MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to SYNNEX Corporation's Fourth Quarter Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct 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 Kelley, Director of Investor Relations and Public Relations. Ms. Kelley, you may begin your conference.

Laura Kelley, Director, Investor Relations and Public Relations

Thank you, Adrian. Good morning, and welcome to SYNNEX Corporation's Fiscal 2005 Fourth Quarter Earnings Conference Call. Joining us on today's call are Bob Huang, President and Chief Executive Officer, Dennis Polk, Chief Financial Officer; and John Paget, President of North America and Chief Operating Officer.

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 relating to our expectation of our tax rates, our current expectations of our revenues, net income and earnings per share for the first quarter of fiscal 2006, our stock option and other related non-cash compensation expenses, our approximate weighted average diluted share count, improvements in our approximate – in our productivity metric, growth and demand of our distribution products, sales projections for 2006, our profitability, maturity of IT marketplace, decreases in our assembly business, expectations of operating income, growth of our U.S. distribution market share, growth of our Canadian distribution business, formation of our Technology Solutions division, projected growth by close of fiscal 2007, improvements in our Mexico distribution business, our business focus and investments, our capital expenditures, Canadian restructuring charges, competitive pricing 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.

The non-GAAP supplemental data included in our press release today and discussed on this call are included with the intention of providing investors a more complete understanding of our operational results and trends, but should only be used in conjunction with results reported in accordance with Generally Accepted Accounting Principles.

The non-GAAP financial measures should enable investors to analyze the base financial and operating performance of SYNNEX to facilitate period-to-period comparisons and analysis of operating trends. Non-GAAP measures presented and discussed today or in other releases, presentations and similar documents issued by the company exclude restructuring charges, non-operating settlement gains or losses, results associated with the companies discontinued Japan operations, gains or losses including foreign exchange in the Company's equity investment in MCJ and other infrequent or unusual items. A detailed reconciliation of the adjustments between results calculated using GAAP and non-GAAP can be viewed in the investor relation 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.
I will now turn the call over to Dennis.

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

Thank you, Laura and thanks to everyone for joining us today. Similar to last quarter, I would like to remind you that our current and prior period results from continuing operations exclude our former Japan subsidiary, as this business was sold in the second quarter of 2005.

Total revenues for the fourth quarter of 2005 were a record 1.59 billion, an increase of 11% over the fourth quarter of 2004, and a 15% sequential increase from the third quarter of 2005. By segment, distribution revenues were 1.47 billion, an increase of 15% over the fourth quarter of 2004, and a 16% increase sequentially. In addition to the expected seasonal increase across all product and customer sets, we also had a strong seasonal federal government sale during the period as well. Contract assembly revenues were 127 million, a decrease of 22% over the fourth quarter of 2004, and essentially flat sequentially. Despite the year-over-year decrease, contract assembly revenues were in line with our expectations for the quarter.

Fourth quarter GAAP income from continuing operations was 12.4 million or 40 cents per share, compared to 15 million or 49 cents per share in Q4 2004. Fourth quarter non-GAAP net income was 12.7 million or 41 cents per share, compared to 13.1 million or 43 cents per share in Q4 of 2004.

Q4 of 2005 non-GAAP net income excludes: approximately 385,000 in SG&A expense net of tax associated with the secondary offering completed during the quarter, approximately 519,000 in fees and other costs net of tax associated with our new securitization borrowing facility in Canada, and a gain of approximately 642,000 net of tax related to our investment in MCJ. On this point, during Q4 of 2005, we hedged the remaining of our holdings in MCJ, which puts us in a position of securing the entire amount of the approximate $20 million gain originally recorded on this transaction.

Q4 of 2004 non-GAAP net income from continuing operations excluded approximately $2 million and a one-time positive tax valuation adjustment.

Moving on to our gross margins, the gross margin percentage for the fourth quarter was 4.2 percent, a slight decline of 5 basis points from the prior year quarter and 4 basis points sequentially. The decline was primarily due to increased business in the quarter with larger, higher volume customers, which generally carry lower gross margins. As always, our primary focus is on our operating margin, thus a slightly lower gross margin in the seasonally high fourth quarter given our operating margin performance this quarter is acceptable.

