

## MANAGEMENT DISCUSSION SECTION

Operator: Good day ladies and gentlemen, and welcome to the SYNNEX second quarter 2006 earnings conference call. At this time all participants are in a listen-only mode. Later, there will be a question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder, this conference is being recorded.

I would now like to introduce your host for today's conference. Ms. Laura Crowley, you may begin your conference.

### Laura Crowley, Director of Investor Relations and Public Relations

Thank you, Adrian. Good afternoon and welcome to the SYNNEX Corporation fiscal 2006 second quarter earnings conference call. Joining us on the call today are Bob Huang, President and Chief Executive Officer; Dennis Polk, Chief Financial Officer and John Paget, our President of North America.

Before we begin, the statements on today's call, which are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. These forward-looking statements include, but are not limited to statements on our current expectations of our revenues, net income and earnings per share for the third quarter of fiscal 2006, our growth rate, our profitability, our assembly business revenue, our ability to meet our 2006 goals, growth of our Canadian distribution business, continued focus on our telephony solutions division, investments in new lines of business and our growth and business strategy. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those discussed in these forward-looking statements. Please refer to today's press release and documents filed with the Securities and Exchange Commission, specifically our most recent Form 10-Q for information on risk factors that could cause actual results to differ materially from those discussed in these forward-looking statements.

To supplement our financial results presented in accordance with GAAP, we use non-GAAP financial measures. We present such non-GAAP financial measures in reporting our financial results to provide investors with an additional tool to evaluate our operating results. Because these non-GAAP measures are not calculated in accordance with GAAP, it may not necessarily be comparable to like-titled measures employed by other companies. These non-GAAP financial measures should not be considered in isolation, or as a substitute for comparable GAAP measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. Our management uses each of these non-GAAP financial measures internally to understand, manage, and evaluate our business. Our management believes it is useful for itself and investors to review as applicable both GAAP information and the non-GAAP measures in order to assess the performance of our ongoing businesses and for planning and forecasting in future periods. A detailed discussion and reconciliation of the adjustments between results calculated using GAAP and non-GAAP is included in our earnings results which can be reviewed in the Investor Relations section of our website.

Additionally, this conference call is the property of SYNNEX Corporation and may not be recorded or re-broadcast without specific written permission from the company.

And, now, I would like to turn the call over to Dennis Polk to begin.

**Dennis Polk, Senior Vice President of Corporate Finance and Chief Financial Officer**

Thank you, Laura. Good afternoon and thanks for joining our call today. Total revenues for the second quarter of 2006, which exceeded the high end of our guidance were 1.51 billion, an increase of 12% over the second quarter of 2005 and slightly up sequentially. By segment, distribution revenues were 1.36 billion, an increase of 12% over the second quarter of 2005 and down 2% sequentially, which was in line with our expectations. The year-over-year increase was due to continued growth in our U.S. and Canadian distribution businesses. The slight decline sequentially is due to the seasonal aspects of our business. Contract assembly revenues were 153 million, an increase of 15% over the second quarter of 2005 and up 38% sequentially. Contract assembly revenues for the second quarter of 2006 were above our initial projection due to increased demand from our primary assembly customer, Sun Microsystems.

Second quarter GAAP net income was 11.3 million or \$0.36 per share, compared to 22.4 million or \$0.72 per share in the second quarter of 2005. Second quarter non-GAAP net income was 11.9 million or \$0.38 per share, compared to 9.3 million or \$0.30 per share in Q2, 2005. Second quarter 2006, non-GAAP net income excludes share-based compensation expense of approximately 600,000 net of tax, or \$0.02 per share, due to the adoption of FAS 123R in Q1 2006. Second quarter 2005 non-GAAP net income excludes approximately 13.1 million net of tax or \$0.42 per share in gains and profit related to the sale of our Japan operation. As a reminder, we have provided a reconciliation of GAAP to non-GAAP numbers at the end of our press release issued today and on our website.

Turning to our gross margins, the gross margin percentage for the second quarter was 4.52%, an increase of 32 basis points from the prior-year quarter and up 19 basis points sequentially. The increase in gross margin percentage was primarily from our distribution segment and was due to our continued focus on all aspects of our gross margin. Second quarter 2006 GAAP selling, general, and administrative expense was 46 million or 3.04% of revenues. On a non-GAAP basis, excluding 925,000 in share-based compensation expense, our SG&A was 45 million or 2.98% of revenues, compared to non-GAAP SG&A of 38.2 million or 2.83% for the prior-year quarter and 42 million or 2.8% for the first quarter of 2006. Q2 2006 SG&A increased in both dollar and percentage term primarily due to continued investments in our business, including our technology solutions divisions and higher bad debt reserves during the quarter.

