SYNNEX CORP
Form 10-Q
October 09, 2018
Table of Contents

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

FORM 10-Q

(Mark One)
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended August 31, 2018
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 001-31892

SYNNEX CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	94-2703333
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
44201 Nobel Drive Fremont, California	94538
(Address of principal executive offices)	(Zip Code)

(510) 656-3333
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one).
Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of October 05, 2018
Common Stock, $0.001 par value	51,161,022

Table of Contents

SYNNEX CORPORATION

FORM 10-Q
INDEX

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements
SYNNEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(currency and share amounts in thousands, except for par value)
(unaudited)

	August 31, 2018	November 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$203,988	$550,688
Restricted cash	6,850	5,837
Short-term investments	3,321	5,475
Accounts receivable, net	2,951,011	2,846,371
Receivable from related parties	32	77
Inventories	2,040,103	2,162,626
Other current assets	199,892	168,704
Total current assets	5,405,197	5,739,778
Property and equipment, net	343,548	346,589
Goodwill	853,914	872,641
Intangible assets, net	497,013	583,051
Deferred tax assets	31,802	31,687
Other assets	126,828	124,780
Total assets	$7,258,302	$7,698,526
LIABILITIES AND EQUITY		
Current liabilities:		
Borrowings, current	$732,272	$805,471
Accounts payable	2,214,040	2,626,720
Payable to related parties	21,099	16,888
Accrued compensation and benefits	193,502	204,665
Other accrued liabilities	380,268	354,104
Income taxes payable	40,818	33,359
Total current liabilities	3,581,999	4,041,207
Long-term borrowings	1,090,654	1,136,089
Other long-term liabilities	170,414	124,008
Deferred tax liabilities	87,873	113,527
Total liabilities	4,930,940	5,414,831
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred stock, $0.001 par value, 5,000 shares authorized, no shares issued or outstanding	—	—
Common stock, $0.001 par value, 100,000 shares authorized, 41,193 and 41,092 shares issued as of August 31, 2018 and November 30, 2017, respectively	41	41
Additional paid-in capital	488,538	467,948
Treasury stock, 1,985 and 1,419 shares as of August 31, 2018 and November 30, 2017, respectively	(134,841)	(77,133)
Accumulated other comprehensive income (loss)	(126,721)	(61,919)
Retained earnings	2,100,345	1,954,758
Total stockholders' equity	2,327,362	2,283,695

Total liabilities and equity	$7,258,302	$7,698,526

(Amounts may not add due to rounding)

The accompanying Notes are an integral part of these Consolidated Financial Statements (unaudited).

Table of Contents

SYNNEX CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(currency and share amounts in thousands, except for per share amounts)
(unaudited)

	Three Months Ended		Nine Months Ended	
	August 31, 2018	August 31, 2017	August 31, 2018	August 31, 2017
Revenue:				
Products	$4,419,097	$3,784,599	$12,954,255	$10,289,463
Services	487,513	492,087	1,477,308	1,444,360
Total revenue	4,906,610	4,276,686	14,431,562	11,733,823
Cost of revenue:				
Products	(4,165,118)	(3,590,007)	(12,228,350)	(9,736,190)
Services	(308,322)	(311,735)	(926,998)	(908,661)
Gross profit	433,170	374,944	1,276,215	1,088,972
Selling, general and administrative expenses	(316,274)	(252,728)	(923,449)	(739,867)
Operating income	116,896	122,216	352,766	349,105
Interest expense and finance charges, net	(20,058)	(9,754)	(53,884)	(26,898)
Other income (expense), net	(872)	1,854	(3,497)	1,325
Income before income taxes	95,966	114,316	295,385	323,532
Provision for income taxes	(26,675)	(39,153)	(107,968)	(113,432)
Net income	$69,291	$75,163	$187,417	$210,100
Earnings per common share:				
Basic	$1.75	$1.88	$4.70	$5.27
Diluted	$1.74	$1.87	$4.67	$5.24
Weighted-average common shares outstanding:				
Basic	39,254	39,563	39,483	39,530
Diluted	39,475	39,748	39,730	39,722
Cash dividends declared per share	$0.35	$0.25	$1.05	$0.75

(Amounts may not add due to rounding)
The accompanying Notes are an integral part of these Consolidated Financial Statements (unaudited).

Table of Contents

SYNNEX CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(currency in thousands)
(unaudited)

	Three Months Ended		Nine Months Ended	
	August 31, 2018	August 31, 2017	August 31, 2018	August 31, 2017
Net income	$69,291	$75,163	$187,417	$210,100
Other comprehensive income (loss):				
Unrealized gains (losses) on available-for-sale securities, net of taxes of $0 for the three and nine months ended August 31, 2018 and 2017	(451)	220	(506)	710
Change in unrealized losses of defined benefit plans, net of taxes of $0 for the three and nine months ended August 31, 2018 and 2017	(224)	(45)	(224)	(58)
Unrealized gains (losses) on cash flow hedges during the period, net of taxes of $(275) and $(2,200) for the three and nine months ended August 31, 2018, respectively, and $438 and $311 for the three and nine months ended August 31, 2017, respectively	770	(701)	6,186	(501)
Reclassification of net (gains) losses on cash flow hedges to net income, net of tax expense (benefit) of $(6) and $709 for the three and nine months ended August 31, 2018, respectively, and $(216) and $(439) for the three and nine months ended August 31, 2017, respectively	16	346	(1,724)	704
Total change in unrealized gains (losses) on cash flow hedges, net of taxes	786	(355)	4,462	203
Foreign currency translation adjustments, net of taxes of $12 and $98 for the three and nine months ended August 31, 2018, respectively, and $(834) and $(895) for the three and nine months ended August 31, 2017, respectively	(36,567)	29,840	(68,534)	45,711
Other comprehensive income (loss)	(36,456)	29,660	(64,802)	46,566
Comprehensive income	$32,835	$104,823	$122,615	$256,666

(Amounts may not add due to rounding)
The accompanying Notes are an integral part of these Consolidated Financial Statements (unaudited).

Table of Contents

SYNNEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(currency in thousands)
(unaudited)

	Nine Months Ended August 31, 2018	August 31, 2017
Cash flows from operating activities:		
Net income	$ 187,417	$ 210,100
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	146,214	108,302
Share-based compensation	16,516	12,412
Provision for doubtful accounts	6,434	7,299
Deferred income taxes	(27,785)	(746)
Unrealized foreign exchange losses (gains)	3,279	(2,731)
Others	(3,363)	(1,598)
Changes in assets and liabilities, net of acquisition of businesses:		
Accounts receivable, including from related parties	(153,462)	(76,866)
Inventories	115,245	(484,650)
Accounts payable, including to related parties	(387,512)	76,463
Other assets and liabilities	56,632	71,846
Net cash used in operating activities	(40,385)	(80,169)
Cash flows from investing activities:		
Purchases of investments	(58)	(8,487)
Proceeds from maturity of investments	5,680	6,230
Purchases of property and equipment	(75,473)	(72,130)
	(5,922)	(51,309)

Acquisition of businesses, net of refunds						
Others	1,342			1,538		
Net cash used in investing activities	(74,431		)	(124,158		)
Cash flows from financing activities:						
Proceeds from borrowings	6,930,712			5,371,963		
Repayments of borrowings	(7,045,471		)	(5,289,800		)
Dividends paid	(41,832		)	(29,852		)
Increase (decrease) in book overdrafts	(4,711		)	984		
Repurchases of common stock	(55,985		)	—		
Proceeds from issuance of common stock	4,074			3,240		
Repurchases of common stock for tax withholdings on equity awards	(1,722		)	(3,922		)
Lender fees for term loan drawn subsequent to period end	(7,963		)	—		
Others	(164		)	2,466		
Net cash (used in) provided by financing activities	(223,062		)	55,079		
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(7,802		)	9,293		
Net decrease in cash, cash equivalents and restricted cash	(345,680		)	(139,955		)
Cash, cash equivalents and restricted cash at beginning of period	556,742			387,167		
Cash, cash equivalents and restricted cash at end of period	$	211,062		$	247,212	
Supplemental disclosure of non-cash investing activities:						
Accrued costs for property and equipment purchases	$	3,439		$	1,598	

(Amounts may not add due to rounding)
The accompanying Notes are an integral part of these Consolidated Financial Statements (unaudited).