Fourth quarter 2005 GAAP selling, general, and administrative expense was 42.5 million or 2.67% of revenues. On a non-GAAP basis, excluding 610,000 and expenses related to our secondary offering, our SG&A expense was 41.9 million or 2.63% of revenues in the fourth quarter of 2005, compared to 38.2 million or 2.65% for the prior year quarter and 38.4 million or 2.76 for the third quarter of 2005.

The decline in SG&A expense percentages year-over-year and sequentially are primarily due to our continued focus on cost saving initiatives, process efficiencies and improvements, as well as overall higher revenue. We are also experiencing the benefits from the synergies with our integration of the EMJ acquisition in Canada.

The increase in the dollar amount of SG&A expense versus prior periods is primarily due to

incremental expenses associated with higher revenue and profitability and continued investments in our new business initiatives.
GAAP income from continuing operations for the fourth quarter was 24.4 million or 1.53% of revenues. On a non-GAAP basis, excluding the secondary offering expenses, operating income was 25 million or 1.57% of revenues, compared to 23.1 million or 1.6% of revenue in the prior year and 20.6 million or 1.40% of revenue in the third quarter of 2005.

On a segment basis perspective, GAAP distribution operating income was 21.4 million or 1.46% of revenues compared to 19 million or 1.49% of revenues in the prior year. On a non-GAAP basis, excluding the secondary offering expenses, distribution operating income was 22 million or 1.5% of revenues. Assembly operating income was 3 million or 2.34% of revenues compared to 4.1 million or 2.53% of revenues in the prior year quarter. Assembly amounts were essentially flat or, essentially the same, excuse me, on a non-GAAP basis as well.

With respect to interest expenses and finance charges, the total for the fourth quarter was 5.9 million, an increase of 3.1 million over the prior year. Approximately 800,000 in expense associated with our new securitization line in Canada plus an overall higher interest rate environment and higher borrowings due to increased business were the primary causes of the increased expense over the prior year. The approximate $1 million gain in our other income and expense line is due to the final hedging gains from our investment in MCJ.

From a continuing operations standpoint, our tax rate for the fourth quarter was 36.4 percent. This rate is slightly lower than expectations primarily due to higher profits in lower tax jurisdictions and positive effects from improvements in our tax structure that were completed during the fourth quarter. Our current expectation for our tax rate for 2006 was approximately 36.5 to 38.5 percent.

Regarding our balance sheet metrics, accounts receivable totaled 617 million at November 30, 2005 which includes approximately 275 million associated with our off-balance sheet accounts receivable securitization program. DSO, including the off-balance sheet programs, was approximately 40 days. Inventory totaled 495 million at November 30, 2005. Inventory days were approximately 30, including a detailed metric of approximately 32 days, our fourth quarter cash diversion cycle was 38 days and in line with seasonal norms.

Other fourth quarter metrics of note: Depreciation expense was approximately 1.2 million and amortization expense was approximately 1 million. Capital expenditures were approximately 1.5 million. From a distribution product line standpoint, peripherals accounted for 30 to 34% of our sales. System components accounted for 17 to 21 percent. IT systems accounted for 29 to 33% and software accounted for 9 to 13 percent. Networking accounted for 5 to 9% of total distribution revenues. In our Contract Assembly business from a customer mix standpoint, approximately 94% of our business was from our primary customer Sun Micro and approximately 6% was from all other customers. HP, at approximately 27%, was the only vendor accounting for more than 10% of sales during the fourth quarter of 2005. Total headcount was 2511 at November 30, 2005; this consists of 2026 permanent employees and 485 temporary personnel.

Moving on to our first quarter of 2006 expectations. For Q1 2006, we expect revenues to be in the range of $1.42 billion to $1.47 billion, net income will be in the range of $10.2 million to $10.9 million and earnings per share will be in the range of 33 to 35 cents per share. These earnings and per share amounts do not include the effect of stock options and other related non-cash compensation expense which we expect will total approximately 2 cents in the first quarter of 2006. These forecasted earnings per share figures are based on an approximate weighted average diluted share count of 31.2 million, and do not include any other type of special charges or restructuring amount that could be incurred.

All these statements are forward-looking, and actual results may differ materially.

I will now turn the call to Bob for his comments. Bob.

