-earlier period, due to a 7.0% increase in global components business segment sales, offset partially by a 5.2% decrease in global ECS business segment sales. Adjusted for the change in foreign currencies and acquisitions, consolidated sales increased 0.5% compared with the year-earlier period.

Net income attributable to shareholders increased to $522.8 million in 2016 compared with net income attributable to shareholders of $497.7 million in the year-earlier period. The following items impacted the comparability of the company's results for the years ended December 31, 2016 and 2015:

- restructuring, integration, and other charges of $73.6 million in 2016 and $68.8 million in 2015;
- identifiable intangible asset amortization of $54.9 million in 2016 and $51.0 million in 2015;
- a gain on sale of investment of $2.0 million in 2015;
- a loss on investment of $3.0 million in 2015; and
- a loss on prepayment of debt of $2.9 million in 2015.

Excluding the aforementioned items, net income attributable to shareholders increased to $609.8 million in 2016 compared with $592.3 million in the year-earlier period.

Certain Non-GAAP Financial Information

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

- Sales, income, or expense items as adjusted for the impact of changes in foreign currencies (referred to as "impact of changes in foreign currencies") and the impact of acquisitions by adjusting the company's prior periods to include the operating results of businesses acquired, including the amortization expense related to acquired intangible assets, as if the acquisitions had occurred at the beginning of the earliest period presented (referred to as "impact of acquisitions");

- Operating income as adjusted to exclude identifiable intangible asset amortization, restructuring, integration, and other charges, and impairment charge; and
- Net income attributable to shareholders as adjusted to exclude identifiable intangible asset amortization, restructuring, integration, and other charges, impairment charge, gain on sale of investment, loss on investment, loss on prepayment of debt, and settlement of certain international tax matters.

Management believes that providing this additional information is useful to the reader to better assess and understand the company's operating performance, especially when comparing results with previous periods, primarily because management typically monitors the business adjusted for these items in addition to GAAP results. However, analysis of results on a non-GAAP basis should be used as a complement to, and in conjunction with, data presented in accordance with GAAP.

Sales

Substantially all of the company's sales are made on an order-by-order basis, rather than through long-term sales contracts. As such, the nature of the company's business does not provide for the visibility of material forward-looking information from its customers and suppliers beyond a few months.

Following is an analysis of net sales by business segment for the years ended December 31 (in millions):

	2016	2015	% Change
Consolidated sales, as reported	$23,825	$23,282	2.3 %
Impact of changes in foreign currencies	—	(202)	
Impact of acquisitions	48	681	
Consolidated sales, as adjusted	$23,873	$23,761	0.5 %
Global components sales, as reported	$15,409	$14,406	7.0 %
Impact of changes in foreign currencies	—	(79)	
Impact of acquisitions	10	339	
Global components sales, as adjusted*	$15,419	$14,665	5.1 %
Global ECS sales, as reported	$8,416	$8,876	(5.2)%
Impact of changes in foreign currencies	—	(123)	
Impact of acquisitions	38	342	
Global ECS sales, as adjusted*	$8,455	$9,096	(7.0)%

* The sum of the components for sales, as adjusted, may not agree to totals, as presented, due to rounding.

Consolidated sales for 2016 increased by $543.2 million, or 2.3%, compared with the year-earlier period. The increase in 2016 was driven by an increase in global components business segment sales of $1.0 billion, or 7.0%, offset partially by a decrease in global ECS business segment sales of $459.8 million, or 5.2%, compared with the year-earlier period. Adjusted for the impact of changes in foreign currencies and acquisitions, the company's consolidated sales increased by 0.5% in 2016, compared with the year-earlier period.

In the global components business segment, sales for 2016 increased 7.0% compared with the year-earlier period, primarily driven by increased demand in the Asia regions and the impact of recently acquired businesses. Adjusted for the impact of changes in foreign currencies and acquisitions, the company's global components business segment sales increased by 5.1% in 2016, compared with the year-earlier period.

In the global ECS business segment, sales for 2016 decreased 5.2% compared with the year-earlier period, primarily driven by a decrease in hardware sales offset by an increase in software sales, a significant portion of which are recognized on a net basis, and the impact of changes in foreign currencies. Adjusted for the impact of changes in foreign currencies and acquisitions, the company's global ECS business segment sales decreased by 7.0% in 2016, compared with the year-earlier period.

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Following is an analysis of net sales by business segment for the years ended December 31 (in millions):

	2015	2014	% Change
Consolidated sales, as reported	$23,282	$22,769	2.3 %
Impact of changes in foreign currencies	—	(1,315)	
Impact of acquisitions	403	1,573	
Consolidated sales, as adjusted	$23,685	$23,027	2.9 %
Global components sales, as reported	$14,406	$14,313	0.6 %
Impact of changes in foreign currencies	—	(737)	
Impact of acquisitions	320	968	
Global components sales, as adjusted	$14,726	$14,544	1.3 %
Global ECS sales, as reported	$8,876	$8,456	5.0 %
Impact of changes in foreign currencies	—	(578)	
Impact of acquisitions	83	605	
Global ECS sales, as adjusted	$8,959	$8,483	5.6 %

Consolidated sales for 2015 increased by $513.3 million, or 2.3%, compared with the year-earlier period. The increase in 2015 was driven by an increase in global components business segment sales of $92.8 million, or 0.6%, and an increase in global ECS business segment sales of $420.6 million, or 5.0%, compared with the year-earlier period. Adjusted for the impact of changes in foreign currencies and acquisitions, the company's consolidated sales increased by 2.9% in 2015, compared with the year-earlier period. The translation of the company's international financial statements into U.S. dollars resulted in a decrease in consolidated sales of 5.4% for 2015 compared with the year-earlier period.

In the global components business segment, sales for 2015 increased 0.6% compared with the year-earlier period primarily driven by increased demand in the EMEA regions and the impact of recently acquired businesses, offset in part by the impact of changes in foreign currencies. Adjusted for the impact of changes in foreign currencies and acquisitions, the company's global components business segment sales increased by 1.3% in 2015, compared with the year-earlier period.

In the global ECS business segment, sales for 2015 increased 5.0% compared with the year-earlier period primarily driven by increased demand in the EMEA regions and the impact of recently acquired businesses, offset in part by the impact of changes in foreign currencies. Adjusted for the impact of changes in foreign currencies and acquisitions, the company's global ECS business segment sales increased by 5.6% in 2015, compared with the year-earlier period.

Gross Profit

Following is an analysis of gross profit for the years ended December 31 (in millions):

	2016	2015	Change
Consolidated gross profit, as reported	$3,144	$3,035	3.6%
Impact of changes in foreign currencies	—	(27)	
Impact of acquisitions	13	95	
Consolidated gross profit, as adjusted	$3,157	$3,103	1.7%
Consolidated gross profit as a percentage of sales, as reported	13.2 %	13.0 %	20 bps
Consolidated gross profit as a percentage of sales, as adjusted	13.2 %	13.1 %	10 bps

The company recorded gross profit of $3.14 billion and $3.04 billion for 2016 and 2015, respectively. The increase in gross profit was primarily due to increased demand for the Asia/Pacific and Europe regions of the components business, offset partially by a shift in the overall percentage of sales attributable to the Asia/Pacific region. The company's gross margins in the components business in the Asia/Pacific region tend to be lower than those in the other markets in which the company sells products and services.

Gross profit margins for 2016 increased by approximately 20 basis points, compared with the year-earlier period primarily due to a more favorable product mix in the global ECS business. Adjusted for the impact of changes in foreign currencies and acquisitions, the company's consolidated gross profit margin increased approximately 10 basis points in 2016, compared with the year-earlier period.

