

SYNEX CORP  
Form 10-Q  
July 06, 2012  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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(Mark One)

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

For the quarterly period ended May 31, 2012

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

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SYNEX 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 (IRS Employer Identification No.)
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44201 Nobel Drive Fremont, California (Address of principal executive offices) (510) 656-3333 (Registrant’s telephone number, including area code)	94538 (Zip Code)
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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 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, or a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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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 June 29, 2012
Common Stock, \$0.001 par value	37,317,197

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## PART I - FINANCIAL INFORMATION

## ITEM 1. Financial Statements

## SYNEX CORPORATION

## CONSOLIDATED BALANCE SHEETS

(currency and share amounts in thousands, except for par value)

(unaudited)

	May 31, 2012	November 30, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$97,214	\$67,571
Short-term investments	15,175	16,017
Accounts receivable, net	1,113,182	1,293,027
Receivable from affiliates	1,346	1,344
Inventories	875,237	975,047
Current deferred tax assets	28,417	28,241
Other current assets	49,647	57,168
Total current assets	2,180,218	2,438,415
Property and equipment, net	123,722	125,157
Goodwill	181,255	185,312
Intangible assets, net	33,195	37,539
Deferred tax assets	557	590
Other assets	41,552	46,282
Total assets	\$2,560,499	\$2,833,295
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Borrowings under securitization, term loans and lines of credit	\$66,626	\$159,200
Convertible debt	138,748	—
Accounts payable	800,862	1,035,691
Payables to affiliates	479	—
Accrued liabilities	155,513	172,226
Income taxes payable	596	5,136
Total current liabilities	1,162,824	1,372,253
Long-term borrowings	85,330	87,659
Convertible debt	—	136,163
Long-term liabilities	58,286	60,676
Deferred tax liabilities	8,269	8,086
Total liabilities	1,314,709	1,664,837
Commitments and contingencies (Note 17)		
SYNEX Corporation 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, 37,093 and 36,571 shares issued as of May 31, 2012 and November 30, 2011, respectively	37	37
Additional paid-in capital	322,985	310,316
Treasury stock, 414 and 407 shares as of May 31, 2012 and November 30, 2011, respectively	(11,767	) (11,524 )

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Accumulated other comprehensive income	25,394	30,026
Retained earnings	902,121	829,524
Total SYNEX Corporation stockholders' equity	1,238,770	1,158,379
Noncontrolling interest	7,020	10,079
Total equity	1,245,790	1,168,458
Total liabilities and equity	\$2,560,499	\$2,833,295

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

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## SYNEX CORPORATION

## CONSOLIDATED STATEMENTS OF OPERATIONS

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

(unaudited)

	Three Months Ended		Six Months Ended	
	May 31, 2012	May 31, 2011	May 31, 2012	May 31, 2011
Revenue	\$2,482,799	\$2,495,802	\$4,943,493	\$4,996,736
Cost of revenue	(2,326,363 )	(2,350,694 )	(4,617,785 )	(4,707,832 )
Gross profit	156,436	145,108	325,708	288,904
Selling, general and administrative expenses	(97,115 )	(90,948 )	(202,399 )	(183,891 )
Income before nonoperating items, income taxes and noncontrolling interest	59,321	54,160	123,309	105,013
Interest expense and finance charges, net	(5,519 )	(6,269 )	(11,554 )	(12,438 )
Other income (expense), net	(382 )	180	1,717	1,145
Income before income taxes and noncontrolling interest	53,420	48,071	113,472	93,720
Provision for income taxes	(18,590 )	(16,560 )	(39,488 )	(32,538 )
Net income	34,830	31,511	73,984	61,182
Net income attributable to noncontrolling interest	(456 )	(110 )	(1,387 )	(60 )
Net income attributable to SYNEX Corporation	\$34,374	\$31,401	\$72,597	\$61,122
Net income per share attributable to SYNEX Corporation:				
Basic	\$0.94	\$0.88	\$1.99	\$1.71
Diluted	\$0.90	\$0.85	\$1.91	\$1.65
Weighted-average common shares outstanding:				
Basic	36,607	35,693	36,456	35,661
Diluted	38,348	37,098	37,990	37,045

