AVNET INC
Form 10-Q
January 23, 2015

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 27, 2014

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes þ 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No 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 definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	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 þ

As of January 15, 2015, the total number of shares outstanding of the registrant’s Common Stock was 136,374,984 shares, net of treasury shares.

AVNET, INC. AND SUBSIDIARIES
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PART I
FINANCIAL INFORMATION
Item 1. Financial Statements
AVNET, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	December 27, 2014	June 28, 2014
	(Thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$903,331	$928,971
Receivables, less allowances of $94,327 and $96,382, respectively	5,696,642	5,220,528
Inventories	2,493,576	2,613,363
Prepaid and other current assets	196,111	191,337
Total current assets	9,289,660	8,954,199
Property, plant and equipment, net	541,904	534,999
Goodwill	1,298,805	1,348,468
Intangible assets, net	152,265	184,308
Other assets	208,460	233,543
Total assets	$11,491,094	$11,255,517
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$409,184	$865,088
Accounts payable	3,850,295	3,402,369
Accrued expenses and other	672,576	711,369
Total current liabilities	4,932,055	4,978,826
Long-term debt	1,692,307	1,213,814
Other liabilities	161,802	172,684
Total liabilities	6,786,164	6,365,324
Commitments and contingencies (Note 6)		
Shareholders' equity:		
Common stock $1.00 par; authorized 300,000,000 shares; issued 135,888,295 shares and 138,285,825 shares, respectively	135,888	138,286
Additional paid-in capital	1,391,463	1,355,663
Retained earnings	3,399,098	3,257,407
Accumulated other comprehensive (loss) income	(220,955)	139,512
Treasury stock at cost, 34,288 shares and 36,836 shares, respectively	(564)	(675)
Total shareholders' equity	4,704,930	4,890,193
Total liabilities and shareholders' equity	$11,491,094	$11,255,517

See notes to consolidated financial statements.

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

	Second Quarters Ended		Six Months Ended	
	December 27, 2014	December 28, 2013	December 27, 2014	December 28, 2013
	(Thousands, except per share data)			
Sales	$7,551,880	$7,421,854	$14,391,466	$13,767,329
Cost of sales	6,714,374	6,573,221	12,758,497	12,183,526
Gross profit	837,506	848,633	1,632,969	1,583,803
Selling, general and administrative expenses	573,962	598,619	1,157,908	1,142,703
Restructuring, integration and other expenses	13,257	28,442	31,577	40,541
Operating income	250,287	221,572	443,484	400,559
Other income (expense), net	(5,524)	(4,794)	(7,017)	(3,999)
Interest expense	(24,666)	(28,226)	(48,066)	(55,203)
Gain on legal settlement (Note 6)	—	—	—	19,137
Income before income taxes	220,097	188,552	388,401	360,494
Income tax expense	56,391	63,688	96,749	115,006
Net income	$163,706	$124,864	$291,652	$245,488
Earnings per share:				
Basic	$1.20	$0.91	$2.12	$1.78
Diluted	$1.18	$0.89	$2.08	$1.75
Shares used to compute earnings per share:				
Basic	136,541	137,702	137,425	137,558
Diluted	138,972	140,144	139,911	139,934
Cash dividends paid per common share	$0.16	$0.15	$0.32	$0.30

See notes to consolidated financial statements.

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

	Second Quarters Ended		Six Months Ended	
	December 27, 2014	December 28, 2013	December 27, 2014	December 28, 2013
	(Thousands)			
Net income	$163,706	$124,864	$291,652	$245,488
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments and other	(158,303)	16,050	(364,036)	107,997
Pension adjustments, net	1,784	3,228	3,569	3,295
Total comprehensive income (loss)	$7,187	$144,142	$(68,815)	$356,780

See notes to consolidated financial statements.

