

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is Kara and I'll be your conference operator today. At this time, I would like to welcome everyone to the SYNNEX Third Quarter 2008 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session. [Operator Instructions].

Thank you. Ms. Crowley you may begin your conference.

Laura Crowley, Director of Investor Relations and Public Relations

Thank you, Kara. Good afternoon and welcome to the SYNNEX Corporation's fiscal 2008 third quarter earnings conference call. Joining us on today's call are Kevin Murai, Co-Chief Executive Officer; Dennis Polk, Chief Operating Officer; and Thomas Alsborg, Chief Financial Officer.

Before we begin, I would like to note that 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 regarding our general economic conditions and any weakness in IT spending; the loss or consolidation of one or more of our significant OEM suppliers or customers; market acceptance and product life of the products we assemble and distribute; competitive conditions in our industry and their impact on our gross margin; price, margin and other terms with our OEM suppliers; our ability to gain market share; variations in supplier sponsored programs; changes in our costs and operating expenses; changes in foreign currency exchange rates; risks associated with our international operations; uncertainties and variability in demand by our reseller and contract assembly customers; supply shortages or delays; any termination or reduction in our floor plan financing arrangements; credit exposure to our reseller customers and negative trends to their businesses; and risks associated with our contract assembly business.

These statements are subject to 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 our documents filed with Securities and Exchange Commission, specifically, our most recent 10-Q filed in July of this year. For information on some of the risk factors that could cause actual results to differ materially from those discussed in these forward-looking statements.

In addition, any use of the word pro forma refers to figures that are non-GAAP. Additionally, this conference call is the property of SYNNEX Corporation and may not be recorded or rebroadcast without specific written permission from the company.

Now, I'd like to the turn call over to Thomas Alsborg for a recap and comments on our financial performance. Thomas?

Thomas Alsborg, Chief Financial Officer

Thank you, Laura. Good afternoon, everyone, and thank you for joining our call today. I am going to begin by summarizing our results of operations for the quarter.

Revenues for the third quarter of 2008 were \$2.05 billion, a 16% increase over the third quarter of 2007 and a 9% increase sequentially. These revenue results exceeded both our Q3 guidance and Wall Street projections.

Growth from acquisitions contributed approximately 14 percentage points on a year-over-year basis. We believe our growth in revenue on an organic basis is attributed to market share wins

resulting from our strong execution in the marketplace and our ability to drive down costs for our customers.

Our third quarter net income was \$22.1 million or \$0.66 per diluted share. This again surpassed the high-end of our guidance and came in well above analyst projections for the period. These results equate to a net income margin of 108 basis points, a record high for SYNNEX, compared to 82 basis points in the same quarter last year. This also represents a 32% increase in our net margin year-over-year.

Our gross margin also set a record high of 5.52%, representing an increase of approximately 34 basis points compared to the same quarter prior year. With the higher achievement of revenue, we realized increased leverage over our costs along for greater margin and profitability. Additionally, resulting from our revenue performance, we were also able to maximize our variable incentives which contributed to our margin improvement.

We remain diligent upon improving all aspects of our gross margin, including freight and we have good success in our execution so far. During the quarter, we benefited from the timing of accumulation of regular periodic operations activities as well as an additional benefit from the growth in our business process outsourcing services. In addition, work we began several quarters ago to maximize efficiencies and control costs associated with freight and shipping is now paying off. Thus as you can see, with our increased market share our ability to leverage and control our cost structure across the organization, along with earned incentives and realized efficiencies, we more than offset any market pressures associated with the soft economy.

Third quarter 2008 selling, general and administrative expense was \$73.4 million or 3.59% of revenues, compared to 66.7 million or 3.79% in the third quarter of fiscal 2007 and 69.1 million or 3.68% in Q2 fiscal 2008. SYNNEX has done a good job of managing our SG&A cost while continuing to scale our business.

Income from operations was 39.5 million or 1.93% of revenue, a healthy increase and another record for SYNNEX, compared to 24.5 million or 1.39% of revenues over the prior year results and 31.7 million or 1.69% of revenues on a sequentially basis.