GAAP operating income for the second quarter was 22.4 million or 1.48% of revenues. On a non-GAAP basis, excluding share-based compensation expense, operating income was 23.3 million or 1.54% of revenues compared to non-GAAP operating income of 18.4 million or 1.37% of revenue in the prior year and 23 million or 1.53% of revenue in the first quarter of 2006.

On a segment basis, GAAP distribution operating income was 19.6 million or 1.44% of revenues, compared to 14.4 million or 1.19% of revenues in the prior year. On a non-GAAP basis, distribution operating income was 20.4 million or 1.5% of revenues. Non-GAAP amount for 2005 were essentially the same as the previously noted GAAP amount. Assembly operating income was 2.8 million or 1.83% of revenues compared to 4 million or 2.93% of revenues in the prior year quarter. On a non-GAAP basis, assembly amounts were essentially the same for both periods. The year-over-year decrease in operating income percentage was primarily due to changes in product mix and associated margin.

With respect to interest expense and finance charges, the total for the second quarter of 2006 was 4.3 million, an increase of 800,000 over the prior year. The primary reason for the increase in interest expense is due to the overall higher interest rate environment and higher borrowing due to our increase in business. From a continuing operations standpoint, our tax rate from the second quarter was 35.6%. Our current expectation for our tax rate for 2006 is approximately 36%.

Regarding our balance sheet metric, accounts receivable totaled 568 million at May 31st, 2006, which includes approximately 290 million associated with our off-balance sheet accounts receivable securitization program. DSO, including the off-balance sheet program was approximately 40 days. Inventory totaled 503 million at the end of the quarter. Inventory days were approximately 32. Including a detail metric of approximately 30 days, our second quarter cash conversion cycle was 42 days. As noted in our last quarter call, we have added new line item classifications to our balance sheet to reflect long-term project business conducted by our Mexico operation. This project business is getting to mature and should contribute to sustained profitability for our Mexico subsidiary. As discussed previously, long-term arrangements carry more risk, however to date, this project is performing without any major issues. The rollout period of this project should end during the next quarter and subsequent to that date we will share additional data with you regarding this long-term transaction.

Other second quarter metrics of note, depreciation expense was approximately 1.3 million. Amortization expense was approximately 1 million. Capital expenditures were approximately 1.7 million. From a distribution product line standpoint, peripherals accounted for 31 to 35% of our sales. System components accounted for 17 to 21%. IT systems accounted for 29 to 33%, software accounted for 10 to 14%, and networking accounted for 3 to 7%. The changes in the percentages from prior period are primarily due to seasonality in our business.

In our contract assembly business, from a customer mix standpoint, approximately 95% of our business was from our primary customer Sun Micro, and approximately 5% was from all other customers. HP, at approximately 26%, was the only vendor accounting for more than 10% of sales during the second quarter of 2006. Total headcount was 2,680 at May 31st, 2006. This consists of 2,111 permanent employees and 569 temporary personnel.

Moving to our third quarter 2006 expectations, we expect revenues to be in the range of 1.52 billion to 1.57 billion. Net income will be in the range of 11.3 million to 12 million, and earnings per share will be in the range of \$0.36 to \$0.38 per share. The earnings and per share amounts include the effect of share-based compensation and other related non-cash compensation expense, which we expect will total approximately \$0.02 to \$0.03 in the third quarter of 2006. These forecasted earnings per share figures are based on an approximate weighted average diluted share count of 31.8 million, and also do not include any impact of any special charges or restructuring amounts that could be incurred, as well. All of these statements are forward looking and actual results may differ materially.

I would like to now turn over the call to Bob for his comments. Bob?

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**Robert Huang, President and Chief Executive Officer**

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Thank you Dennis, and good afternoon to everyone. We are pleased to deliver revenue and earnings results about our initial forecast. Our second quarter 2006 performance and financial results are outstanding, not only from the fact that we beat our financial target for the quarter, but also from the investment and business decisions that we have made over the past 18 months are starting paying off with an overall improved quality of business. Q2 2006 marked our 76th consecutive profitable quarter. While making profit is not the only goal, we are proud of our ability to generate consistent profitability and returns in the ever-changing technology and distribution marketplace. Similar to the last few quarters, our Q2 performance was driven by our US and Canadian distribution businesses. In addition, in Q2, we saw a nice growth in our assembly business as well.

