SYNNEX CORP
Form 10-Q
July 09, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 31, 2009

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)	**(I.R.S. 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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non accelerated filer, or a smaller reporting company. See the definitions of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.:

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

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

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

Class	Outstanding at July 1, 2009
Common Stock, $0.001 par value	**33,162,411**

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PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

SYNNEX CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands, except for par values)

(unaudited)

	May 31, 2009	November 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 74,988	$ 61,081
Short-term investments	12,088	10,345
Accounts receivable, net	699,567	807,206
Receivable from vendors, net	88,981	96,653
Receivable from affiliates	6,753	4,659
Inventories	651,475	696,008
Deferred income taxes	26,207	26,089
Current deferred assets	13,578	13,322
Other current assets	34,042	9,766
Total current assets	1,607,679	1,725,129
Property and equipment, net	85,583	84,602
Goodwill	135,943	113,438
Intangible assets, net	25,229	26,456
Deferred income taxes	6,735	6,036
Long-term deferred assets	31,204	50,907
Other assets	29,128	26,312
Total assets	$ 1,921,501	$ 2,032,880
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Borrowings under securitization, term loans and lines of credit	$ 179,305	$ 340,466
Accounts payable	528,143	571,329
Payable to affiliates	102,659	73,631
Accrued liabilities	121,053	113,593
Current deferred liabilities	29,981	30,809
Income taxes payable		4,713
Total current liabilities	961,141	1,134,541
Long-term borrowings	9,387	8,537
Long-term liabilities	29,567	26,591
Long-term deferred liabilities	22,856	33,567
Convertible debt	143,750	143,750
Deferred income taxes	2,279	1,380
Total liabilities	1,168,980	1,348,366

Minority interest		5,075		4,673
Commitments and contingencies (Note 15)				
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, 32,628 and 31,954 shares issued and outstanding		33		32
Additional paid-in capital		222,806		207,558
Accumulated other comprehensive income		23,015		9,367
Retained earnings		501,592		462,884
Total stockholders equity		747,446		679,841
Total liabilities and stockholders equity	$	1,921,501	$	2,032,880

The accompanying notes are an integral part of these consolidated financial statements (unaudited).

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SYNNEX CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except for per share amounts)

(unaudited)

	Three Months Ended May 31, 2009	Three Months Ended May 31, 2008	Six Months Ended May 31, 2009	Six Months Ended May 31, 2008
Revenue	$ 1,812,053	$ 1,878,072	$ 3,540,945	$ 3,626,646
Cost of revenue	(1,705,675)	(1,777,267)	(3,328,770)	(3,429,991)
Gross profit	106,378	100,805	212,175	196,655
Selling, general and administrative expenses	(74,680)	(69,133)	(145,777)	(132,203)
Income from operations before non-operating items, income taxes and minority interest	31,698	31,672	66,398	64,452
Interest expense and finance charges, net	(3,083)	(3,310)	(7,066)	(7,477)
Other income (expense), net	1,430	581	1,023	(1,465)
Income before income taxes and minority interest	30,045	28,943	60,355	55,510
Provision for income taxes	(10,576)	(10,275)	(21,245)	(19,826)
Minority interest	(241)	(158)	(402)	(346)
Net income	$ 19,228	$ 18,510	$ 38,708	$ 35,338
Net income per common share basic	$ 0.59	$ 0.59	$ 1.20	$ 1.12
Net income per common share diluted	$ 0.57	$ 0.56	$ 1.16	$ 1.07
Weighted-average common shares outstanding basic	32,475	31,543	32,296	31,461
Weighted-average common shares outstanding diluted	33,731	33,256	33,249	33,150

The accompanying notes are an integral part of these consolidated financial statements (unaudited).