Our operating margins primarily is the primary focus for SYNNEX and we've established a very good track record of operating margin expansion over the last two years. This is driven by our strong execution and efficient leverage of our revenue growth and gains in market share, growth in our BPO business, contributions from NAE, and a healthy back-to-school demand from our consumer electronics offerings.

Turning to non-operating expense; net total other expense was 4.9 million for the third quarter of 2008. Within this, net interest expense and finance charges were 3.1 million, a 300,000 increase from the prior year quarter of 3.4 million primarily due to lower interest rates – I meant to say decrease, that's a \$300,000 decrease.

Other expense also includes approximately 1.3 million in unrealized losses on deferred compensation investments. These losses do not ultimately impact the bottom-line as they are offset by reductions in deferred compensation liability within SG&A. The effective tax rate for the third quarter of fiscal 2008 was 35.9%.

Moving to the balance sheet; at quarter-end our inventory totaled 738 million translating to 35 days into inventory supplying down from 38 days in the second quarter of 2008. Accounts receivable was 844 million, including the 68 million in accounts receivable from the off-balance sheet program and vendor program AR, DSO was 43 days down from 44 days in the second quarter of 2008. Days payable outstanding was 33 days, the same as in Q2 2008; thus our net cash conversion cycle

improved by five days for Q3 2008 to 45 days. This is good progress yet we're focused on making further reductions in our cash conversion cycle going forward.

Moving onto the third quarter data and metrics of note; ROIC was 8.3% for the third quarter, up nearly 170 basis points compared to 6.6% in the third quarter of 2007 and more than 110 basis points better than our second quarter 2008, which was mathematically impacted by the mid-quarter acquisition of New Age Electronics.

Depreciation expense was 2.8 million; amortization expense was 2.2 million; capital expenditures were 16.6 million, which includes 10.3 million for the construction of a new logistics facility in Mississippi and 3.5 million for the expansion of our sales and marketing headquarters in Greenville, South Carolina.

For the fourth quarter, we expect to incur approximately 12 million further in capital expenditures associated with the purchase of our headquarters facility in California.

Cash flow from operations was approximately \$28 million in the third quarter. HP, at approximately 35% of sales, was the only vendor accounting for more than 10% of sales during the third quarter of 2008.

As of August 31, 2008, our total company head count was approximately 6,500 fulltime personnel compared to approximately 6,300 at May 31, 2008. The increase in the head count is attributable to investments in our BPO businesses.

Now I'd like to update you on the fourth quarter 2008 expectations. Notwithstanding our strong financial performance for the third quarter, we recognize there is an increased uncertainty in the marketplace. So we believe it is prudent to be cautious in setting our guidance.

Also, considering our momentum and the strong execution in recent quarters and the increased marketplace uncertainty, we believe there has to be greater variability in the estimates of revenue growth this quarter than in recent quarters.

Our guidance is as follows; for Q4 2008, we're forecasting revenue to be in the range of 2.10 billion to \$2.20 billion in line with our seasonality trends, but also reflective of the cautious approach with respect to the current state of the economy. Net income is forecasted to be in the range of 23.6 million to \$24.8 million and diluted earnings per share is anticipated to be in the range of 70 to \$0.73 per share.

Our forecasted diluted earnings per share figures are based on an estimated weighted average diluted share count of approximately 33.8 million. As a reminder, all of these statements are forward-looking statements and actual results may differ materially.

Now, I'd like to turn the call over to Kevin Murai, our Co-CEO. Kevin?

Kevin Murai, Co-Chief Executive Officer

Thank you, Thomas. Good afternoon, everyone, and thank you for joining our call today. I'm very pleased by our results for the third quarter. The SYNNEX team continues to execute very well. Our third quarter results are a clear demonstration of our operational excellence and our ability to move the needle as we continue to grow and diversify our business.

As Thomas mentioned, the third quarter represents a number of record breaking financial milestones never before achieved in the company's public history. Record revenue of 2.05 billion, record gross margin of 5.52%, record operating margin of 1.93%; record EPS of \$0.66 per diluted

share, a 49% increase year-over-year. Our gross profit to expense ratio or GPE was 1.54 in the third quarter, up eight basis points from our second quarter again reflecting our ability to scale against our infrastructure for increased profitability.