In looking at our US distribution business, I'm pleased by our ability to continue to grow this business at above market rates. More important than the revenue growth, however, I am impressed by the efforts of our US distribution team to grow profitability as well, evidenced by the

fact that our operating income excluding share-based compensation expense was up over 30% year-over-year in US distribution. Our Canadian distribution business also performed well in the quarter. This growth continued above 20% and operating income growth was even higher. As we reported in May, we plan to further enhance our Canadian business through the acquisition of Azerty's Canadian ink and toner distribution business. This acquisition closed on June 12, and we have already integrated the operation into our business. While not an overly large acquisition, this acquisition should improve our already solid position in Canadian supplies and distribution as well as very minor accretive returns to the overall organization after a short assimilation period.

As Dennis mentioned before and as evidenced by the solid improvement in our North American distribution business, much of our overall improved gross margin percentage comes from our distribution segment. This increase in margin is due to our continued effort to improve the quality of our pricing decisions and to a lesser extent from the growth of higher margin TSD business, i.e., Technology Solution Distribution business.

Regarding our assembly business, as I mentioned before, we experienced a nice increase in revenue over the prior year. As Dennis noted, additional business from our primary customer, Sun, was the catalyst for the increase. While we look forward to providing quality service to our long-term customers, pricing declines, ASPs, and the product mix will always be a challenge to our operating returns in these business segments. As a result, we will continue to focus on our known Sun production business, which is growing and providing strong operating margins. In fact, despite the increase in Sun business during the quarter, the known Sun margins generated as a percentage of the total margin was essentially the same Q2 versus Q1 '06. As well, this business is very synergistic with our system integration business and has brought us many new opportunities on both distribution and assembly.

From an overall market perspective, the North American distribution channel demand environment appears to remain relatively stable. While the distribution marketplace continues to be competitive from our perspective, there does not appear to be any product purchasing patterns that are materially outside current industry's trends and benchmarks as our product mix has stayed relatively constant over the past quarter.

Moving onto our third quarter guidance, at the midpoint of our guidance, we are projecting an approximately 11% increase in year-over-year sales for the third quarter of 2006. This growth rate is reflective of our continued desire to grow our business faster than the industry, but more importantly, profitability. The projected increase in our revenue also assumes, from a growth of 10 basis point, a continued reasonable demand in IT distribution and normal seasonal patterns in the IT marketplace, and that our assembly revenue will grow in mid single-digits year-over-year.

As we have discussed in prior quarter, our future success will be dependent on our execution in all aspects of our business, as well as generating returns on new investments that we have made or planning to make. In this regard, I would like to update you on our largest initiative currently, our – i.e., Technology Solution Division. I am pleased to announce that this business is growing and that we expect the fiscal 2006 revenues for this division to approximate \$225 million. While the TSD is growing according to our plan, we continue to make investments in new lines of this business and engage with the potential new vendors as well. We are currently in the process of building a document management group under TSD, which we will fully launch at our upcoming Partner Conference in July.

We also augment the auto ID portion of the TSD business through the acquisition of the assets of Telpar Distribution during the quarter. North American TSD is not the only initiative we have ongoing currently. We are also increasing our investment in consumer electronic distribution, fee-for-service, logistics offerings and expanding our TSD lines in China, which has historically been limited to software vendors only. We are also actively increasing the infrastructure and headcounts in our China operation to support our existing and new business growth.

While we are pleased with our revenue and earnings growth over the past year and encouraged by the opportunities that we are currently investing in, we are still not pleased with our current ROE and ROIC metrics and are actively working on all aspects of our business to improve these returns.

Before I turn the call over to Laura, as always, I wanted to thank the SYNNEX team for another well executed quarter and to our customers and suppliers for their continued loyalty and support. I also want to welcome our new employees from the Telpar and Azerty acquisition.

Thank you again for your time today and your interest in SYNNEX. Laura?

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**Laura Crowley, Director of Investor Relations and Public Relations**

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Thank you, Bob. This concludes our prepared remarks for today. Adrian, I would like to open up the line for questions, please.

**QUESTION AND ANSWER SECTION**

Operator: [Operator instructions] Your first question is from Brian Alexander from Raymond James.

**<Q – Brian Alexander>**: Thank you. First question has to do with your U.S. distribution business. Can you just tell us what the revenue growth of that business was in the second quarter on a year-over-year basis and what it was in the first quarter? Sounds like I think with Canada up 20, the U.S. distribution business would have grown below the overall 12% growth rate in the second quarter. And, I am just trying to get a sense for how that compares to the first quarter.