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SYNNEX CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Six Months Ended	
	May 31, 2009	**May 31, 2008**
Cash flows from operating activities:		
Net income	$ 38,708	$ 35,338
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	5,934	5,294
Amortization of intangible assets	4,073	3,836
Share-based compensation	4,154	3,302
Provision for doubtful accounts	8,171	2,085
Tax benefits from employee stock plans	3,305	693
Excess tax benefit from share-based compensation	(2,718)	(542)
Realized and unrealized (gain) / loss on investments and fixed assets	(1,467)	397
Other-than-temporary impairment on securities	94	1,023
Minority interest	402	346
Changes in assets and liabilities, net of acquisition of businesses:		
Accounts receivable	113,551	87,839
Receivable from vendors	8,776	(23,984)
Receivable from affiliates	(2,093)	1,676
Inventories	58,663	(30,425)
Other assets	20,803	13,091
Payable to affiliates	29,027	(951)
Accounts payable	(56,548)	(64,458)
Accrued liabilities	(8,594)	240
Other liabilities	(11,310)	(5,259)
Net cash provided by operating activities	212,931	29,541
Cash flows from investing activities:		
Purchase of short-term investments	(4,517)	(5,035)
Proceeds from sale of short-term investments	4,201	6,607
Acquisition of businesses, net of cash acquired	(11,042)	(16,815)
Purchase of property and equipment	(4,843)	(9,237)
Increase in restricted cash	(20,141)	(2,988)
Purchase of intangible asset		(1,493)
Net cash used in investing activities	(36,342)	(28,961)
Cash flows from financing activities:		
Proceeds from revolving line of credit and securitization	1,214,517	885,094
Payment of revolving line of credit and securitization	(1,374,713)	(999,710)
Payment of bank loan	(10,006)	(13,313)
Proceeds from issuance of convertible debt (net of issuance costs of $3,575)		140,175
Excess tax benefit from share-based compensation	2,718	542
Bank overdraft	4,149	(9,341)
Proceeds from issuance of common stock	3,585	2,348

Net cash (used in) provided by financing activities		(159,750)		5,795
Effect of exchange rate changes on cash and cash equivalents		(2,932)		1,717
Net increase in cash and cash equivalents		13,907		8,092
Cash and cash equivalents at beginning of period		61,081		42,875
Cash and cash equivalents at end of period	$	74,988	$	50,967

The accompanying notes are an integral part of these consolidated financial statements (unaudited).

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SYNNEX CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months Ended		Six Months Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Net income	$ 19,228	$ 18,510	$ 38,708	$ 35,338
Other comprehensive income:				
Reclassification adjustment for other-than-temporary impairment loss on available-for-sale securities		(11)		619
Changes in unrealized losses on available-for-sale securities	(18)		(18)	
Foreign currency translation adjustment	18,692	2,767	13,666	5,075
Total comprehensive income	$ 37,902	$ 21,266	$ 52,356	$ 41,032

The accompanying notes are an integral part of these consolidated financial statements (unaudited).

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SYNNEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended May 31, 2009 and May 31, 2008

(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 offering a comprehensive range of services to original equipment manufacturers (OEMs), software publishers and reseller customers worldwide. SYNNEX s service offering includes product distribution, logistics services, global business services (GBS) and contract assembly. SYNNEX is headquartered in Fremont, California and has operations in the United States, Canada, China, Mexico, Japan, the Philippines and the United Kingdom (UK).

The accompanying interim unaudited consolidated financial statements as of May 31, 2009 and for the three and six month periods ended May 31, 2009 and 2008 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, 2008 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 as of and for the year ended November 30, 2008, included in the Company s Annual Report on Form 10-K for the fiscal year then ended.

The results of operations for the three and six months ended May 31, 2009 are not necessarily indicative of the results that may be expected for the year ending November 30, 2009, or any future period and the Company makes no representations related thereto.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

There have been no material changes in the Company s significant accounting policies for the three and six month periods ended May 31, 2009 from its disclosure in the Annual Report on Form 10-K for the year ended November 30, 2008, except as described below. For a discussion of the significant accounting policies, please see the discussion in the Annual Report on Form 10-K for the fiscal year ended November 30, 2008.