Finally, ROIC was 8.3% and return on equity was 13.4% in the third quarter, highlighting a virtual string of significant year-over-year ROIC and ROE improvements.

Our excellent performance is due to the hard work and dedication of the SYNNEX team. And I'm grateful to all of our employees worldwide whose focused efforts really paid off in the third quarter.

With the completion of our third quarter of 2008, SYNNEX achieved our 85th consecutive quarter of profitability. With our track record over the last six quarters, you're seeing a reoccurring theme from SYNNEX of continuous operational excellence in our business process services strategy which is helping SYNNEX to drive industry leading results.

From a business perspective, all of our business units performed to our internal goals. In particular, our 2007 BPO investments are performing as planned and we continue to look for ways to realize additional synergies. And with the addition of New Age Electronics, our consumer electronics business hit the mark with back-to-school push.

Regarding the market, as we anticipated in June, the market conditions rendered a relatively flat to modest growth demand environment. This softness continued throughout the third quarter period which we partially offset through winning market share on good profitable business. The demand environment challenged our people to make the right decisions, target the profitable business and out-execute our competition. And as a result, organically we grew the business about 2% year-over-year where others were flat.

New Age Electronics benefited from double-digit organic growth as we began to realize the benefits of the acquisition with cross selling activities and cost saving initiatives. We experienced relative steadiness within the small and medium business segment, education and federal markets as well as an up-tick in consumer electronics from the back-to-school season.

The pick-up in consumer electronics should continue to ramp as we enter the seasonally high fourth quarter period. Nevertheless, we do anticipate that this relatively soft economic environment will continue through our fourth quarter period and as such it's been reflected in our fourth quarter guidance. It's important to note that while the demand environment continues to be soft on a relative year-over-year seasonal basis, we do not see demand noticeably deteriorating.

Looking forward, we remain cautious in our outlook given the current economic environment, particularly in light of the recent uncertainty in the markets even when considering our strong execution in the third quarter.

The fourth quarter is our seasonally high quarter of the year. With high single digit quarter-to-quarter growth rates essentially, we're allowing for flat year-over-year organic growth for the period. As always, our plans reflect our commitment to focus on value creation and growth within earnings and ROIC in any economic environment.

We continue to post positive year-over-year ROIC improvements. Growing ROIC remains a primary focus for SYNNEX and we're committed to achieving our ROIC targets and earning returns in excess of our weighted average cost of capital.

Also having fully integrated New Age Electronics into our business, we're executing well on our earnings growth goals. We remain committed to our New Age adjusted goal of EPS growth in excess of 20% for the year.

We continue to view the current economic climate as an opportunity for SYNNEX to leverage our efficient infrastructure, outperform our competition and to profitably increase our market share.

Our team has time-and-time again proven how extremely focused we are on winning profitable business while leveraging an extremely efficient operational infrastructure and doing so in most any economic environment. And I am very proud of how this team executed this quarter. In light of the economic environment, the SYNNEX team still managed to grow revenue and increased our margins.

It's important to recognize that over the years SYNNEX has methodically built a business that is focused on driving operational excellence and profitability. This has been the foundation of our success and allows for SYNNEX to differentiate ourselves. It also allows us to define where we want to be years from now.

With today's uncertainty, the fact that we are consistently able to surpass our goals and outperform our competitors is truly a great achievement and speaks to our ability to execute.

We have a long history of capturing opportunities when the going gets tough. We've reported 85 quarters of consecutive profitability. Our competitive cost advantage becomes even more of a differentiator in a challenging economy. Coupling that advantage with our focused superior execution and our business process services, we are very well positioned to realize our long-term goals.

In closing, I'm very pleased with our performance for the third quarter and very optimistic about the future. I want to thank the entire SYNNEX team for their hard work and outstanding performance.

Thank you again for your time today and for your continued interest and investment in SYNNEX.

Laura let's now turn the call back to the operator for questions.