Table of Contents
SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and nine months ended August 31, 2018 and 2017
(currency and share amounts in thousands, except per share amounts)
(unaudited)

NOTE 1—ORGANIZATION AND BASIS OF PRESENTATION:

SYNNEX Corporation (together with its subsidiaries, herein referred to as "SYNNEX" or the "Company") is a business process services company headquartered in Fremont, California and has operations in North and South America, Asia-Pacific and Europe.

The Company has two reportable segments: Technology Solutions and Concentrix. The Technology Solutions segment distributes a broad range of information technology systems and products and also provides systems design and integration solutions. The Concentrix segment offers a portfolio of strategic solutions and end-to-end global business outsourcing services focused on customer engagement, process optimization, technology innovation, front and back-office automation and business transformation to clients in ten identified industry verticals.

The accompanying interim unaudited Consolidated Financial Statements as of August 31, 2018 and for the three and nine months ended August 31, 2018 and 2017 have been prepared by the Company in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). The amounts as of November 30, 2017 have been derived from the Company's annual audited financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles ("GAAP") in the United States have been condensed or omitted in accordance with such rules and regulations. In the opinion of management, the accompanying unaudited Consolidated Financial Statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to state fairly the financial position of the Company and its results of operations and cash flows as of and for the periods presented. These financial statements should be read in conjunction with the annual audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2017.

Interim results of operations are not necessarily indicative of financial results for a full year, and the Company makes no representations related thereto. Certain columns and rows may not add due to the use of rounded numbers. Percentages presented are calculated from the underlying numbers in Dollars.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

For a discussion of the Company's significant accounting policies, please see the discussion in the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2017. Accounting pronouncements adopted during the nine months ended August 31, 2018 are discussed below.

Concentration of credit risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of cash and cash equivalents, accounts receivable and derivative instruments.

The Company's cash and cash equivalents and derivative instruments are transacted and maintained with financial institutions with high credit standing, and their compositions and maturities are regularly monitored by management. Through August 31, 2018, the Company had not experienced any credit losses on such deposits and derivative instruments.

Accounts receivable include amounts due from customers and original equipment manufacturer ("OEM") vendors primarily in the technology industry. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary, but generally requires no collateral. The Company also maintains allowances for potential credit losses. In estimating the required allowances, the Company takes into consideration the overall quality and aging of the receivable portfolio, the existence of a limited amount of credit insurance and specifically identified customer and vendor risks. Through August 31, 2018, such losses have been within management's expectations.

One customer accounted for 16% and 17% of the Company's total revenue during the three and nine months ended August 31, 2018, respectively. During the three and nine months ended August 31, 2017, the same customer accounted for 22% and 20%, respectively, of the Company's total revenue. Products purchased from the Company's largest OEM supplier, HP Inc., accounted for approximately 13% of total revenue during both the three and nine months ended August 31, 2018 and approximately 14% of total revenue during both the three and nine months ended August 31, 2017.

As of August 31, 2018 and November 30, 2017, one customer comprised 17% and 12%, respectively, of the total accounts receivable balance.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is computed based on the weighted-average method. Inventories are comprised of finished goods and work-in-process. Finished goods include products purchased for resale, system components purchased for both resale and for use in the Company’s systems design and integration business and completed systems. Work-in-process inventories are not material to the Consolidated Financial Statements.

Reclassifications

Certain reclassifications have been made to prior period amounts in the Consolidated Statements of Cash Flows to conform to current period presentation. These reclassifications had no effect on cash flows from operating, investing or financing activities as previously reported.

Recently adopted accounting pronouncement

In August 2018, the Financial Accounting Standard Board (the “FASB”) issued guidance clarifying the accounting for capitalizing implementation costs incurred by a customer in a cloud computing arrangement that is a service contract. Under the new guidance, implementation costs related to a cloud computing arrangement will be deferred or expensed as incurred, in accordance with the existing guidance for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The amendments also require the customer to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement, which includes reasonably certain renewals. The guidance is effective for interim and annual reporting periods beginning after December 15, 2019 and early adoption is permitted. The Company adopted this guidance prospectively in the third quarter of fiscal year 2018. The adoption did not have a material impact on the Company's Consolidated Financial Statements.

In March 2016, the FASB issued guidance which changes the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification in the Consolidated Statement of Cash Flows. The guidance requires the income tax effects of changes in the Company's stock price from the grant date to the vesting date of the employee stock compensation to be recognized in the Consolidated Statement of Operations within income tax expense instead of within additional paid-in capital and changed its classification in the Consolidated Statement of Cash Flows from financing activities to operating activities. The guidance is effective for interim and annual periods beginning after December 15, 2016 and early adoption is permitted. The Company adopted this guidance in the first quarter of fiscal year 2018 and recorded excess tax benefits within income tax expense in the Consolidated Statement of Operations in fiscal year 2018 and classified such benefits in operating activities in the Consolidated Statement of Cash Flows, on a prospective basis. The adoption did not have a material impact on the Company's Consolidated Financial Statements.

Recently issued accounting pronouncements

In August 2018, the FASB issued guidance to improve the effectiveness of fair value measurement disclosures by removing or modifying certain disclosure requirements and adding other requirements. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. Certain amendments should be applied prospectively, while all other amendments should be applied retrospectively to all periods presented. The Company is currently evaluating the impact of the new guidance.

In July 2018, the FASB issued guidance that makes minor improvements and clarifications of several different FASB Accounting Standards Codification areas based on comments and suggestions made by various stakeholders. Certain updates are applicable immediately while others provide for a transition period to adopt as part of fiscal years beginning after December 15, 2017 and December 15, 2018. The guidance applicable immediately did not have a material impact on the Company's Consolidated Financial Statements. The Company is evaluating the impact of guidance applicable in future periods.

In June 2016, the FASB issued a new credit loss standard that replaces the incurred loss impairment methodology in current GAAP. The new impairment model requires immediate recognition of estimated credit losses expected to occur for most financial assets and certain other instruments. It is effective for annual reporting periods beginning after December 15, 2019 and interim periods within those annual periods. Early adoption for fiscal years beginning after December 15, 2018 is permitted. Entities will apply the standard’s provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first effective reporting period. The Company is currently evaluating the impact of the new guidance.

In February 2016, the FASB issued a new standard which revises various aspects of accounting for leases. The most significant impact to the Company’s Consolidated Financial Statements relates to the recognition by a lessee of a right-of-use asset and a lease liability for virtually all of its leases other than short-term leases. The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. Consistent with current guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification. For income statement purposes, operating leases will result in a straight line expense while finance leases will result in a front-loaded expense pattern. This accounting standard will be applicable to the Company at the beginning of its first quarter of fiscal year 2020 using a modified retrospective approach and early adoption is permitted. In July 2018, the FASB issued amended guidance which provided additional transition methods and a lessor practical expedient for separating lease and non-lease components. The Company expects that most of its operating lease commitments will be subject to the new standard and recognized as operating lease liabilities and right-of-use assets upon adoption and is currently evaluating the impact on its Consolidated Financial Statements upon the adoption of this new standard.

In January 2016, the FASB issued new guidance which amends various aspects of the recognition, measurement, presentation, and disclosure of financial instruments. With respect to the Company’s consolidated financial statements, the most significant impact relates to the accounting for equity investments (other than those that are consolidated or accounted under the equity method) which will be measured at fair value through earnings. The new guidance is effective for annual reporting periods, and interim periods within those years beginning after December 15, 2017, with early adoption permitted only for certain provisions. The amendments should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, with other amendments related specifically to equity securities without readily determinable fair values applied prospectively. The Company is currently evaluating the impact of the new guidance.