**<A – Dennis Polk>**: Hey, Brian, this is Dennis here. Good afternoon. We don't break out the individual growth rates of our units. But, your analysis is close to the percentage growth of those two units, Canada and U.S. when you factor out the Canadian growth.

**<Q – Brian Alexander>**: So, directionally, could you just give us a sense, did the US distribution growth slow in the second quarter? And, if so, can you provide some color as to why that might have happened?

**<A – Dennis Polk>**: I assume you are speaking on a year-over-year basis, or are you talking about sequentially basis?

**<Q – Brian Alexander>**: Year-over-year Q2 versus year-over-year Q1.

**<A – Dennis Polk>**: Year-over-year Q2, the business did sequentially increase, and it did increase year-over-year in Q1, as well.

**<Q – Brian Alexander>**: Okay. On the guidance for revenue, can you just give us a sense for what you are assuming for these acquisitions? Is it roughly a \$25 million contribution in the third quarter? And, just give us a sense for how sustainable you think this 13% growth in the assembly business is, so we can kind of get a better sense for what the underlying trends are in the core distribution business.

**<A – Dennis Polk>**: Hey, Brian, this is Dennis. I will take the acquisition portion of that question, and I will turn it over to Bob for the Sun sustainability side of the question. From an acquisition standpoint, the Azerty acquisition in total only brought us \$20 million of available revenue from the acquisition and we don't expect to maintain that. That's on a yearly basis. So, the actual acquired revenue is very small. That was Telpar, excuse me. From an Azerty standpoint, the available revenue was 100 million. We just integrated this company on June 12. We're going through the integration/assimilation period right now. So, we wouldn't expect to maintain too much of that revenue in the first quarter out. So, your number of 25 million is higher than what we were expecting from those two acquisitions in this quarter. And to give you direction, it is higher by about 50%, 75%.

**<Q – Brian Alexander>**: Okay great. So, basically you are expecting normal seasonal sequential growth in your North American distribution business in the third quarter?

**<A – Dennis Polk>**: Right, and I will turn it over to Bob now for the assembly side of that question.

**<A – Robert Huang>**: Brian, on the Sun side of the business, since we don't really have a good visibility other than looking at the new product and what it is doing, we think we should be able to grow in the single mid-digits area. And, as we continue to grow our normal Sun business, that adds pretty good operating margin as we indicated before.

**<Q – Brian Alexander>**: Last question from me and I will get back into the queue. It sounded like the sequential gross margin improvement was really due to fundamental improvement in gross

margin in the distribution segment, and not really due to the mix between distribution and assembly. So, underneath that gross margin improvement in distribution, you mentioned pricing, Bob, as the primary driver. Could you just dig into that a little bit deeper in terms of what's – it sounds like you are being more focused on profitability relative to revenue growth. What exactly is driving that pricing improvement? Is any of that related to back end funds? And why didn't the gross margin improvement sequentially translate to operating margin improvement sequentially? Is that just because you are reinvesting in these other initiatives, or are there other pressures on the cost structure?

**<A – Robert Huang>**: Let me take the gross margin side first, then Dennis could take on the expense as well. On your question on how we increased on the pricing, we have a new – now we have very, very good tools for the sales rep to make prudent pricing decisions. And we just put more training on the sales reps so they could even make a better decision in terms of what gross margin they should get and what the deal is. That is exactly how we improved our gross margin percentage on a transaction-by-transaction basis, and in terms of the expense side of that Dennis would you like to...

**<A – Dennis Polk>**: Sure. Your question was, Brian, how come the improved margin didn't contribute to an overall increase in operating income.

**<Q – Brian Alexander>**: Exactly.

**<A – Dennis Polk>**: Primarily due to, as I alluded to in the script, we had a higher bad debt provision during the quarter. We had a somewhat larger, longer term customer that had a very sudden downturn in their financial position during the quarter. As a result, we provided an additional approximate \$1.5 million of reserves during the period over and above our normal reserve accruals. I am sure your likely follow-up question is, is this the start of a trend or some type of harbinger of things to come. The answer to that question is no. Rather we do this as an essential one-off event.

**<Q – Brian Alexander>**: Thanks, that's it from me.

Operator: The next question is from Jason Gursky from JP Morgan.