Robert Huang, President and Chief Executive Officer

Thank you, Dennis. Good morning or good afternoon everyone. We are pleased to deliver another solid quarter of revenue and earnings results. I am most encouraged by our overall strong performance in the second half of the year after somewhat sluggish beginning of 2005. Our 10 plus percent revenue growth and our delivering of EPS results that exceeded the high-end of our guidance are evidence that we executed well in the fourth quarter. 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.

The fourth quarter of 2005 marked our 74th consecutive profitable quarter. The main factors contributing to our increased revenues and profit during this quarter were the performance of our distribution business and the addition of fee based assembly business from our distribution customers also contributed to our profit.

From the U.S. distribution perspective, we continue to execute on our goal of growing faster than the overall marketplace while also taking advantage of the strong seasonal period. We are pleased by the fact that we saw double-digit year-over-year and a sequential growth in our distribution business in the fourth quarter and, at the same time, maintained our focus on growing profitably from an operating earnings perspective. As noted earlier, we did have strong seasonal governmental sales. But, we also continued to execute well in the SMB marketplace.

Regarding our Canadian distribution business, I am pleased to say that our Canadian investment in EMJ last year and the resulting execution on our integration effort through the first half of this year will be paid off in the fourth quarter, as our Canadian team delivered very strong organic growth year-over-year and sequentially in the fourth quarter.

Operating income growth was even better. I would like to extend my appreciation to our management team in Canada and to all those who invest their time and hard work in delivering this outstanding performance.

While not shipping at the prior year revenue levels, our assembly business also performed well in the quarter, as we were able to sequentially improve our operating margins by over 20 basis points. The improved operating income performance was primarily a result of increased yields from our non-Sun business. We will continue to focus on growing this part of our assembly business.

The solid productivities on many fronts in the first quarter followed, allowed us, excuse me, allowed us to also improve our productivity metrics at GPE, i.e. the gross margin to expense ratio, which increased in the first quarter to 1.6 from 1.54 in the third quarter of '05. This is the one of the key metrics where we continued to be the industry leader.

Regarding the distribution product categories we sell, we continued to see strengths in servers, storage systems, and mobile PCs. We also saw continued solid growth in our networking segments as we place more focus and resources in this area.

We are also encouraged by the momentum we have seen in the consumer electronics product as well, especially in Canada. New products driven by Intel's device technologies should further enhance the growth opportunity in this area. However, Intel's chipset and certain hard disk drive have been in shortage and will likely remain constrained this quarter. From our overall market perspective, the demand environment appears to be remain stable and running through normal seasonal patterns.

Now, let me comment on our first quarter guidance. At the midpoint of our guidance, we are projecting a 10% increase in year-over-year sales for the first quarter of '06. This growth rate is a reflective of our continued focus on growing the overall business profitably. The projected increase takes into account from the growth standpoint the continued maturity of IT marketplace, and an approximate 6% to 8% decrease in our assembly business from Q1 '06 versus Q1 '05.

While we executed well in our fiscal fourth quarter, and while we had a strong December, we are taking a conservative stance on Q1 guidance. In the past, we have experienced a seasonal slowness in the second part of the quarter, which resulted in an increased competitive environment. However, even with this conservative view of Q1, we are excited about our fiscal 2006 outlook, and are focusing our efforts on delivering ten plus percent EPS growth over the '05 year based on our normal seasonal patterns. We believe we can accomplish our goals through continued solid execution in all of our main operating units.

For our North America distribution business: One, we will focus on areas where we can add more economic value to our customers and vendors. Two, we will invest more resource on our recently-formed technology solution division, which is a combination of our higher margin and higher value added networking, auto-ID, point of sales, enterprise, security, and telephony businesses. With the current run rate of approximately $150 million, we are encouraged about its potential for growth and especially its higher return. With our investment to date and the future investment, we are optimistic about our plan to grow this business to a run rate of approximately $500 million in three years.

2006 should also see improvement in our Mexico distribution business. Last year, we suffered significant losses in this business, and we continue to work towards returning Mexico to sustained operating profitability. We believe this is an achievable goal in '06 based on recent supply arrangements we have signed with the customers in Mexico who want long-term business with the Education Department of the Mexico Government. Because of the arrangements are long-term in nature, we have taken more risk than is typical in our business. However, through our analysis of the opportunities, we believe that expected profitability will be worth the risk.