In May 2014, the FASB issued a comprehensive new revenue recognition standard for contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of this standard is that an entity should recognize revenue to depict the transfer of 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. To achieve this core principle, the standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. This guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. In August 2015, the FASB amended this accounting standard and postponed the implementation date to fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early application for fiscal years, and interim periods within those years, beginning after December 15, 2016 is permitted. The standard permits the use of either the retrospective or cumulative effect transition method. This accounting standard will be applicable to the Company at the beginning of its first quarter of fiscal year 2019. The guidance is expected to change some net versus gross classifications on certain Technology

Solutions business contracts, specifically software renewals, software bundles, antivirus software and services, and fixed-term software licenses. However, the impact to consolidated revenue and net income is not expected to be material. The company continues to identify the appropriate changes to its business processes, systems, and controls to support revenue recognition. The company is in the process of implementing the appropriate changes to its business processes, systems, and controls to support revenue recognition. Additionally, the Company is in the process of determining the transition method and evaluating the impact of the expanded disclosure requirements.

Table of Contents

SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and nine months ended August 31, 2018 and 2017
(currency and share amounts in thousands, except per share amounts)
(unaudited)

NOTE 3—ACQUISITIONS:

Fiscal 2017 acquisitions

On September 1, 2017, the Company acquired the North America and Latin America distribution businesses of Datatec Limited, a public limited company incorporated in the Republic of South Africa (“Datatec”), through the purchase of 100% of the shares of its subsidiary, Westcon Group, Inc., a Delaware company (“Westcon-Comstor Americas”) for a purchase price of approximately $633,568. The purchase price was comprised of $602,739 paid in cash, fair value of contingent consideration payable of $33,098 and a refund of $2,269 receivable from Datatec towards the settlement of certain pre-acquisition intra Datatec group transactions. During the nine months ended August 31, 2018, the Company received $2,269 from Datatec and classified this amount in investing activities in the Consolidated Statements of Cash Flows. The Company also recorded measurement period adjustments of $961 to the fair value of acquired net assets with a corresponding reduction to goodwill. Up to August 31, 2018, acquisition-related and integration expenses, net of a benefit related to interest rate swaps, were $7,439, of which $2,498 and $3,715 were incurred during the three and nine months ended August 31, 2018, respectively. Acquisition-related and integration charges were recorded in “Selling, general and administrative expenses,” other than a benefit of $2,634, which was recorded in "Interest expense and other finance charges, net" due to the de-designation of an interest rate swap associated with the planned termination of a Westcon-Comstor Americas debt.

Under the terms of the acquisition agreement with Datatec, contingent consideration of up to $200,000 would be payable in cash if certain gross profit targets were achieved for the twelve-month period ended February 28, 2018. The Company and Datatec are in the process of finalizing the amount of contingent consideration payable. Any difference between the fair value of the contingent consideration recorded by the Company and the actual amount payable will be recorded in the "Consolidated Statement of Operations."

On July 31, 2017, the Company acquired 100% of Tigerspike Pty Ltd, a digital products company incorporated in Australia, specializing in strategy, experience design, development and systems integration, for a preliminary purchase price of $68,457, including a holdback amount which was payable to the sellers upon the finalization of post-closing adjustments. During the first quarter of fiscal year 2018, the Company recorded certain immaterial measurement period adjustments to the fair value of assumed net tangible liabilities, decreasing goodwill by $631 and the purchase price by $1,443, resulting in a final purchase price of $67,014, and paid the remaining holdback amount of $8,191 to the sellers.

NOTE 4—SHARE-BASED COMPENSATION:

The Company recognizes share-based compensation expense for all share-based awards made to employees and directors, including employee stock options, restricted stock awards, restricted stock units, performance-based restricted stock units and employee stock purchases, based on estimated fair values.

The following table summarizes the number of share-based awards granted under the Company’s 2013 Stock Incentive Plan, as amended, during the three and nine months ended August 31, 2018 and 2017, and the grant-date fair value of those awards:

	Three Months Ended				Nine Months Ended			
	August 31, 2018		August 31, 2017		August 31, 2018		August 31, 2017	
	Shares awarded	Fair value of grants	Shares awarded	Fair value of grants	Shares awarded	Fair value of grants	Shares awarded	Fair value of grants

Stock options	—	$—	—	$ —	38	$1,050	—	$—
Restricted stock awards	27	2,713	2	250	49	4,819	25	2,803
Restricted stock units	6	572	—	—	28	3,126	33	3,768
	33	$3,285	2	$ 250	115	$8,995	58	$6,571

SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and nine months ended August 31, 2018 and 2017
(currency and share amounts in thousands, except per share amounts)
(unaudited)

The Company recorded share-based compensation expense in the Consolidated Statements of Operations for the three and nine months ended August 31, 2018 and 2017 as follows:

	Three Months Ended		Nine Months Ended	
	August 31, 2018	August 31, 2017	August 31, 2018	August 31, 2017
Total share-based compensation	$5,810	$ 4,125	$16,590	$ 12,501
Tax effect on share-based compensation	(1,615)	(1,411)	(4,727)	(4,388)
Effect on net income	$4,195	$ 2,714	$11,863	$ 8,113

Substantially all of the share-based compensation expense was recorded in “Selling, general and administrative expenses” in the Consolidated Statements of Operations.

NOTE 5—BALANCE SHEET COMPONENTS:
Cash, cash equivalents and restricted cash
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Balance Sheets that sum to the total of the same amounts shown in the Consolidated Statements of Cash Flows:

	As of	
	August 31, 2018	November 30, 2017
Cash and cash equivalents	$203,988	$ 550,688
Restricted cash	6,850	5,837
Restricted cash included in other assets	224	217
Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows	$211,062	$ 556,742

Restricted cash balances relate primarily to temporary restrictions caused by the timing of lockbox collections under borrowing arrangements, the issuance of bank guarantees and a government grant.

	As of	
	August 31, 2018	November 30, 2017
Accounts receivable, net:		
Accounts receivable	$3,022,870	$ 2,918,703
Less: Allowance for doubtful accounts	(18,620)	(19,193)
Less: Allowance for sales returns	(53,239)	(53,139)
	$2,951,011	$ 2,846,371

Table of Contents
SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and nine months ended August 31, 2018 and 2017
(currency and share amounts in thousands, except per share amounts)
(unaudited)

	As of August 31, 2018	November 30, 2017
Property and equipment, net:		
Land	$25,712	$ 25,922
Equipment, computers and software	330,252	306,665
Furniture and fixtures	66,340	60,892
Buildings, building improvements and leasehold improvements	276,578	270,649
Construction-in-progress	9,072	12,049
Total property and equipment, gross	707,954	676,177
Less: Accumulated depreciation	(364,406)	(329,588)
	$343,548	$ 346,589

Depreciation expense was $22,511 and $67,031 for the three and nine months ended August 31, 2018 and $20,185 and $59,058 for the three and nine months ended August 31, 2017.
Goodwill:

	Technology Solutions	Concentrix	Total
Balance as of November 30, 2017	$437,225	$435,416	$872,641
Additions/adjustments from acquisitions (See Note 3)	(961)	(631)	(1,592)
Foreign exchange translation	(5,060)	(12,075)	(17,135)
Balance as of August 31, 2018	$431,204	$422,710	$853,914

	As of August 31, 2018			As of November 30, 2017		
	Gross Amounts	Accumulated Amortization	Net Amounts	Gross Amounts	Accumulated Amortization	Net Amounts
Intangible assets:						
Customer relationships and lists	$629,514	$ (294,243)	$335,271	$619,431	$ (236,282)	$383,149
Vendor lists	179,315	(49,884)	129,431	180,041	(39,016)	141,025
Technology	12,777	(6,481)	6,296	38,041	(6,519)	31,522
Other intangible assets	35,621	(9,606)	26,015	33,745	(6,390)	27,355
	$857,227	$ (360,214)	$497,013	$871,258	$ (288,207)	$583,051

Amortization expense was $26,197 and $79,183 for the three and nine months ended August 31, 2018 and $16,688 and $49,244 for the three and nine months ended August 31, 2017.
Estimated future amortization expense of the Company's intangible assets is as follows:

Fiscal Years Ending November 30,	
2018 (remaining three months)	$27,057
2019	88,558
2020	80,867
2021	73,680
2022	63,509
thereafter	163,342
Total	$497,013

12

Table of Contents
SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and nine months ended August 31, 2018 and 2017
(currency and share amounts in thousands, except per share amounts)
(unaudited)

Accumulated other comprehensive income (loss):
The components of accumulated other comprehensive income (loss), net of taxes, are as follows:

	Unrealized gains on available-for-sale securities, net of taxes	Unrecognized defined benefit plan costs, net of taxes	Unrealized gains on cash flow hedges, net of taxes	Foreign currency translation adjustment, net of taxes	Total
Balance as of November 30, 2017	$ 2,119	$ (2,313)	$ 386	$ (62,111)	$ (61,919)
Other comprehensive gain (loss) before reclassification	(506)	(224)	6,186	(68,534)	(63,078)
Reclassification of gains from Other comprehensive income (loss)	—	—	(1,724)	—	(1,724)
Balance as of August 31, 2018	$ 1,613	$ (2,537)	$ 4,848	$ (130,645)	$ (126,721)

Reclassification of gains and losses on cash flow hedges into earnings are recorded in "Interest expense and finance charges, net" in the Company's "Consolidated Statements of Operations."