**<Q – Jason Gursky>**: Good afternoon, guys.

**<A – Laura Crowley>**: Hi, Jason.

**<A – Dennis Polk>**: Jason, how are you doing?

**<Q – Jason Gursky>**: Good, just a quick question on the press release that you put out in conjunction with the financial release this afternoon. I was wondering if you could add just a little bit more detail on the size and scope of this project for you and how you – the process that you went through in signing on Brocade and just offer a little bit more detail if you can then what we can glean from the release.

**<A – John Paget>**: Sure Jason, this is John Paget. We have been in conversations with Brocade for quite some time, as we have built our storage practices both in the TSD side of the company as well as the systems integration, SID side of the company. We found that their switch, okay, fits very well into that same environment as you well know, their product set. And then, they've been pretty excited about being able to come in and focus some attention on those two sides of the business force.

**<Q – Jason Gursky>**: Okay. And then perhaps Dennis, you could offer a little bit more detail on the SG&A. You said that 1.5 million this quarter was incremental from bad debt expense and the

other contribution was just increased or elevated investment related to TSD and some of the other initiatives. As you look out, you know, 3, 4, 6 quarters, something like that out, do you envision a period where the growth in the investments decelerates, or is this something that's going to be in the model until you get the TSD to that 500 million plus range?

**<A – Dennis Polk>**: Hi Jason, thank you. To answer the first part of your question, in addition to the higher bad debt and the accrual for that, the increase in expenses were variable costs associated with the higher revenue and the investments in the TSD division. That was the driver of the increase year-over-year and sequentially. As far as future periods, we don't expect the percentage of SG&A in terms of total sales will increase past its current level and as TSD and other investments mature, we expect that will come down over time.

**<Q – Jason Gursky>**: Okay, great. Thanks guys.

Operator: Next question is from Richard Kugele from Needham.

**<Q – Richard Kugele>**: Yes, thank you. Just quickly, Bob, can you give us a little bit of your view on IT spending expectations for the year? There's obviously a lot of hand wringing going on among the investor base on whether the 5 to 7% that we had all kind of assumed for the year is at risk. And then, Dennis secondly, just in terms of Mexico, any comments there? Did you see any type of currency impact? Is the dollar strengthened slowing the growth down there at all?

**<A – Robert Huang>**: Rich, this is Bob, on the....

**<A – Dennis Polk>**: Rich, Bob didn't quite hear your question. So, let me repeat it to him. Your question was on the overall annual growth rate of the IT industry. Will it remain a 5 to 7% expected growth rate or will it fall below that, right?

**<Q – Richard Kugele>**: Yes, thanks.

**<A – Robert Huang>**: Richard, we still are going to see on assembly side of the market, those types of demands are pretty stable and we see some pockets in the government and the education that I see now as seasonally slow.

**<A – Dennis Polk>**: And so, second part of your question regarding Mexico, the strength in the dollar against the peso and its effect on our business was not significant. We have a very, very small distribution business in Mexico. As we've been talking about on our call recently, we have a fairly large project going out, but that's more fixed in nature, so that the movement of the peso hasn't really affected that business.

**<Q – Richard Kugele>**: Okay. And then, just lastly in terms of your enterprise business, you have invested a fair amount over the past few quarters. We have seen that in the SG&A, but now you are generating real revenues. As you look into the next year, do you think that further investments are required or is it now a matter of reaping what you've worked so diligently to build?

**<A – John Paget>**: I actually think it's a combination of both. We have very good traction in a number of the previously started businesses such as the enterprise business, the telephony, and converged solutions business, the auto ID business. And so, I think we start to reap some real benefits there in our growth. And then, as we've reported, we are rolling out productive management business. So, we will continue to make some investments in that business as we go forward. So, there's a pretty good balance as we continue to grow in the overall Technology Solutions division.

**<Q – Richard Kugele>**: Okay. Thank you very much.

Operator: The next question is Ben Radinsky from Bear Stearns.

**<Q – Ben Radinsky>**: Hi, good afternoon. Bob, you mentioned in your comments that in the manufacturing division, we should expect to see single-digit year-over-year growth. And, if I do my math correctly that seems to imply a pretty significant sequential decline. Can you comment?

**<A – Robert Huang>**: We said being that's what the...

**<A – Dennis Polk>**: Maybe I can comment on that. Yeah, that does imply a sequential decline in that business Q2 to Q3 2006. As far as the comment on that, in Q2 we did have some benefit from delayed shipments that occurred in Q1. We mentioned that in our Q1 conference call. We benefited by that, plus Q2 also had some – the full transition of new product that we've been talking about the last few quarters. And then also we believe there might have been some benefit from shipments related to the RoHS standards that are rolling out in Europe. So, if we combine those factors, we'll likely see a step down in Q3 over Q2.