Finally, for our assembly business, we expected increased unit volumes with our main customers and additional fee base and value-added distribution related customers, we expect to have solid operating income percentage and be a good complement to our overall distribution business. Overall, based on our all the opportunities we see, again, we look forward to 2006 with optimism and a stronger determination to execute on our business plan.

Before we take questions, I would like to comment on '05 one last time. While '05 was a disappointment for us in that our net income and EPS were slightly down from '04, and that we did not meet our initial goals for the year, we can look back at '05 with a several positive thoughts, including: One, increasing our consolidated revenue space by ten percent. Two, executing on our goal to right-size our Canadian distribution business after the EMJ acquisition. Three, the fact that all in, including the sales of our Japan subsidiaries, charges, etcetera, will deliver approximately $53 million in net earnings or $1.70 per share to our shareholders during the year.

Thanks again for your time today and interest in SYNNEX. Laura, let's now turn the call back to the operator for questions.

Laura Kelley, Director, Investor Relations and Public Relations

Thank you, Bob. Adrian, can we open up the line for questions please?

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions]. The first question is from Brian Alexander from Raymond James.

<Q – Brian Alexander>: Thank you. Good morning, nice quarter. Bob, you talked about a stable demand environment and normal seasonality, and your guidance for the first quarter in your distribution segment implies roughly 12% growth. So, that would be the second consecutive quarter of double-digit revenue growth in your distribution business, which is better than where you had been in earlier part of 2005. So, I guess I'm just trying to get a sense for has the market accelerated here, or do you think most of this incremental growth is coming from share gains for SYNNEX?

<A – Robert Huang>: There are a couple of things, one, Brian, we had a very strong Canadian business after the EMJ integration as I mentioned in the last few quarters. We've been performing extremely well in the market. Two, remember we, in '04 we had a lot of high-volume, low-margin businesses which we decided to let go at the end of '04. So, the basis last year is basically lower from the perspective relative to the comparisons of '05 and '04. So, that's the two areas that contributed to this higher growth of our distribution business in North America.

<Q – Brian Alexander>: Okay. And then, I think you mentioned, by my math, roughly a 50% expected growth rate in some of these higher margin solution areas over the next three years going from 150 to 500 million. Can you give us a sense for how much higher the margins are in those areas and where do you expect to see a disproportionate amount of the growth take place?

<A – Robert Huang>: These are the areas that John is really focusing on, and I'd like to turn this over to John for answer.

<A – John Paget>: Hey Brian, how are you doing?

<Q – Brian Alexander>: Hey, John.

<A – John Paget>: Our expectations on margin, both front-end and operating margin would be just about 2X greater than the average in our normal distribution business.

<Q – Brian Alexander>: Great, and then, just I guess to round it out, one question for Dennis. Looks like inventory was up a little bit this quarter sequentially and DSOs, I think were flattish, sequentially, but toward the high-end of where you've been historically. Maybe just a little bit of color on each of those metrics and how we should think about those trending in '06? Thanks.

<A – Dennis Polk>: Sure Brian, this is Dennis. As far as the DSO and all the metrics in the cash conversion cycle, as we noted, they're seasonally in line with our expectations, yes, slightly up, but more reflective of the period than anything else. We expect them to trend over the next year in the same pattern that they did in the last year, so nothing to note there really. As far as the inventory, as Bob noted in the script, we did have a very strong December. So, as we close November, we had the inventory ready for that business.

<Q – Brian Alexander>: Okay, I'll leave it at that, thank you.

<A – Dennis Polk>: Thank you.

Operator: The next question is from John Coyle from JMP Securities

<Q – John Coyle>: Thank you, good morning. I was wondering if you might first start off by just giving a sense of competitive environment, I know there were some pricing issues earlier in '05, and I wanted to get a little bit more color on where that stands currently?

<A – Robert Huang>: The markets always are very, very competitive and we don't – it has been rational in the last few quarters and we expect it to be that way moving forward, John.

<Q – John Coyle>: Okay. And, that's –you're not seeing any – as you started '06 now not seeing anything significantly change from – at the end of '05?