Restricted cash

As of May 31, 2009, the Company had restricted cash in the amount of $35,745 of which $17,454 is reported in Other assets for future payments to its vendors relating to the long-term projects at the Company s Mexico operation and the remaining amount reported in Other current assets relates to the lockbox collections under the Company s borrowing arrangements and letters of credit issued.

As of November 30, 2008, the Company had restricted cash in the amount of $15,604 which is reported in Other assets primarily for future payments to its vendors relating to the long-term projects at the Company s Mexico operation.

Concentration of credit risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of accounts receivable, cash and cash equivalents. The Company s cash and cash equivalents are maintained with high quality institutions, the compositions and maturities of which are regularly monitored by management. Through May 31, 2009, the Company had not experienced any losses on such deposits.

Accounts receivable include amounts due from customers 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 accounts receivable portfolio, the existence of a limited amount of credit insurance and specifically identified customer risks. Through May 31, 2009, such losses have been within management s expectations.

In the three and six months ended May 31, 2009 and 2008, no single customer exceeded 10% or more of the Company s total revenue. At May 31, 2009, no customer accounted for more than 10% of the consolidated accounts receivable balance. At November 30, 2008, one customer accounted for approximately 17% of the total consolidated accounts receivable balance. Products purchased from the Company s largest OEM supplier, Hewlett-Packard Company (HP) accounted for approximately 35% and 33% of the total revenue for the three months ended May 31, 2009 and 2008, and approximately 35% and 30% of the total revenue for the six months ended May 31, 2009 and 2008, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three and six months ended May 31, 2009 and May 31, 2008

(amounts in thousands, except per share amounts)

(unaudited)

Net income per common share

Net income per common share-basic is computed by dividing the net income for the period by the weighted-average number of shares of common stock outstanding during the period. Diluted weighted-average shares include the dilutive effect of stock options, restricted stock and restricted stock units. The calculation of net income per common share is presented in Note 10-Net Income Per Common Share.

Statement of Financial Accounting Standards (SFAS) No. 128, Earnings per Share requires that employee stock options, non-vested restricted stock and similar equity instruments granted by the Company be treated as potential common shares outstanding in computing diluted earnings per share. Diluted shares outstanding include the dilutive effect of in-the-money options. Under the treasury stock method, the amount the employee must pay for exercising stock options, the amount of compensation cost for future services that the Company has not yet recognized and the amount of tax benefits that would be recorded in additional paid-in capital when the award becomes deductible are assumed to be used to repurchase shares.

With respect to the Company s convertible senior notes, the Company intends to settle its conversion spread (i.e., the intrinsic value of convertible debt based on the conversion price and current market price) in shares. The Company accounts for its conversion spread using the treasury stock method. It is the Company s intent to cash-settle the principal amount of the convertible senior notes; accordingly, the principal amount has been excluded from the determination of diluted earnings per share.

Reclassifications

Certain reclassifications have been made to prior period amounts to conform to current period presentation. Such reclassifications have no effect on net income as previously reported.

Recent accounting pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141 (revised 2007), Business Combinations (SFAS No. 141(R)). SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. In April 2009, the FASB issued FASB Staff Position (FSP) Financial Accounting Standards (FAS) 141(R)-1 Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies (FSP FAS 141(R)-1). FSP FAS 141(R)-1 requires that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value if fair value can be reasonably estimated. If the fair value cannot be reasonably estimated, the asset or liability will be recognized in accordance with SFAS No. 5, Accounting for Contingencies and FASB Interpretation (FIN) No. 14, Reasonable Estimation of the Amount of a Loss-an interpretation of FASB Statement No. 5. SFAS No. 141(R) is effective for fiscal years that begin after December 15, 2008, and will be adopted by the Company in the first quarter of fiscal year 2010. The Company is assessing the potential impact, if any, of the adoption of SFAS No. 141(R) and FSP FAS 141(R)-1 on its consolidated results of operations and financial condition. SFAS No. 141(R) will only be applicable to business combinations completed after the adoption of the standard.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective as of the beginning of an entity s fiscal year that begins after December 15, 2008, and will be adopted by the Company in the first quarter of fiscal year 2010. The Company is assessing the potential impact, if any, of the adoption of SFAS No. 160 on its consolidated results of operations and financial condition.