Following is an analysis of gross profit for the years ended December 31 (in millions):

	2015	2014	Change
Consolidated gross profit, as reported	$3,035	$2,996	1.3 %
Impact of changes in foreign currencies	—	(203)	
Impact of acquisitions	52	231	
Consolidated gross profit, as adjusted	$3,087	$3,024	2.1 %
Consolidated gross profit as a percentage of sales, as reported	13.0 %	13.2 %	(20) bps
Consolidated gross profit as a percentage of sales, as adjusted	13.0 %	13.1 %	(10) bps

The company recorded gross profit of $3.04 billion and $3.00 billion for 2015 and 2014, respectively. The increase in gross profit was primarily due to the aforementioned 2.3% increase in sales. Gross profit margins for 2015 decreased by approximately 20 basis points, compared with the year-earlier period primarily due to competitive pricing pressure in the ECS business. Adjusted for the impact of changes in foreign currencies and acquisitions, the company's consolidated gross profit margin decreased approximately 10 basis points in 2015, compared with the year-earlier period.

Selling, General, and Administrative Expenses and Depreciation and Amortization

Following is an analysis of operating expenses for the years ended December 31 (in millions):

	2016	2015	% Change
Selling, general, and administrative expenses, as reported	$2,053	$1,986	3.4 %
Depreciation and amortization, as reported	159	156	2.2 %
Operating expenses, as reported	2,212	2,142	3.3 %
Impact of changes in foreign currencies	—	(19)	
Impact of acquisitions	9	69	
Operating expenses, as adjusted*	$2,221	$2,191	1.3 %
Operating expenses as a percentage of sales, as reported	9.3 %	9.2 %	10 bps
Operating expenses as a percentage of sales, as adjusted	9.3 %	9.2 %	10 bps

* The sum of the components for operating expenses, as adjusted, may not agree to totals, as presented, due to rounding.

Selling, general, and administrative expenses increased by $66.6 million, or 3.4%, in 2016, on a sales increase of 2.3%, compared with the year-earlier period. Selling, general, and administrative expenses, as a percentage of sales, was 8.6% and 8.5% for 2016 and 2015, respectively.

Depreciation and amortization expense as a percentage of operating expenses was 7.2% for 2016 compared with 7.3% in the year-earlier period. Included in depreciation and amortization expense is identifiable intangible asset amortization of $54.9 million for 2016 compared to $51.0 million for 2015.

Adjusted for the impact of changes in foreign currencies and acquisitions, operating expenses for 2016 increased 1.3%, on a sales increase, as adjusted, of 0.5%. Adjusted for the impact of changes in foreign currencies and acquisitions, operating expenses as a percentage of sales for 2016 were 9.3% compared to 9.2% for 2015.

Following is an analysis of operating expenses for the years ended December 31 (in millions):

	2015	2014	% Change	
Selling, general, and administrative expenses, as reported	$1,986	$1,960	1.4 %	
Depreciation and amortization, as reported	156	156	flat	
Operating expenses, as reported	2,142	2,116	1.2 %	
Impact of changes in foreign currencies	—	(155)		
Impact of acquisitions	40	162		
Operating expenses, as adjusted*	$2,182	$2,122	2.8 %	
Operating expenses as a percentage of sales, as reported	9.2 %	9.3 %	(10)	bps
Operating expenses as a percentage of sales, as adjusted	9.2 %	9.2 %	flat	bps

* The sum of the components for operating expenses, as adjusted may not agree to totals, as presented, due to rounding.

Selling, general, and administrative expenses increased $26.5 million, or 1.4%, in 2015, on a sales increase of 2.3%, compared with the year-earlier period. Selling, general, and administrative expenses, as a percentage of sales, was 8.5% and 8.6%, for 2015 and 2014, respectively.

Adjusted for the impact of changes in foreign currencies and acquisitions, operating expenses for 2015 increased 2.8%, on a sales increase, as adjusted, of 2.9%, due to the company's ability to efficiently manage operating costs.

Restructuring, Integration, and Other Charges

2016 Charges

In 2016, the company recorded restructuring, integration, and other charges of $73.6 million. Included in the restructuring, integration, and other charges for 2016 is a restructuring and integration charge of $32.9 million related to initiatives taken by the company to improve operating efficiencies, which includes personnel costs of $25.8 million, facilities costs of $5.8 million, and other costs of $1.3 million. These restructuring initiatives are due to the company's continued efforts to lower cost and drive operational efficiency. Integration costs are primarily related to the integration of acquired businesses within the company's pre-existing business and the consolidation of certain operations. Also included is a charge of $3.6 million related to restructuring and integration actions taken in prior periods.

Included in restructuring, integration, and other charges for 2016 are other expenses of $37.1 million, which include the following charges and credits. In 2016, the company recorded a pension settlement charge of $12.2 million (see Note 13), additional expense of $11.8 million to increase its accrual for the Wyle Laboratories ("Wyle") environmental obligation (see Note 15), acquisition related charges of $8.7 million related to contingent consideration for acquisitions completed in prior years, and a fraud loss, net of insurance recoveries, of $4.3 million. Also in 2016, the company released a $2.4 million legal reserve related to the Tekelec Matter (see Note 15).

2015 Charges

In 2015, the company recorded restructuring, integration, and other charges of $68.8 million. Included in the restructuring, integration, and other charges for 2015 is a restructuring and integration charge of $39.1 million related to initiatives taken by the company to improve operating efficiencies. Also included in the restructuring, integration, and other charges for 2015 is a charge of $4.1 million related to restructuring and integration actions taken in prior periods and acquisition-related expenses and other charges of $25.6 million.

The restructuring and integration charge of $39.1 million in 2015 includes personnel costs of $33.9 million, facilities costs of $4.2 million, and other costs of $1.0 million. These restructuring initiatives are due to the company's continued efforts to lower cost and drive operational efficiency. Integration costs are primarily related to the integration of acquired businesses within the company's pre-existing business and the consolidation of certain operations.

2014 Charges

In 2014, the company recorded restructuring, integration, and other charges of $39.8 million. Included in the restructuring, integration, and other charges for 2014 is a restructuring and integration charge of $38.3 million related to initiatives taken by the company to improve operating efficiencies. Also included in the restructuring, integration, and other charges for 2014 is a charge of $1.1 million related to restructuring and integration actions taken in prior periods and acquisition-related expenses of $0.4 million.

The restructuring and integration charge of $38.3 million in 2014 includes personnel costs of $29.3 million, facilities costs of $5.6 million, and other costs of $3.5 million. These restructuring initiatives are due to the company's continued efforts to lower cost and drive operational efficiency. Integration costs are primarily related to the integration of acquired businesses within the company's pre-existing business and the consolidation of certain operations.

As of December 31, 2016, the company does not anticipate there will be any material adjustments relating to the aforementioned restructuring plans. Refer to Note 9, "Restructuring, Integration, and Other Charges" of the Notes to the Consolidated Financial Statements for further discussion of the company's restructuring and integration activities.