NOTE 6—INVESTMENTS:
The carrying amount of the Company’s investments is shown in the table below:

	As of August 31, 2018				November 30, 2017		
	Adjusted Cost Basis	Unrealized Gains	Unrealized Losses	Carrying Value	Adjusted Cost Basis	Unrealized Gains (Losses)	Carrying Value
Short-term investments:							
Trading securities	$158	$ 3,163	—	$ 3,321	$—	$ —	$ —
Held-to-maturity investments	—	—	—	—	5,475	—	5,475
Long-term investments in "Other assets:"							
Available-for-sale securities	$2,112	$ 1,949	$ 22	$ 4,039	$972	$ 2,404	$ 3,376
Held-to-maturity investments	4,898	—	—	4,898	5,189	(225)	5,189
Cost-method investments	33,608	—	—	33,608	33,817	—	33,817

Short-term trading securities consist of the Company's equity interest in a company obtained through a stock swap arrangement, whereby the Company's investment in the equity security of a private entity, classified as a long-term cost-method investment, was acquired by the investee's parent for equivalent shares of the parent company, for which the fair value is readily determinable. Short-term held-to-maturity investments consist primarily of term deposits with maturities from the date of purchase greater than three months and less than one year. These term deposits are held until the maturity date and are not traded. Long-term available-for-sale securities consist of investments in other companies’ equity securities and foreign government bonds purchased pursuant to local regulations, maturing in fiscal year 2023. Long-term held-to-maturity investments consist primarily of term deposits with maturities not exceeding one year. These term deposits are renewed due to certain restrictions under the terms of an acquisition arrangement. Long-term cost-method investments consist of investments in equity securities of private entities.

Trading and available-for-sale securities are recorded at fair value in each reporting period and therefore the carrying value of these securities equals their fair value (See Note 8). Available-for-sale securities in a continuous unrealized loss position for longer than 12 months are not material. For cost-method investments, the Company records an impairment charge when the decline in fair value is determined to be other-than-temporary. The fair value of cost-method investments is based on

13

Table of Contents
SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and nine months ended August 31, 2018 and 2017
(currency and share amounts in thousands, except per share amounts)
(unaudited)

an internal valuation of the investees.
The following table summarizes the total gains recorded in "Other income (expense), net" in the Consolidated Statements of Operations for changes in the fair value of the Company's trading investment:

	Three Months Ended		Nine Months Ended	
	August 31, 2018	August 31, 2017	August 31, 2018	August 31, 2017
Gains on trading securities	$ 339	$ —	$ 3,163	$ —

Cash flows from purchases and maturities of available-for-sale and held-to-maturity securities are classified as cash flows from investing activities and reported gross on a combined basis as these principally represent cash flows from held-to-maturity securities.

NOTE 7—DERIVATIVE INSTRUMENTS:
In the ordinary course of business, the Company is exposed to foreign currency risk, interest rate risk, equity risk, commodity price changes and credit risk. The Company's transactions in most of its foreign operations are primarily denominated in local currency. The Company enters into transactions, and owns monetary assets and liabilities, that are denominated in currencies other than the legal entity's functional currency. The Company may enter into forward contracts, option contracts, swaps, or other derivative instruments to offset a portion of the risk on expected future cash flows, on net investments in certain foreign subsidiaries and on certain existing assets and liabilities. However, the Company may choose not to hedge certain exposures for a variety of reasons including, but not limited to, accounting considerations and the prohibitive economic cost of hedging particular exposures. There can be no assurance the hedges will offset more than a portion of the financial impact resulting from movements in foreign currency exchange or interest rates.
All derivatives are recognized on the balance sheet at their fair value. Changes in the fair value of a derivative are recorded in the Consolidated Statements of Operations as "Other income (expense), net" or as a component of "Accumulated other comprehensive income (loss)" in the Consolidated Balance Sheets, as discussed below.
As part of its risk management strategy, the Company uses short-term forward contracts to offset the foreign exchange risk on assets and liabilities denominated in currencies other than the functional currency of the respective entities. These forward-exchange contracts are not designated as hedging instruments. The forward exchange contracts are recorded at fair value in each reporting period and any gains or losses, resulting from the changes in fair value, are recorded in earnings in the period of change.
The Company also uses interest rate swaps to economically convert a portion of its variable-rate debt to fixed-rate debt. The swaps have maturities up to September 2022. These swaps may be designated as cash flow hedges of the variability in interest payments due to changes in the contractually specified interest rates of the Company's debt. Gains and losses on cash flow hedges are recorded in "Accumulated other comprehensive income (loss)" until the hedged item is recognized in earnings. Deferred gains and losses associated with cash flow hedges of interest expense are recognized in "Interest expense and finance charges, net" in the same period as the related expense is recognized. Derivative instruments designated as cash flow hedges must be de-designated as hedges when it is probable the forecasted hedged transaction will not occur in the initially identified time period or within a subsequent two-month time period. Deferred gains and losses in "Accumulated other comprehensive income (loss)" associated with such derivative instruments are reclassified immediately into "Interest expense and finance charges, net." Any subsequent changes in fair value of such derivative instruments are reflected in "Interest expense and finance charges, net" unless they are re-designated as hedges of other transactions.

Generally, the Company does not use derivative instruments to cover equity risk and credit risk. The Company's policy is not to allow the use of derivatives for trading or speculative purposes. The fair values of the Company's derivative instruments are also disclosed in Note 8.

SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and nine months ended August 31, 2018 and 2017
(currency and share amounts in thousands, except per share amounts)
(unaudited)

The following table summarizes the fair value of the Company's derivative instruments as of August 31, 2018 and November 30, 2017:

Balance Sheet Line Item	Fair Value as of August 31, 2018	November 30, 2017
Derivative instruments not designated as hedging instruments		
Foreign exchange forward contracts		
Other current assets	$6,877	$ 1,483
Other accrued liabilities	$1,317	$ 1,194
Other long-term liabilities	$—	$ 1,372
Interest rate swap		
Other assets (notional value: $100,000)	$3,704	$ —
Derivative instruments designated as cash flow hedges		
Interest rate swaps		
Other current assets	$935	$ —
Other assets	$4,749	$ 3,484
Other accrued liabilities	$—	$ 389
Other long-term liabilities	$—	$ 1,996

The notional amounts of the foreign exchange forward contracts that were outstanding as of August 31, 2018 and November 30, 2017 were $427,988 and $248,069, respectively. The notional amounts represent the gross amounts of foreign currency, including the Brazilian Real, Indian Rupee, Chilean Peso, Canadian Dollar, Philippines Peso, British Pound, Euro, Colombian Peso, Chinese Yuan, and Mexican Peso, that will be bought or sold at maturity. The contracts mature in six months or less. In relation to its forward contracts not designated as hedging instruments, the Company recorded net losses of $8,469 and $2,794, respectively, during the three and nine months ended August 31, 2018 and net losses of $1,581 and $3,780, respectively, during the three and nine months ended August 31, 2017, in "Other income (expense), net."