**<Q – Ben Radinsky>**: And then, you also mentioned long term visibility is pretty weak so, how should we think about that business on an annual run rate?

**<A – Robert Huang>**: This is Bob. We don't really have a full visibility on the long term in Sun's business per se, but it's only, you could refer to the public information. However, I could tell you we see the new products are well accepted by the market. And, we don't really see any major problems on that. What I referred to earlier is the margin pressure, because of product mix, because of low ASPs. So, from the returns point of view, it will be somewhat more challenging than the revenues to close or revenue pressure.

**<Q – Ben Radinsky>**: Okay. And, just two more, on the balance sheet, the long term deferred asset, which is related to the Mexican project, that's a pretty big number. Is there any way you can put some more detail on the increase in both the asset and the liability?

**<A – Dennis Polk>**: Sure. Regarding our larger Mexico transaction, it's a rollout we are doing with the large bar integrator that we partner with. And it involves installing computers and related equipment in over 15,000 classrooms in Mexico. In addition to the installation in the classrooms, the program involves 5 years of service and maintenance of those PC-related equipment. As we are procuring all the products and helping with all the financing, our balance sheet reflects deferred revenue, cost of sales, and other amounts associated with this project. This project should be nicely profitable though for SYNEX over the term and once the model is complete again and the project starts to fully perform, we'll begin to share more data with you and the effect on our forecast.

**<Q – Ben Radinsky>**: Just to make sure I understand the deferred asset and liability on your balance sheet, is that something similar to what we should see in terms of impact to revenue?

**<A – Dennis Polk>**: Over time that will move from the balance sheet into the P&L, yes.

**<Q – Ben Radinsky>**: Okay. And then last one from me. I was kind of expecting to see inventory days tick down a bit. They were at pretty high levels in the first quarter and they seemed to stay at those high levels and they are much higher than they had been in the past. Would you care to comment? Are these in the ranges that you expected?

**<A – Dennis Polk >**: Yeah, our cash conversion cycle was flat quarter to quarter.

**<Q – Ben Radinsky>**: No, I know your cash conversion cycle, but the actual inventory level, though was a bit higher.

**<A – Dennis Polk>**: Right, the cash conversion cycle was within our comfort range. The asset components, AR and inventory, each improved quarter to quarter by a day. As we always note, this is a point in time metric that can be influenced by the timing of deliveries, payments, et cetera. As well, economic reasons may drive our cash conversion cycle up, but being overall positive from a return perspective. I can't tell you overall that we are comfortable with our current inventory and accounts receivable balances, as well as the agings of each of those asset accounts.

**<Q – Ben Radinsky>**: Great, thanks. Have a good day.

**<A – Dennis Polk>**: Sure.

Operator: Your next question is from Bernie Mahon from Morgan Stanley.

**<Q – Tatiana Feldman>**: Hi, actually this is Tatiana standing in for Bernie. Quick question for you guys, you know, Dell has been pretty vocal recently about using pricing tactics to kick start revenue growth. I'm just wondering what kind of impact you guys have seen since profitability did improve, and also a quick follow-up after that.

**<A – Dennis Polk>**: Hi, this is Dennis. From a Dell perspective, given our improvements in the quarter revenue and margin-wise, we obviously didn't see any major effect from any actions that they are doing.

**<Q – Tatiana Feldman>**: Okay, so is that mostly because on the SMB level you're really not seeing any activity?

**<A – Robert Huang>**: This is Bob. We don't really see what Dell is doing would impact in our SMB market.

**<Q – Tatiana Feldman>**: Okay. And then just one question, I'm also hearing that HP is talking about switching part of its printers business to direct. Wondering if you've seen any of that yet or if that would impact you guys in any way?

**<A – Robert Huang>**: Well, this is Bob again. We don't really see that there is any significant change there. In fact, we see our printer business actually growing with HP.

**<Q – Tatiana Feldman>**: Okay. Thank you very much.

Operator: There are no further questions.

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**Laura Crowley, Director of Investor Relations and Public Relations**

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Okay. Well, this concludes our second quarter 2006 earnings conference call. I would like to thank everybody for joining us today. We will have a replay of this call available for two weeks beginning today at approximately 5 PM Pacific Time through July 6, 2006. The link will be posted on our website at [ir.synnex.com](http://ir.synnex.com). Thank you again for your participation.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This concludes the program, you may now disconnect.

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