In April 2008, the FASB issued FSP FAS 142-3, Determination of the Useful Life of Intangible Assets (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets (SFAS No. 142). The intent of the position is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R). FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008 and is effective for the Company from the first quarter of fiscal year 2010. The Company is assessing the potential impact that the adoption of FSP FAS 142-3 may have on its consolidated results of operations and financial condition.

In May 2008, the FASB issued FSP Accounting Principles Board (APB) 14-1 Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1). FSP APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer s non-convertible debt borrowing rate. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 on a retroactive basis and will be adopted by the Company in the first quarter of fiscal year 2010. The Company is assessing the potential impact that the adoption of

SYNNEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three and six months ended May 31, 2009 and May 31, 2008

(amounts in thousands, except per share amounts)

(unaudited)

FSP APB 14-1 may have on its consolidated results of operations and financial condition. However, it is expected that the allocation of the proceeds to the conversion option will result in an increase in interest expense.

In June 2008, the FASB ratified Emerging Issues Task Force (EITF) Issue No. 07-5, Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity s Own Stock (EITF 07-5). EITF 07-5 provides guidance for determining whether an equity-linked financial instrument, or embedded feature, is indexed to an entity s own stock. EITF 07-5 is effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years and will be adopted by the Company in the first quarter of fiscal year 2010. The Company is assessing the potential impact, if any, of the adoption of EITF 07-5 on its consolidated results of operations and financial condition.

In November 2008, the FASB ratified EITF Issue No. 08-6, Equity Method Investment Accounting Considerations (EITF 08-6). EITF 08-6 clarifies that the initial carrying value of an equity method investment should be determined in accordance with SFAS No. 141(R). Other-than-temporary impairment of an equity method investment should be recognized in accordance with FSP APB 18-1, Accounting by an Investor for Its Proportionate Share of Accumulated Other Comprehensive Income of an Investee Accounted for under the Equity Method in Accordance with APB Opinion No. 18 upon a Loss of Significant Influence. EITF 08-6 is effective on a prospective basis in fiscal years beginning on or after December 15, 2008 and interim periods within those fiscal years, and will be adopted by the Company in the first quarter of fiscal year 2010. The Company is assessing the potential impact, if any, of the adoption of EITF 08-6 on its consolidated results of operations and financial condition.

In November 2008, the FASB ratified EITF Issue No. 08-7, Accounting for Defensive Intangible Assets (EITF 08-7). EITF 08-7 applies to defensive assets, which are acquired intangible assets which the acquirer does not intend to actively use, but intends to hold to prevent its competitors from obtaining access to the asset. EITF 08-7 clarifies that defensive intangible assets are separately identifiable and should be accounted for as a separate unit of accounting in accordance with SFAS No. 141(R) and SFAS No. 157, Fair Value Measurements (SFAS No. 157). EITF 08-7 is effective for intangible assets acquired in fiscal years beginning on or after December 15, 2008 and will be adopted by the Company in the first quarter of fiscal year 2010. The Company is assessing the potential impact, if any, of the adoption of EITF 08-7 on its consolidated results of operations and financial condition.

In November 2008, the FASB ratified EITF Issue No. 08-8, Accounting for an Instrument (or an Embedded Feature) with a Settlement Amount That Is Based on the Stock of an Entity s Consolidated Subsidiary (EITF 08-8). EITF 08-8 clarifies whether a financial instrument for which the payoff to the counterparty is based, in whole or in part, on the stock of an entity s consolidated subsidiary is indexed to the reporting entity s own stock and therefore should not be precluded from qualifying for the first part of the scope exception in paragraph 11(a) of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133) or from being within the scope of EITF No. 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock. EITF 08-8 is effective for fiscal years beginning on or after December 15, 2008 and interim periods within those fiscal years and will be adopted by the Company in the first quarter of fiscal year 2010. The Company is assessing the potential impact, if any, of the adoption of EITF 08-8 on its consolidated results of operations and financial condition.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events (SFAS No. 165). SFAS No. 165 establishes the standards for accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued or are available to be issued. The statement sets forth the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements. The statement also identifies the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS No. 165 is effective for interim and annual periods ending after June 15, 2009 and will be adopted by the Company in the third quarter of fiscal year 2009. The Company is assessing the potential impact, if any, of the adoption of SFAS No. 165.

