



Arrow Electronics Inc (ARW) — Research Summary

Technology | Electronics & Computer Distribution | 2026-08-07

Price: \$203.51

Signal: BUY (7.57/10)

Market: bull_tech

Equity Research Summary: Arrow Electronics Inc (ARW)

Rating: BUY (7.57/10) | **Price:** \$203.51 | **Market Cap:** \$10.4B

1. COMPANY OVERVIEW & INVESTMENT THESIS

Arrow Electronics is a leading global distributor of electronic components and enterprise computing solutions, connecting thousands of suppliers with manufacturers and businesses worldwide. The stock is compelling right now because it is in the early stages of a cyclical recovery in electronic components demand, delivering record revenue and a string of large earnings beats that suggest the upswing has meaningful room to run.

2. FUNDAMENTAL SNAPSHOT

Valuation: ARW trades at a trailing P/E of ~15.9, but the forward P/E of just ~5.0 signals that the market expects a sharp acceleration in earnings power. The stock is cheap on sales (P/S ~0.31) — typical for a thin-margin distributor — and on cash flow, with roughly \$1.1B in free cash flow supporting a very low price-to-FCF ratio. EV/EBITDA sits near 10x on \$1.3B EBITDA.

Earnings Trend: The momentum is striking. Arrow has beaten estimates in each of the last four quarters, including massive surprises of +83% (March) and +22.5% (June). Q2 2026 non-GAAP EPS of \$5.45 crushed guidance of \$4.32–\$4.52, up 124% year-over-year. Management's outlook for the coming quarter was encouraging.

Growth & Margins: Revenue reached a record \$10.0B in Q2, up ~32% year-over-year. Operating margin expanded 120 basis points to ~4%, while gross margin held around 11.3%. Profitability remains structurally thin (net margin ~2.2%), which is normal for the distribution model.

Balance Sheet: Healthy and manageable. Total debt of \$2.2B against \$7.0B equity gives a modest D/E of 0.31, though cash on hand is light at \$0.2B.

3. TECHNICAL OUTLOOK

Range Position: ARW sits at \$203.51, well within the upper half of its wide 52-week range of \$101.79–\$237.33. The stock has roughly doubled off its lows, reflecting a powerful recovery.

Momentum: Momentum has been building strongly through the year but hit a near-term speed bump — shares fell ~10% on the Q2 report *despite* the beat, suggesting expectations had run hot and some profit-taking followed the run-up.

Levels to Watch: Near-term support sits in the low \$190s, with stronger backing near prior consolidation. Resistance lies at the recent high near \$237; a break above would confirm renewed momentum.

4. NEWS & SENTIMENT

Overall Sentiment: Slightly Bullish

Key Themes:

- **Broad-based recovery:** Management stressed on the earnings call that the components rebound is still in its "early stages," supported by rising bookings and broadening demand — a positive read-through for future quarters.
- **Sector-wide strength:** Peers Avnet, Amphenol, and TD Synnex also posted strong results, confirming the upcycle is industry-wide, not company-specific.
- **Leadership change:** Arrow named Deidra Merriwether as President and COO, a signal of succession planning and operational focus.

Market Narrative: The story is one of a cyclical distributor firing on all cylinders, yet the market's negative reaction to a strong quarter shows investors are cautious about how much good news is already priced in. Analyst consensus is mixed (1 Buy, 3 Hold, 2 Sell) with a \$220 target implying ~8% upside.

5. BOTTOM LINE

- **Aerondight Systems Signal: BUY (7.57/10)**
- **Thesis:** Arrow is a cheaply valued distributor in the early innings of a strong components recovery, with record results and rising demand supporting continued earnings growth.
- **Key Catalyst:** The next quarterly earnings report and updated guidance will test whether the "early-stage recovery" narrative holds and justifies the low forward multiple.
- **Risk Level: Medium.** Thin margins, cyclical exposure, a mixed analyst view, and the negative post-earnings reaction temper an otherwise attractive setup.

For public distribution. Based on publicly available information. Not individualized investment advice.

Generated by Aerondight Systems Quantitative Research Platform. This summary is for informational purposes only and does not constitute investment advice.