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

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

	Three Months Ended		Six Months Ended	
	May 31, 2012	May 31, 2011	May 31, 2012	May 31, 2011
Net income	\$34,830	\$31,511	\$73,984	\$61,182
Other comprehensive income (loss):				
Unrealized gains (losses) on available-for-sale securities	(66	) 25	21	97
Foreign currency translation adjustments	(10,755	) 2,580	(4,954	) 13,452
Total other comprehensive income (loss)	(10,821	) 2,605	(4,933	) 13,549
Comprehensive income:	24,009	34,116	69,051	74,731
Comprehensive income attributable to noncontrolling interest	(610	) (315	) (1,084	) (265
Comprehensive income attributable to SYNEX Corporation	\$23,399	\$33,801	\$67,967	\$74,466

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

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

	Six Months Ended	
	May 31, 2012	May 31, 2011
Cash flows from operating activities:		
Net income	\$73,984	\$61,182
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	8,202	8,295
Amortization of intangible assets	4,146	3,810
Accretion of convertible notes discount	2,584	2,389
Share-based compensation	4,225	3,916
Provision for doubtful accounts	1,067	3,527
Tax benefits from employee stock plans	2,736	2,456
Excess tax benefit from share-based compensation	(2,691)	(2,604)
Realized/Unrealized gains on investments	(1,120)	(376)
Gain on disposal of assets	(244)	—
Income from equity method investments	(341)	—
Changes in assets and liabilities, net of acquisition of businesses:		
Accounts receivable	174,031	295,767
Receivables from affiliates, net	(3)	2,068
Inventories	96,836	67,481
Other assets	(9,137)	393
Accounts payable	(218,317)	(247,866)
Accrued liabilities	(22,965)	(31,054)
Deferred liabilities	9,376	(7,130)
Net cash provided by operating activities	122,369	162,254
Cash flows from investing activities:		
Purchase of trading investments	(3,711)	(884)
Proceeds from sale of trading investments	4,886	1,538
Proceeds from redemption of held-to-maturity term deposits	—	910
Acquisition of businesses, net of cash acquired	(269)	(41,435)
Purchase of property and equipment	(7,295)	(15,951)
Loans and deposits to third parties, net of payments received	635	(2,052)
Decrease (increase) in investment in equity-method investee	3,480	(4,782)
Changes in restricted cash	12,438	(13,812)
Net cash provided by (used in) investing activities	10,164	(76,468)
Cash flows from financing activities:		
Proceeds from securitization and revolving line of credit	1,139,537	2,167,329
Payment of securitization and revolving line of credit	(1,231,978)	(2,230,376)
Proceeds from long-term credit facility and term loans	—	84,943
Payment of long-term bank loans, capital leases and other borrowings	(1,472)	(116,704)
Excess tax benefit from share-based compensation	2,691	2,604
Book overdraft	(14,288)	7,390
Payment of acquisition related contingent consideration	(1,052)	—
Proceeds from issuance of common stock, net of taxes paid for settlement of equity awards	7,838	344



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Capital contribution by noncontrolling interest	—	6,408	
Purchase of additional investment in subsidiary	(6,046	) —	
Net cash used in financing activities	(104,770	) (78,062	)
Effect of exchange rate changes on cash and cash equivalents	1,880	(627	)
Net increase in cash and cash equivalents	29,643	7,097	
Cash and cash equivalents at beginning of period	67,571	88,038	
Cash and cash equivalents at end of period	\$97,214	\$95,135	

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

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## SYNEX CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended May 31, 2012 and 2011

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

(unaudited)

## NOTE 1—ORGANIZATION AND BASIS OF PRESENTATION:

SYNEX Corporation (together with its subsidiaries, herein referred to as “SYNEX” or the “Company”) is a business process services company offering a comprehensive range of services to resellers, retailers, and original equipment manufacturers (“OEMs”) worldwide. SYNEX’s business process services include distribution and business process outsourcing (“BPO”) services. SYNEX is headquartered in Fremont, California and has operations in North America, Central America, Asia and Europe.