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 (SFAS No. 166). SFAS No. 166 eliminates the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor s interest in transferred financial assets. SFAS No. 166 will be effective for transfers of financial assets in annual reporting periods beginning after November 15, 2009, and in interim periods within those first annual reporting periods with earlier adoption prohibited. SFAS No. 166 will be applicable to the Company in the first quarter of fiscal year 2010. The Company is currently assessing the potential impact, if any, on the adoption of SFAS No. 166.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS No. 167). SFAS No. 167 amends FIN 46(R), Consolidation of Variable Interest Entities (revised December 2003) an interpretation of ARB No. 51 (FIN 46(R)) to require an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as one with the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance and the obligation to absorb losses of the entity that could potentially be significant to the variable interest. SFAS No. 167 will be effective as of the beginning of the annual reporting period commencing after November 15, 2009 and will be adopted by the Company in the first quarter of fiscal year 2010. The Company is assessing the potential impact, if any, of the adoption of SFAS No. 167 on its consolidated results of operations and financial condition.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three and six months ended May 31, 2009 and May 31, 2008

(amounts in thousands, except per share amounts)

(unaudited)

During the first quarter of fiscal year 2009, the Company adopted the following accounting standards:

In February 2008, the FASB issued FSP FAS 157-2, Effective Date of FASB Statement No. 157 (FSP FAS 157-2). FSP FAS 157-2 permitted delayed application of SFAS No. 157, Fair Value Measurements, (SFAS No. 157) for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis, until fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. The Company adopted SFAS No. 157 as it applies to its financial instruments, effective December 1, 2007. The Company adopted FSP FAS 157-2 as it applies to its non-financial assets and liabilities, effective December 1, 2008. The impact of adoption of SFAS No. 157 is discussed in Note 14 Fair Value Measurements.

In February 2008, the FASB issued FSP FAS 140-3, Accounting for Transfers of Financial Assets and Repurchase Financing Transactions (FSP FAS 140-3). FSP FAS 140-3 requires that an initial transfer of a financial asset and a repurchase financing that was entered into contemporaneously with, or in contemplation of, the initial transfer be evaluated together as a linked transaction under SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities a replacement of FASB Statement No. 125 (SFAS No. 140), unless certain criteria are met. FSP FAS 140-3 is effective for the Company s financial statements for the fiscal year beginning on December 1, 2008. The Company adopted FSP FAS 140-3 effective December 1, 2008 and the adoption had no impact on the financial statements of the Company.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS No. 161). This new standard requires enhanced disclosures for derivative instruments, including those used in hedging activities. It is effective for fiscal years and interim periods beginning after November 15, 2008, and was adopted by the Company in the first quarter of fiscal year 2009. The impact of the adoption of SFAS No. 161 is discussed in Note 6- Derivative Instruments.

In December 2008, the FASB issued FSP FAS 140-4 and FIN 46(R)-8, Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities (FSP FAS 140-4 and FIN 46(R)-8). FSP FAS 140-4 and FIN 46(R)-8 amends the disclosure requirements of FIN 46(R), for public enterprises that have a variable interest in a variable interest entity and enhances the disclosures required by SFAS No. 140. FSP FAS 140-4 and FIN 46(R)-8 is effective for the first reporting period ending after December 15, 2008 and was adopted by the Company in the first quarter of fiscal year 2009. The disclosures required by FSP FAS 140-4 and FIN 46(R)-8 are included in Note 7- Accounts Receivable Arrangements.

