
MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the SYNNEX third quarter 2007 earnings results conference call. [Operator Instructions]. As a reminder, this conference is being recorded. I would now like to introduce your host for today's conference, Ms. Laura Crowley. Ms. Crowley, you may begin the call.

Laura Crowley, Director of Investor Relations and Public Relations

Thank you, James. Good afternoon and welcome to the SYNNEX Corporation fiscal 2007 third quarter earnings conference call. Joining us on today's call are Bob Huang, President and 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 strategy to develop a successful BPO and services business, expectations of our revenues, gross margin, SG&A, net income, and earnings per share for the fourth quarter of fiscal 2007, our growth and profitability, the benefits of our recent acquisitions, the consolidation of our Canadian facilities and the related expenses, and impacts on earnings per share, our goal to reach double-digit return on invested capital and statements regarding our expected tax rate for 2007, which 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 documents filed with the Securities and Exchange Commission, specifically our most recent Form 10-Q, for information on risk factors that could cause actual results to differ materially from those discussed in these forward-looking statements. To supplement our financial results, presented in accordance with US Generally Accepted Accounting Principles or GAAP, we use non-GAAP financial measures. These non-GAAP financial measures should not be considered in isolation, or as a substitute for comparable GAAP measures and should be read only in conjunction with our consolidated financial statements, prepared in accordance with GAAP. Also any use of the word pro forma refers to figures that are non-GAAP. A detailed discussion and reconciliation of the adjustments, between results calculating using GAAP and non-GAAP are included in today's earnings release, which can be viewed in the Investor Relations section of our website located at www.synnex.com. 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 would like to turn the call over to Thomas Alsborg for an update on our financial performance. Thomas?

Thomas Alsborg, Chief Financial Officer

Thank you, Laura. Good afternoon, ladies and gentlemen and thanks for joining our call today. Total revenues for the third quarter of 2007 were \$1.6 billion, and an 11% increase over the third quarter of 2006, a 4% increase sequentially and exceeded our stated guidance for the quarter. On a non-GAAP basis, third-quarter net income was \$15 million, a 9% increase over the prior-year third quarter GAAP net income number of 13.8 million, and also at the high-end of our stated guidance.

On a GAAP basis, third-quarter net income was \$14.4 million or \$0.44 per diluted share. Diluted EPS, based on non-GAAP net income was \$0.46 compared to \$0.43 per diluted share in the prior-

year third quarter. Non-GAAP net income and EPS exclude one-time third-quarter restructuring charge of 1.7 million net of tax, and a one-time benefit of \$1.1 million reduction in income tax expense.

The nature of the two excluded one-time items that are used to derive our non-GAAP results are as follows. During the third quarter, we booked a one-time charge of 2.7 million pre-tax or 1.7 million after-tax for the restructuring and consolidation of our four Canadian facilities associated with our Ontario area warehouse consolidation and the integration of the Redmond Group of Companies or RGC. This charge is calculated in accordance with GAAP financial accounting standards and is primarily represented as an accrual for the costs associated with consolidating the four-area warehouses into one central location, there was moving costs and severance and temporary retention of some employees.

We also benefited from a one-time \$1.1 million reduction in income tax expense, resulting from the conclusion of an income tax audit of the company's Canadian subsidiary. Both the restructuring charge and the one-time tax benefit are excluded from our non-GAAP third-quarter 2007 statement of operations.

Now I will turn to the remainder of the P&L. Our gross margins once again measurably expanded for the third quarter of fiscal 2007 to 5.18%. This represents an increase of over 60 basis points, compared to the prior-year quarter and an increase of 18 basis points sequentially. We remained focused on improving all aspects of our gross margin. Our core distribution business and our other business process services contributed to our increased gross margin percentage in the third quarter.

Third-quarter 2007 selling, general and administrative expense was \$64 million or 3.63% of revenues compared to 49.2 million or 3.09% in the third quarter of fiscal 2006. The increased SG&A spending, as a percentage of revenues, is from three primary sources.

First, as we have previously discussed on our second quarter conference call, our P&L includes certain redundant expenses, associated with the consolidation of our Ontario warehouse facilities. Specifically, within the reported results of the third quarter, we incurred pre-tax cost of approximately \$1 million or \$0.02 on a diluted earnings per share basis for temporary expenses, associated with the transition and ramp-up in our operations to the new facility from the previously existing facilities, which are being closed.

These expenses are primarily related to SG&A and are not included as part of the restructuring charge. We expect to incur similar amount of such expenses in the fourth quarter. These redundant expenses are reflected in our fiscal fourth quarter outlook and I will share with you shortly.