Trade Name Impairment Charge

The company tests goodwill and other indefinite-lived intangible assets for impairment annually as of the first day of the fourth quarter, or more frequently if indicators of potential impairment exist. During the fourth quarter of 2014, in connection with the company's global re-branding initiative to brand certain of its businesses under the Arrow name, the company made the decision to discontinue the use of a trade name of one of its businesses within the global ECS business segment. As no future cash flows will be attributed to the impacted trade name, the entire book value was written-off, resulting in a non-cash impairment charge of $78.0 million as of December 31, 2014 in the company's consolidated statements of operations. Fair value was determined using unobservable (Level 3) inputs. The impairment charge did not impact the company’s consolidated cash flows, liquidity, capital resources, and covenants under its existing revolving credit facility, asset securitization program, and other outstanding borrowings. No impairment existed as of December 31, 2014 with respect to the company's other identifiable intangible assets.

Operating Income

Following is an analysis of operating income for the years ended December 31 (in millions):

	2016	2015
Consolidated operating income, as reported	$859	$824
Identifiable intangible asset amortization	55	51
Restructuring, integration, and other charges	74	69
Consolidated operating income, as adjusted*	$987	$944
Consolidated operating income as a percentage of sales, as reported	3.6 %	3.5 %
Consolidated operating income, as adjusted, as a percentage of sales, as reported	4.1 %	4.1 %

* The sum of the components for consolidated operating income, as adjusted, may not agree to totals, as presented, due to rounding.

The company recorded operating income of $858.5 million, or 3.6% of sales, in 2016 compared with operating income of $824.5 million, or 3.5% of sales, in 2015. Included in operating income for 2016 and 2015 were the previously discussed identifiable intangible asset amortization of $54.9 million and $51.0 million, respectively, and restructuring, integration, and other charges of $73.6 million and $68.8 million, respectively. Excluding these items, operating income, as adjusted, was $987.0 million, or 4.1% of sales, in 2016 compared with operating income, as adjusted, of $944.3 million, or 4.1% of sales, in 2015.

Following is an analysis of operating income for the years ended December 31 (in millions):

	2015	2014
Consolidated operating income, as reported	$824	$762
Identifiable intangible asset amortization	51	44
Restructuring, integration, and other charges	69	40
Impairment charge	—	78
Consolidated operating income, as adjusted	$944	$924
Consolidated operating income as a percentage of sales, as reported	3.5 %	3.3 %
Consolidated operating income, as adjusted, as a percentage of sales, as reported	4.1 %	4.1 %

The company recorded operating income of $824.5 million, or 3.5% of sales, in 2015 compared with operating income of $762.3 million, or 3.3% of sales, in 2014. Included in operating income for 2015 and 2014 were the previously discussed identifiable intangible asset amortization of $51.0 million and $44.1 million, respectively, and restructuring, integration, and other charges of $68.8 million and $39.8 million, respectively, and an impairment charge of $78.0 million in 2014. Excluding these items operating income, as adjusted, was $944.3 million, or 4.1% of sales, in 2015 compared with operating income, as adjusted, of $924.2 million, or 4.1% of sales, in 2014.

Gain on Sale of Investment

During 2015, the company recorded a gain on sale of investment of $2.0 million.

During 2014, the company sold its 1.9% equity ownership interest in WPG Holdings Co., Ltd. for proceeds of $40.5 million and accordingly recorded a gain on sale of investment of $29.7 million.

Loss on Prepayment of Debt

During 2015, the company recorded a loss on prepayment of debt of $2.9 million related to the redemption of $250.0 million principal amount of its 3.375% notes due November 2015.

Interest and Other Financing Expense, Net

Net interest and other financing expense increased 11.3% in 2016 to $150.7 million, compared with $135.4 million in 2015, primarily due to higher average debt outstanding and an increase in variable interest rates.

Net interest and other financing expense increased by 16.7% in 2015 to $135.4 million, compared with $116.0 million in 2014, primarily due to higher average debt outstanding that was used to refinance the company's 3.375% notes due November 1, 2015 before maturity and for general corporate purposes.

Income Taxes

The company recorded a provision for income taxes of $190.7 million, an effective tax rate of 26.7% for 2016. The company's provision for income taxes and effective tax rate for 2016 were impacted by the previously discussed restructuring, integration, and other charges and identifiable intangible asset amortization. Excluding the impact of the aforementioned items, the company's effective tax rate for 2016 was 27.4%.

The company recorded a provision for income taxes of $191.7 million, an effective tax rate of 27.7% for 2015. The company's provision for income taxes and effective tax rate for 2015 were impacted by the previously discussed restructuring, integration, and other charges, identifiable intangible asset amortization, loss on prepayment of debt, gain on sale of investment, and loss on investment. Excluding the impact of the aforementioned items, the company's effective tax rate for 2015 was 27.1%.

The company recorded a provision for income taxes of $184.9 million, an effective tax rate of 27.1% for 2014. The company's provision for income taxes and effective tax rate for 2014 were impacted by the previously discussed restructuring, integration, and other charges, identifiable intangible asset amortization, gain on sale of investment, and trade name impairment charge. Excluding the impact of the aforementioned items, the company's effective tax rate for 2014 was 27.2%.

The company's provision for income taxes and effective tax rate are impacted by, among other factors, the statutory tax rates in the countries in which it operates and the related level of income generated by these operations.

Net Income Attributable to Shareholders

Following is an analysis of net income attributable to shareholders for the years ended December 31 (in millions):

	2016	2015
Net income attributable to shareholders, as reported	$523	$498
Identifiable intangible asset amortization	53	51
Restructuring, integration, and other charges	74	69
Gain on sale of investment	—	(2)
Loss on prepayment of debt	—	3
Loss on investment	—	3
Tax effect of adjustments above	(40)	(29)
Net income attributable to shareholders, as adjusted*	$610	$592

* The sum of the components for net income attributable to shareholders, as adjusted, may not agree to totals, as presented, due to rounding.

The company recorded net income attributable to shareholders of $522.8 million for 2016, compared with net income attributable to shareholders of $497.7 million in the year-earlier period. Net income attributable to shareholders, as adjusted, was $609.8 million for 2016, compared with $592.3 million in the year-earlier period.

Following is an analysis of net income attributable to shareholders for the years ended December 31 (in millions):

	2015	2014
Net income attributable to shareholders, as reported	$498	$498
Identifiable intangible asset amortization	51	44
Restructuring, integration, and other charges	69	40
Impairment charge	—	78
Gain on sale of investment	(2)	(30)
Loss on prepayment of debt	3	—
Loss on investment	3	—
Tax effect of adjustments above	(29)	(37)
Net income attributable to shareholders, as adjusted*	$592	$593

* The sum of the components for net income attributable to shareholders, as adjusted, may not agree to totals, as presented, due to rounding.

The company recorded net income attributable to shareholders of $497.7 million for 2015, compared with net income attributable to shareholders of $498.0 million in the year-earlier period. Net income attributable to shareholders, as adjusted, was $592.3 million for 2015, compared with $593.0 million in the year-earlier period.

Liquidity and Capital Resources

At December 31, 2016 and 2015, the company had cash and cash equivalents of $534.3 million and $273.1 million, respectively, of which $367.3 million and $232.6 million, respectively, were held outside the United States. Liquidity is affected by many factors, some of which are based on normal ongoing operations of the company's business and some of which arise from fluctuations related to global economics and markets. Cash balances are generated and held in many locations throughout the world. It is the company's current intent to permanently reinvest these funds outside the United States and its current plans do not demonstrate a need to repatriate them to fund its United States operations. If these funds were to be needed for the company's operations in the United States, it would be required to record and pay significant United States income taxes to repatriate these funds. Additionally, local government regulations may restrict the company's ability to move cash balances to meet cash needs under certain circumstances. The company currently does not expect such regulations and restrictions to impact its ability to make acquisitions or to pay vendors and conduct operations throughout the global organization.