NOTE 3 SHARE-BASED COMPENSATION:

The Company recognizes share-based compensation expense under the provisions of SFAS No. 123(R), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors, including employee stock options and employee stock purchases, based on estimated fair values.

The Company uses the Black-Scholes valuation model to estimate fair value of share-based awards, which requires various assumptions including estimating stock price volatility and expected life. Under the fair value recognition provisions for SFAS No. 123(R), share-based compensation is estimated at the grant-date based on the fair value of the awards expected to vest and recognized as expense ratably over the requisite service period of the award. The expected stock price volatility assumption was determined using historical volatility of the Company s common stock.

During the three months and six months ended May 31, 2009, the Company granted fifty thousand stock options under the Amended and Restated 2003 Stock Incentive Plan with an estimated total grant-date fair value of $309. During the three and six months ended May 31, 2009, approximately fourteen thousand shares of restricted stock were granted with an estimated total grant-date fair value of $273.

During the three months ended May 31, 2008 no stock options were granted by the Company. During the six months ended May 31, 2008, the Company granted approximately forty thousand stock options, with an estimated total grant-date fair value of $343. During the three and six months ended May 31, 2008, approximately two thousand and twenty-two thousand shares of restricted stock were granted, with an estimated total grant-date value of $53 and $478, respectively.

The Company recorded share-based compensation expense, for the three months ended May 31, 2009 and 2008 of $2,154 and $1,735, and for the six months ended May 31, 2009 and 2008 of $4,154 and $3,302, respectively.

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For the three and six months ended May 31, 2009 and May 31, 2008

(amounts in thousands, except per share amounts)

(unaudited)

NOTE 4 BALANCE SHEET COMPONENTS:

	May 31, 2009	November 30, 2008
Short-term investments		
Trading securities	$ 8,982	$ 6,072
Available-for-sale	69	142
Cost securities	3,037	4,131
	$ 12,088	$ 10,345
Accounts receivable, net		
Trade accounts receivable	$ 747,596	$ 846,668
Less: Allowance for doubtful accounts	(23,723)	(17,820)
Less: Allowance for sales returns	(24,306)	(21,642)
	$ 699,567	$ 807,206
Receivable from vendors, net		
Receivables from vendors	$ 94,437	$ 101,586
Less: Allowance for doubtful accounts	(5,456)	(4,933)
	$ 88,981	$ 96,653
Inventories		
Components	$ 64,835	$ 61,902
Finished goods	586,640	634,106
	$ 651,475	$ 696,008
Property and equipment, net		
Land	$ 11,285	$ 11,118
Equipment and computers	67,302	60,848
Furniture and fixtures	12,434	10,175
Buildings, leasehold improvements	70,530	69,554
Construction in progress	564	1,489
	162,115	153,184
Less: Accumulated depreciation	(76,532)	(68,582)

	$	85,583	$	84,602

The increase in the allowance for doubtful accounts for the three months ended May 31, 2009, is primarily the result of making allowances for certain specific receivables on a limited number of customer accounts, the majority of which is attributed to prior years.

Goodwill

	Distribution	GBS	Total
Balance at November 30, 2008	$ 65,159	$ 48,279	$ 113,438
Goodwill additions during the period	13,747	3,958	17,705
Adjustments	(2,599)	2,599	
Translation	4,810	(10)	4,800
Balance at May 31, 2009	$ 81,117	$ 54,826	$ 135,943

Goodwill increased as of May 31, 2009, compared to November 30, 2008, primarily due to the final earn-out payment of $14,030 related to the New Age Electronics (NAE) acquisition, of which $9,000 was paid during the three months ended May 31, 2009 and the remaining $5,030 was accrued as of May 31, 2009 see Note 13 Acquisitions . The remaining increase in goodwill is due to acquisitions in the GBS segment.