The second source of our increased SG&A expense resulted from an approximate \$400,000 charge pre-tax taken during the quarter for the settlement of our previously pending litigation issue. And the third reason for the increase in SG&A expense, as percentage of revenues is related to our recent investments in additional BPO service offerings. All of the BPO service offerings we have, have normal SG&A profiles that are significantly higher percentages of revenue than our historical distribution SG&A range of 3% of revenue.

While our core distribution business continues to perform at our historically low 3% range for SG&A, considering the overall mix of all of our service offerings, including our BPO services, our SG&A percentage for the near-term future should normally be a little below 3.5%, with the exception of any anomalies, such as the redundant expenses, where the settlement of the legal matter that I just spoke about.

On a GAAP basis, income from operations was 24.5 million, or 1.39% of revenues for the fiscal third quarter compared to the GAAP results of 23.5 million or 1.48% of revenues in the prior year and 25.8 million or 1.53% of revenues in the fiscal second quarter of 2007.

Our income from operations for the fiscal third quarter on a non-GAAP basis, which excludes the 2.7 million pre-tax restructuring charge was 27.3 million or 1.55% of revenues. With respect to the net interest expense and finance charges, the total for the third quarter of 2007 was 3.5 million, a \$800,000 increase from the previous-year third quarter of 2.7 million.

Within this figure, gross interest expense primarily increased as a result of increased borrowings used to fund a recent acquisitions in growth and sales, which resulted in a higher level of overall borrowing. On a GAAP basis, the effective tax rate for the third quarter of fiscal 2007 was 30.8%. This rate includes the one-time benefit from the income tax audit in the amount of 1.1 million. On a non-GAAP basis, based on net income, which exclude the 1.7 million net of tax restructuring and without the one-time tax benefit, our effective tax rate was 36.3%.

Given our current geographic make-up relative to income, our current expectation for our non-GAAP tax rate for the full 2007 fiscal year is in the low-36% range. However as always, this is dependent upon several factors, including actual profit contribution from the various geographies in which we operate.

Turning to our balance sheet information and metrics, accounts receivable totaled 603 million at the end of August 31, 2007. On a pro forma basis, including the 93.2 million associated with our off-balance sheet accounts receivable securitization program in Canada, total AR would be 696 million.

DSO including the AR from the off-balance-sheet program was 42 days. Inventory totaled \$593 million at the end of the quarter, translating the 32 days of inventory supply. Netting on our days payable outstanding of 34 days, our third-quarter cash conversion cycle was 40 days.

Other third-quarter data and metrics I would note are as follows. Depreciation expense was 2.6 million, amortization expense was 1.8 million, and capital expenditures were 2.9 million. From a distribution product line standpoint, peripherals accounted for 31 to 35% of our sales, systems components accounted for 17 to 21%, IT Systems accounted for 30 to 34%, software accounted for 8 to 12%, and networking accounted for about 4 to 8% of our total distribution revenues.

Hewlett-Packard had approximately 28% of sales was the only vendor accounting for more than 10% of sales during the third quarter of 2007. Our total company associates are 6,510 as of the end of August 31, 2007. This consists of 6,007 permanent employees, and 503 temporary personnel.

Moving to our fourth quarter 2007 expectations. For Q4 2007, we expect revenues will be in the range of 1.875 billion to \$1.925 billion. Net income is expected to be in the range of 17.2 million to \$17.9 million and diluted earnings per share is anticipated to be in the range of \$0.52 to \$0.54 per share. These forecasted diluted earnings per share figures are based on an estimated average, weighted diluted share count of approximately 33.2 million. As a reminder, all of these statements are forward-looking and actual results may differ materially.

Now I will turn the call over to Bob Huang for his perspective on the business and the quarterly results. Bob?

Robert Huang, President and Chief Executive Officer

Thank you, Thomas. Good afternoon, everyone. We made quite progress with our results for the third quarter of 2007. Our strategy of providing leading business process services is moving forward and gaining momentum. I would like to thank our employees for their hard work and dedication, and our customers and suppliers for their business and continued support. With the completion of our fiscal third quarter of 2007, SYNNEX achieved our 81st consecutive quarter of

profitabilities. Once again, we accomplished a strong performance in our core distribution services, which contributed to our increased revenues and gross margin.

Our relentless efforts on improving efficiencies and our enhanced services offerings through recent acquisitions enabled us to further deliver strong operating and bottom line results for the quarter. As far as [ph] the distribution marketplace, the overall demand was as expected. Pricing remained operational and but competitive during the quarter. In terms of the customer segment or product categories, we did not see any significant differences from historical patterns or from what is being reported in the marketplace.