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

	Six Months Ended	
	December 27, 2014	December 28, 2013
	(Thousands)	
Cash flows from operating activities:		
Net income	$291,652	$245,488
Non-cash and other reconciling items:		
Depreciation	46,972	44,731
Amortization	21,990	20,903
Deferred income taxes	15,275	11,925
Stock-based compensation	36,130	28,940
Other, net	34,523	51,616
Changes in (net of effects from businesses acquired):		
Receivables	(711,060)	(771,728)
Inventories	(5,957)	(158,470)
Accounts payable	583,337	348,521
Accrued expenses and other, net	(88,438)	23,875
Net cash flows provided (used) for operating activities	224,424	(154,199)
Cash flows from financing activities:		
Borrowings under accounts receivable securitization program, net	77,000	60,000
(Repayments) borrowings of bank and other debt, net	(37,414)	55,436
Repurchases of common stock (Note 9)	(109,129)	—
Dividends paid on common stock	(43,875)	(41,263)
Other, net	(5,439)	4,293
Net cash flows (used) provided by financing activities	(118,857)	78,466
Cash flows from investing activities:		
Purchases of property, plant and equipment	(83,642)	(47,024)
Acquisitions of businesses, net of cash acquired	—	(116,882)
Other, net	(8,795)	1,800
Net cash flows used for investing activities	(92,437)	(162,106)
Effect of exchange rate changes on cash and cash equivalents	(38,770)	7,827
Cash and cash equivalents:		
— (decrease)	(25,640)	(230,012)
— at beginning of period	928,971	1,009,343
— at end of period	$903,331	$779,331

Additional cash flow information (Note 11)
See notes to consolidated financial statements.

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AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
1. Basis of presentation and new accounting pronouncements
In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments necessary to present fairly Avnet, Inc.'s and its consolidated subsidiaries' (the "Company" or "Avnet") financial position, results of operations, comprehensive income and cash flows. All such adjustments are of a normal recurring nature.
The preparation of financial statements in accordance with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results may differ from these estimates.
Interim results of operations are not necessarily indicative of the results to be expected for the full fiscal year. The information included in this Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the fiscal year ended June 28, 2014.
New accounting pronouncements
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), to supersede nearly all existing revenue recognition guidance under GAAP. The core principles of ASU 2014-09 are to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Application of the requirements of ASU 2014-09 may require more judgment and estimates within the revenue recognition process compared to existing GAAP. ASU 2014-09 is effective for the Company in the first quarter of fiscal 2018 using either of two acceptable adoption methods: (i) retrospective adoption to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (ii) adoption with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined within ASU 2014-09. The Company is currently evaluating the potential impact of the future adoption of ASU 2014-09 on its consolidated financial statements, including the method of adoption to be used.

During the six months ended December 27, 2014 there have been no new accounting pronouncements that are expected to significantly impact the Company's consolidated financial statements.
2. Acquisitions and divestitures

During fiscal 2014, the Company completed three acquisitions with historical annualized revenue of approximately $492.0 million. Cash paid for acquisitions during the first six months of fiscal 2014 was $116.9 million, net of cash acquired. The Company has not disclosed the pro-forma impact of the fiscal 2014 acquisitions as such impact was not material to the Company's consolidated financial position or results of operations.

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

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

The contingent consideration arrangements stipulate that the Company pay up to a maximum of approximately $50.0 million of additional consideration to the former shareholders of the acquired businesses based upon the achievement of certain future operating results. The Company estimated the fair value of the contingent consideration of $38.1 million using an income approach, which is based on significant inputs, primarily forecasted future operating results of the acquired businesses, not observable in the market and thus represents a Level 3 measurement as defined in ASC

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

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

During the first six months of fiscal 2015 there were no material measurement period adjustments for the fiscal 2014 acquisitions. The Company recognized restructuring, integration, and other expenses associated with the fiscal 2014 acquisitions, which are described further in Note 13.

3. Goodwill and intangible assets

Goodwill

The following table presents the change in goodwill by reportable segment for the six months ended December 27, 2014. All of the accumulated impairment was recognized in fiscal 2009.

	Electronics Marketing	Technology Solutions	Total
	(Thousands)		
Gross goodwill	$1,713,567	$1,014,635	$2,728,202
Accumulated impairment	(1,045,110)	(334,624)	(1,379,734)
Carrying value at June 28, 2014	668,457	680,011	1,348,468
Additions	—	—	—
Adjustments	539	7	546
Foreign currency translation	(24,012)	(26,197)	(50,209)
Carrying value at December 27, 2014	$644,984	$653,821	$1,298,805
Gross goodwill	$1,690,094	$988,445	$2,678,539
Accumulated impairment	(1,045,110)	(334,624)	(1,379,734)
Carrying value at December 27, 2014	$644,984	$653,821	$1,298,805

The goodwill additions are a result of businesses acquired (see Note 2) and goodwill adjustments represent the net measurement period adjustments for acquisitions during the related measurement periods.