Intangible assets, net

	May 31, 2009			November 30, 2008		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Vendor lists	$ 34,315	$ (22,616)	$ 11,699	$ 34,315	$ (21,127)	$ 13,188
Customer lists	26,716	(14,969)	11,747	23,437	(12,197)	11,240
Other intangible assets	4,755	(2,972)	1,783	4,497	(2,469)	2,028
	$ 65,786	$ (40,557)	$ 25,229	$ 62,249	$ (35,793)	$ 26,456

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Amortization expense for the three months ended May 31, 2009 and 2008 was $1,996 and $2,022, and for the six months ended May 31, 2009 and 2008 was $4,073 and $3,836, respectively. Intangible assets increased as of May 31, 2009, compared to November 30, 2008 due to the acquisitions in the GBS segment.

NOTE 5 INVESTMENTS:

The carrying amount of the Company s investments is shown in the table below:

	May 31, 2009			November 30, 2008		
	Cost	Unrealized (Losses)/ Gains	Fair Value	Cost	Unrealized (Losses)/ Gains	Fair Value
Short-term investments						
Trading securities	$ 12,081	$ (3,099)	$ 8,982	$ 10,551	$ (4,479)	$ 6,072
Available-for-sale	140	(71)	69	194	(52)	142
Cost securities	3,037		3,037	4,131		4,131
	$ 15,258	$ (3,170)	$ 12,088	$ 14,876	$ (4,531)	$ 10,345

Short-term trading securities generally consist of equity securities relating to the Company s deferred compensation plan. Short-term available-for-sale securities primarily consist of investments in other companies equity securities. Short-term cost investments primarily consist of investments in private equity funds and in a hedge fund under the Company s deferred compensation plan. During the three months ended May 31, 2009 and 2008, the Company recorded a gain of $32 and $19 on its trading investments, respectively. During the six months ended May 31, 2009 and 2008, the Company recorded a realized gain of $115 and a realized loss of $58 on its trading investments, respectively.

For the three months ended May 31, 2009, no other-than-temporary loss was recorded on cost securities. For the three months ended May 31, 2008, the Company recorded other-than-temporary loss of $217 on cost securities. For the six months ended May 31, 2009 and 2008, the Company recorded other-than-temporary loss of $53 and $393 on cost securities, respectively.

For the three months ended May 31, 2009, the Company recorded other-than-temporary loss of $39 on available-for-sale securities. No other-than-temporary loss was recorded on available-for-sale securities during the three months ended May 31, 2008. For the six months ended May 31, 2009 and 2008, the Company recorded other-than-temporary loss of $39 and $630 on available-for-sale securities, respectively.

NOTE 6 DERIVATIVE INSTRUMENTS:

In the ordinary course of business, the Company is exposed to foreign currency risk, interest risk, equity risk and credit risk. The Company s transactions in its foreign operations are denominated in the Canadian Dollar, British Pound, Philippines Peso, Japanese Yen, Mexican Peso and Chinese Renminbi. The Company s foreign locations enter into transactions, and own monetary assets and liabilities, that are denominated in currencies other than their functional currency. As part of its risk management strategy, the Company uses short-term forward contracts in most of the above mentioned currencies to minimize its exposure to foreign currency risk. These derivatives are not designated as hedging instruments as the Company uses forward contracts to hedge foreign currency balance sheet exposures. 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.

Generally, the Company does not use derivative instruments to cover interest rate risk, equity risk and credit risk. The Company s policy is not to allow the use of derivatives for trading or speculative purposes. The fair value of the Company s forward exchange contracts are also disclosed in Note 14-Fair Value Measurements. The following table summarizes the Company s derivative instruments not designated as hedging instruments under SFAS No. 133, as of May 31, 2009.