As of August 31, 2018 and November 30, 2017, the Company had interest rate swaps designated as cash flow hedges, with aggregate notional amounts of $500,000 and $600,000, respectively. The swaps have maturities up to September 2022. During the three and nine months ended August 31, 2018, the Company recorded gains before taxes of $1,067 and $8,524, respectively, in "Other comprehensive income (loss)" related to changes in the fair value of its derivative instruments designated as cash flow hedging instruments. During the three and nine months ended August 31, 2017, the Company recorded losses before taxes of $577 and gains before taxes of $331, respectively, in "Other comprehensive income (loss)" related to changes in the fair value of its derivative instruments designated as cash flow hedging instruments. During the nine months ended August 31, 2018, the Company de-designated a swap with a notional value of $100,000 and reclassified deferred gains before taxes of $2,634 into "Interest expense and finance charges, net." Existing gains in "Accumulated other comprehensive income (loss)" that are expected to be reclassified into earnings in the normal course of business within the next twelve months are not material.

The net effect on earnings of the interest rate swaps are presented in "Interest expense and finance charges, net." The net earnings effect before taxes is shown in the following table at settlement values:

	Three Months Ended	Nine Months Ended

	August 31, 2018	August 31, 2017	August 31, 2018	August 31, 2017
Gains (losses) reclassified from "Accumulated other comprehensive income (loss)" into income	(22)	(562)	2,433	(1,143)
Total "Interest expense and finance charges, net"	(20,058)	(9,754)	(53,884)	(26,898)

In the Consolidated Balance Sheets, the Company does not offset derivative assets against liabilities in master netting arrangements. If derivative exposures covered by a qualifying master netting agreement had been netted in the Consolidated

Table of Contents
SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and nine months ended August 31, 2018 and 2017
(currency and share amounts in thousands, except per share amounts)
(unaudited)

Statement of Financial Position, the total derivative asset and liability positions would have been reduced by $1,358 each as of August 31, 2018 and $1,352 each as of November 30, 2017.
Credit exposure for derivative financial instruments is limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed our obligations to the counterparties. We manage the potential risk of credit losses through careful evaluation of counterparty credit standing and selection of counterparties from a limited group of financial institutions.

NOTE 8—FAIR VALUE MEASUREMENTS:
The Company's fair value measurements are classified and disclosed in one of the following three categories:
Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability;
Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).
The following table summarizes the valuation of the Company's investments and financial instruments that are measured at fair value on a recurring basis:

	As of August 31, 2018				As of November 30, 2017			
	Total	Fair value measurement category			Total	Fair value measurement category		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets:								
Cash equivalents	$77,445	$77,445	$—	$ —	$157,935	$157,935	$—	$ —
Trading securities	3,321	3,321	—	—	—	—	—	—
Available-for-sale securities	4,039	4,039	—	—	3,376	3,376	—	—
Forward foreign currency exchange contracts	6,877	—	6,877	—	1,483	—	1,483	—
Interest rate swaps	9,388	—	9,388	—	3,484	—	3,484	—
Liabilities:								
Forward foreign currency exchange contracts	$1,317	$—	$1,317	$ —	$2,566	$—	$2,566	$ —
Interest rate swaps	—	—	—	—	2,385	—	2,385	—
Contingent consideration payable	33,098	—	—	33,098	33,098	—	—	33,098

The Company's cash equivalents consist primarily of highly liquid investments in money market funds and term deposits with maturity periods of three months or less. The carrying values of cash equivalents approximate fair value since they are near their maturity. Investments in trading and available-for-sale securities consist of equity securities and are recorded at fair value based on quoted market prices. The fair values of forward exchange contracts are measured based on the foreign currency spot and forward rates quoted by the banks or foreign currency dealers. Fair values of long-term foreign currency exchange contract and interest rate swaps are measured using standard valuation models using inputs that are readily available in public markets, or can be derived from observable market transactions, including the London Interbank Offered Rate ("LIBOR") spot and forward rates. The effect of nonperformance risk on the fair value of derivative instruments was not material as of August 31, 2018 and November 30, 2017.

Contingent consideration payable represents acquisition-related future potential earn-out payments. The fair value of the contingent consideration liability was based on a probabilistic analysis using an option pricing model as implemented via a Monte Carlo simulation. The model considered an expected case forecast for the remainder of the earn-out period, estimated

16

Table of Contents
SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and nine months ended August 31, 2018 and 2017
(currency and share amounts in thousands, except per share amounts)
(unaudited)

volatility around the forecast, a measure of systematic risk as captured by a market price of risk adjustment, and a discount rate including non-performance risk. There was no change in fair value during the nine months ended August 31, 2018.

The carrying values of held-to-maturity securities with maturities less than one year, accounts receivable, accounts payable and short-term debt approximate fair value due to their short maturities and interest rates which are variable in nature. The carrying value of the Company's term loans approximate their fair value since they bear interest rates that are similar to existing market rates.

During the nine months ended August 31, 2018, there were no transfers between the fair value measurement category levels.

NOTE 9—ACCOUNTS RECEIVABLE ARRANGEMENTS:

The Company has an uncommitted supply-chain financing program with a global financial institution under which trade accounts receivable of certain customers and their affiliates may be acquired, without recourse, by the financial institution. Available capacity under this program is dependent on the level of our trade accounts receivable with these customers and the financial institution's willingness to purchase such receivables. As of August 31, 2018 and November 30, 2017, accounts receivable sold to and held by the financial institution under this program were $32,497 and $49,826, respectively. Discount fees related to the sale of trade accounts receivable under this facility are included in "Interest expense and finance charges, net" in the Consolidated Statements of Operations. During the three and nine months ended August 31, 2018 and 2017, discount fees were not material to the Company's results of operations.

SYNNEX Infotec, the Company's Japanese Technology Solutions subsidiary, has arrangements with financial institutions for the sale and financing of approved accounts receivable and notes receivable. The amounts outstanding under these arrangements that were sold, but not collected, as of August 31, 2018 and November 30, 2017 were $2,641 and $2,306, respectively.

The Company also has other financing agreements in North America with financial institutions ("Flooring Companies") to allow certain customers of the Company to finance their purchases directly with the Flooring Companies. Under these agreements, the Flooring Companies pay to the Company the selling price of products sold to customers, less a discount, within approximately 15 to 30 days from the date of sale. The Company is contingently liable to repurchase inventory sold under flooring agreements in the event of any default by its customers under the agreement and such inventory being repossessed by the Flooring Companies. Please see Note 17 for further information.

The following table summarizes the net sales financed through flooring agreements and the flooring fees incurred:

	Three Months Ended		Nine Months Ended	
	August 31, 2018	August 31, 2017	August 31, 2018	August 31, 2017
Net sales financed	$385,277	$313,058	$1,105,481	$869,478
Flooring fees[1]	3,376	2,126	7,581	5,887

(1) Flooring fees are included within "Interest expense and finance charges, net."

As of August 31, 2018 and November 30, 2017, accounts receivable subject to flooring agreements were $84,946 and $65,684, respectively.

Table of Contents
SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and nine months ended August 31, 2018 and 2017
(currency and share amounts in thousands, except per share amounts)
(unaudited)

NOTE 10—BORROWINGS:
Borrowings consist of the following:

	As of August 31, 2018	November 30, 2017
SYNNEX United States accounts receivable securitization arrangement	$527,700	$288,400
SYNNEX Canada accounts receivable securitization arrangement	25,307	19,389
Westcon-Comstor North America revolving line of credit facility	—	220,241
Westcon-Comstor Latin America revolving lines of credit facilities	—	78,407
SYNNEX Japan credit facility - revolving line of credit component	32,424	52,426
Concentrix India revolving lines of credit facilities	—	12,000
SYNNEX United States credit agreement - revolving line of credit component	24,700	—
SYNNEX United States credit agreement - current portion of term loan component	60,000	60,000
SYNNEX Japan credit facility - term loan component	54,039	53,314
Other borrowings	8,103	21,294
Borrowings, current	$732,272	$805,471
SYNNEX United States credit agreement - term loan component	$1,095,000	$1,140,000
Other term debt	565	569
Long-term borrowings, before unamortized debt discount and issuance costs	1,095,565	1,140,569
Less: unamortized debt discount and issuance costs	(4,911)	(4,480)
Long-term borrowings	$1,090,654	$1,136,089