Intangible Assets

The following table presents the Company’s acquired intangible assets at December 27, 2014 and June 28, 2014, respectively. These intangible assets have a weighted average remaining useful life of approximately 6 years.

	December 27, 2014			June 28, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
	(Thousands)					
Customer related	$302,591	$(168,624)	$133,967	$319,496	$(155,604)	$163,892
Trade name	5,506	(1,578)	3,928	5,993	(1,555)	4,438
Other	17,206	(2,836)	14,370	18,833	(2,855)	15,978
	$325,303	$(173,038)	$152,265	$344,322	$(160,014)	$184,308

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

Intangible asset amortization expense was $10.4 million and $12.5 million for the second quarters of fiscal 2015 and 2014, respectively, and $22.0 million and $20.9 million for the first six months of fiscal 2015 and 2014, respectively. The following table presents the estimated future amortization expense for the remainder of fiscal 2015, the next five fiscal years and thereafter (in thousands):

Fiscal Year	
Remainder of fiscal 2015	$21,392
2016	32,780
2017	30,855
2018	22,384
2019	18,789
2020	14,672
Thereafter	11,393
Total	$152,265

4. Debt

Short-term debt consists of the following (in thousands):

	December 27, 2014	June 28, 2014	December 27, 2014	June 28, 2014
	Interest Rate		Carrying Balance	
Bank credit facilities and other	4.42%	3.20%	$159,184	$250,088
Accounts receivable securitization program	—	0.60%	—	615,000
Notes due September 1, 2015	6.00%	—	250,000	—
Short-term debt			$409,184	$865,088

Bank credit facilities and other consists of various committed and uncommitted lines of credit and other forms of bank debt with financial institutions utilized primarily to support the working capital requirements of foreign operations.

Long-term debt consists of the following (in thousands):

	December 27, 2014	June 28, 2014	December 27, 2014	June 28, 2014
	Interest Rate		Carrying Balance	
Revolving credit facilities:				
Accounts receivable securitization program	0.56%	—	$692,000	$—
2014 Credit Facility	3.55%	—	50,000	—
2012 Credit Facility	—	3.55%	—	12,000
Notes due:				
September 1, 2015	—	6.00%	—	250,000
September 15, 2016	6.63%	6.63%	300,000	300,000
June 15, 2020	5.88%	5.88%	300,000	300,000
December 1, 2022	4.88%	4.88%	350,000	350,000
Other long-term debt	1.44%	1.40%	2,104	3,867
Long-term debt before discount			1,694,104	1,215,867
Discount on Notes			(1,797)	(2,053)
Long-term debt			$1,692,307	$1,213,814

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

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

In July 2014, the Company terminated its existing Credit Facility (the "2012 Credit Facility") and entered into a five-year $1.25 billion senior unsecured revolving credit facility (the “2014 Credit Facility”) with a syndicate of banks, consisting of revolving credit facilities and the issuance of up to $150.0 million of letters of credit, which expires in July 2019. Under the 2014 Credit Facility, the Company may select from various interest rate options, currencies and maturities. The 2014 Credit Facility contains certain covenants including various limitations on debt incurrence, share repurchases, dividends, investments and capital expenditures. The 2014 Credit Facility also includes financial covenants requiring the Company to maintain minimum interest coverage and leverage ratios, which the Company was in compliance with as of December 27, 2014. At December 27, 2014, there were $2.0 million in letters of credit issued under the 2014 Credit Facility. At June 28, 2014, there were $2.0 million in letters of credit issued under the 2012 Credit Facility.

At December 27, 2014, the carrying value and fair value of the Company’s total debt was $2.10 billion and $2.19 billion, respectively. At June 28, 2014, the carrying value and fair value of the Company's total debt was $2.08 billion and $2.19 billion, respectively. Fair value was estimated primarily based upon quoted market prices.