As we continue to expand our service offerings, our description of SYNNEX as a leading business process service companies is a better way to articulate the business we are in. We have enhanced the existing growth strategies of our core distribution business and to complement our service offerings through our recent position of Concentrix, Link2Support, and PC Wholesales. We added to the strength of our China operations with the HiChina and we now have a very compelling and complimentary operations, BPO operations, excuse me, complementary BPO services offerings, from which to better service not only our current customers and partners, but also other companies who we do not currently service today.

Now I would like to update you on the progress of the recent acquisitions and the larger initiatives. First, from a business perspective, we're very pleased with results from each of these recent acquisitions. This includes HiChina, Link2Support, PC Wholesale and RGC. All performed at a point during the quarter, and we continue to be excited by the growth, synergies and profit potential they have brought to us.

As indicated by our earnings results this quarter, we are already seeing these benefit and synergies opportunities especially with respect to our technical support service offerings. As Thomas noted, we have experienced certain inefficiencies with our consolidation and restructuring efforts in Canada, which resulted in greater SG&A expenses than we would have liked. To correct these, the Canadian team has worked very judiciously and we are seeing positive results every day. I believe these operational issues are short-term in nature.

Regarding our TS [ph] divisions, I am pleased -- we would probably grow in this business in executing on our stated goals for this division. Our gross profit to expense ratio, or GP, was 1.43 on a non-GAAP basis in the third quarter, down 1 basis point from our second quarter.

As noted by Thomas earlier, the increase in our operating expenses result from the inefficiencies in our Canadian warehouse operations and our recent acquisition is the main reason for this change. We expect that our GP will be back to our target range of about -- above 1.5 as of our current fourth quarter.

Now let me comment on our fourth quarter guidance. At the midpoint of our guidance, we're projecting a 9% increase in year-over-year sales for the fourth quarter of 2007 and a 10% increase in our earnings per share. This EPS growth rate is reflective of our continued focus on growing our business profitably. The projected increase in our revenue also assumed from a gross standpoint the continued reasonable demand in IT distribution services and normal seasonal pick up in the IT marketplace.

As we look forward to 2008, well we are optimistic about our current progress and our growth initiatives for our technical support and contact center offerings and we remain quite focused on enhancing this existing vision. I would like to comment that there is uncertainty at the macro economy level, which the impact on the demand of IT products in North America.

Before I turn the call over for questions, I would like to share that in reviewing our past four years of earnings result as a public company, we have more than doubled the size of our operations, gross

margin dollars, and net profit. It is because of the strong determination and execution that if we grow at the same pace as we have done over the last four years, I am confident that we can accomplish our internal goal of achieving 100 million in net income and double-digit ROIC's by the year 2010. I would like to emphasize that we are pleased with our current results and opportunities we have to further our earning growth potentials.

Thanks again for your time today and your continued interest 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, Bob. James, let's go ahead and open up the call for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions]. Our first question comes from Jason Gursky of J.P. Morgan. Your question please.

<Q – Jason Gursky>: Good afternoon, everyone.

<A – Laura Crowley>: Hi, Jason.

<Q – Jason Gursky>: Just a quick question on revenue, as you noted the midpoint of your guidance points to 9% sequential growth, which appears to be a little bit muted relative to prior fourth quarter's, I was wondering if you can just give -- and especially in light of your comment about some micro demand issue, so if you could just give a little bit of flavor as to what's going on with the demand venture as it relates to enterprise versus SMB and maybe your distribution operations relative to some of the other business process outsourcing operations?

<A – Robert Huang>: Jason, this is Bob. The business process offering, I think that moving pretty strong for us, we're happy with that. The micro level or the uncertainties that I mentioned earlier, today its hard to say. I think we got mix signals out there, in some areas its fine, in some areas we are little bit nervous about it. Although, as you know, we have been focusing also on the more profitable business, so we're not just really looking at the top line growth, we are much, much more interested in making sure that we do a good business, have a good business and have a good bottom line. Okay?

<Q – Jason Gursky>: Okay. Let me just add a quick follow-up to that. The areas that you are concerned with, is it enterprise versus SMB and then just generally speaking on the sequential growth that you are expecting this next quarter, it is more mediate relative to prior years, is the seasonality now changing in that business given the mix?

<A – Robert Huang>: Well, last year we did -- I didn't see -- we didn't feel we have the overall economic issues as compared to this year. So as far as a specific segment, I think enterprise is doing fine as we expected, we don't -- we have some areas weakening, it's probably of SMB market for whatever the reasons you could imagine, but probably related to more to macro issues than the specific segment.

<Q – Jason Gursky>: Okay, great. And then you've done a good job of talking about where you think SG&A as the percentage of sales goes, like kind of 3.5% range, but we have seen some pretty strong sequential claims in gross margin percentage, perhaps you could just walk us through on where you think this eventually goes over time, are we going start topping out here at 5.2 versus eventually a 5.5% type business?