The accompanying interim unaudited Consolidated Financial Statements as of May 31, 2012 and for the three and six month periods ended May 31, 2012 and 2011 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, 2011 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 fiscal year ended November 30, 2011, 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, 2012 are not necessarily indicative of the results that may be expected for the fiscal year ending November 30, 2012, or any future period and the Company makes no representations related thereto.

## NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company’s significant accounting policies are disclosed in the Company’s Annual Report on Form 10-K for the fiscal year ended November 30, 2011. There have been no material changes to these accounting policies, 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, 2011.

## Restricted cash

Restricted cash balances relate to temporary restrictions caused by the timing of lockbox collections under the Company’s borrowing arrangements, amounts held for outstanding letters of credit and future payments to contractors for the long-term projects at the Company’s Mexico operation.

The following table summarizes the restricted cash balances as of May 31, 2012 and November 30, 2011 and the location where these amounts are recorded on the Consolidated Balance Sheets:

	As of	
	May 31, 2012	November 30, 2011
Related to borrowing arrangements and others:		
Other current assets	\$14,329	\$28,279
Related to long-term projects:		
Other assets	4,215	2,938
Total restricted cash	\$18,544	\$31,217



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SYNEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)

For the three and six months ended May 31, 2012 and 2011

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

(unaudited)

Concentration of credit risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of accounts receivable, and 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, 2012, the Company had not experienced any losses on such deposits.

Accounts receivable include amounts due from customers and 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 May 31, 2012, such losses have been within management's expectations.

In the three and six months ended May 31, 2012, no customer accounted for 10% or more of the Company's total revenue. In the three months ended May 31, 2011, one customer accounted for 10% of the Company's total revenue.

In the six months ended May 31, 2011, no customer accounted for 10% or more of the Company's total revenue.

Products purchased from the Company's largest OEM supplier, Hewlett-Packard Company ("HP"), accounted for approximately 36% of the total revenue for both the three and six months ended May 31, 2012, and approximately 34% of the total revenue for both the three and six months ended May 31, 2011.

As of May 31, 2012 and November 30, 2011, no customer exceeded 10% of the total consolidated accounts receivable balance.

Revenue recognition

The Company generally recognizes revenue on the sale of hardware and software products when they are shipped and on services when they are performed, if a purchase order exists, the sales price is fixed or determinable, collection of resulting accounts receivable is reasonably assured, risk of loss and title have transferred and product returns are reasonably estimable. Provisions for sales returns are estimated based on historical data and are recorded concurrently with the recognition of revenue. These provisions are reviewed and adjusted periodically by the Company. Revenue is reduced for early payment discounts and volume incentive rebates offered to customers. The Company recognizes revenue on certain service contracts, post-contract software support services, and extended warranty contracts, where it is not the primary obligor, on a net basis.

The Company provides services such as call center, renewals, maintenance and contract management services to its customers under contracts that typically consist of a master services agreement or statement of work, which contains the terms and conditions of each program and service offerings. Typically the contracts are time-based or transactions or volume based. Revenue is generally recognized over the term of the contract or when service has been rendered, the sales price is fixed or determinable and collection of the resulting accounts receivable is reasonably assured.

The Company's operation in Mexico primarily focuses on projects with the Mexican government and other local agencies that are long-term in nature. Under the agreements, the Company sells computers and equipment to contractors that provide services to the Mexican government. The Company also sells computer equipment and services directly to the Mexican government. The payments are due on a monthly basis and contingent upon the satisfactory performance of certain services, fulfillment of certain obligations and meeting certain conditions. The Company recognizes revenue and cost of revenue on a straight-line basis over the term of the contract, which coincides with payments no longer being contingent.

Net income per common share

Net income per common share-basic is computed by dividing the net income attributable to SYNEX Corporation for the period by the basic weighted-average number of outstanding common shares.

Net income per common share-diluted is computed by adding the dilutive effect of in-the-money employee stock options, restricted stock awards, restricted stock units and similar equity instruments granted by the Company to the basic weighted-average number of outstanding common shares. The Company uses the treasury stock method, under which, 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

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SYNEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)

For the three and six months ended May 31, 2012 and 2011

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

(unaudited)

deductible are assumed to be used to repurchase shares.