SYNNEX United States accounts receivable securitization arrangement
In the United States, the Company has an accounts receivable securitization program to provide additional capital for its operations (the “U.S. AR Arrangement”). Prior to the amendment described in this paragraph, under the terms of the U.S. AR Arrangement, the Company’s subsidiary that is the borrower under this facility could borrow up to a maximum of $600,000 based upon eligible trade accounts receivable denominated in United States dollars. In addition, the U.S. AR Arrangement included an accordion feature to allow requests for an increase in the lenders' commitment by an additional $120,000. In May 2018, the U.S. AR Arrangement was amended to increase the maximum borrowing amount to $850,000 and the accordion feature was increased to $150,000. The amendment also extended the expiration date of the U.S. AR Arrangement from November 2019 to May 2020. The effective borrowing cost under the U.S. AR Arrangement is a blended rate based upon the composition of the lenders that includes prevailing dealer commercial paper rates and a rate based upon LIBOR, provided that LIBOR shall not be less than zero. In addition, a program fee of 0.75% per annum based on the used portion of the commitment, and a facility fee of 0.35% per annum is payable on the adjusted commitment of the lenders.
Under the terms of the U.S. AR Arrangement, the Company and two of its U.S. subsidiaries sell, on a revolving basis, their receivables (other than certain specifically excluded receivables) to a wholly-owned, bankruptcy-remote subsidiary. The borrowings are funded by pledging all of the rights, title and interest in and to the receivables acquired by the Company's bankruptcy-remote subsidiary as security. Any amounts received under the U.S. AR Arrangement are recorded as debt on the Company's Consolidated Balance Sheets.
SYNNEX Canada accounts receivable securitization arrangement
In May 2017, SYNNEX Canada Limited (“SYNNEX Canada”) entered into an accounts receivable securitization program with a bank to borrow up to CAD65,000, or $49,847, in exchange for the transfer of eligible trade accounts receivable, on an ongoing revolving basis through May 10, 2020. The program included an accordion feature to allow

a request to increase the bank's commitment by an additional CAD25,000, or $19,172. In May 2018, the agreement was amended to increase the bank's purchase commitment to CAD100,000, or $76,687. The accordion feature was amended to allow requests to increase the bank's commitment by up to an additional CAD50,000, or $38,344. Any amounts received under this arrangement are recorded as debt on the Company's Consolidated Balance Sheets. The effective borrowing cost is based on the weighted average of the

Table of Contents
SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and nine months ended August 31, 2018 and 2017
(currency and share amounts in thousands, except per share amounts)
(unaudited)

Canadian Dollar Offered Rate plus a margin of 2.00% per annum and the prevailing lender commercial paper rates. In addition, SYNNEX Canada is obligated to pay a program fee of 0.75% per annum based on the used portion of the commitment. It will pay a fee of 0.40% per annum for any unused portion of the commitment up to CAD60,000, or $46,012, and when the unused portion exceeds CAD60,000, or $46,012, a fee of 0.40% on the first CAD25,000, or $19,172, of the unused portion and a fee of 0.55% per annum of the remaining unused commitment.

Westcon-Comstor North America revolving line of credit facility

In connection with the acquisition of Westcon-Comstor Americas effective September 1, 2017, the Company assumed a syndicated bank credit facility of some of the North American subsidiaries the Company acquired, comprising a $350,000 commitment for a revolving credit facility, maturing in January 2021. In May 2018, as a result of its integration activities, the Company terminated this facility. Interest on the Westcon-Comstor North America facility was based on LIBOR, plus a margin which could range from 1.25% to 1.75%, or an index rate, plus a margin which could range from 0.25% to 0.75%, at the borrowers option, and a commitment fee of 0.20%.

Westcon-Comstor Latin America revolving lines of credit facilities

In connection with the acquisition of Westcon-Comstor Americas effective September 1, 2017, the Company also assumed credit facilities of some of the Central and South American subsidiaries the Company acquired (the "Westcon-Comstor LATAM facilities"). The Westcon-Comstor LATAM facilities maintained with financial institutions in the respective countries are denominated in local currency of such countries or United States Dollars and aggregate to $70,663 in revolving commitments, after termination of certain facilities by the Company during fiscal year 2018. One of the Westcon-Comstor LATAM facilities comprising $40,000 in revolving commitments matures in February 2020. The remaining Westcon-Comstor LATAM facilities aggregating $30,663 in revolving commitments mature in one year or less. The Company guarantees the obligations under these credit facilities. The terms of borrowing under these lines of credit vary from country to country, depending on local market conditions, and the interest rates range from 4.90% to 12.74%.

SYNNEX Japan credit facility

SYNNEX Infotec has a credit agreement with a group of financial institutions for a maximum commitment of ¥14,000,000, or $126,092. The credit facility is comprised of a ¥6,000,000, or $54,039, term loan and a ¥8,000,000, or $72,053, short-term revolving credit facility. The interest rate for the term loan and revolving credit facility is based on the Tokyo Interbank Offered Rate, plus a margin of 0.70% per annum. The unused line fee on the revolving credit facility is 0.10% per annum. This credit facility expires in November 2018. The term loan can be repaid at any time prior to the expiration date without penalty. The Company has guaranteed the obligations of SYNNEX Infotec under this facility.

Concentrix India revolving lines of credit facilities

The Company's Indian subsidiaries have credit facilities with a financial institution to borrow up to an aggregate amount of $22,000. The interest rate under these facilities is the higher of the bank's minimum lending rate or LIBOR, plus a margin of 0.9% per annum. The Company guarantees the obligations under these credit facilities. These credit facilities can be terminated at any time by the Company’s Indian subsidiaries or the financial institution.

SYNNEX United States credit agreement

In the United States, the Company has a senior secured credit agreement (the "U.S. Credit Agreement") with a group of financial institutions. The U.S. Credit Agreement, as amended from time to time, includes a $600,000 commitment for a revolving credit facility and a term loan in the original principal amount of $1,200,000. The Company may request incremental commitments to increase the principal amount of the revolving line of credit or term loan by $500,000, plus an additional amount which is dependent upon the Company's pro forma first lien leverage ratio, as calculated under the U.S. Credit Agreement. The U.S. Credit Agreement matures in September 2022. The outstanding principal amount of the term loan is repayable in quarterly installments of $15,000, with the unpaid balance due in full on the September 2022 maturity date. Interest on borrowings under the U.S. Credit Agreement can be based on LIBOR or a base rate at the Company's option, plus a margin. The margin for LIBOR loans ranges from 1.25% to 2.00% and the margin for base rate loans ranges from 0.25% to 1.00%, provided that LIBOR shall not be less than zero. The base rate is a variable rate which is the highest of (a) the Federal Funds Rate, plus a margin of 0.5%, (b) the rate of interest announced, from time to time, by the agent, Bank of America, N.A, as its "prime rate," and (c) the Eurodollar Rate, plus 1.0%. The unused revolving credit facility commitment fee ranges from

Table of Contents
SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and nine months ended August 31, 2018 and 2017
(currency and share amounts in thousands, except per share amounts)
(unaudited)

0.175% to 0.30% per annum. The margins above the applicable interest rates and the revolving commitment fee for revolving loans are based on the Company's consolidated leverage ratio, as calculated under the U.S. Credit Agreement. The Company's obligations under the U.S. Credit Agreement are secured by substantially all of the parent company's and its United States domestic subsidiaries' assets on a pari passu basis with the interests of the lenders under the U.S. Term Loan Credit Agreement (defined below) pursuant to an intercreditor agreement and are guaranteed by certain of our United States domestic subsidiaries.