<A – Robert Huang>: We have not and we hope not.

<Q – John Coyle>: Sure. Let me move into, where, with the business units. On the assembly side, the performance there is you're increasing unit growth with Sun. Can you expand a little bit more on the state of that relationship and how you see that growing in '06?

<A – Robert Huang>: John, would you comment please?

<A – John Paget>: Yeah. John, the relationship is very strong, continues to be very strong. We've, we have enjoyed that for many, many years now. We're through the product transition period, and we're beginning to see the expected increases in unit volume. And we're also, as Bob stated, we're seeing increases in the non-Sun business from, especially from a margin standpoint.

<Q – John Coyle>: Great. In terms of that non-Sun business, what plans do you have to try to grow that in '06, should we see any specific programs, or if you can just expand on that?

<A – John Paget>: Well, we've continued to focus in that arena; we've added, actually added the structure within the company to go after that as well, so we continue to be very plan-ful about that with a very high quality output of product, and we do some very significant business with a Linux cluster manufacturer that continues to grow.

<Q – John Coyle>: Great, okay. Then shifting to the distribution side of the business, in the – just to follow up on an earlier question, on the new technology solutions areas, could you be a little bit more granular in terms of the specific technologies that you see that you expect to see the greatest growth here in '06, whether it be the AIDC point of sale, or the work with Avaya?

<A – John Paget>: Sure, John. As you well know, we have spent considerable time and effort and financial investment in infrastructure over the last twelve to fourteen months building the engineering structure and the outside sales force and dedicated inside sales forces and improving our integration capabilities and solution design capabilities. And what we are clearly at the point now where we have significant enough concentration that we will go to market strongly and, again, the auto-ID business, the security and telephony and networking business and we continue to make good gains in the verticals of networking and security and storage in our enterprise business. So, it's what we have been focusing on over the last twelve to fourteen months, and we are beginning to get good traction in the marketplace at this point.

<Q – John Coyle>: Great. And just if you might expand on, can you give an update on the services program you put into the place mid-last year working with the company in India, progress you're making there?

<A – John Paget>: We have continued to focus in that marketplace, as you well know, that engineering investment was a big part of the enablement of our technology solutions division and the support structure that's needed from a pre and post sales standpoint. We continue to focus on the marketplace and selling the remote monitoring and management services, certainly not growing as fast as we had hoped, but continues to have interest, and we continue to make progress in that area.

<Q – John Coyle>: And finally, just on your comments regarding the component shortage it seems from Intel, could you just provide a little bit more color, what specifically…?

<A>: John, the chip set is about – the chip set for the motherboard, Intel been in shortage for a long time.

<Q – John Coyle>: Sure.

<A>: For quite a few quarters already, and that worries, certainly put some constraint on our white box business as you could imagine. The good news is that we signed up with AMD last quarter, right, and we actually have seen pretty good business through the AMD's processors, the Athlon processors and hence the silver product.

<Q – John Coyle>: Got you. But in regards to the Intel chip-set, that has been in the market—has it materially changed in anyway though in the past, say, several months?

<A – Robert Huang>: Other than shortage there – other than the shortage, I think, the result of that is, AMD, seems to gain some more market share in that area if that's what you are referring to.

<Q – John Coyle>: Yes. More just – I am more interested just in terms of the shortage, how that has – has it increased or began to dissipate in any way or do you expect it to change materially here in the near-term?

<A – Robert Huang>: I don't think it will change materially in the near term. I think it has been constrained for quite a few quarters already. And we hope that we're coming up sometime down the road, but we don't certainly don't expect that the constraint will be relieved in the current quarter.

<Q – John Coyle>: Okay. Great. I will leave it at that. Thanks very much.

<A>: Thank you, John.

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

<Q – Jason Gursky>: Good morning everyone. Couple of quick questions for you. John, can you give a little bit more color on how many enterprise-related vendors you have at this point? And how many you may have added in the quarter and kind of just general trends there on how you think that's going to play out for the rest of the year? And, just to confirm on this topic that the 150 million run rate that you talked about now going to 500 in three years, that's for auto-ID, POS as well as the storage networking and security products?