During 2016, the net amount of cash provided by the company's operating activities was $355.8 million, the net amount of cash used for investing activities was $241.4 million, and the net amount of cash provided by financing activities was $166.1 million. The effect of exchange rate changes on cash was a decrease of $19.2 million.

During 2015, the net amount of cash provided by the company's operating activities was $655.1 million, the net amount of cash used for investing activities was $664.0 million, and the net amount of cash used for financing activities was $84.2 million. The effect of exchange rate changes on cash was a decrease of $34.1 million.

During 2014, the net amount of cash provided by the company's operating activities was $673.3 million, the net amount of cash used for investing activities was $244.8 million, and the net amount of cash used for financing activities was $434.9 million. The effect of exchange rate changes on cash was an increase of $16.2 million.

Cash Flows from Operating Activities

The company maintains a significant investment in accounts receivable and inventories. As a percentage of total assets, accounts receivable and inventories were approximately 67.6% at December 31, 2016 and were approximately 66.3% at December 31, 2015.

The net amount of cash provided by the company's operating activities during 2016 was $355.8 million and was primarily due to earnings from operations, adjusted for non-cash items, offset, in part, by an increase in net working capital to support the increase in sales.

The net amount of cash provided by the company's operating activities during 2015 was $655.1 million and was primarily due to earnings from operations, adjusted for non-cash items.

The net amount of cash provided by the company's operating activities during 2014 was $673.3 million and was primarily due to earnings from operations, adjusted for non-cash items, offset in part, by an increase in net working capital to support an increase in sales.

Working capital, as a percentage of sales, which the company defines as accounts receivable, net, plus inventory, net, less accounts
payable, divided by annualized sales, was 16.1%, 14.8%, and 14.7% in 2016, 2015, and 2014, respectively.

Cash Flows from Investing Activities

The net amount of cash used for investing activities during 2016 was $241.4 million, primarily reflecting $64.8 million of cash consideration paid, net of cash acquired, for the acquisition of three businesses, $164.7 million for capital expenditures, and $12.0 million for the acquisition of an equity method investment. Included in capital expenditures for 2016 is $57.7 million related to the company's global ERP initiative.

The net amount of cash used for investing activities during 2015 was $664.0 million, primarily reflecting $514.7 million of cash consideration paid for acquired businesses, $154.8 million for capital expenditures, $3.5 million of proceeds from sale of facilities, and $2.0 million of proceeds from sale of investment. Included in capital expenditures for 2015 is $48.8 million related to the company's global ERP initiative.

During 2015, the company completed ten acquisitions, inclusive of a 53.7% acquisition of Data Modul AG. The aggregate consideration paid for these ten acquisitions was $514.7 million, net of cash acquired, contingent consideration and other amounts withheld.

The net amount of cash used for investing activities during 2014 was $244.8 million, primarily reflecting $162.9 million of cash consideration paid for acquired businesses, $122.5 million for capital expenditures, and $40.5 million of proceeds from sale of investment. Included in capital expenditures for 2013 is $57.0 million related to the company's global ERP initiative.

Cash Flows from Financing Activities

The net amount of cash provided by financing activities during 2016 was $166.1 million. The uses of cash from financing activities included $216.4 million of repurchases of common stock and $3.2 million of other acquisition related payments. The sources of cash from financing activities during 2016 were $48.7 million increase in short-term and other borrowings, $313.0 million of net proceeds from long-term bank borrowings, and $24.0 million of proceeds from the exercise of stock options and other benefits related to stock-based compensation arrangements.

The net amount of cash used for financing activities during 2015 was $84.2 million. The uses of cash from financing activities included $356.4 million of repurchases of common stock, $46.6 million decrease in short-term and other borrowings, $254.3 million of redemption of notes, $128.0 million of net repayments of long-term bank borrowings, and $7.8 million of other acquisition related payments. The sources of cash from financing activities during 2015 were $688.2 million of net proceeds from a note offering and $20.8 million of proceeds from the exercise of stock options and other benefits related to stock-based compensation arrangements.

During 2015, the company completed the sale of $350.0 million principal amount of 3.50% notes due in 2022 and $350.0 million principal amount of 4.00% notes due in 2025. The net proceeds of the offering of $688.2 million were used to refinance the company's 3.375% notes due November 2015 and for general corporate purposes.

During 2015, the company redeemed $250.0 million principal amount of its 3.375% notes due November 2015. The related loss on the redemption for the year-ended December 31, 2015 aggregated $2.9 million and was recognized as a loss on prepayment of debt in the company's consolidated statements of operations.

The net amount of cash used for financing activities during 2014 was $434.9 million. The uses of cash from financing activities included $145.0 million of net repayments of long-term borrowings, $304.8 million of repurchases of common stock, a $12.5 million decrease in short-term and other borrowings, and other contingent consideration payments of $1.5 million. The source of cash from financing activities during 2014 was $28.9 million of proceeds from the exercise of stock options and other benefits related to stock-based compensation arrangements.

The company has a revolving credit facility that may be used by the company for general corporate purposes including working capital in the ordinary course of business, letters of credit, repayment, prepayment or purchase of long-term indebtedness, acquisitions, and as support for the company's commercial paper program, as applicable. In December 2016, the company amended its revolving credit facility and, among other things, increased its borrowing capacity from $1.5 billion to $1.8 billion and extended its term to mature in December 2021. Interest on borrowings under the revolving credit facility is calculated using a base rate or a euro currency rate plus a spread (1.18% at December 31, 2016), which is based on the company's credit ratings, for an effective interest rate of 1.99% at December 31, 2016. The facility fee is .20%. There were no outstanding borrowings under the revolving credit facility at December 31, 2016. The company had $72.0 million in outstanding borrowings under the revolving credit facility at December 31, 2015. During the years ended December 31, 2016 and 2015, the average daily balance outstanding under the revolving credit facility was $8.8 million and $2.7 million, respectively.

The company has a commercial paper program and the maximum aggregate balance of commercial paper notes outstanding may not exceed the borrowing capacity of $1.2 billion. The company had no outstanding borrowings under this program as of December 31, 2016 and 2015. During the years ended December 31, 2016 and 2015, the average daily balance outstanding under the commercial paper program was $285.9 million and $362.4 million, respectively.

The company has an asset securitization program collateralized by accounts receivable of certain of its subsidiaries. In September 2016, the company amended its asset securitization program and, among other things, increased its borrowing capacity from $900.0 to $910.0 and extended its term to mature in September 2019. The asset securitization program is conducted through Arrow Electronics Funding Corporation ("AFC"), a wholly-owned, bankruptcy remote subsidiary. The asset securitization program does not qualify for sale treatment. Accordingly, the accounts receivable and related debt obligation remain on the company's consolidated balance sheets. Interest on borrowings is calculated using a base rate or a commercial paper rate plus a spread (.40% at December 31, 2016), which is based on the company's credit ratings, for an effective interest rate of 1.31% at December 31, 2016. The facility fee is .40%. The company had $460.0 million and $75.0 million in outstanding borrowings under the asset securitization program at December 31, 2016 and 2015, respectively. During the years ended December 31, 2016 and 2015, the average daily balance outstanding under the asset securitization program was $661.6 million and $498.7 million, respectively.

Both the revolving credit facility and asset securitization program include terms and conditions that limit the incurrence of additional borrowings and require that certain financial ratios be maintained at designated levels. The company was in compliance with all covenants as of December 31, 2016 and is currently not aware of any events that would cause non-compliance with any covenants in the future.