SYNNEX United States term loan credit agreement

In order to fund the Convergys acquisition (See Note 18), the related refinancing or settlement of Convergys' debt and payment of related fees and expenses, the Company entered into a secured term loan credit agreement on August 9, 2018 (the "U.S. Term Loan Credit Agreement") with a group of financial institutions, which provides for the extension of one or more term loans in an aggregate principal amount not to exceed $1,800,000. The U.S. Term Loan Credit Agreement matures in October 2023. In connection with the closing of the Convergys acquisition on October 5, 2018, an initial term loan in the amount of $1,450,000 was drawn. Subject to customary conditions, the Company may borrow up to five additional term loans over the 90 day period following the closing of the Convergys acquisition in an amount not to exceed $350,000. The proceeds of any loan made after the initial funding date must be used initially to repurchase or settle Convergys' outstanding convertible debentures tendered in connection with the acquisition-related mergers until all such convertible debentures have been repurchased or settled, with the remaining balance available for working capital and other corporate purposes. The outstanding principal amount of the term loans is payable in quarterly installments in an amount equal to 1.25% commencing on the last day of the second full fiscal quarter after the initial funding date, with the unpaid balance due in full on the maturity date. Interest on borrowings under the U.S. Term Loan Credit Agreement can be based on LIBOR or a base rate at the Company's option, plus a margin. The margin for LIBOR loans ranges from 1.25% to 1.75% and the margin for base rate loan ranges from 0.25% to 0.75%, provided that LIBOR shall not be less than zero. The base rate is a variable rate which is the highest of (a) 0.5% plus the greater of (x) the Federal Funds Rate in effect on such day and (y) the overnight bank funding rate in effect on such day, (b) the Eurodollar Rate plus 1.0% per annum, and (c) the rate of interest last quoted by The Wall Street Journal as the "Prime Rate" in the U.S. The term loan commitment fee ranges from 0.15% to 0.25% per annum. The margins above our applicable interest rates and the term loan commitment fee are based on the Company's consolidated leverage ratio as calculated under the U.S. Term Loan Credit Agreement. The Company's obligations under the U.S. Term Loan Credit Agreement are secured by substantially all of the Company and certain of its domestic subsidiaries' assets on a pari passu basis with the interests of the lenders under the existing U.S. Credit Agreement pursuant to an intercreditor agreement, and are guaranteed by certain of its domestic subsidiaries.

On June 28, 2018, the Company had entered into a debt commitment letter (the "Debt Commitment Letter"), with certain financial institutions, to provide a 364-day senior secured term loan facility in an aggregate principal amount of up to $3,570,000 to fund the Convergys acquisition, refinance the U.S. Credit Agreement should the lenders thereunder not have permitted the incurrence of debt in connection with the acquisition, and to pay the costs and expenses related to the acquisition. The Debt Commitment Letter was terminated in August 2018 upon entering into the U.S. Term Loan Credit Agreement and obtaining an amendment from the lenders under the U.S. Credit Agreement to permit the U.S. Term Loan Credit Agreement.

SYNNEX Canada revolving line of credit

In May 2017, SYNNEX Canada entered into an uncommitted revolving line of credit with a bank under which it can borrow up to CAD35,000, or $26,840. Borrowings under the facility are secured by eligible inventory and bear interest at a base rate plus a margin ranging from 0.50% to 2.25% depending on the base rate used. The base rate could be a Banker's Acceptance Rate, a Canadian Prime Rate, LIBOR or U.S. Base Rate. As of both August 31, 2018, and November 30, 2017, there were no borrowings outstanding under this credit facility.

Other borrowings and other term debt

Other borrowings include lines of credit with financial institutions at certain locations outside the United States, factoring of accounts receivable with recourse provisions, capital leases, building mortgages and book overdrafts. As of August 31, 2018, commitments for revolving credit aggregated $30,549. Interest rates and other terms of borrowing under these lines of credit vary from country to country, depending on local market conditions. Borrowings under these facilities are guaranteed by the Company or secured by eligible inventory or accounts receivable.

The maximum commitment amounts for local currency credit facilities have been translated into United States Dollars at August 31, 2018 exchange rates.

20

(currency and share amounts in thousands, except per share amounts)

Future principal payments

As of August 31, 2018, future principal payments under the above loans are as follows:

Fiscal Years Ending November 30,	
2018 (remaining three months)	$687,272
2019	60,231
2020	60,224
2021	60,110
2022	960,000
	$1,827,837

As noted above, as a result of the consummation of the Convergys acquisition, future principal payments will increase as a result of the incurrence of debt under the U.S. Term Loan Credit Agreement.

Interest expense and finance charges

The total interest expense and finance charges for the Company's borrowings were $21,338 and $48,978, respectively, for the three and nine months ended August 31, 2018, and $10,224 and $28,186, respectively, for the three and nine months ended August 31, 2017. The variable interest rates ranged between 0.58% and 11.38% during the three months ended August 31, 2018, and between 0.58% and 12.74% during the nine months ended August 31, 2018. The variable interest rates ranged between 0.71% and 4.50% during the three months ended August 31, 2017, and 0.58% and 4.50% during the nine months ended August 31, 2017.

Subsequent to August 31, 2018, the Company entered into interest rate swaps with an aggregate notional amount of $1,400,000 to economically convert a portion of its variable-rate debt to fixed-rate debt.

Covenant compliance

The Company's credit facilities have a number of covenants and restrictions that, among other things, require the Company to maintain specified financial ratios and satisfy certain financial condition tests. The covenants also limit the Company’s ability to incur additional debt, make or forgive intercompany loans, pay dividends and make other types of distributions, make certain acquisitions, repurchase the Company’s stock, create liens, cancel debt owed to the Company, enter into agreements with affiliates, modify the nature of the Company’s business, enter into sale-leaseback transactions, make certain investments, enter into new real estate leases, transfer and sell assets, cancel or terminate any material contracts and merge or consolidate. As of August 31, 2018, the Company was in compliance with all material covenants for the above arrangements.

Table of Contents
SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and nine months ended August 31, 2018 and 2017
(currency and share amounts in thousands, except per share amounts)
(unaudited)

NOTE 11—EARNINGS PER COMMON SHARE:
The following table sets forth the computation of basic and diluted earnings per common share for the periods indicated.

	Three Months Ended		Nine Months Ended	
	August 31, 2018	August 31, 2017	August 31, 2018	August 31, 2017
Basic earnings per common share:				
Net income	$69,291	$75,163	$187,417	$210,100
Less: net income allocated to participating securities[1]	(668)	(689)	(1,750)	(1,951)
Net income attributable to common stockholders	$68,623	$74,474	$185,668	$208,149
Weighted-average number of common shares - basic	39,254	39,563	39,483	39,530
Basic earnings per common share	$1.75	$1.88	$4.70	$5.27
Diluted earnings per common share:				
Net income	$69,291	$75,163	$187,417	$210,100
Less: net income allocated to participating securities[1]	(665)	(686)	(1,741)	(1,943)
Net income attributable to common stockholders	$68,626	$74,477	$185,676	$208,157
Weighted-average number of common shares - basic	39,254	39,563	39,483	39,530
Effect of dilutive securities:				
Stock options and restricted stock units	221	185	247	192
Weighted-average number of common shares - diluted	39,475	39,748	39,730	39,722
Diluted earnings per common share	$1.74	$1.87	$4.67	$5.24
Anti-dilutive shares excluded from diluted earnings per share calculation	89	9	61	12

(1) Restricted stock awards granted to employees by the Company are considered participating securities.

Table of Contents
SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and nine months ended August 31, 2018 and 2017
(currency and share amounts in thousands, except per share amounts)
(unaudited)

NOTE 12—SEGMENT INFORMATION:
Summarized financial information related to the Company’s reportable business segments for the three and nine months ended August 31, 2018 and 2017 and as of August 31, 2018 and November 31, 2017 is shown below:

	Technology Solutions	Concentrix	Inter-Segment Elimination	Consolidated
Three months ended August 31, 2018				
Revenue	$4,419,109	$491,882	$(4,382)	$4,906,610
External revenue	4,419,097	487,513		4,906,610
Operating income	104,828	12,068	—	116,896
Three months ended August 31, 2017				
Revenue	3,784,678	495,974	(3,966)	4,276,686
External revenue	3,784,599	492,087		4,276,686
Operating income	99,968	22,248	—	122,216
Nine months ended August 31, 2018				
Revenue	$12,954,337	$1,490,865	$(13,639)	$14,431,562
External revenue	12,954,255	1,477,308		14,431,562
Operating income	283,351	69,415	—	352,766
Nine months ended August 31, 2017				
Revenue	10,289,694	1,455,817	(11,688)	11,733,823
External revenue	10,289,463	1,444,360		11,733,823
Operating income	282,094	66,989	22	349,105
Total assets as of August 31, 2018	$6,678,960	$1,550,352	$(971,009)	$7,258,302
Total assets as of November 30, 2017	$7,124,884	$1,677,728	$(1,104,086)	$7,698,526

Inter-segment elimination represents services and other transactions, principally intercompany loans, between the Company's reportable segments that are eliminated on consolidation.
Geographic information
Shown below is summarized financial information related to the geographic areas in which the Company operates. The revenue attributable to countries is based on the geography of the entities from where the products are delivered or from where customer service contracts are managed.