Laura Crowley, Director of Investor Relations and Public Relations

Thank you, Kevin. Kara, we'd like to open up the line for questions please.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions]. Your first question comes from the line of Matt Sheerin with Thomas Weisel.

<Q – Matt Sheerin>: Thanks, and good afternoon everyone. First question, Kevin, just back to your commentary on what you're seeing in the market as well as your guidance, you're being cautious trying to figure out how much of that is just being conservative like you end up being last quarter or are you starting to see September off to a slower start? You obviously saw Ingram talk about the U.S. specifically being softer in the month of September, and then also if you could as a follow up talk about your approach or your strategy regarding the freight costs that are being passed along to Bar customers by your competitors, whether you think that's going to help you gain share there, or are you seeing share opportunities and what does that do to your margins?

<A – Kevin Murai>: Sure, thanks Matt. First of all, just in terms of the overall market and what's happening right now in the economy, there's certainly more uncertainty today than there had been in previous quarters, but as we see the market right now, it is still relatively stable here in North America. There are certainly shifts in demand, kind of up and down, week by week and month by month, but we haven't seen any meaningful change overall in overall demand.

Now moving on to the second question you had on freight, we've been working very, very hard on going back and renegotiating our freight costs and really leveraging the network of 17 warehouses that we have across the U.S. and Canada, and then being able to drive any cost efficiencies that we're able to get from that back to our customers. So, as we constantly evaluate the impact of increasing fuel surcharges and overall profitability, at this time we have no changes planned and we're just kind of waiting to see how this all really plays out in the marketplace, but again I think the proof in the pudding is that we're able to continue to gain share profitably and at the same time increase our overall margins.

<Q – Matt Sheerin>: Well, is that – does your strategy on the freight side and your setup logistically, is that helping you gain share do you think or is it too early to tell?

<A – Kevin Murai>: I do believe that – I do believe that there probably are some share gain opportunities, but again, looking at the opportunity, it's really profitable share that we're focused against and it's not just a freight charge component or terms around freight. I truly believe that we've been able to out-execute, in particular in the past few months, we managed our costs so well, we managed the business so well, and as we continue to enhance service to our customers, I do believe that we're just winning share in the marketplace.

<Q – Matt Sheerin>: Okay. Thanks a lot.

Operator: Your next question comes from Brian Alexander with Raymond James.

<Q – Brian Alexander>: Thank you. I wanted to talk a little bit about the New Age acquisition. The contribution to revenue in the third quarter sounds like it was a little bit below 250 million, which is actually well above what I was looking for. Is New Age what drove the upside relative to your guidance and could you remind us of the normal seasonality in that business both in the third quarter and the fourth quarter on a sequential basis? What should that business look like? Because your revenue growth organically in the third quarter sequentially was two times what I would consider normal seasonality, but your guidance for Q4 implies kind of a mid-single digit sequential growth rate, which is less than half of normal seasonality. So I'm just trying to get a sense for whether New Age is causing the seasonality to change and what drove the upside relative to your forecast in Q3?

<A – Thomas Alsborg>: Well, Brian, hello, this is Thomas. I'll start. We can't as I'm sure you're aware, we're not going to break out the specific revenue that came from the New Age acquisition. What I would tell you though is that New Age is performing well and as we commented on the call, we had a very healthy back-to-school season. So – I would also comment that from a consumer electronics perspective, the market is alive and well. New Age I believe – we believe is not only holding its own, but actually winning share in the marketplace, which is certainly meeting, if not exceeding, our expectations.

<A – Dennis Polk>: Yeah, so Brian this is Dennis, I would just add that as Thomas and Kevin noted in their comments that we're very pleased with the New Age acquisition to date, what the New Age leadership and team has delivered, but more importantly we see a lot of opportunity moving forward. As we get farther away from the acquisition and integration of the New Age business, we see a lot of leverage and synergies from the New Age division and that will help drive our numbers.

<Q – Brian Alexander>: Okay. Could you talk about whether that business carries more or less operating leverage than your legacy distribution business? I am just wondering as we move into the first half of next year, are we going to see a greater than normal decline in profitability than what we've seen in the past?

<A – Thomas Alsborg>: When we acquired New Age, one of the comments that we made is certainly from a U.S. perspective that its margin profile is consistent with our overall U.S. margin profile, and I am making that reference from our primary focus, which is the operating margin. So I would say that we get good leverage, but primarily that leverage comes from the fact that we acquired the company, brought them on board, and were able to take out so many costs and leverage our infrastructure.

<Q – Brian Alexander>: Right. But I guess my question, Thomas, is on an overall – maybe on an annual basis it delivers similar margins, but is there greater variability such that in the second half of the year those margins would be much higher than the corporate average and in the first half of the year they'd be lower or are they comparable in each quarter?

<A – Thomas Alsborg>: No that's – what you're saying is true. You would see greater leverage simply because of the seasonality of the business, but I wouldn't suggest that it's significant.

<Q – Brian Alexander>: Okay, good. And then on the BPO acquisitions, maybe just a little bit more color there in terms of how fast those businesses are growing, where are you investing, what are some examples of the synergies that you are realizing on both the HiChina side and the Link2Support side? And that's it for me. Thanks.

<A – Dennis Polk>: Brian this is Dennis. On the BPO business, we are pleased with how the businesses are performing. They are performing very well. The combined businesses did grow faster than the overall company on a top and bottom-line basis in the quarter, albeit from a much smaller base. We did add several customers during the quarter. And at this point in time, we're very pleased with the execution of the management of the BPO team. We're investing in that business and we plan to make more investments moving forward.

<Q – Brian Alexander>: Just some real examples of synergies, Dennis, and should we think of the HiChina business as potentially becoming a value added reseller of technology products to its captive audience of business users?

<A – Dennis Polk>: From a synergy perspective, we have now BPO businesses in the United States, in the Philippines and in China as well as several other countries. By having those locations, we're able to offer our customers more delivery points. By having that that allows us to go out and win more customers and market share. That's one. We've created internal synergies by

using the BPO businesses to serve our own entities; as well we've used the leverage of the SYNNEX relationships for the past 25 plus years to bring customers to these businesses.

<Q – Brian Alexander>: Okay. Thank you.

Operator: Your next question comes from the line of Ananda Baruah with Banc of America.

<Q – Ananda Baruah>: Hey thanks guys. Kevin just – you had mentioned when – in your comments around demand that there is more uncertainty out there today than there has been in prior quarters, but you also mentioned that you haven't seen any real meaningful change in overall demand trends. Can you just, I guess, you know, kind of reconcile those two comments? Where is the – what's the nature of the uncertainty, I suppose even though it hasn't translated itself into demand yet?

<A – Kevin Murai>: Sure. Just in terms of the day-to-day demand that we see, as I said there is variability just in – just in what we see on a daily basis. And we haven't seen any meaningful change in what that is. With the relative uncertainty out there though and just different – just changes that you hear in tones of anecdotal comments both from manufacturing partners or customers as well, it just makes it a little bit harder to call what the coming months is going to hold for us. But that being said, at least from what we see right now, it has been relatively stable. And again there are some segments that are stronger than others, there are some that are softer than others. But at least right now, it's been relatively stable.

<Q – Ananda Baruah>: Have you guys by any chance picked upon on any change, whether it be tone or even demand on the margin as a result of what's taken place in the financial markets the last two weeks?

<A – Kevin Murai>: Certainly a lot of questions around that Ananda. I can tell you that from our perspective – and there is I guess a number of different components to looking at where potential impacts could be. From our own perspective, because of our healthy balance sheet, we are well positioned to continue to operate and grow our business. We're very diligent in managing our credit lines with our customers and as a result I don't see that as any kind of hurdle at all to growing our business, helping our customers grow their business. Perhaps down the road, if some of the credit issues out there do start to impact demand at the end-market level, that could start to have an impact overall on what demand is going to be in the marketplace, but again, we haven't yet seen the impact of that.