During 2014, the company entered into an agreement for an uncommitted line of credit. Under this agreement, the company may borrow up to a total of $100.0 million. There were no outstanding borrowings under the uncommitted line of credit at December 31, 2016 and 2015. During 2016 and 2015, the average daily balance outstanding under the uncommitted line of credit was $34.3 million and $17.3 million, respectively.

In the normal course of business certain of the company's subsidiaries have agreements to sell, without recourse, selected trade receivables to financial institutions. The company does not retain financial or legal interests in these receivables, and accordingly they are accounted for as sales of the related receivables and the receivables are removed from the company's consolidated balance sheets. Financing costs related to these transactions were not material and are included in "Interest and other financing expense, net" in the company's consolidated statements of operations.

The company filed a shelf registration statement with the SEC in October 2015 registering debt securities, preferred stock, common stock, and warrants of Arrow Electronics, Inc. that may be issued by the company from time to time. As set forth in the shelf registration statement, the net proceeds from the sale of the offered securities may be used by the company for general corporate purposes, including repayment of borrowings, working capital, capital expenditures, acquisitions and stock repurchases, or for such other purposes as may be specified in the applicable prospectus supplement.

Management believes that the company's current cash availability, its current borrowing capacity under its revolving credit facility and asset securitization program, its expected ability to generate future operating cash flows, and the company's access to capital markets are sufficient to meet its projected cash flow needs for the foreseeable future. The company continually evaluates its liquidity requirements and would seek to amend its existing borrowing capacity or access the financial markets as deemed necessary.

Contractual Obligations

Payments due under contractual obligations at December 31, 2016 are as follows (in thousands):

	Within 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
Debt	$91,229	$960,123	$548,260	$1,185,561	$2,785,173
Interest on long-term debt	117,500	192,103	136,070	139,313	584,986
Capital leases	2,598	2,187	203	—	4,988
Operating leases	71,659	96,039	56,110	103,732	327,540
Purchase obligations (a)	3,752,716	69,927	7,626	116	3,830,385
Other (b)	13,916	7,365	8,107	17,800	47,188
	$4,049,618	$1,327,744	$756,376	$1,446,522	$7,580,260

(a) Amounts represent an estimate of non-cancelable inventory purchase orders and other contractual obligations related to information technology and facilities as of December 31, 2016. Most of the company's inventory purchases are pursuant to authorized distributor agreements, which are typically cancelable by either party at any time or on short notice, usually within a few months.

(b) Includes estimates of contributions required to meet the requirements of the Wyle defined benefit plan. Amounts are subject to change based upon the performance of plan assets, as well as the discount rate used to determine the obligation. The company does not anticipate having to make required contributions to the plans beyond 2025. Also included are amounts relating to personnel, facilities, and certain other costs resulting from restructuring and integration activities.

Under the terms of various joint venture agreements, the company is required to pay its pro-rata share of the third party debt of the joint ventures in the event that the joint ventures are unable to meet their obligations. There were no outstanding borrowings under the third party agreements of the joint ventures as of December 31, 2016.

At December 31, 2016, the company had a liability for unrecognized tax benefits and a liability for the payment of related interest totaling $31.5 million, of which approximately $0.4 million is expected to be paid within one year. For the remaining liability, due to the uncertainties related to these tax matters, the company is unable to make a reasonably reliable estimate when cash settlement with a taxing authority will occur.

Share-Repurchase Programs

The following table shows the company's Board approved share-repurchase programs for the years ended December 31, 2014, 2015, and 2016 (in thousands):

Month of Board Approval	Dollar Value Approved for Repurchase	Dollar Value of Shares Repurchased	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program
May 2014	$ 200,000	$ 200,000	—
December 2014	200,000	200,000	—
September 2015	400,000	280,088	119,912
December 2016	400,000	—	400,000
Total	1,200,000	680,088	519,912

Off-Balance Sheet Arrangements

The company has no off-balance sheet financing or unconsolidated special purpose entities.

Critical Accounting Policies and Estimates

The company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the company to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses and the related disclosure of contingent assets and liabilities. The company evaluates its estimates on an ongoing basis. The company bases its estimates on historical experience and on various other assumptions that are believed reasonable under the circumstances; the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The company believes the following critical accounting policies involve the more significant judgments and estimates used in the preparation of its consolidated financial statements:

Revenue Recognition

The company recognizes revenue when there is persuasive evidence of an arrangement, delivery has occurred or services are rendered, the sales price is fixed or determinable, and collectibility is reasonably assured. Revenue typically is recognized at time of shipment. Sales are recorded net of discounts, rebates, and returns, which historically have not been material.

A portion of the company's business involves shipments directly from its suppliers to its customers. In these transactions, the company is responsible for negotiating price both with the supplier and customer, payment to the supplier, establishing payment terms with the customer, product returns, and has risk of loss if the customer does not make payment. As the principal with the customer, the company recognizes the sale and cost of sale of the product upon receiving notification from the supplier that the product was shipped.

The company has certain business with select customers and suppliers that is accounted for on an agency basis (that is, the company recognizes the fees associated with serving as an agent in sales with no associated cost of sales). Generally, these transactions relate to the sale of supplier service contracts to customers where the company has no future obligation to perform under these contracts or the rendering of logistics services for the delivery of inventory for which the company does not assume the risks and rewards of ownership.

Accounts Receivable

The company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The allowances for doubtful accounts are determined using a combination of factors, including the length of time the receivables are outstanding, the current business environment, and historical experience.

Inventories

Inventories are stated at the lower of cost or net realizable value. Write-downs of inventories to market value are based upon contractual provisions governing price protection, stock rotation, and obsolescence, as well as assumptions about future demand and market conditions. If assumptions about future demand change and/or actual market conditions are less favorable than those projected by the company, additional write-downs of inventories may be required. Due to the large number of transactions and the complexity of managing the process around price protections and stock rotations, estimates are made regarding adjustments to the book cost of inventories. Actual amounts could be different from those estimated.

Investments

The company accounts for available-for-sale investments at fair value, using quoted market prices, and the related holding gains and losses are included in "Accumulated other comprehensive loss" in the shareholders' equity section in the company's consolidated balance sheets. The company assesses its long-term investments on an ongoing basis to determine whether declines in market value below cost are other-than-temporary. When the decline is determined to be other-than-temporary, the cost basis for the individual security is reduced and a loss is realized in the company's consolidated statement of operations in the period in which it occurs. The company makes such determination after considering the length of time and the extent to which the market value of the investment is less than its cost, the financial condition and operating results of the investee, and the company's intent and ability to retain the investment over time to potentially allow for any recovery in market value. In addition, the company assesses the following factors:

- broad economic factors impacting the investee's industry;
- publicly available forecasts for sales and earnings growth for the industry and investee; and
- the cyclical nature of the investee's industry.

The company could incur an impairment charge in future periods if, among other factors, the investee's future earnings differ from currently available forecasts.

Income Taxes

The carrying value of the company's deferred tax assets is dependent upon the company's ability to generate sufficient future taxable income in certain tax jurisdictions. Should the company determine that it is more likely than not that some portion or all of its deferred tax assets will not be realized, a valuation allowance to the deferred tax assets would be established in the period such determination was made.

It is the company's policy to provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. At December 31, 2016, the company believes it has appropriately accounted for any unrecognized tax benefits. To the extent the company prevails in matters for which a liability for an unrecognized tax benefit is established or is required to pay amounts in excess of the liability, the company's effective tax rate in a given financial statement period may be affected.