	Three Months Ended		Nine Months Ended	
	August 31, 2018	August 31, 2017	August 31, 2018	August 31, 2017
Revenue:				
United States	$3,627,193	$3,188,407	$10,411,668	$8,563,766
Canada	428,789	410,916	1,312,986	1,187,843
Others	850,628	677,363	2,706,908	1,982,214
Total	$4,906,610	$4,276,686	$14,431,562	11,733,823

SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and nine months ended August 31, 2018 and 2017
(currency and share amounts in thousands, except per share amounts)
(unaudited)

	As of August 31, 2018	November 30, 2017
Property and equipment, net:		
United States	$141,805	$ 144,015
India	32,770	37,490
Others	168,973	165,084
Total	$343,548	$ 346,589

During the three and nine months ended August 31, 2018 and 2017, no other country represented more than 10% of total revenue. As of August 31, 2018 and November 30, 2017, no other country represented more than 10% of total net property and equipment.

NOTE 13—RELATED PARTY TRANSACTIONS:
The Company has a business relationship with MiTAC Holdings Corporation ("MiTAC Holdings"), a publicly-traded company in Taiwan, which began in 1992 when MiTAC Holdings became the Company's primary investor through its affiliates. As of August 31, 2018 and November 30, 2017, MiTAC Holdings and its affiliates beneficially owned approximately 22% and 24%, respectively, of the Company's outstanding common stock. Mr. Matthew Miau, the Company's Chairman Emeritus of the Board of Directors and a director, is the Chairman of MiTAC Holdings and a director or officer of MiTAC Holdings' affiliates.
Beneficial ownership of the Company's common stock by MiTAC Holdings
As noted above, MiTAC Holdings and its affiliates in the aggregate beneficially owned approximately 22% of the Company's outstanding common stock as of August 31, 2018. These shares are owned by the following entities:

	As of August 31, 2018
MiTAC Holdings(1)	4,998
Synnex Technology International Corp.(2)	3,860
Total	8,858

(1) Shares are held via Silver Star Developments Ltd., a wholly-owned subsidiary of MiTAC Holdings. Excludes 364 shares directly held by Mr. Matthew Miau and 216 shares indirectly held by Mr. Mathew Miau through a charitable remainder trust.
(2) Synnex Technology International Corp. ("Synnex Technology International") is a separate entity from the Company and is a publicly-traded corporation in Taiwan. Shares are held via Peer Development Ltd., a wholly-owned subsidiary of Synnex Technology International. MiTAC Holdings owns a noncontrolling interest of 8.7% in MiTAC Incorporated, a privately-held Taiwanese company, which in turn holds a noncontrolling interest of 14.3% in Synnex Technology International. Neither MiTAC Holdings nor Mr. Miau is affiliated with any person(s), entity, or entities that hold a majority interest in MiTAC Incorporated.

MiTAC Holdings generally has significant influence over the Company regarding matters submitted to stockholders for consideration, including any merger or acquisition of the Company. Among other things, this could have the effect of delaying, deterring or preventing a change of control over the Company.
The following table presents the Company's transactions with MiTAC Holdings and its affiliates for the periods indicated:

	Three Months Ended		Nine Months Ended	
	August 31, 2018	August 31, 2017	August 31, 2018	August 31, 2017
Purchases of inventories	$62,722	$ 66,298	$164,789	$ 183,390
Sale of products to MiTAC Holdings and affiliates	1,430	237	2,291	972
Reimbursements received for rent and overhead costs for use of facilities by MiTAC Holdings and affiliates	—	36	71	109

The Company's business relationship with MiTAC Holdings has been informal and is not governed by long-term commitments or arrangements with respect to pricing terms, revenue or capacity commitments. The Company negotiates pricing and other material terms on a case-by-case basis with MiTAC Holdings. The Company has adopted a policy requiring that material transactions with MiTAC Holdings or its related parties be approved by its Audit Committee, which is composed solely of independent directors. In addition, Mr. Matthew Miau's compensation is approved by the Nominating and Corporate Governance Committee, which is also composed solely of independent directors.

Synnex Technology International is a publicly-traded corporation in Taiwan that currently provides distribution and fulfillment services to various markets in Asia and Australia, and is also a potential competitor of the Company. Neither MiTAC Holdings nor Synnex Technology International is restricted from competing with the Company.

NOTE 14—PENSION AND EMPLOYEE BENEFITS PLANS:

The Company has defined benefit pension or retirement plans for eligible employees in certain foreign subsidiaries. Benefits under these plans are primarily based on years of service and compensation during the years immediately preceding retirement or termination of participation in the plans. In addition, the Company provides government-mandated postemployment defined benefit plans to eligible employees in certain foreign subsidiaries. During the three and nine months ended August 31, 2018, net pension costs were $1,473 and $4,268, respectively, and the Company's contributions were $766 and $2,881, respectively. During the three and nine months ended August 31, 2017, net pension costs were $1,456 and $5,000, respectively, and the Company's contributions were $1,321 and $2,599, respectively. As of August 31, 2018 and November 30, 2017, these plans were unfunded by $17,661 and $17,214, respectively.

The Company has 401(k) plans in the United States under which eligible employees may contribute up to the maximum amount as provided by law. Employees become eligible to participate in these plans on the first day of the month after their employment date. The Company may make discretionary contributions under the plans. Employees in most of the Company's foreign subsidiaries are covered by government-mandated defined contribution plans. During the three and nine months ended August 31, 2018, the Company contributed $10,574 and $29,939, respectively, to defined contribution plans. During the three and nine months ended August 31, 2017, the Company contributed $8,062 and $24,611, respectively, to defined contribution plans.

The Company has deferred compensation plans for certain directors and officers. Distributions under the plan are subject to Section 409A of the United States Tax Code. The Company may invest balances in the plan in trading securities reported on recognized exchanges. As of August 31, 2018 and November 30, 2017, the deferred compensation liability balance was $7,342 and $6,800, respectively.

NOTE 15—EQUITY:

Share repurchase program

In June 2017, the Board of Directors authorized a three-year $300,000 share repurchase program, effective July 1, 2017, pursuant to which the Company may repurchase its outstanding common stock from time to time in the open market or through privately negotiated transactions. During the three and nine months ended August 31, 2018, the Company repurchased shares aggregating 102 and 553, respectively, for a total cost of $10,000 and $55,985, respectively. The share purchases were made on the open market and the shares repurchased by the Company are held in treasury for general corporate purposes.

Dividends

On September 25, 2018, the Company announced a cash dividend of $0.35 per share payable on October 26, 2018 to stockholders of record as of October 12, 2018. Future dividends are subject to continued capital availability, compliance with the covenants and conditions in some of the Company's credit facilities and declaration by the Board of Directors.

Table of Contents
SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and nine months ended August 31, 2018 and 2017
(currency and share amounts in thousands, except per share amounts)
(unaudited)

Changes in equity
A reconciliation of the changes in equity for the nine months ended August 31, 2018 and 2017 is presented below:

	Nine Months Ended August 31, 2018			Nine Months Ended August 31, 2017		
	Attributable to SYNNEX Corporation	Attributable to Noncontrolling interest	Total Equity	Attributable to SYNNEX Corporation	Attributable to Noncontrolling interest	Total Equity
Beginning balance:	$2,283,695	$ —	$2,283,695	$1,975,776	$ 22	$1,975,798
Issuance of common stock on exercise of options	1,432	—	1,432	1,053	—	1,053