5. Derivative financial instruments

Many of the Company’s subsidiaries purchase and sell products in currencies other than their functional currencies. This subjects the Company to the risks associated with fluctuations in foreign currency exchange rates. The Company reduces this risk by utilizing natural hedging (i.e., offsetting receivables and payables) as well as by creating offsetting positions through the use of derivative financial instruments, primarily forward foreign exchange contracts typically with maturities of less than sixty days (“economic hedges”). The Company continues to have exposure to foreign currency risks to the extent they are not hedged. The Company adjusts any economic hedges to fair value through the consolidated statements of operations primarily within “other income (expense), net.” Therefore, the changes in valuation of the underlying items being economically hedged are offset by the changes in fair value of the forward foreign exchange contracts. The fair value of forward foreign exchange contracts, which are based upon Level 2 criteria under the ASC 820 fair value hierarchy, are classified in the captions “other current assets” or “accrued expenses and other,” as applicable, in the accompanying consolidated balance sheets and were not material as of December 27, 2014 and June 28, 2014. The Company did not have material gains or losses related to the forward foreign exchange contracts during the second quarters and first six months of fiscal 2015 and fiscal 2014.

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

6. Commitments and contingencies

Bell

During fiscal 2011, the Company recognized a contingent liability for potential unpaid import duties associated with the acquisition of Bell Microproducts Inc. (“Bell”). Prior to the acquisition of Bell by Avnet, Customs and Border Protection (“CBP”) initiated a review of the importing process at one of Bell’s subsidiaries and identified compliance deficiencies. Subsequent to the acquisition of Bell by Avnet, CBP began a compliance audit. The Company evaluated projected duties, interest and penalties that potentially may be imposed as a result of the audit and recognized a contingent liability of $10.0 million which was recorded to goodwill in fiscal 2011. Depending on the ultimate resolution of the matter with CBP, the Company estimates that the range of the potential exposure associated with the liability may be up to $73.0 million; however, the Company believes the contingent liability recorded is a reasonable estimate of the liability based upon the facts available at this time.

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

LCD Class Action Settlement

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

Other

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

7. Income taxes

The Company’s effective tax rate on its income before income taxes was 25.6% in the second quarter of fiscal 2015 as compared with 33.8% in the second quarter of fiscal 2014. During the second quarter of fiscal 2015, the Company's effective tax rate was favorably impacted primarily by the mix of income in lower tax rate jurisdictions and the release of reserves related to the settlement of an audit in a foreign jurisdiction. During the second quarter of fiscal 2014, the Company's effective tax rate was unfavorably impacted primarily by increases to valuation allowances and reserves, as well as an investment in a foreign subsidiary.

For the first six months of fiscal 2015 and 2014, the Company's effective tax rate was 24.9% and 31.9%, respectively. The effective tax rate for the first six months of fiscal 2015 was favorably impacted by the mix of income in lower tax rate jurisdictions and the release of reserves, primarily related to the formal deregistration of a foreign branch and the settlement of an audit in a foreign jurisdiction. The effective tax rate for the first six months of fiscal 2014 was unfavorably impacted primarily by increases to valuation allowances and reserves.

The Company applies the guidance in ASC 740, which requires management to use its judgment to the appropriate weighting of all available evidence when assessing the need for the establishment or the release of valuation allowances. As part of this analysis, the Company examines all available evidence on a jurisdiction by jurisdiction basis and weighs the positive and negative evidence when determining the need for full or partial valuation allowances. The evidence considered for each jurisdiction includes, among other items: (i) the historic levels of income or losses over a range of time periods, which may extend beyond the most recent three fiscal years depending upon the historical volatility of income in an individual jurisdiction; (ii) expectations and risks associated with underlying estimates of future taxable income, including considering the historical trend of down-cycles in the semiconductor and related industries; and (iii) prudent and feasible tax planning strategies.

As of the end of fiscal 2014, the Company had a partial valuation allowance against significant net operating loss carry-forward deferred tax assets related to a legal entity in Europe due to, among several other factors, a history of losses in that entity. In recent fiscal years, such entity has been experiencing improved earnings, which required the partial release of the valuation allowance to the extent such entity has projected future taxable income. ASC 740 requires a preponderance of positive evidence in order to reach a conclusion to release all or a portion of a valuation allowance when negative evidence exists. The Company continues to evaluate the need for a valuation allowance against these deferred tax assets and will adjust the valuation allowance as appropriate, which, if reduced, could result in a significant decrease to the effective tax rate in the period of the adjustment.