Financial Instruments

The company uses various financial instruments, including derivative instruments, for purposes other than trading. Certain derivative instruments are designated at inception as hedges and measured for effectiveness both at inception and on an ongoing basis. Derivative instruments not designated as hedges are marked-to-market each reporting period with any unrealized gains or losses recognized in earnings.

The company occasionally enters into interest rate swap transactions that convert certain fixed-rate debt to variable-rate debt or variable-rate debt to fixed-rate debt in order to manage its targeted mix of fixed- and floating-rate debt. The company also occasionally enters into forward starting interest rate swaps to fix the rate on an anticipated future long-term debt issuance. The company uses the hypothetical derivative method to assess the effectiveness of its interest rate swaps on a quarterly basis. The effective portion of the change in the fair value of interest rate swaps designated as fair value hedges is recorded as a change to the carrying value of the related hedged debt, and the effective portion of the change in fair value of interest rate swaps designated as cash flow hedges is recorded in the shareholders' equity section in the company's consolidated balance sheets in "Accumulated other comprehensive loss." The ineffective portion of the interest rate swaps, if any, is recorded in "Interest and other financing expense, net" in the company's consolidated statements of operations.

Contingencies and Litigation

The company is subject to proceedings, lawsuits, and other claims related to environmental, regulatory, labor, product, tax, and other matters and assesses the likelihood of an adverse judgment or outcome for these matters, as well as the range of potential losses. A determination of the reserves required, if any, is made after careful analysis. The reserves may change in the future due to new developments impacting the probability of a loss, the estimate of such loss, and the probability of recovery of such loss from third parties.

Stock-Based Compensation

The company records share-based payment awards exchanged for employee services at fair value on the date of grant and expenses the awards in the consolidated statements of operations over the requisite employee service period. Stock-based compensation expense includes an estimate for forfeitures. Stock-based compensation expense related to awards with a market or performance condition, which cliff vest, are recognized over the vesting period on a straight line basis. Stock-based compensation awards with service conditions only are also recognized on a straight-line basis. The fair value of stock options is determined using the Black-Scholes valuation model and the assumptions shown in Note 12 of the Notes to the Consolidated Financial Statements. The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates. The company's estimates may be impacted by certain variables including, but not limited to, stock price volatility, employee stock option exercise behaviors, additional stock option grants, estimates of forfeitures, the company's performance, and related tax impacts.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. The company tests goodwill for impairment annually as of the first day of the fourth quarter and/or when an event occurs or circumstances change such that it is more likely than not that an impairment may exist. Examples of such events and circumstances that the company would consider include the following:

- macroeconomic conditions such as deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates, or other developments in equity and credit markets;
- industry and market considerations such as a deterioration in the environment in which the company operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), a change in the market for the company's products or services, or a regulatory or political development;
- cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows;
- overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods;
- other relevant entity-specific events such as changes in management, key personnel, strategy, or customers; contemplation of bankruptcy; or litigation;
- events affecting a reporting unit such as a change in the composition or carrying amount of its net assets, a more-likely-than-not expectation of selling or disposing all, or a portion, of a reporting unit, the testing for recoverability of a significant asset group within a reporting unit, or recognition of a goodwill impairment loss in the

financial statements of a subsidiary that is a component of a reporting unit; and
• a sustained decrease in share price (considered in both absolute terms and relative to peers).

Goodwill is tested at a level of reporting referred to as "the reporting unit." The company's reporting units are defined as each of the three regional businesses within the global components business segment, which are the Americas, EMEA, and Asia/Pacific and each of the two regional businesses within the global ECS business segment, which are North America and EMEA.

An entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The company has elected not to perform the qualitative assessment and began its impairment testing with the first step of the two-step impairment process. The first step, used to identify potential impairment, compares the calculated fair value of a reporting unit with its carrying amount. If the carrying amount of the reporting unit is less than its fair value, no impairment exists and the second step is not performed. If the carrying amount of a reporting unit exceeds its fair value, the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for the excess.

The company estimates the fair value of a reporting unit using the income approach. For the purposes of the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. The assumptions included in the income approach include forecasted revenues, gross profit margins, operating income margins, working capital cash flow, forecasted capital expenditures, perpetual growth rates, and long-term discount rates, among others, all of which require significant judgments by management. Actual results may differ from those assumed in the company's forecasts. The company also reconciles its discounted cash flow analysis to its current market capitalization allowing for a reasonable control premium. As of the first day of the fourth quarters of 2016, 2015, and 2014, the company's annual impairment testing did not indicate impairment at any of the company's reporting units.

A decline in general economic conditions or global equity valuations could impact the judgments and assumptions about the fair value of the company's businesses, and the company could be required to record an impairment charge in the future, which could impact the company's consolidated balance sheet, as well as the company's consolidated statement of operations. If the company was required to recognize an impairment charge in the future, the charge would not impact the company's consolidated cash flows, current liquidity, capital resources, and covenants under its existing revolving credit facility, asset securitization program, and other outstanding borrowings.

As of December 31, 2016, the company has $2.4 billion of goodwill, of which approximately $1.1 billion, $78.6 million and $61.2 million was allocated to the Americas, EMEA, and Asia/Pacific reporting units within the global components business segment, respectively and $800.0 million and $352.5 million was allocated to the North America and EMEA reporting units within the global ECS business segment, respectively. As of the date of the company's latest impairment test, the fair value of the Americas, EMEA, and Asia/Pacific reporting units within the global components business segment and the fair value of the North America and EMEA reporting units within the global ECS business segment exceeded their carrying values by approximately 16%, 127%, 12%, 416%, and 106%, respectively.

Impairment of Long-Lived Assets

The company reviews long-lived assets, including property, plant, and equipment and identifiable intangible assets, for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. The company also tests indefinite-lived intangible assets, consisting of acquired trade names, for impairment at least annually as of the first day of the fourth quarter. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference.

Factors which may cause an impairment of long-lived assets include significant changes in the manner of use of these assets, negative industry or market trends, a significant underperformance relative to historical or projected future operating results, or a likely sale or disposal of the asset before the end of its estimated useful life. If any of these factors exist, the company is required to test the long-lived asset for recoverability and may be required to recognize an impairment charge for all or a portion of the asset's carrying value.

During the fourth quarter of 2014, in connection with the company's global re-branding initiative to brand certain of its businesses under the Arrow name, the company made the decision to discontinue the use of a trade name of one of its businesses within the global ECS business segment. As no future cash flows will be attributed to the impacted trade name, the entire book value was written-off, resulting in a non-cash impairment charge of $78.0 million as of December 31, 2014 in the company's consolidated statements of operations. Fair value was determined using unobservable (Level 3) inputs. The impairment charge did not impact the company's consolidated cash flows, liquidity, capital resources, and covenants under its existing revolving credit facility, asset securitization program, and other outstanding borrowings. No impairment existed as of December 31, 2014 with respect to the company's other identifiable intangible assets.

Impact of Recently Issued Accounting Standards

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2017-04, Intangibles - Goodwill and Other (Topic 350) ("ASU No. 2017-04"). ASU No. 2017-04 eliminates step 2 from the annual goodwill impairment test. ASU No. 2017-04 is effective for the company in the first quarter of 2020, with early adoption permitted on

January 1, 2017, and is to be applied on a prospective basis. The adoption of the provisions of ASU No. 2017-04 would not materially impact the company's consolidated financial position or results of operations unless step 1 of the annual goodwill impairment test fails.

In October 2016, the FASB issued Accounting Standards Update No. 2016-17, Consolidation (Topic 810) ("ASU No. 2016-17"). ASU No. 2016-17 amends the consolidation guidance on how variable interest entities should treat indirect interest in the entity held through related parties. ASU No. 2016-17 is effective for the company in the first quarter of 2017, with early adoption permitted, and is to be applied using a retrospective approach. Effective October 2, 2016, the company adopted the provisions of ASU No. 2016-17 on a retrospective basis. The adoption of the provisions of ASU No. 2016-17 did not impact the company's consolidated financial position or results of operations.

In October 2016, the FASB issued Accounting Standards Update No. 2016-16, Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory (Topic 740) ("ASU No. 2016-16"). ASU No. 2016-16 clarifies the accounting for the current and deferred income taxes for an intra-entity transfer of an asset other than inventory. ASU No. 2016-16 is effective for the company in the first quarter of 2018, with early adoption permitted, and is to be applied using a modified retrospective approach. The company is currently evaluating the potential effects of adopting the provisions of ASU No. 2016-16.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, Statement of Cash Flows (Topic 230) ("ASU No. 2016-15"). ASU No. 2016-15 addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU No. 2016-15 is effective for the company in the first quarter of 2018, with early adoption permitted, and is to be applied using a retrospective approach. The company is expected to adopt the provisions of ASU 2016-15 on January 1, 2017, and the provisions are not expected to have a material impact on the company's financial position or results of operations.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, Financial Instruments - Credit Losses (Topic 326) ("ASU No. 2016-13"). ASU No. 2016-13 revises the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. ASU No. 2016-13 is effective for the company in the first quarter of 2020, with early adoption permitted, and is to be applied using a modified retrospective approach. The company is currently evaluating the potential effects of adopting the provisions of ASU No. 2016-13.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Stock Compensation - Improvements to Employee Share-Based Payment Accounting (Topic 718) ("ASU No. 2016-09"). ASU No. 2016-09 revises the accounting treatment for excess tax benefits, minimum statutory tax withholding requirements, and forfeitures related to share-based awards. ASU No. 2016-09 is effective for the company in the first quarter of 2017. The provisions of ASU 2016-09 are not expected to have a material impact on the company's financial position or results of operations.

In March 2016, the FASB issued Accounting Standards Update No. 2016-06, Derivatives and Hedging - Contingent Put and Call Options in Debt Instruments (Topic 815) ("ASU No. 2016-06"). ASU No. 2016-06 clarifies the steps required to assess whether a call or put option meets the criteria for bifurcation as an embedded derivative. Effective April 3, 2016, the company adopted the provisions of ASU No. 2016-06 on a prospective basis. The adoption of the provisions of ASU No. 2016-06 did not materially impact the company's consolidated financial position or results of operations.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842) ("ASU No. 2016-02"). ASU No. 2016-02 requires the entity to recognize the assets and liabilities for the rights and obligations created by leased assets. Leases will be classified as either finance or operating, with classification affecting expense recognition in the income statement. ASU No. 2016-02 is effective for the company in the first quarter of 2019, with early adoption permitted, and is to be applied using a modified retrospective approach. While the company continues to evaluate the effects of adopting the provisions of ASU No. 2016-02, the company expects most existing operating lease commitments will be recognized as operating lease liabilities and right-of-use assets upon adoption.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825) ("ASU No. 2016-01"). ASU No. 2016-01 revises the classification and measurement of investments in certain equity investments and the presentation of certain fair value changes for certain financial liabilities measured at fair value. ASU No. 2016-01 requires the change in fair value of many equity investments to be recognized in net income. ASU No. 2016-01 is effective for the company in the first quarter of 2018, with early adoption permitted, and is to be applied prospectively. The company is currently evaluating the potential effects of adopting the provisions of ASU No. 2016-01.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, Income Taxes - Balance Sheet Classification of Deferred Taxes (Topic 740) ("ASU No. 2015-17"). ASU No. 2015-17 requires deferred tax liabilities and assets to be classified as noncurrent in the consolidated balance sheet. ASU No. 2015-17 is effective for the company in the first quarter of 2017, with early adoption permitted. ASU No. 2015-17 may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. Effective October 2, 2016, the company adopted the provisions of ASU No. 2015-17 on a prospective basis. The adoption of the provisions of ASU No. 2015-17 resulted in a reclassification of deferred tax liabilities and assets from current to noncurrent and did not materially impact the company's consolidated financial position or results of operations.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, Inventory - Simplifying the Measurement of Inventory (Topic 330) ("ASU No. 2015-11"). ASU No. 2015-11 requires an entity to measure inventory within the scope of the update at the lower of cost and net realizable value, and defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Effective January 1, 2016, the company adopted the provisions of ASU No. 2015-11 on a prospective basis. The adoption of the provisions of ASU No. 2015-11 did not materially impact the company's consolidated financial position or results of operations.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU No. 2014-09"). ASU No. 2014-09 supersedes all existing revenue recognition guidance. Under ASU No. 2014-09, an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 is effective for the company in the first quarter of 2018, with early adoption permitted in the first quarter of 2017. ASU No. 2014-09 allows for either full retrospective or modified retrospective adoption. In March, April, May, and December 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ("ASU No. 2016-08"); ASU No. 2016-10, Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing ("ASU No. 2016-10"); ASU No. 2016-12, Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients ("ASU No. 2016-12"); and ASU No. 2016-19, Technical Corrections and Improvements ("ASU No. 2016-19"), respectively. ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-12, and ASU No. 2016-19 provide supplemental adoption guidance and clarification to ASU No. 2014-09, and must be adopted concurrently with the adoption of ASU No. 2014-09. The company is currently evaluating the potential effects of adopting the provisions of ASU No. 2014-09, ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-12, and ASU No. 2016-19.

In 2014, the company established an implementation team ("team") and engaged external advisers to develop a multi-phase plan to assess the company's business and contracts, as well as any changes to processes or systems to adopt the requirements of the new standard. The team has updated the assessment for new ASU updates and for newly acquired businesses. The team is in the process of developing its conclusions on several aspects of the standard including principal versus agent considerations, identification of performance obligations and the determination of when control of goods and services transfers to the company's customers.

Information Relating to Forward-Looking Statements

This report includes forward-looking statements that are subject to numerous assumptions, risks, and uncertainties, which could cause actual results or facts to differ materially from such statements for a variety of reasons, including, but not limited to: industry conditions, the company's implementation of its new enterprise resource planning system, changes in product supply, pricing and customer demand, competition, other vagaries in the global components and global ECS markets, changes in relationships with key suppliers, increased profit margin pressure, the effects of additional actions taken to become more efficient or lower costs, risks related to the integration of acquired businesses, changes in legal and regulatory matters, and the company's ability to generate additional cash flow. Forward-looking statements are those statements which are not statements of historical fact. These forward-looking statements can be identified by forward-looking words such as "expects," "anticipates," "intends," "plans," "may," "will," "believes," "seeks," "estimates," and similar expressions. Shareholders and other readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The company undertakes no obligation to update publicly or revise any of the forward-looking statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The company is exposed to market risk from changes in foreign currency exchange rates and interest rates.

Foreign Currency Exchange Rate Risk

The company, as a large global organization, faces exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve and could materially impact the company's financial results in the future. The company's primary exposure relates to transactions in which the currency collected from customers is different from the currency utilized to purchase the product sold in Europe, the Asia Pacific region, Canada, and Latin America. The company's policy is to hedge substantially all such currency exposures for which natural hedges do not exist. Natural hedges exist when purchases and sales within a specific country are both denominated in the same currency and, therefore, no exposure exists to hedge with foreign exchange forward, option, or swap contracts (collectively, the "foreign exchange contracts"). In many regions in Asia, for example, sales and purchases are primarily denominated in U.S. dollars, resulting in a "natural hedge." Natural hedges exist in most countries in which the company operates, although the percentage of natural offsets, as compared with offsets that need to be hedged by foreign exchange contracts, will vary from country to country. The company does not enter into foreign exchange contracts for trading purposes. The risk of loss on a foreign exchange contract is the risk of nonperformance by the counterparties, which the company minimizes by limiting its counterparties to major financial institutions. The fair values of the foreign exchange contracts, which are nominal, are estimated using market quotes. The notional amount of the foreign exchange contracts at December 31, 2016 and 2015 was $460.2 million and $382.0 million, respectively.

The translation of the financial statements of the non-United States operations is impacted by fluctuations in foreign currency exchange rates. The change in consolidated sales and operating income was impacted by the translation of the company's international financial statements into U.S. dollars. This resulted in decreased sales and operating income of $190.9 million and $7.7 million, respectively, for 2016, compared with the year-earlier period, based on 2015 sales and operating income at the average rate for 2016. Sales and operating income would decrease by approximately $678.3 million and $32.2 million, respectively, if average foreign exchange rates had declined by 10% against the U.S. dollar in 2016. These amounts were determined by considering the impact of a hypothetical foreign exchange rate on the sales and operating income of the company's international operations.

Interest Rate Risk

The company's interest expense, in part, is sensitive to the general level of interest rates in North America, Europe, and the Asia Pacific region. The company historically has managed its exposure to interest rate risk through the proportion of fixed-rate and floating-rate debt in its total debt portfolio. Additionally, the company utilizes interest rate swaps in order to manage its targeted mix of fixed- and floating-rate debt.

At December 31, 2016, approximately 77% of the company's debt was subject to fixed rates, and 23% of its debt was subject to floating rates. A one percentage point change in average interest rates would not materially impact net interest and other financing expense in 2016. This was determined by considering the impact of a hypothetical interest rate on the company's average floating rate on investments and outstanding debt. This analysis does not consider the effect of the level of overall economic activity that could exist. In the event of a change in the level of economic activity, which may adversely impact interest rates, the company could likely take actions to further mitigate any potential negative exposure to the change. However, due to the uncertainty of the specific actions that might be taken and their possible effects, the sensitivity analysis assumes no changes in the company's financial structure.

The terms of our outstanding interest rate swap contracts at December 31, 2016 are as follows:

Maturity Date	Notional Amount	Interest rate due from counterparty

			Interest rate due to counterparty
April 2020	50,000	6.000%	6 mo. USD LIBOR + 3.896
June 2018	50,000	6.875%	6 mo. USD LIBOR + 5.301

In January 2015, the company entered into four seven-year forward-starting interest rate swaps (the "2015 swaps") which locked in an average treasury rate of 1.98% on a total aggregate notional amount of $200.0 million. These 2015 swaps were designated as cash flow hedges and managed the risk associated with changes in treasury rates and the impact of future interest payments on the anticipated debt issuances to replace the company's 3.375% notes due to mature in November 2015. In February 2015, the company received $0.9 million in connection with the termination of the 2015 swaps upon issuance of the seven-year notes due in 2022. The fair value of the 2015 swaps is recorded in the shareholders' equity section in the company's consolidated balance sheets in "Accumulated other comprehensive income (loss)" and is being reclassified into income over the seven-year term of the notes due in 2022.

In December 2010, the company entered into interest rate swaps, with an aggregate notional amount of $250.0 million. The swaps modified the company's interest rate exposure by effectively converting the fixed 3.375% notes due in November 2015 to a floating rate, based on the three-month U.S. dollar LIBOR plus a spread, through its maturity. In September 2011, these interest rate swap agreements were terminated for proceeds of $11.9 million, net of accrued interest. The proceeds of the swap terminations, less accrued interest, were reflected as a premium to the underlying debt and were being amortized as a reduction to interest expense over the remaining term of the underlying debt. In March 2015, the unamortized premium was included in the loss on prepayment of debt recorded as a result of the redemption of the 3.375% notes due November 2015.

Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Arrow Electronics, Inc.

We have audited the accompanying consolidated balance sheets of Arrow Electronics, Inc. and subsidiaries (the “company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements and schedule 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arrow Electronics, Inc. and subsidiaries at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Arrow Electronics, Inc.’s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 7, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Denver, Colorado
February 7, 2017

ARROW ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands except per share data)

	Years Ended December 31,		
	2016	2015	2014
Sales	$23,825,261	$23,282,020	$22,768,674
Costs and expenses:			
Cost of sales	20,681,062	20,246,770	19,772,779
Selling, general, and administrative expenses	2,052,863	1,986,249	1,959,749
Depreciation and amortization	159,195	155,754	156,048
Restructuring, integration, and other charges	73,602	68,765	39,841
Trade name impairment charge	—	—	78,000
	22,966,722	22,457,538	22,006,417
Operating income	858,539	824,482	762,257
Equity in earnings of affiliated companies	7,573	7,037	7,318
Gain on sale of investment	—	2,008	29,743
Loss on prepayment of debt	—	2,943	—
Interest and other financing expense, net	150,715	135,401	115,985
Other expense, net	—	3,000	—
Income before income taxes	715,397	692,183	683,333
Provision for income taxes	190,674	191,697	184,943
Consolidated net income	524,723	500,486	498,390
Noncontrolling interests	1,973	2,760	345
Net income attributable to shareholders	$522,750	$497,726	$498,045
Net income per share:			
Basic	$5.75	$5.26	$5.05
Diluted	$5.68	$5.20	$4.98
Weighted-average shares outstanding:			
Basic	90,960	94,608	98,675
Diluted	92,033	95,686	99,947

See accompanying notes.

ARROW ELECTRONICS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Years Ended December 31,		
	2016	2015	2014
Consolidated net income	$524,723	$500,486	$498,390
Other comprehensive income:			
Foreign currency translation adjustment and other	(109,187)	(223,268)	(265,030)
Unrealized gain (loss) on investment securities, net	(2,439)	814	(12,925)
Unrealized gain on interest rate swaps designated as cash flow hedges, net	373	871	403
Employee benefit plan items, net	10,148	2,947	(12,617)
Other comprehensive loss	(101,105)	(218,636)	(290,169)
Comprehensive income	423,618	281,850	208,221
Less: Comprehensive income attributable to noncontrolling interests	16	4,213	345
Comprehensive income attributable to shareholders	$423,602	$277,637	$207,876

See accompanying notes.

ARROW ELECTRONICS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands except par value)

	December 31,	
	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$534,320	$273,090
Accounts receivable, net	6,746,687	6,161,418
Inventories, net	2,855,645	2,466,490
Other current assets	180,069	285,473
Total current assets	10,316,721	9,186,471
Property, plant, and equipment, at cost:		
Land	23,456	23,547
Buildings and improvements	175,141	162,011
Machinery and equipment	1,297,657	1,250,115
	1,496,254	1,435,673
Less: Accumulated depreciation and amortization	(739,955)	(735,495)
Property, plant, and equipment, net	756,299	700,178
Investments in affiliated companies	88,401	73,376
Intangible assets, net	336,882	389,326
Goodwill	2,392,220	2,368,832
Other assets	315,843	303,747
Total assets	$14,206,366	$13,021,930
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$5,774,151	$5,192,665
Accrued expenses	821,244	