<A – John Paget>: Let's begin there. You are correct in your assumption of what products we're talking about there. We have continued to add, and we've talked openly about products like TippingPoint and HP's enterprise storage, Barracuda. So, they're clearly focused products in that enterprise world that should typically move upstream into a more complex solution. We continue to add product to the point-of-sale auto-ID, the Avaya business; we have been very pleased with our progress in the Avaya business. So, if a product set that remains relatively stable, we continue to focus on attracting and recruiting additional enterprise-level type of products at the same time as we drive our market penetration with the products that we have in those specific market segments.

<Q – Jason Gursky>: Okay. And, then, maybe a question for Dennis here. On the GPA. GPE ratio, you talked about it being at 1.6 this quarter. Where do you see that kind of going over the next couple of years? What's – internally, what's kind of your target for that?

<A – Dennis Polk>: Jason, this is Dennis. For the year, we are at just above 1.5. And – what we'd like to do moving forward is, increase that on an average basis for the year. For next year, we would like to increase it by at least 5 basis points. And, in future years, increase it from there.

<Q – Jason Gursky>: Kind of in same type of increments?

<A – Dennis Polk>: Yeah. Exactly.

<Q – Jason Gursky>: Okay. And, then, two other just quick questions. On the assembly business margins obviously, operating margins got a little bit better this quarter. Are they sustainable at this level? Do you have kind of a range that you are targeting for the next 8, 12 quarters?

<A – Dennis Polk>: Yeah. The assembly margin has fluctuated somewhat over the past few quarters. So, we think plus or minus 10 basis points, it should be in the range that we reported for the last quarter.

<Q – Jason Gursky>: Okay. And, then, lastly, you talked about the government business being strong during the quarter that ended in November. I just want to check back and make sure, that saw that seasonal spike in October, and it kind of came down seasonally in November and December, or are you seeing some things that are a little bit less seasonal than you would have expected in November, December?

<A>: We continue to see strong month in December, and we expected that to decrease from early part of this year, from January essentially.

<Q – Jason Gursky>: Okay. Great. Thank you guys.

<A>: Thank you.

Operator: The next question is from Joel Wagonfeld from First Albany Corporation.

<Q – Joel Wagonfeld>: Thank you. I apologize if you already addressed this. I got cut off for a little bit. But, I was wondering if you could address the assembly business, specifically the revenues which have sequentially been trending down just a little bit in the last two quarters, but somewhat in the opposition of teams to what Sun is doing in terms of ramping its volume at the low-end? We are just wondering if you could elaborate a little bit more if you haven't already on kind of what may be driving that discrepancy, and what your expectations are for assembly revenues year-over-year this coming fiscal year? Is it going to be growth, is it going to be double-digit growth, et cetera? Thanks.

<A – John Paget>: From an assembly standpoint, as it relates specifically to Sun, as we have talked in our last session, we talked about the product transition and we're through that product transition, and the unit count continues to grow as we expected from a going forward standpoint. The average selling prices on those units, however, are down. Okay? And, so, I think that's the rationalization of continued growth in Sun's expectations of units and consequently our growth in units as well.

<A – Dennis Polk>: And, Joel, this is Dennis, from a 2006 overall standpoint on assembly revenues, we're not making a call on that right now until we get a better feel for the full transition of products, the ASP, the mix, et cetera, field the call for the entire 2006 assembly revenue.

<Q – Joel Wagonfeld>: Okay. But, at this point there is no change in your share of Sun's business; it's all just dynamics of the transition?

<A – Dennis Polk>: Sure.

<A>: Yeah, that's correct.

<Q – Joel Wagonfeld>: Okay, great. Thank you very much.

Operator: The next question is from Richard Gardner from Citigroup.

<Q – Richard Gardner>: Okay, thank you. Two quick questions, number one, which you may not answer is, can you tell us whether you have any of the new business with Sun related to the multi-threaded processor of the T-1 business? And then, secondly, on "disti" margins given that you are expanding into some of these higher margin areas, you did quite well with operating margins this quarter. I suspect part of that is just seasonal, but should we think about 1.5% being a good base line margin for the "disti" business on a go forward basis? And, I guess, ultimately what is your target for that part of the business? Thank you.

<A>: From a Sun products specific standpoint, we do not talk about the specific products as it relates to Sun from a technology standpoint. Okay, but we, what I can say is that we clearly are involved in some of their newer technology as we go forward.

<A – Dennis Polk>: And this is Dennis, from an operating margin perspective for distribution, our stated goal for the company is to have sustained 1.5% operating margin for an entire year. We achieved that in the fourth quarter. But, we want to have that each and every quarter for the entire year. As our distribution business becomes a bigger part of our overall business more and more, you would expect that our distribution goal for operating margin would be the same.

<Q – Richard Gardner>: Okay. Thank you.

Operator: [Operator Instructions]. The next question is from Peter Barry from Bear Stearns.

<Q – Peter Barry>: Hello and good morning.

<A>: Good morning.

<Q – Peter Barry>: Just one quick question from me and that has to do with the distribution revenue mix, government versus SMB. Could you give us a sense of where it is currently, is it seasonally normal, and might your goal be somewhat different in terms of mix as we look out over the next couple of years?

<A – Robert Huang>: Peter, on the, certainly last quarter reflect a much higher government business because of the seasonality, but we don't really see there is anything abnormal per se moving forward; in other words, we would expect that the government business to come down somewhat, but SMB computers will be strong.

<Q – Peter Barry>: Bob, can you give us the frame of reference in terms of the relationship between those two customer groups?

<A – Robert Huang>: We would not be able to comment, Peter.

<Q – Peter Barry>: Fair enough. That's all for me.

<A – Robert Huang>: Thank you.

Operator: The next question is from Richard Kugele from Needham & Company.

<Q – Richard Kugele>: Thank you. Just two quick questions. First, in terms of the component shortages both on the semiconductor side as well as the drive side, does that affect more of the distribution business or the assembly business? And then secondly, in terms of your operating expenses, John, as you've said you have invested in that business over the past 12 to 18 months, do you feel that you have now a sustainable level in that business, or do you think you are going to need to further expand that operation?

<A – John Paget>: Clearly we are going to expand that operation, but we believe we have put in place the fundamental foundation to be quite successful and grow. So, in a way, what I mean that, from an engineering standpoint design solutions and so forth, so our investment will be in taking it to market, marketing and sales standpoint.

<A – Robert Huang>: As for the first question as far as to your shortage impact, it's more distribution side of that; it would have no impact to the manufacturing side.

<Q – Richard Kugele>: Is there a way to try and ballpark the impact of what lost opportunity in sales?

<A – Robert Huang>: You know, relative to our overall distribution business, that is very insignificant I would say. Because remember we do – as I mentioned earlier, we had the franchise of AMD server products, so that was able to make up some loss we had on the Intel side.

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

Operator: The next question is a follow up from Brian Alexander [Raymond James].

<Q – Brian Alexander>: Thanks. Hey Dennis, the 800,000 that you mentioned for interest expense related to the new facility in Canada, is that a one time expense, or should we expect that to be recurring?

<A – Dennis Polk>: No, that's one time for the implementation of the new facility.

<Q – Brian Alexander>: Okay, And then just to clarify, on the total headcount at the end of the quarter, you said 2511 I believe, last quarter was at 2350, at least that what's I have in my notes, and if so, obviously a big increase sequentially, maybe give us a little bit of color on where you've been hiring.

<A – Robert Huang>: Brian, this is more from the temporary workers that we hire for the both assembly side of that as well as on the distribution side of that. Remember, last quarter, we commented that we are going to be full capacity in our assembly side of that business, and we did, and so we had a very busy quarter.

<Q – Brian Alexander>: What was the temporary portion of the total headcount this quarter and last quarter?

<A – Robert Huang>: Our…

<A>: One second, the temporary headcount for this quarter was approximately 500, and I don't have last quarter with me; we will dig that out and share that with you afterwards.

<Q – Brian Alexander>: Thank you.

Operator: There are no further questions at this time.

Laura Kelley, Director, Investor Relations and Public Relations

Okay, this concludes our fourth quarter earnings conference call. Thank you for joining us today. We will have a replay of this call available for two weeks beginning today at approximately 12 noon Pacific Standard Time through January 25th. It will be posted on our website at ir.synnex.com, and the replay number for domestic dial is 814-219-1444 and 703-925-2474 for international. The conference ID is 831075. Thank you for your participation today.

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