8. Pension plan

The Company has a noncontributory defined benefit pension plan (the “Plan”) for which the components of net periodic pension costs during the second quarters and six months ended December 27, 2014 and December 28, 2013 were as follows:

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

	Second Quarters Ended		Six Months Ended	
	December 27, 2014	December 28, 2013	December 27, 2014	December 28, 2013
	(Thousands)			
Service cost	$9,873	$9,183	$19,746	$18,366
Interest cost	4,449	4,289	8,898	8,578
Expected return on plan assets	(9,055)	(7,727)	(18,110)	(15,454)
Recognized net actuarial loss	3,251	3,171	6,502	6,342
Amortization of prior service credit	(393)	(393)	(786)	(786)
Net periodic pension cost	$8,125	$8,523	$16,250	$17,046

The Company made contributions to the Plan of $20.0 million during the first six months of fiscal 2015. The Company expects to make an additional contribution to the Plan of $10.0 million in each of the remaining quarters of the fiscal year.

The Plan meets the definition of a defined benefit plan and as a result, the Company must apply ASC 715 pension accounting to the Plan. The Plan itself, however, is a cash balance plan that is similar in nature to a defined contribution plan in that a participant's benefit is defined in terms of a stated account balance. A cash balance plan provides the Company with the benefit of applying any excess earnings on the Plan’s investments toward the Company’s future cash funding obligations.

Amounts reclassified out of accumulated other comprehensive income (loss), net of tax, to operating expenses during the first six months of fiscal 2015 and fiscal 2014 were not material and substantially all related to net periodic pension costs including recognition of actuarial losses and amortization of prior service credits.

9. Shareholders' equity

Share repurchase program

In November 2014, the Company’s Board of Directors authorized a $250.0 million increase in the Company's existing share repurchase program. With this increase, the Company may repurchase up to $1.0 billion of common stock in the open market or through privately negotiated transactions. The timing and actual number of shares purchased will depend on a variety of factors such as share price, corporate and regulatory requirements, and prevailing market conditions. During the second quarter of fiscal 2015, the Company repurchased 2.3 million shares under this program at an average market price of $39.86 per share for a total cost of $91.0 million. Since the beginning of the repurchase program through the end of the second quarter of fiscal 2015, the Company has repurchased 20.8 million shares at an aggregate cost of $642.9 million, and $357.1 million remained available for future repurchases under the share repurchase program.

Common stock dividend

In November 2014, the Company's Board of Directors approved a dividend of $0.16 per common share and dividend payments of $21.8 million were made in December 2014. During the six months ended December 27, 2014, the Company has paid dividends of $0.32 per common share and $43.9 million in total.

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

10. Earnings per share

	Second Quarters Ended		Six Months Ended	
	December 27, 2014	December 28, 2013	December 27, 2014	December 28, 2013
	(Thousands, except per share data)			
Numerator:				
Net income	$163,706	$124,864	$291,652	$245,488
Denominator:				
Weighted average common shares for basic earnings per share	136,541	137,702	137,425	137,558
Net effect of dilutive stock option, restricted stock and performance share awards	2,431	2,442	2,486	2,376
Weighted average common shares for diluted earnings per share	138,972	140,144	139,911	139,934
Basic earnings per share	$1.20	$0.91	$2.12	$1.78
Diluted earnings per share	$1.18	$0.89	$2.08	$1.75
Stock options excluded from earnings per share calculation due to anti-dilutive effect	—	—	—	—

11. Additional cash flow information

Interest and income taxes paid in the six months ended December 27, 2014 and December 28, 2013 were as follows:

	Six Months Ended	
	December 27, 2014	December 28, 2013
	(Thousands)	
Interest paid	$50,355	$54,783
Income taxes paid	$86,486	$99,357

The Company includes book overdrafts as part of accounts payable on its consolidated balance sheets and reflects changes in such balances as part of cash flows from operating activities in its consolidated statements of cash flows. During the six months ended December 28, 2013, the Company had non-cash financing activities of $38.1 million related to contingent consideration in connection with acquisition activity in fiscal 2014.