With respect to the Company's convertible debt, 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 debt; accordingly, the principal amount has been excluded from the determination of diluted earnings per share.

The calculation of net income per common share attributable to SYNEX Corporation is presented in Note 12.

Reclassifications

Certain reclassifications have been made to prior period amounts to conform to current period presentation. On the Consolidated Balance Sheets and the Consolidated Statements of Cash Flows, the Company combined the balances of "Receivable from vendors, net" with "Accounts receivable, net." This reclassification had no effect on "Total current assets" and "Net cash provided by operating activities."

Recent accounting pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued an accounting update that amends the presentation of "Comprehensive income" in the financial statements. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. The accounting update will be applicable to the Company beginning in the first quarter of fiscal year 2013 and the Company will update its presentation of "Comprehensive income" to comply with the updated disclosure requirements.

During fiscal year 2012, the following accounting standards are applicable:

In May 2011, the FASB issued an accounting update that amends existing guidance regarding fair value measurements and disclosure requirements. The amendments are effective during interim and annual periods beginning after December 15, 2011 and are to be applied prospectively. The accounting update was applicable to the Company beginning in the second quarter of fiscal year 2012. Application of this accounting update did not have a material impact on the Company's Consolidated Financial Statement.

In September 2011, the FASB issued an accounting update that gives companies the option to make a qualitative evaluation about the likelihood of goodwill impairment. Companies will be required to perform the two-step impairment test only if it concludes that the fair value of a reporting unit is more likely than not, less than its carrying value. The accounting update is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company will adopt the accounting update for its goodwill impairment test to be performed for the fiscal year ending November 30, 2012.

In September 2011, the FASB issued an accounting update that requires additional qualitative and quantitative disclosures by employers that participate in multi-employer pension plans. The amendments are effective for annual periods for the fiscal years ending after December 15, 2011, with early adoption permitted. The Company adopts the new disclosure requirements in the fiscal year ending November 30, 2012. Application of this accounting update will not have a material impact on the Company's financial statements.

NOTE 3—ACQUISITIONS AND DIVESTITURES:

Fiscal year 2011 acquisitions

On December 1, 2010, the Company acquired 70.0% of the capital stock of Marubeni Infotec Corporation, a subsidiary of Marubeni Corporation. SB Pacific Corporation Limited ("SB Pacific"), the Company's equity-method investee at that time, acquired the remaining 30.0% noncontrolling interest. The Company's total direct and indirect ownership of Marubeni Infotec Corporation was 80.0%. Marubeni Infotec Corporation, now known as SYNEX Infotec Corporation ("Infotec Japan") is a distributor of IT equipment, electronic components and software in Japan. This acquisition is in the distribution segment and enabled the Company's expansion into Japan. The aggregate

consideration for the transaction initially was JPY700,000, or approximately \$8,392, of which the Company's direct share was \$5,888. In the first quarter of fiscal year 2012, the Company reached an agreement with the sellers to reduce the purchase price by JPY125,233. The purchase price as adjusted is

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SYNEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)

For the three and six months ended May 31, 2012 and 2011

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

(unaudited)

JPY574,767 or approximately \$6,891.

The purchase price allocation based on the fair value of the assets acquired and liabilities assumed is as follows:

	Fair Value	
Purchase consideration:		
Cash payment	\$4,824	
Contribution from noncontrolling interest	2,067	
	\$6,891	
Allocation:		
Cash	\$1,371	
Accounts receivable	186,909	
Inventories	84,553	
Other current assets	2,119	
Property, plant and equipment	5,521	
Goodwill	16,952	
Intangible assets <sup>(1)</sup>	9,103	
Other long-term assets	4,398	
Short-term borrowings	(103,646	)
Accounts payable	(161,228	)
Accrued liabilities	(15,151	)
Long-term borrowings	(2,088	)
Other long-term liabilities	(21,922	)
	\$6,891	

<sup>(1)</sup> Intangibles will be amortized over a period of 3-10 years.

On April 1, 2012, the Company purchased additional shares of Infotec Japan from SB Pacific for \$6,046 resulting in an increase in its direct ownership interest in Infotec Japan from 70.0% to 81.0%. In April 2012, the Company reduced its ownership interest in SB Pacific from 33.3% to 19.7%, as a result, its total direct and indirect ownership interest increased from 80.0% to 84.7%.

During the fiscal year 2011, the Company acquired certain businesses of e4e, Inc. ("e4e"), 100.0% of the stock of the global email company limited ("gem") and certain assets of VisionMAX Solutions Inc. ("VisionMAX") for an aggregate purchase price of \$43,349. The acquisitions were integrated into the Company's Global Business Services ("GBS") segment and brought additional BPO scale, complemented the Company's service offerings in social media and cloud computing and expanded its customer base and geographic presence. The net tangible assets acquired were \$10,155 and the Company recorded \$33,194 in goodwill and intangibles on finalization of purchase price allocation. With the exception of Infotec Japan, the above acquisitions in fiscal year 2011, individually and in the aggregate, did not meet the conditions of a material business combination and were not subject to the disclosure requirements of accounting guidance for business combinations utilizing the purchase method of accounting.

**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 and employee stock purchases, based on estimated fair values.

The Company uses the Black-Scholes valuation model to estimate fair value of stock options. The Black-Scholes option-pricing model was developed for use in estimating the fair value of short-lived exchange traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of highly



subjective assumptions,

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## SYNEX CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)

For the three and six months ended May 31, 2012 and 2011

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

(unaudited)

including the option's expected life and the price volatility of the underlying stock. The expected stock price volatility assumption was determined using historical volatility of the Company's common stock.

The following table summarizes the number of share-based awards granted under the Company's Amended and Restated 2003 Stock Incentive Plan, as amended, during the three and six months ended May 31, 2012 and 2011 and the grant-date fair value of the awards:

	Three Months Ended				Six Months Ended			
	May 31, 2012		May 31, 2011		May 31, 2012		May 31, 2011	
	Number of grants	Fair value of grants	Number of grants	Fair value of grants	Number of grants	Fair value of grants	Number of grants	Fair value of grants
Stock options	20	\$301	—	\$—	20	\$301	—	\$—
Restricted stock awards	32	1,196	22	719	36	1,350	27	887
Restricted stock units	46	1,964	10	324	46	1,964	10	324
	98	\$3,461	32	\$1,043	102	\$3,615	37	\$1,211

The Company recorded share-based compensation expense of \$2,216 and \$4,225 in "Selling, general and administrative expenses" for the three and six months ended May 31, 2012, respectively, and \$1,975 and \$3,916 for the three and six months ended May 31, 2011, respectively.

## NOTE 5—BALANCE SHEET COMPONENTS:

	As of May 31, 2012	November 30, 2011
Short-term investments:		
Trading securities	\$5,026	\$5,808
Available-for-sale securities	45	37
Held-to-maturity securities	7,980	7,843
Cost method investments	2,124	2,329
	\$15,175	\$16,017
	As of May 31, 2012	November 30, 2011
Accounts receivable, net:		
Accounts receivable	\$1,164,027	\$1,351,305
Less: Allowance for doubtful accounts	(23,357 )	(22,803 )
Less: Allowance for sales returns	(27,488 )	(35,475 )
	\$1,113,182	\$1,293,027

The Company combined "Receivable from vendors, net" of \$150,085 with "Accounts Receivable, net" as of November 30, 2011 to conform to the current year presentation as described in Note 2—Summary of Significant Accounting Policies.

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SYNEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)

For the three and six months ended May 31, 2012 and 2011

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

(unaudited)

	As of		
	May 31, 2012		November 30, 2011
Property and equipment, net:			
Land	\$18,476		\$18,566
Equipment and computers	98,726		95,149
Furniture and fixtures	21,447		19,566
Buildings and leasehold improvements	98,782		97,261
Construction in progress	408		1,762
Total property and equipment, gross	237,839		232,304
Less: Accumulated depreciation	(114,117)	)	(107,147)
	\$123,722		\$125,157
Goodwill			
	Distribution	GBS	Total
Balance as of November 30, 2011	\$107,498	\$77,814	\$185,312
Goodwill adjustments during the period	(1,543)	) (991	) (2,534)
Translation	(854)	) (669	)