<Q – Ananda Baruah>: Got it. So, still -- demand is still soft as it's been for the last couple of quarters, but is relatively stable inside a soft environment, I mean, is that a fair way to characterize what's going on still?

<A – Kevin Murai>: Yeah, I would say – I would say that's a good way to characterize it.

<Q – Ananda Baruah>: Okay. And then just quickly on the margins. Can you just, I mean I guess peel back maybe, more greatly peel back the components that have led to the margin – gross margin expansion this time, it seems like every quarter we're kind of walking through this, which – I just want to make sure that at least I -- maybe everybody else understands it totally. But you keep beating my margin estimates. So I just want to make sure I understand what the components are, how much of it is mix? How much of it is cost synergies? How much of it is, just other things?

<A – Thomas Alsborg>: I'll start with this Ananda, first of all I want to call out we just had a superior excellent – superior execution during the quarter. Obviously when our revenues are even surpassing the top set of our own goals that gives us many opportunities to scale our business model, we talked about it in our prepared remarks. That goes a long way even on the gross margin side.

On top of that, of course, it enables us to meet more of our vendor rebate targets and vendor incentive targets and we certainly benefited from that as well. I would point out, there's nothing particular one-time in nature about the operating results. It was just a very well executed quarter.

<Q – Ananda Baruah>: And so – and were the rebates significant enough such that if you don't beat whatever your internal goals are by that same amount again, you would see the margins come down a little bit? Or I mean, it is more stable, the best way to think of that? I mean, I guess that's really what I'm trying to get my hands around.

<A – Thomas Alsborg>: Often, because of our continuing gross margin expansion, but more over our operating margin expansion, which is important to us, we often – are receiving questions. I think what you are getting at is what's the limit, right?

And what I would tell you is that there are plenty of opportunities in this company and we were just talking about these even as we were celebrating our great results in Q3. Now, there are many more opportunities in this company to continue to expand our margins. So, certainly when we – again, like I said when we scale our revenue we're going to see the margins on the higher end of our expectations, but I would not suggest you that in any way we've reached any kind of caps, which again I think is what you're getting at.

<Q – Ananda Baruah>: Yeah. Certainly that's part of it. I think a year ago, you know, I mean, just with – the comment was you thought you could expand margins by five basis points or something like that. You're already up kind of well over ten basis points. So, okay. That's helpful. What was that?

<A – Thomas Alsborg>: I do want to offer you one other comment, is that that target or that rule of thumb that we had a year ago, whatever we want to call it, again that's with reference to our distribution business and clearly we're beating that goal.

I also want to comment that we're business process services company. So we have the distribution business, but we also have a very healthy business process outsourcing business, which continues to grow as well. I would also point out that the growth in that business process outsource is more akin with the BPO market, so it is outgrowing our core distribution side of our business. So that also is a healthy contributor to our margins.

<Q – Ananda Baruah>: And I guess last one, any material change in the assembly business over the last couple of quarters?

<A – Dennis Polk>: Hi Ananda, this is Dennis. The assembly business is actually going very well. Our integrated assembly/distribution unit performed very well in the quarter. Its revenue and income has grown each quarter this year. We've added new customers. The business is expanding. It's integrated with our systems integration distribution segment. So we're getting synergies there as well.

<Q – Ananda Baruah>: Great. And that growth that you referred to, Dennis, is that sequential or year-over-year?

<A – Dennis Polk>: That was sequential for 2008, but there also is year-over-year growth as well.

<Q – Ananda Baruah>: Great. Thanks a lot.

<A – Dennis Polk>: Thank you.

<A – Thomas Alsborg>: Thank you.

Operator: Your next question comes from Richard Gardner with Citi. Mr. Gardner, your line is open.

<Q>: Hi, this is Joe Yue on behalf of Rich Gardner.

<A – Laura Crowley>: Hello Joe.

<Q>: Hi, how are you doing? Just had a question on, fist pricing. You – it seems like, you as well as all of your competitors have talked about pricing being aggressive in certain areas of the market. Has that changed at all?

<A – Kevin Murai>: You know, I mean, it's an ever-changing thing, day-to-day, I'll kind of – what's being going on, but as more of a macro comment, it's always been competitive in the North American market and it continues to be so.

Again, I think what I had said before was because of the mix of business that we have, you know, focusing a lot of our business in SMB typically serviced by VAR customers, we have good business as well in the retail consumer segment.

We're not – we're not as dependent on some of the big deal business as some others might be. And as a result of that we can be pretty choosy on the business that we decide to take and we are very, very much biased towards taking business that is only profitable and growing our EPS, certainly over growing our overall revenue.

<Q>: On inventory, I did see that inventories actually ticked down in the third quarter where usually it does have a significant bump. I was wondering if there any issues over there, I mean, different dynamics that might have an influence inventories to tick down.

<A – Kevin Murai>: Joe, the answer is really no. It's business as usual. We had commented in recent quarters that the levels of inventory that we're experiencing were temporarily high, usually because we were bringing just the timing of the acquisition of an inventory towards the end of the quarter and what you're seeing here is; number one, the fact that we worked some of that down. And then number two that we're focused on continuing to improve our inventory turns.

<Q>: Thank you very much.

Operator: Your next question comes from the line of Rich Kugele with Needham & Company.

<Q – Richard Kugele>: Thank you, good afternoon. Just a couple of questions. I guess, one just a little bit more specificity on the CE side. I mean, are you primarily talking about shrink for back-to-school around notebooks or if there were any other areas that were notable?

<A – Kevin Murai>: Yeah. And so, the notebook market is actually relatively strong market and coming into the back-to-school season. I think there were a number of – a number of components to our success in particular in back-to-school.

First of all, I think we were – I think we were playing in the right categories. Notebooks certainly being a leading one, but also we ran a number of successful promotions and, with our vendors focused against back-to-school, including promotions that drove incremental sales and printers, as an example.

Another piece is that over the past number of months, our New Age Electronics business has done a very good job in continuing to penetrate what I would call our tier two retail segment, which is more of the regional retail folk and they've increased their presence there. They've increased their

share there. And that still remains a pretty good place for consumers to go and buy their back-to-school equipment. And those are kind of all the reasons that we saw success in back-to-school, but yeah, you're right, notebooks were a strong category.

<Q – Richard Kugele>: And then Kevin, as you look at your business over the next three months, four months, what areas do you watch perhaps a little closer in light of what's going on in the economy? I mean – do you just focus on the SMB as the place where you might see it first? Where do you think would be the first place that the economy would likely show up?

<A – Kevin Murai>: You know, that's a great question. I think we take a number of different data points and we kind of look at how they all line up in balance. SMB, as I said, has historically been probably the most stable environment. Growth historically had also been noticeably higher in SMB than it had been in other segments as well.

We are seeing, since about a year ago, we are seeing softness pretty much across the board, but again it's been stable over the past year. We also take a look at other data points around different product segments too.

So that being said though, I think the way that we've been managing our business is continuing to look at where the growth opportunities are by market, look at where the growth opportunities are by technology segment as well, and there's always going to be pluses and minuses, and if you manage it properly, hopefully that you can manage to grow a little bit faster than the overall market and do it a little more profitably. So that's where our focus has been, but overall there haven't been any key data points out there yet that say that there's a significant change in what we've been seeing so far.

<Q – Richard Kugele>: Okay. And then just lastly, Thomas, just directionally as we adjust our models, should we just be thinking about having maybe a little less revenue growth and a little bit better gross margin or at least consistent gross margin around where we've been? That just at least directionally where we should be thinking?

<A – Thomas Alsborg>: You're referring to Q4?

<Q – Richard Kugele>: Well, I mean even just structurally what the business, if the economy remains wishy-washy over the next year, with some seasonality as it normally happens. I mean, should we basically just be thinking about you being strategic on how you take the business, that the margin is almost more important than the top line and model it that way?

<A – Thomas Alsborg>: Let me share a couple of things. First of all, our primary goals here are growth in earnings per share and growth in ROIC. And when we think about margins, we focus on operating margin and net margin. And when you take on business, those are the decision criteria that we make.

As far as our revenue growth, notwithstanding the fact that as Kevin said earlier, we are focused on winning profitable business in terms of market share. Our history has been to out-grow the market. I think we demonstrated that this quarter and we've demonstrated that over the past few years. So the way we think about our business is around those kind of parameters, when we think longer term, we're looking at the same data points that everybody else is, including GDP and so forth, but we challenge ourselves with the ability to out execute the market and to grow profitably. I mentioned also earlier with regards to the gross margin, might be able to give you specific guidance, but as I commented earlier, seriously we are focused on improving all areas of gross margin and we do believe that there are still yet other ways to improve it.

<Q – Richard Kugele>: Okay, that's helpful. Thank you very much.

<A – Kevin Murai>: Thank you.

Operator: You have a follow-up question from the line of Ananda Baruah with Banc of America.

<Q – Ananda Baruah>: Actually kind of quick, quite similar question. So we modeled some sort of modest margin expansions for fiscal year '09. Would you say that we're crazy and try to talk us down from doing that or is that kind of consistent with the way that you think the business can continue to run even in soft – softer spending environment?

<A – Thomas Alsborg>: I appreciate your question and the challenge that you guys have with regards to modeling. You know, talking about 2009, right now I think it's a little preliminary. The only comment I would make too is that as things unfold, we're going to have changes in our product mix that through the distribution side we're going to have changes in our mix with regards to the growth of the BPO business. So there's still a lot of variables out there that honestly even though we have done our own internal plans of forecasting of course, I think it's premature for us to be talking about, Ananda.

<Q – Ananda Baruah>: Okay. But – suffice to say – flattish operating margins would be not unreasonable. All things being equal, correct?

<A – Thomas Alsborg>: Last fourth quarter, we had operating margins in the 1.69% range, I believe – no, for the year, that's what it was. And we shared that for this year we expected to grow that by about 20 basis points. I would just tell you this that the company is intent on continuing to grow earnings per share and continuing to expand our operating margin.

<Q – Ananda Baruah>: Got it. And your previously stated goal of earnings per share growth, I believe was at least 15%?

<A – Thomas Alsborg>: It was – after the acquisition of New Age, we bumped that up to an excess of 20% and we're highly confident in achieving that goal this year.

<Q – Ananda Baruah>: I thought there was – wasn't there a longer term goal there. I thought that was around – there was 15% am I mistaken in remembering that?

<A – Thomas Alsborg>: Yeah, I think you are. In January of this year, we shared that 15% goal...

<Q – Ananda Baruah>: Yeah.

<A – Thomas Alsborg>: ...with respect to our growth on an organic basis for the year.

<Q – Ananda Baruah>: Got it. And just whether – Lastly, I guess areas of particular strength, particular weakness, and everybody changes. Have you seen changes this quarter versus the last quarter?

<A – Kevin Murai>: Yeah, Ananda, so for overall business, for the most part, no matter how you slice and dice segments by customer, by product, most of our segments did grow, but so within that growth on a relative basis, you know, if ours were kind of steady, so to say.

Retail business was strong and a lot of that was driven by back-to-school. Our overall DMR business was on a relative basis softer. From a product standpoint, notebooks continue to be strong and I think some of that driven by back-to-school, but just in general that continues to be strong. We did see strength in peripherals, in software and on the – again on the product category side, relative softness in very few categories, but I could point out server as well as some areas of components.

<Q – Ananda Baruah>: Got it, great. Thanks a lot.

<A – Thomas Alsborg>: Thanks, Ananda.

Operator: There are no further questions. I would like to turn the call back over to Ms. Crowley for any closing remarks.

Laura Crowley, Director of Investor Relations and Public Relations

Great, thank you, Kara. This call has – we're going to go ahead and conclude our call today. Thank you for joining us. We will have an instant replay of this call available for the next two weeks beginning today at approximately 5:00 pm Pacific Time and that will run through October 9, of 2008.

As always, should you have any follow up questions, both Tom and I are available to take your calls. And once again thank you for your participation today.

Operator: That concludes today's SYNNEX Third Quarter Earnings Conference Call. You may now disconnect.

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