

SYNNEX CORP  
Form 10-Q  
October 10, 2008  
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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 August 31, 2008

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)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**94-2703333**  
(I.R.S. Employer  
Identification No.)

**44201 Nobel Drive**  
**Fremont, California**  
(Address of principal executive offices)

**(510) 656-3333**

**94538**  
(Zip Code)

(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 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 ☒

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 ☒

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

**Class**  
**Common Stock, \$0.001 par value**

**Outstanding at October 2, 2008**  
**32,271,251**

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**SYNNEX CORPORATION**

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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. Financial Statements****SYNNEX CORPORATION****CONSOLIDATED BALANCE SHEETS****(in thousands, except for par values)****(unaudited)**

	<b>August 31, 2008</b>	<b>November 30, 2007</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 59,773	\$ 42,875
Short-term investments	13,794	17,257
Accounts receivable, net	776,337	729,797
Receivable from vendors, net	115,289	96,035
Receivable from affiliates	7,766	9,790
Inventories	738,015	642,524
Deferred income taxes	18,083	18,612
Current deferred assets	17,860	14,478
Other current assets	12,746	16,859
Total current assets	1,759,663	1,588,227
Property and equipment, net	82,209	59,440
Goodwill	126,239	96,350
Intangible assets, net	24,863	21,590
Deferred income taxes	6,255	5,416
Long-term deferred assets	79,653	97,171
Other assets	27,890	18,909
Total assets	\$ 2,106,772	\$ 1,887,103
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Borrowings under securitization, term loans and lines of credit	\$ 313,069	\$ 351,142
Accounts payable	639,108	588,801
Payable to affiliates	65,326	67,334
Accrued liabilities	133,915	120,617
Current deferred liabilities	39,209	35,522
Income taxes payable		5,103
Total current liabilities	1,190,627	1,168,519
Long-term borrowings	21,864	37,537
Long-term liabilities	24,858	14,533
Long-term deferred liabilities	50,903	60,565
Convertible debt	143,750	
Deferred income taxes	383	437
Total liabilities	1,432,385	1,281,591

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Minority interest	4,419	958
Commitments and contingencies (Note 16)		
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, 31,769 and 31,328 shares issued and outstanding	32	31
Additional paid-in capital	205,083	196,128
Accumulated other comprehensive income	28,366	28,939
Retained earnings	436,487	379,456
Total stockholders' equity	669,968	604,554
Total liabilities and stockholders' equity	\$ 2,106,772	\$ 1,887,103

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

**Table of Contents****SYNNEX CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except for per share amounts)****(unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>August 31, 2008</b>	<b>August 31, 2007</b>	<b>August 31, 2008</b>	<b>August 31, 2007</b>
Revenue	\$ 2,045,689	\$ 1,760,360	\$ 5,672,335	\$ 5,033,444
Cost of revenue	(1,932,790)	(1,669,134)	(5,362,781)	(4,783,549)
Gross profit	112,899	91,226	309,554	249,895
Selling, general and administrative expenses	(73,394)	(63,960)	(205,597)	(171,874)
Restructuring charges		(2,744)		(2,744)
Income from operations before non-operating items, income taxes and minority interest	39,505	24,522	103,957	75,277
Interest expense and finance charges, net	(3,137)	(3,472)	(10,614)	(10,225)
Other income (expense), net	(1,787)	(132)	(3,252)	930
Income before income taxes and minority interest	34,581	20,918	90,091	65,982
Provision for income taxes	(12,427)	(6,452)	(32,253)	(22,908)
Income before minority interest	22,154	14,466	57,838	43,074
Minority interest	(94)	(70)	(440)	(132)
Net income	\$ 22,060	\$ 14,396	\$ 57,398	\$ 42,942
Earnings per share:				
Basic	\$ 0.70	\$ 0.46	\$ 1.82	\$ 1.39
Diluted	\$ 0.66	\$ 0.44	\$ 1.72	\$ 1.32
Weighted-average common shares outstanding - basic	31,665	31,076	31,529	30,836
Weighted-average common shares outstanding - diluted	33,657	32,742	33,319	32,502

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)

	Nine Months Ended	
	August 31, 2008	August 31, 2007
<b>Cash flows from operating activities:</b>		
Net income	\$ 57,398	\$ 42,942
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	8,091	6,559
Amortization of intangible assets	6,004	4,703
Share-based compensation	4,829	3,536
Provision for doubtful accounts	4,522	5,309
Excess tax benefit from share-based compensation	(1,395)	
Unrealized (gain) loss on trading securities	1,558	(575)
Realized loss on investments and fixed assets	347	38
Other-than-temporary impairment on securities	1,288	
Minority interest	440	132
Changes in assets and liabilities, net of acquisition of businesses:		
Accounts receivable	15,357	(200,674)
Receivable from vendors	(13,427)	641
Receivable from affiliates	2,023	(7,698)
Inventories	(33,066)	43,217
Other assets	26,088	27,968
Payable to affiliates	(2,008)	(21,425)
Accounts payable	(2,578)	44,213
Accrued liabilities	(4,944)	14,821
Other liabilities	(12,590)	(23,461)
Net cash provided by (used in) operating activities	57,937	(59,754)
<b>Cash flows from investing activities:</b>		
Purchase of short-term investments	(12,986)	(5,370)
Proceeds from sale of short-term investments	14,012	3,226
Acquisition of businesses, net of cash acquired	(22,643)	(107,765)
Purchase of property and equipment	(25,834)	(20,132)
Increase in restricted cash	(3,118)	(3,259)
Purchase of intangible asset	(1,482)	
Net cash used in investing activities	(52,051)	(133,300)
<b>Cash flows from financing activities:</b>		
Proceeds from revolving line of credit and securitization	1,252,582	990,052
Payment of revolving line of credit and securitization	(1,379,340)	(783,736)
Proceeds from bank loan		10,704
Payment of bank loan	(19,322)	(18,236)
Proceeds from issuance of convertible debt (net of issuance costs of \$3,575)	140,175	
Excess tax benefit from share-based compensation	1,395	
Bank overdraft	6,674	7,273
Proceeds from issuance of common stock	3,697	6,373

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Net cash provided by financing activities	5,861	212,430
Effect of exchange rate changes on cash and cash equivalents	5,151	(3,115)
Net increase in cash and cash equivalents	16,898	16,261
Cash and cash equivalents at beginning of period	42,875	27,881
Cash and cash equivalents at end of period	\$ 59,773	\$ 44,142

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**

**Nine Months Ended**