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

12. Segment information

Electronics Marketing ("EM") and Technology Solutions ("TS") are the Company's reportable segments ("operating groups"). EM markets and sells semiconductors and interconnect, passive and electromechanical devices and embedded products to a diverse customer base serving many end-markets. TS focuses on the value-added distribution of enterprise computing servers and systems, software, storage, services and complex solutions from the world's foremost technology manufacturers. TS also provides the latest hard disk drives, microprocessor, motherboard and DRAM module technologies to manufacturers of general-purpose computers and system builders.

	Second Quarters Ended		Six Months Ended	
	December 27, 2014	December 28, 2013	December 27, 2014	December 28, 2013
	(Thousands)			
Sales:				
Electronics Marketing	$4,435,190	$4,154,783	$8,809,285	$8,092,907
Technology Solutions	3,116,690	3,267,071	5,582,181	5,674,422
	$7,551,880	$7,421,854	$14,391,466	$13,767,329
Operating income (expense):				
Electronics Marketing	$191,449	$171,685	$394,160	$347,468
Technology Solutions	117,582	120,225	179,974	182,816
Corporate	(34,435)	(28,702)	(75,813)	(67,596)
	274,596	263,208	498,321	462,688
Restructuring, integration and other expenses (Note 13)	(13,257)	(28,442)	(31,577)	(40,541)
Amortization of acquired intangible assets and other	(11,052)	(13,194)	(23,260)	(21,588)
	$250,287	$221,572	$443,484	$400,559
Sales, by geographic area:				
Americas [1]	$3,051,888	$3,063,643	$5,699,008	$5,552,311
EMEA [2]	2,062,052	2,152,921	4,037,431	3,945,010
Asia/Pacific [3]	2,437,940	2,205,290	4,655,027	4,270,008
	$7,551,880	$7,421,854	$14,391,466	$13,767,329

(1) Includes sales from the United States of $2.70 billion and $2.69 billion for the quarters ended December 27, 2014, and December 28, 2013, respectively. Includes sales in the United States of $5.06 billion and $4.93 billion for the first six months of fiscal 2015 and 2014, respectively.

(2) Includes sales from Germany and the United Kingdom of $787.8 million and $384.8 million, respectively, for the quarter ended December 27, 2014 and $1.53 billion and $745.2 million, respectively, for the first six months of fiscal 2015. Includes sales from Germany and the United Kingdom of $921.7 million and $355.8 million, respectively, for the quarter ended December 28, 2013, and $1.64 billion and $640.8 million, respectively, for the first six months of fiscal 2014.

(3) Includes sales from China (including Hong Kong) and Taiwan of $727.1 million and $1.01 billion, respectively, for the quarter ended December 27, 2014, and $1.47 billion and $1.82 billion, respectively, for the first six months of fiscal 2015. Includes sales from China (including Hong Kong) and Taiwan of $728.2 million and $767.3 million, respectively, for the quarter ended December 28, 2013, and $1.46 billion and $1.40 billion, respectively, for the first six months of fiscal 2014.

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

	December 27, 2014	June 28, 2014
	(Thousands)	
Assets:		
Electronics Marketing	$6,558,336	$6,840,166
Technology Solutions	4,421,508	4,140,230
Corporate	511,250	275,121
	$11,491,094	$11,255,517
Property, plant, and equipment, net, by geographic area:		
Americas (1)	$338,476	$306,167
EMEA (2)	174,859	199,374
Asia/Pacific	28,569	29,458
	$541,904	$534,999

(1) Includes property, plant and equipment, net, of $330.9 million and $298.1 million as of December 27, 2014 and June 28, 2014, respectively, in the United States.

(2) Includes property, plant and equipment, net, of $84.4 million and $54.9 million in Germany and Belgium, respectively, as of December 27, 2014 and $95.5 million and $61.0 million in Germany and Belgium, respectively, as of June 28, 2014.

13. Restructuring, integration and other expenses

Fiscal 2015

During the second quarter and first six months of fiscal 2015, the Company took certain actions in an effort to reduce future operating expenses. In addition, the Company incurred integration and other costs primarily associated with the integration of acquisitions and certain global and regional businesses. The following table presents the restructuring, integration and other expenses recorded during the second quarter and first six months of fiscal 2015: