

**MANAGEMENT DISCUSSION SECTION**

Operator: Good afternoon. My name is David, and I will be your conference operator today. At this time, I would like to welcome everyone to the SYNNEX 2010 fourth quarter and fiscal year-end 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. Lori Barker, you may begin your conference.

**Lori Barker, Senior Director, Investor Relations**

Thank you, David. Good afternoon and welcome to the SYNNEX Corporation fiscal 2010 fourth quarter and year-end earnings conference call for the period ended November 30, 2010. Joining us on today's call are Kevin Murai, President and Chief Executive Officer; Dennis Polk, Chief Operating Officer; Thomas Alsborg, Chief Financial Officer; and Chris Caldwell, Senior Vice President and General Manager, Global Business Services.

Before we begin, I would like to note that the statements on today's call, which are not historical facts, may be 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 strategy, including growth, market share, profitability and returns, our leadership positions, expectations of our revenues, net income and diluted earnings per share for the first fiscal quarter of 2011, our performance, general economic recovery, the impact of our recent dispositions and acquisitions, benefits of our business model, IT demand expectations and market conditions, operating expenses and operating margins. These are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in the 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. 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 turn the call over to Thomas Alsborg for an update on our financial performance. Thomas?

**Thomas Alsborg, Chief Financial Officer**

Thank you, Lori. Good afternoon, everyone, and thank you for joining our call today. I'll begin with a few highlights and by summarizing our results of operations and key financial metrics for the quarter and the full fiscal year. Then, I'll review the financial update of our recent acquisitions, and I'll conclude with guidance for the first quarter of fiscal 2011.

First, some highlights on two key financial metrics. I am pleased to report our fourth quarter results of \$1.04 per diluted share and with that SYNNEX grew diluted earnings per share from continuing operations by more than 25% over Q4 2009. We also achieved an operating margin of 262 basis points, another record profitability achievement.

And we improved our year-over-year ROIC performance for the 13th consecutive quarter by achieving ROIC of 12.1% in the fourth quarter. SYNNEX continues to deliver on our key goals of growing profitability and returns for our investors.

Let me share some of the details behind the strong performance starting with revenues. In our fourth quarter, total consolidated revenues from continuing operations were \$2.47 billion, up 13.4% sequentially and 12.3% over Q4 of 2009. Compared to the year ago quarter, Q4 2010 includes net revenue accounting of \$129.7 million for certain distribution service and extended warranty contracts. As a reminder, this net revenue accounting treatment was introduced and discussed at length during our first quarter 2010 earnings call.

Just for comparative purposes, our year-over-year revenue increase would be 18.2% for the fourth quarter. For the full year, revenues were \$8.61 billion, an increase of 11.6% or 16.7% on a comparative gross revenue basis to 2009.

At the segment level, in the fourth quarter, revenues from the distribution segment were \$2.45 billion, up 13.7% sequentially. This equates to 12.4% year-over-year or 18.4% on an apples-and-apples gross revenue treatment basis. For the full year, distribution revenues grew 11.6% or 16.8% on a comparative gross revenue treatment basis.

In our Global Business Services segment or GBS, revenues were \$27.7 million, down 10.6% compared to the fiscal third quarter of 2010 and up 5.3% year-over-year. You may recall that in August we sold a controlling interest in a small unit of our GBS business called NDS. For comparative purposes, excluding the NDS revenue from the prior year quarterly results, GBS grew 20.9%. For the year, GBS revenue grew a solid 11.1% or 15.9% when we adjust for the sold NDS business.

In the fourth quarter, our consolidated gross margin was 5.71%, relatively flat to the Q3 gross margin of 5.74% and up nicely compared to 5.24% in the same quarter of 2009. Once again, the gross margin in our core Distribution business was strong, driven by very good execution and continued traction in our TSD and higher margin growth initiatives, which are driving a favorable mix towards our value-add products and services such as enterprise, server, storage, networking, and consumer electronics to name a few.

The consumer electronics category includes our video gaming software and hardware business called Jack of All Games. In addition, the switch to the net revenue accounting for certain business beginning in 2010 had a positive year-over-year impact to our gross margin of about 29 basis points in the fourth quarter.

Fourth quarter total selling, general and administrative expense was \$76.3 million or 3.09% of revenues compared to \$72.7 million or 3.34% sequentially and \$67.6 million or 3.08% in the fourth quarter of fiscal 2009.

SYNNEX SG&A percentage reflects our industry-leading position for lowest cost operating model and is one of the enablers of our increasingly superior operating margins.

The Q4 results demonstrated excellent sales leverage of our cost and the permanent reduction of SG&A of about \$1.6 million related to sale of our NDS business in August. GBS operating income includes a provision for approximately \$2.1 million related to an accrual for statutory business expense. It is anticipated any relative expenses would be de minimis in any future quarter.

Operating income from continuing operations before non-operating items, income taxes and non-controlling interest surged this quarter, and we achieved a record 64.6 million or 2.6% of revenues compared to 52.2 million or 2.40% of revenues in the fiscal third quarter of 2010 and \$47.7 million or 2.17% in the prior year fourth quarter.

For the full year, operating margin grew about 37 basis points to 2.31%. These increases are the results of hard work and shifting mix to higher profit value-add products and services, the leverage

in our leading systems, and SG&A and about 10% – 10 basis points comes from the effects of the 2010 switch to net revenue accounting.

Net total interest expense and finance charges for the fourth quarter of 2010 were \$5.0 million compared to \$4.5 million in the prior year quarter. The effective tax rate for fiscal 2010 and fiscal 2009 was 36.4%. Our fourth quarter net income from continuing operations net of tax was a record \$35.7 million or \$1.04 per diluted share. This compares to \$30.9 million or \$0.88 per diluted share in Q3 2010 and \$28.8 million or \$0.83 per diluted share in Q4 2009. Turning to the balance sheet, our accounts receivable totaled \$987 million at November 30, 2010, up from \$821 million at the end of the prior year. DSO of 42 days compared to 38 days at the end of the prior year. Inventory totaled \$917 million or 36 days at the end of the fourth quarter compared to \$714 million or 31 days in the fourth quarter of 2009.

Days payable outstanding was 36 days compared to 33 days at the end of the prior year, hence our overall cash conversion cycle for the fourth quarter was 42 days, consistent with the last quarter and six days higher than last year. Our debt-to-capitalization ratio remained quite low at 28%. We expect this to increase slightly in the mid-30s range during Q1 2011, primarily due to the financing of our Q1 acquisitions of Marubeni Infotec and e4e. Our liquidity and access to cash remains excellent.

At the end of Q4, the company had over \$465 million available between cash and working capital lines. Other financial data and metrics of note for the fourth quarter are as follows. Depreciation expense was \$2.8 million. Amortization expense was \$1.2 million. Hewlett-Packard at approximately 38% of sales was the only vendor accounting for more than 10% of revenue. The total purchase price for the Aspire and Encover acquisitions, which closed in November 2010, was \$27 million plus earn-out for approximately \$7.6 million.

Q4 capital expenditures were \$5.5 million. Preliminary cumulative year-to-date cash flow used in operations was approximately \$66 million. ROIC was a record 12.1%, up from 11.3% in the prior year fourth quarter, extending our virtual string of year-over-year quarterly increases to 13 quarters.

Now before turning to our Q1 2011 guidance, I would like to comment on our recent acquisitions. SYNNEX Infotech closed on December 1, 2010. The annual revenue run rate was approximately \$1.1 billion and inclusive of our JV investment, SYNNEX now owns 80% of Infotech.

In the near term, we will be rationalizing our vendor and customer portfolio and expect a go forward run rate of just over \$1 billion. Over the next few quarters, we will be operating with compressed operating margins, primarily due to SG&A expenses as we continue to transition the operations, including the ERP system and work to drive increased efficiencies and best practices into the business.

For the year, we now expect that the business to be marginally accretive even after the restructuring and integration charges. During the first two quarters, we expect to incur a total of about \$2 million to \$4 million in restructuring and integration charges for this acquisition, which will be primarily non-cash and related to right possible systems.

We will break up these charges separately in our quarterly P&Ls for purposes of full disclosure. Again, even with these charges, we expect the acquisition will be modestly accretive for the full fiscal year 2011. Not long afterwards our expectation is for SYNNEX Infotech to have margins that are comparable to a North America distribution business.

For GBS, if you add together the revenue run rates from Aspire, Encover and e4e, they total approximately \$55 million on an annual basis. There will be a period of about two quarters during which our SG&A costs will run higher than normal due to transitions and integrations resulting in lower than normal GBS operating margins in the mid single digit range.

Also, we will incur about \$1 million in GBS restructuring charges during this time; however, we expect to work through these costs and transition quickly, and in the second half of 2011, we expect to return to historical margins on a now much larger revenue base. We expect even higher margins over time as our platform solutions from Aspire and Encover continue to scale.

With this information on these acquisitions as a backdrop, I'll now move to our first quarter 2011 expectations. The guidance takes into consideration the current stability of the overall demand environment, new normal seasonal trend expectations reflective of our Jack of All Games business, and the net neutral to slightly dilutive impact from our combined acquisitions before the aforementioned restructuring charges.

We expect revenue in the range of \$2.42 billion to \$2.52 billion. Our forecast for net income before anticipated acquisition, restructuring and integration charges is expected to be in a range of \$28.1 million to \$29.1 million and diluted earnings per share are anticipated to be in the range of \$0.77 to \$0.80 per share.

The calculation of diluted earnings per share is based on a diluted weighted average common share count of approximately 36.5 million shares. We expect cumulative total acquisition, restructuring and integration charges in a range of \$3 million to \$5 million for all M&A and these charges will be mostly non-cash in nature and spread over Q1 and Q2 2011. We will report these separately from SG&A each quarter.

Also, with recent changes in our business over the last few quarters, we believe it would be useful to share with you our current thinking of normal seasonality for our business. We believe the new normal Q4 to Q1 seasonality should be in a range of 12% to 13% decline sequentially. Year-over-year compares are more driven by the underlying market conditions and adjustments for M&A. As a reminder, all of these statements are forward looking and the actual results may differ materially.

I will now turn the call over to Kevin Murai for his perspective on the business, our quarter and the year-end results. Kevin?

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**Kevin Murai, President and Chief Executive Officer**

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Thank you, Thomas. Good afternoon, everyone, and thank you for joining our call today. I'm pleased to report that SYNNEX delivered excellent results for our fourth quarter and fiscal 2010. I give full credit to the hard work and dedication of all of our associates around the world. We continue to do the right things to grow our shareholder value, and I am optimistic what we can accomplish in 2011.

In fiscal 2010, we grew annual revenue by 17% on an apples-to-apples gross revenue basis and we leveraged our business model to drive 29% growth in EPS before discontinued operations.

We also improved our annual ROIC to 10.3%, a result that is above our weighted average cost of capital. The U.S. IT distribution market started the year with strong demand and that strength continued throughout the year. SYNNEX achieved a growth rate of about 19% for the quarter and just over 17% for the year, again on an apples-to-apples gross revenue basis.

In the U.S., we maintained our 2009 share gains and improved our profitability as we grew our business in key strategic areas such as enterprise server and storage Pro-AV, wide format print and unified communications. We also grew our consumer electronics business both organically and with the acquisition of Jack of All Games.

The IT distribution market in Canada rebounded more slowly than in the U.S.; however, SYNNEX Canada continued to outperform the market through strong execution around our key initiatives focused on profitable growth. The BPO market has been slow to recover from the recession with an estimated 2010 global BPO growth rate in the mid single digits.

Our Global Business Services segment managed well and grew sales at over 16% in 2010 excluding NDS, which we sold in August. The team has done an exceptional job in driving growth through recent wins both by gaining higher share of wallet and with existing clients by ramping new clients.

So in summary, for our fourth quarter and full-year of 2010, all segments of our business performed exceptionally well and outperformed their respective markets. Now turning to the outlook for 2011. We believe the North American economy has stabilized and we're optimistic as we enter the New Year. Industry expectations are that the North American IT and CE markets will grow in the mid-single digits in 2011. We're optimistic about our business in 2011 for a number of reasons.

First core distribution and BPO businesses continued to execute well. Second, the economy is coming out of the recession and the overall market growth prospects are good. Third, we believe our recent acquisitions will provide long-term profitable growth opportunities. And fourth there are a number of key technology trends that will drive growth.

In early December, we closed on our acquisition of Marubeni Infotec now called SYNNEX Infotec. SYNNEX Infotec add more than \$1 billion in sales brings us the necessary scale we need to re-enter the attractive Japanese IT distribution market. The IT market in Japan is about one-third of the entire Asia IT market.

In the coming two quarters, we'll be focused on implementing SYNNEX's systems and processes, rationalizing our vendor and customer portfolio, then focusing on growing the business and capturing market share. We'll also leverage our existing vendor relationships to help grow Infotec's market share and profitability.

Also in the last two months, we've enhanced our GBS, BPO foundation and made investments to further GBS growth in the years ahead. The acquisitions of Aspire, Encover and certain assets of e4e, which were announced in late 2010 enable further scale and leverage as the GBS revenue base will increase step function to an over \$160 million annual run rate.

These acquisitions also help us complete a very robust offering that fits multiple geographies and complexities in which our customers sell and support their clients. We expect that it will require two full quarters to work through the integration before we rationalize the new infrastructure and sales base and begin to realize the increased leverage from our purchases. Long-term, we believe we'll be able to drive better than historic GBS margins and profitability.

During 2011, in GBS we will continue to focus on helping clients manage their customers' life cycles better and more cost effectively and we're especially excited about our strength in the renewals business now that we own the Best-of-Breed Renewals Platform. Proprietary platforms are a great example of our strategic direction to drive increased profitability by adding significant value to our clients' business processes.

On the subject of technology trends, SYNNEX's strategy is squarely aimed at riding the wave of key trends such as cloud computing and mobility. In cloud computing, we're working on business models in which we can help our partners participate in a number of ways, from deploying the hardware that goes into the cloud to providing hosted services both in software and infrastructure.

We're investing in tools that will help our customer's provision and manage hosted offerings as well as establishing many new relationships with independent software providers and infrastructure

companies. And we're seeing some early success with significant big iron being sold into the cloud and the deployment of our Office in the Cloud, which are the virtual desktop offering featuring web conferencing and Microsoft Office in the SaaS model.

In the growing mobility market, we have an excellent position in various parts of the ecosystem. On one end, we're establishing relationships with a number of major U.S. carriers. On the other end, we'll leverage our relationships with Intel, Microsoft and NVIDIA.

The center of the ecosystem will be the handset tablet OEM vendors with many of whom we already have longstanding relationships. We are well positioned to sell both to consumers and into the commercial market with nascent mobile business applications. We believe that the features of the tablet format will appeal not only to the early market consumer adopters, but also to the commercial market.

According to a new survey conducted by Harris Interactive, enterprise applications continue their charge into the mobile market, and are set to take over about a third of all tablets in the next few years. They also predict that more than one in five Americans will own a tablet by 2014, 37% of the customers will own them for business use and about half of all tablet owners plan to use it for advices for social networking. Feature rich tablets with low entry prices are now coming to market and both growing the category and taking a bite out of Apple's iPad market share.

At SYNNEX, we started selling tablets into the consumer market in November and we have sold over 50,000 tablets, most of which are based on the Android operating system. In 2011, we will be at the forefront of this growth trend as new tablets ship from tier-one OEMs.

The sweet spot for our mobility solutions will be a combination of the hardware sale and value-added mobility solutions like our new ECExpress Mobile. We were the first IT distributor in North America to launch eCommerce capabilities on mobile devices providing our customers the ability to search for product pricing and availability, enter orders and to check order and account status.

Another unique benefit of the ECExpress Mobile is UPC product recognition. Our customers can scan the UPC barcode on a product and immediately identify and access real-time price and availability. Our ECExpress Mobile platform and mobile development capabilities are a great example of how SYNNEX is adding value beyond just distribution of product.

In addition, there are a number of other current technology trends that we already have significant and growing businesses around. From enterprise Server and Storage to the connected home, we believe we've made the right investments to continue to grow profitability.

I'll conclude my comments by reiterating some of the key things that make SYNNEX stand out from traditional distributors. First is our leadership in growth and profitability. Second, is how we're changing the way we go to market, adding value beyond pick, pack and ship by enhancing our partners' success with efficient services and platform's focus. Third, we're excited about technology and have the right strategy to continue to grow profitably. Fourth, we believe our innovation has launched us into a thought leadership position. And finally, we believe we have the best people in the industry.

So, in closing, 2010 was an outstanding year and I'd like to once again thank each of our employees around the world, our customer and vendor partners and our shareholders. We're optimistic about 2011 and we will continue our strong focus on increasing shareholder value.

So Lori, let's now turn the call back to the operator for questions.

**QUESTION AND ANSWER SECTION**

Operator: [Operator Instructions] Your first question comes from the line of Craig Hettenback of Goldman Sachs.

**<Q – Craig Hettenback>**: Yes, thank you. Kevin, can you just talk about demand trends just by SMB, government, consumer, what's leading growth today and just your expectations as we move through 2011 what areas you see the greatest growth?

**<A – Kevin Murai>**: Sure, Craig. First of all, pretty much all of our end user markets had positive growth year-on-year through fourth quarter. In particular though in our commercial segment, the SMB segment service through VARs was stronger than average, we actually had very strong Federal Government business as well and we also sell through our direct market channel which ultimately hits SMB, which was also quite strong.

Consumer segment for us through our Jack of All Games and New Age Electronics business also showed good strength and growth in Q4. Certainly surpassing some of the growth trends that we had all heard through the holiday season and being about at average where our company was.

Looking forward, we do expect that we're going to continue to see strength in the commercial segment, certainly in the data center, with continued deployment of virtualization of server and in addition to that we also believe that PC refresh cycle in particular on desktop will continue to drive stable and consistent growth.

**<Q – Craig Hettenback>**: Okay. Thank you. And if I could follow-up on the MIT acquisition in Japan just with that being you re-entering that geography just how you're thinking about the management and kind of resources and how you're going to manage splitting that between North America going forward?

**<A – Kevin Murai>**: Yeah, and that certainly is key, Craig. We're fortunate that the company that we acquired, Marubeni Infotec came with a strong management team. In addition to that we're fortunate to have our company's founder, Bob Huang, over in Japan acting as the leader for that company over the next two years. We're fairly early into the integration of that overall business, but certainly many of us here are spending a lot of time and attention to making sure everything goes right, but at the same time locally there's a very strong team.**<Q – Craig Hettenback>**: Okay. And last one if I could, Tom, is just for OpEx, just on an organic basis, so ex-acquisitions, how we should think about OpEx this current fiscal year relative to what you expect to grow the top line?

**<A – Thomas Alsborg>**: Sure. As you've seen in the last few quarters now we've leveraged our OpEx pretty well. If the mix of business were to stay the same way that it is now, we'll continue to be more efficient over time, but as you've seen the mix of business that we have continues to grow in favor of more value business. So you could see a gradual increase in OpEx relative to sales but that would be offset by even greater expectations for margin improvement. That is operating margin improvement over time.

So as we've said in the past, we're willing to invest in SG&A if ultimately it's driving higher gross profit and higher operating margins. This year, with the acquisitions, as I said in my prepared remarks, we will, for the next two quarters, in particular, have a fairly notable bump in our SG&A relative to sales as we work through the integrations.

Post that, however, you should see the distribution business in Japan come in line longer term with our distribution business in North America and similar OpEx patterns for the GBS business where that also will come in line to more normal OpEx and operating margin trends.

**<Q – Craig Hettenback>**: Okay. Thank you.

<A – Thomas Alsborg>: You bet.

<A – Kevin Murai>: Thanks, Craig.

Operator: And your next question comes from the line of Matt Sheerin of Stifel Nicolaus.

<Q – Matthew Sheerin>: Yes. Thank you and good afternoon, everyone. So, a question again on the Japanese acquisition. You talked about the higher expense ratio right now, but are the gross margins in line with your core distribution business in North America?

<A – Thomas Alsborg>: Sure, Matt, this is Thomas, I'll start off with that. Yeah, the short answer is yes. The gross margin on this business is in line with the North American gross margin business right now. There are always going to be opportunities for improvements and between various customers and vendors, there can be puts and takes. But the main focus in building the profitability that this is really going to be around driving into the business efficiency through the integration of our ERP system and taking out costs of various sorts that are primarily in the SG&A line.

<Q – Matthew Sheerin>: Okay. And you talked about the restructuring charges over the next couple of quarters. Is that it or will that continue through the rest of the year where we see additional costs?

<A – Thomas Alsborg>: We think that the restructuring integration charges that we have called out and that we think are worth calling out will really be in the first two quarters. They could, of course, depending upon how things go trickle out. One thing I do want to comment is when we originally acquire or announce the acquisition of this company, we expected that the integration and restructuring charges would be greater than we now see them being. And it is primarily because we expect it to take greater write-offs of assets than it looks like we will need to. So to be very clear to the listeners, we originally thought that we might have between \$5 million and \$10 million of charges for Infotec and now as I shared with you that number looks more like \$2 million to \$4 million of charges to the P&L.

<Q – Matthew Sheerin>: Okay. And I know these deals closed right at or actually after the close of your November quarter. So could you share with us what the balance sheet will look like from a cash and a debt perspective, given the acquisitions and the purchase price?

<A – Thomas Alsborg>: Sure. So two of our acquisitions did close within the quarter. The third GBS acquisition, e4e is relatively small. I think the major focus here is on the Marubeni acquisition Infotec. That closed on December 1st. As we have shared, the total purchase price is \$8.5 million, of which \$5.6 million is attributable to SYNNEX directly.

There is working capital funding that needed to be put in place. We put in place a local line of \$120 million. That line has been in use today and that is one of the reasons why I called out that our debt-to-cap ratio would be in the mid-30s at the end of this quarter based on our current plans.

That said, from a working capital perspective, our U.S. facilities are relatively unused through all of the acquisition activity. We used cash that was currently on hand, some of which was in the U.S., some in other countries for some of the acquisitions of GBS. So we still at the end of the quarter, Q1, anticipate having very strong liquidity position both from a cash and a borrowing perspective.

<Q – Matthew Sheerin>: Okay. Could you give guidance on what the interest expense is going to look like?



<A – Thomas Alsborg>: The only notable change to our interest expense rate that you would have seen in Q4 will be the financing of the working capital lines in Japan and that interest rate is slightly less, probably 25 to 50 basis points less than what you would see on our U.S. facilities.

<Q – Matthew Sheerin>: Okay. Great. And then just lastly it sounded like the consumer electronics side of the business, given the acquisitions, given organic growth continues to do well. Can you give us an idea of what percentage of revenue of your distribution now represents and sort of expectations for that business or are they still bolt-on acquisitions that you're looking at or is it just more organic growth at this point?

<A – Thomas Alsborg>: Sure. So I'll take the first part of that question and I think Kevin might want to take or Dennis might want to take the second part. But just on the total consumer piece, the consumer electronics, including Jack of All Games now, represents close to a quarter of our revenue in the Distribution segment. And I forgot the second part of your question, Matt.

<Q – Matthew Sheerin>: So, just in terms of sort of the outlook for the business, Kevin, maybe you can talk about the strategy you've had almost a full year of these acquisitions now integrated and sounds like you've got really good traction in that business with both suppliers and your retail customers, but just give us your update on the strategy there?

<A – Kevin Murai>: Sure, absolutely. I would be happy to do that, Matt. Of course, our vision in consumer electronics really goes back to our view on the connected home and where we do see significant growth opportunity. In addition, I think there are other things happening in the world that are going to help really drive growth there such as higher cost of energy and much more green energy consciousness.

Things like home automation certainly are going to be a key component of where we're going. So anything that's connected within the home starting with core computing and networking moving into entertainment, all, of course, any kind of viewing of media. In addition to that gaming security surveillance automation, those are all very, very key components and where we think we really differentiate ourselves in the marketplace is that we are one of the largest players, if not the largest player, and we have an opportunity to certainly be the 800-pound gorilla covering the entire space. That's really where the strategy takes us, so we're making good progress in particular with the organic growth that we've had in traditional networking and entertainment CE. Jack of All Games was an important next stepping stone to that and we certainly do see continued opportunity in the connected home.

<Q – Matthew Sheerin>: Okay. Great. Thanks a lot.

<A – Kevin Murai>: Thank you.

Operator: And your next question comes from the line of Rich Kugele of Needham Company (sic) [Needham & Company] .

<Q – Richard Kugele>: Thank you. Good afternoon. Excellent quarter and guide especially given the acquisitions you're still above the Street. Just two quick questions. I guess first from an IT perspective, Kevin, given some of the changes in North American – or at least the U.S. tax code on accelerated depreciation, have you gotten any sense from your partners that perhaps the expectations of mid single digit type IT spending growth could be greater than that. And then secondly from an inventory perspective, if you could give us just a sense on what – on how much of that is kind of acquisition related and whether you're going to be able to pull that down or if you're comfortable with your inventory. Thank you.<A – Kevin Murai>: Sure, Rich. I'll address the first part of that question, Rich. So, and again – sorry, can you repeat the first part of that question?

<Q – Richard Kugele>: Just on whether or not IT spending could potentially...

<A – Kevin Murai>: Yeah.

<Q – Richard Kugele>: [inaudible] in America be greater because of the change in tax code.

<A – Kevin Murai>: Yeah. Sorry about that. Yeah, so I think it's just one factor. There are a number of different factors that we believe are going to continue to drive – pretty solid and I guess healthy growth in overall IT spending both in terms of data center but certainly on the refresh cycle.

We still feel that we're in the early stages of refresh and that has been quite stable over the past number of quarters. We expect it to continue certainly having the benefit of accelerated depreciation is going to be another factor that certainly could help. I'm just not sure that it will be the sole factor that's going to drive increased growth, but it certainly does help there.

<A – Dennis Polk>: And, Rich, this is Dennis. From an inventory perspective, overall we're currently in a comfortable position. If you look at it from a turns perspective and you factor in that we have this net accounting from a revenue perspective and if you factor the acquisition, we're actually performing a little bit better than last year from an inventory turns perspective, so that's good.

Also most importantly, we always worry about the quality of our inventory and we're very pleased with the quality as it stands today but, of course, we're always looking for ways to improve our inventory turns, especially when it comes to managing the inventory of newly-acquired assets. So we'll continue to do that moving forward. But most important we always worry about getting paid for the assets that we carry including inventory and again from that perspective we're doing very well.

<Q – Richard Kugele>: That's very helpful. Thank you.

<A – Kevin Murai>: Thanks, Rich.

Operator: And your next question comes from the line of Shaw Wu of Kaufman Brothers.

<Q – Shaw Wu>: Okay. Thanks. Great quarter and guidance. Just you talked about – Kevin, you talked about some of the areas that did well. Could you talk about some areas that perhaps came up a little short? That's the first question and then the second question for Thomas is – sorry, if I didn't hear this correctly, but just any comments on gross margin. You guided – in terms of guidance, in terms of where that can be, can it sustain at the high fives or any further color there? Thanks.

<A – Kevin Murai>: Okay, Shaw, so, first comment to make from a product category standpoint is pretty much across the board. All categories actually did experience positive growth year-on-year. But just looking at some that perhaps didn't fare as well as our overall average growth really only two stick out. One would be in the notebook area. I did – I think I commented earlier that desktops actually did grow well. Notebooks were certainly much softer than that in year-on-year growth. And then number two is the components area. That would be white box components, processors, hard drives, things like that.

<Q – Shaw Wu>: Okay.

<A – Thomas Alsborg>: Shaw, this is Thomas. On the question about gross margin, first, the obvious kind of caveat if you will and that is there's always going to be puts and takes in our gross margin. There's always a lot of activity in there. The big drivers are the mix of business that we're doing, followed by the marketing activity in the vendor programs that we might be able to achieve in any given quarter.

That said, it is our goal at SYNNEX to really drive both of these up and to the right. We continue to make investments to drive growth in our value and enterprise aspects of our business to drive growth in the consumer electronics, which also has favorable gross margins, and likewise across the board we are looking to create value and be rewarded by our vendors for that value, which also impacts gross margin.

So consistent with the path that we have been on, we do believe that over the long term that the high five range is sustainable and even a hurdle that we can overachieve.

**<Q – Shaw Wu>**: Could I ask it this way? With the acquisitions, you've made – is there a, I guess a bias where we could see – you've done very well over the last few quarters. I guess the question is, is there a bias where it could be better than that?

**<A – Thomas Alsborg>**: So specifically with regards to the acquisitions, I mean, a big driver there is the mix. We commented that step function. We've increased the GBS business now to 150% or more what it was last year, and clearly that has an impact on the gross margin. I commented earlier with Matt that the gross margins of the newly acquired GBS business are healthy and, therefore, in line with what you would expect to see in BPO type businesses and similarly we commented that the Infotec gross margins are also healthy gross margins. So always room for improvement on both sides of our business, but they will – those new businesses will not be a major drag on our gross margin improvement opportunities.

**<Q – Shaw Wu>**: Okay. Thanks for the color.

**<A – Kevin Murai>**: Thanks, Shaw.

Operator: [Operator Instructions] Your next question comes from the line of Brian Alexander of Raymond James.

**<Q – Brian Alexander>**: Thanks, and good evening, everyone. Just maybe picking up on that last question on gross margin. Thomas, if we back out the change in accounting to net revenue for Q4 and for Q3, it looks like gross margins were down a little bit sequentially and I thought the seasonal effects of Jack of All Games and the overall CE business would actually help gross margins and I know there's a lot of puts and takes as you referenced. So what were some of those puts and takes in Q4 and again I realize you manage for operating margin but just curious why the gross margins were down sequentially? And I have a few follow-ups.

**<A – Thomas Alsborg>**: Sure. Brian, I would comment first of all that 5.71 compared to 5.74 and first thing I would factor in is that this gross versus net, we had a higher component of net revenue in Q4 relative to Q3, and so I actually didn't go back to do the math because I don't think it's really significant, but I would expect these numbers are a lot more comparable than you would think.

That said, within the gross margin line, there are a number of different things that can take place. The mix of the business that we're doing is a piece of it. Jack of All Games was good. It was additive.

We always look at our inventory situation. We look at the reserves necessary for the inventory. Our reserves this quarter were probably in terms of the reserves that we booked, were probably a little bit bigger than they were last quarter so that would have been one of the offsetting factors. There's not a whole lot else to call out.

**<Q – Brian Alexander>**: I guess what I'm getting at is the margin profile of Jack tracking in line with your expectations relative to when you bought the company and is the pricing environment still pretty rational?

**<A – Thomas Alsborg>**: Sure. The answer to the second question is yes and the answer to the first question is yes. Jack is doing reasonably well to how we expected. Do we think that there are – continue to be opportunities with Jack of All Games to further improve not just the gross margin, but the operations and the operating margins, the answer is yes.

**<Q – Brian Alexander>**: Okay, good. And then, so getting back to the actual results for Q4, you overachieved on the top line, revenue came in above the high end of your expectations, growth, accelerated on an apples-to-apples basis, I think, by 450 basis points. So two questions. One, do you think that was mostly the market improving or SYNEX gaining share and then secondly, on the outlook for the February quarter, if I back out the acquisitions it looks like you're assuming revenues down about 10% sequentially, which is better than the new seasonality that you called out earlier in the call. So just want to make sure I'm understanding that correctly and if so what's driving that?

**<A – Kevin Murai>**: Yeah, So, Brian, I'll take the first part of your question. I think we had a pretty consistent track record of continuing to outperform the markets. So, again, in Q4 we do believe based on the information we have that we continue to take share. That being said though, the underlying market in certain segments was also a little bit stronger than anticipated as well. So I think we were able to hit on both of those.**<A – Thomas Alsborg>**: One of those areas for example was the government piece was a little bit stronger than we expected. The other thing, I would add is you're right, I think your math is pretty accurate in that 10% is the right number to get to. And that is better than we would normally expect to see given the seasonality that we now expect with our consumer electronics business and that is that better improvement, if you will, on an organic basis is reflective of the two things that Kevin just commented on.

**<Q – Brian Alexander>**: And just a couple more maybe. I think your largest vendor was up a little bit as a percentage of your revenue and I'm just wondering with some new products that they have to go to market in particular in storage and in networking. Is that helping you currently? Can you just talk about their go to market strategy and what kind of momentum you're seeing with your...?

**<A – Kevin Murai>**: Yeah. We have – as you know, Brian, we're the largest HP distributor in the U.S. and we continue to have a very strong relationship. We did well pretty much across the board. We've talked about our focus on enterprise, server and storage in which we continue to grow very, very well there too. We're happy and actually quite excited about the recent acquisitions they've done in particular 3PAR and 3Com, but I would tell you because of how young those are to the HP family, those didn't have a material impact on our ability to gain increase share with HP.

**<Q – Brian Alexander>**: Do you think they will this year, Kevin?

**<A – Kevin Murai>**: I do believe so. Because of the focus, in particular for us, Brian, because of the focus that we have on driving the total HP solution, I do expect that we will do very well with them.

**<Q – Brian Alexander>**: Right. And then just finally on MIT. I know there's been a few questions on the acquisition. I guess a couple of follow-ups based on comments you made earlier in the call. The expectation that you think this business can generate north of 2% operating margins over the next couple of years. Is there a precedent for that in the Japanese market with other distributors? And then secondly you talked about pairing back some relationships with suppliers, not significant, but enough to cause the revenue to migrate down to closer to 1 billion – yeah, go ahead.

**<A – Kevin Murai>**: Sorry, Brian, sorry for cutting you off there. No, just in terms of our view on profitability in Japan, so we are not – we certainly didn't give a specific profitability number. What we did say was that we expect it to be as profitable as like businesses here in North America. That being said, though as we've looked at the company prior to actually announcing the acquisition and now that we're 30 to 40 days certainly into the integration, we knew that there were a number of

opportunities both in terms of cost reduction, as well as overall enhancement to business process that we could certainly come in and provide some step level improvement in overall profitability and that's really what's guiding us. That's where our focus is and the good news, of course, as we get into this integration is everything is running right on expectation.

**<Q – Brian Alexander>**: So the follow-up was you talked about pairing back some relationships and I think part of the optimism when you bought the company was actually expanding their line card. And I'm just wondering if anything has changed or if that's more of a longer-term opportunity?

**<A – Kevin Murai>**: No, no, actually it's a great question, Brian. But, we've been successful as a company because of the more streamlined line card and focus that we get by doing so. And in Japan, there are some notable gaps that – where we have some very strong relationships with where we know we can continue to enhance and provide more focus on. At the same time, their line listing actually is quite large and so there are a number of much smaller relationships that we could probably rationalize over time.

**<Q – Brian Alexander>**: Got it. Thank you very much.

**<A – Kevin Murai>**: Thank you.

Operator: Ladies and gentlemen, this concludes today's time allotted for questions and answers. I would now like to turn the call back over to Ms. Lori Barker for any closing comments.

#### Lori Barker, Senior Director, Investor Relations

Yes. Thank you very much. This concludes our fourth quarter and fiscal 2010 earnings conference call. Thanks for joining us today. We'll have a replay of this call available for two weeks beginning today at approximately 5:00 PM, and if you have any questions for follow-up both Thomas and I and Kevin are available to take your calls. Thanks for your participation today.

Operator: Ladies and gentlemen, this does conclude today's conference. Thank you for your participation. You may now disconnect.

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