	Location of derivative on Balance Sheet	Fair value as of May 31, 2009	Location of realized and unrealized gain/(loss) recognized in income	Realized and unrealized gain/ (loss) for the three months ended May 31, 2009	Realized and unrealized gain/ (loss) for the six months ended May 31, 2009
Derivatives not designated as hedging instruments under SFAS No. 133:					
Foreign exchange forward contract	Accrued Liabilities	$ 5,254	Other income/ (expense)	$ (9,964)	$ (6,069)
		$ 5,254		$ (9,964)	$ (6,069)

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NOTE 7 ACCOUNTS RECEIVABLE ARRANGEMENTS:

The Company primarily finances its U.S. operations with an accounts receivable securitization program (the U.S. Arrangement) by selling up to a maximum of $350,000 in U.S. trade accounts receivable (U.S. Receivables). On January 23, 2009, the Company amended and restated the U.S. Arrangement (the U.S. Amended and Restated Arrangement) to replace the lead bank and agent. The maturity date of the U.S. Amended and Restated Arrangement was amended from February 11, 2011 to January 22, 2010 and may be renewed upon mutual agreement of the Company and the lenders. The effective borrowing cost under the U.S. Amended and Restated Arrangement is a blend of the prevailing dealer commercial paper rates, plus a program fee of 0.75% per annum based on the used portion of the commitment and a facility fee of 0.75% per annum payable on the commitment. The balance outstanding on the U.S. Amended and Restated Arrangement as of May 31, 2009 was $110,300. The balance outstanding on the U.S. Arrangement as of November 30, 2008 was $207,200.

Under the terms of the U.S. Amended and Restated Arrangement, the Company sells, on a revolving basis, its U.S. 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 U.S. Receivables as security. Any borrowings under the U.S. Amended and Restated Arrangement are recorded as debt on the Company s consolidated balance sheet. As is customary in trade accounts receivable securitization arrangements, a credit rating agency s downgrade of the third party issuer of commercial paper or of a back-up liquidity provider (which provides a source of funding if the commercial paper market cannot be accessed) could result in an increase in the Company s cost of borrowing or loss of the Company s financing capacity under these programs if the commercial paper issuer or liquidity back-up provider is not replaced. Loss of such financing capacity could have a material adverse effect on the Company s financial condition and results of operations.

SYNNEX Canada Limited (SYNNEX Canada) replaced its renewable revolving accounts receivable securitization program in Canada (the Canadian Arrangement), with a secured revolving credit arrangement (Canadian Revolving Arrangement) in May 2009. In connection with the Canadian Revolving Arrangement, the Company pledged the stock of SYNNEX Canada. Prior to replacing the Canadian Arrangement in May 2009, the Canadian Arrangement was accounted for as an off-balance sheet transaction because the Company funded the advances by selling its rights, title and interest in U.S. and Canadian trade accounts receivables (Canadian Receivables) to the financial institution on a fully-serviced basis. The amount of Canadian Receivable sold to the financial institution and not yet collected from customers as of November 30, 2008 was $59,152. Under the terms and conditions of the Canadian Revolving Arrangement the accounts receivable portion is accounted for as an on-balance sheet transaction.

The Company has also entered into financing agreements with various 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 various 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. See Note 15 Commitments and Contingencies for additional information. The net sales financed for the three months ended May 31, 2009 and 2008 were $145,869 and $238,666, respectively. The net sales financed for the six months ended May 31, 2009 and 2008 were $348,078 and $468,444, respectively. Approximately $41,692 and $38,717 of accounts receivable at May 31, 2009 and November 30, 2008, respectively, were subject to flooring agreements. Flooring fees were approximately $780 and $957 in the three months ended May 31, 2009 and 2008, respectively, and $1,663 and $1,960 in the six months ended May 31, 2009 and 2008, respectively, and are included within Interest expense and finance charges, net.

NOTE 8 BORROWINGS:

Working capital borrowings consist of the following:

	May 31, 2009	November 30, 2008
SYNNEX U.S. securitization	$ 110,300	$ 207,200
SYNNEX U.S. revolving line of credit		95,000
SYNNEX Canada revolving line of credit	56,008	14,970
SYNNEX Canada term loan	9,937	9,162
SYNNEX Mexico term loan	10,278	20,169
Others	2,169	2,502
	188,692	349,003
Less: Current portion	(179,305)	(340,466)
Non-current portion	$ 9,387	