<A – Robert Huang>: Jason, probably the mix of the business, as Thomas has mentioned earlier, for the business process, both the H&A's you're talking about 25 to 40% range, whereas in the distribution you're talking about still to sub or a 3% that's where we have. So it's really the mix of the business we are going to -- we see down the road. Thomas, if you have anything to add?

<A – Thomas Alsborg>: The only other thing I would add to that, Bob is that, it's important to keep in mind that even though we have a greater SG&A file on these kinds of businesses. The gross margin is also substantially higher and as a result, our net income, our net margin is also substantially higher than we would see normally in the distributions business. So overall, obviously, we do this as a very nice piece of business to be growing into.

<Q – Jason Gursky>: Okay. That's helpful. Thanks, guys.

Operator: Your next question comes from Brian Alexander of Raymond James. You question please.

<Q – Brian Alexander>: Yes, I just wanted to follow up on the comments around weakness in SMB, which I don't think we have really heard from you or your competitors before, Bob. I'm just trying to get a little bit more clarity on when you started to see this weakness, was this in -- was it in July or was it in August? Do you think its tied to the tightness in the credit markets, and is it possible that this is market share shift and I mentioned that because one of your major competitors reported double-digit top line growth in North America in their July quarter and they guided similarly for the next quarter. So I guess, I'm trying to figure out when did you start to see it? Is it possible with specific to SYNNEX, or is it more broad-based than that?

<A – Robert Huang>: I wanted to -- it was very positive news that I wanted to share with you first. In the recent CNP survey, SYNNEX is rated the number one on price and availabilities and relationship. Those are three pieces of most, most important to our results. So from the market share point of view, I don't think we're losing market share as far as we started seeing these type of similar weakness. Again, I don't have any real solid data to share with you, but overall just looking at what our business today, probably that if any weakness that we're going to see is going to come from -- that's probably one area that we will see probably somewhat concerns us a little bit. But it is not really to the level that we raised a big --red flag that we need to take any actions on that.

<A – Thomas Alsborg>: Brian, this is Thomas. I would like to add something to that. to be very specific on the first part of your question, we feel our revenues were quite strong in Q3 and we have not seen any weakness in the third quarter, which you can contrast to the statements from the competitors. So we had a very healthy third quarter and I believe Bob's comments are really more geared towards characterizing our fourth quarter guidance and just a level of uncertainty, you pick up the Wall Street Journal today and the major headline there is concerns over the economies. So we are just acknowledging. I think what everybody is aware of that is just more increased uncertainty in economy today than it was six months ago.

<Q – Brian Alexander>: Yes, that's helpful and I guess that's part of what I'm trying to clarify. So this isn't really the paraphrase what you're saying, Thomas, this is not necessarily something that you're seeing in your run-rate business. But it is more based on caution that you could see this as the overall macro picture is a little bit less certain, is that fair or have you actually seen your run-rate business -- this quarter to date slowdown?

<A – Dennis Polk>: Brian, this is Dennis here. I am going to jump in as well. First of all, the 9% midpoint guidance is above market growth and that is on our total revenue number. As you know, last quarter, we stopped segmenting out our assembly business, which is now a combined say with our distribution business and we are pleased by the overall momentum there. But from a directional standpoint, I can't tell you that that former business was slightly down approximately 8 to 10% down sequentially from Q2, and we are expecting it to be flat in Q4. So if you take a look at our prior numbers that we broke out for assembly, which were above 140 million in Q4 of last year. You can see there is a little bit of drag on the overall business from that change year-over-year. So if you factor that out, our growth rate even stronger in our core distribution business.

<Q – Brian Alexander>: Yes, I'm coming up with roughly an 8% organic type of growth rate in the distribution business, is that fair for Q4?

<A – Thomas Alsborg>: Quarter-over-quarter.

<Q – Brian Alexander>: No. Year-over-year, stripping out acquisitions?

<A – Thomas Alsborg>: It is higher than that.

<Q – Brian Alexander>: Higher than 8%. That's pretty good. So just on this topic of the credit markets, any change in behavior that you have seen from customers, are they actually looking to leverage distributors more, because they can't get local financing? Have you seen any increase in your aging or bad debt experience?

<A – Thomas Alsborg>: The answer simply is no. We have -- well there has been a lot of buzz about there. We have not seen the effects that you have just described in our business.

<Q – Brian Alexander>: Okay. Then the final one for me is that I appreciate you calling out the 1.4 million of non-recurring expense, but even if you back that out from SG&A it does look like OpEx is growing a little bit faster than gross profit dollars. So taking into account that your mix is changing, we are still not seeing the operating leverage, if you will, at the operating margin line that maybe, I would have expected to see so. Could you just give us a sense for why do you expect that to flip around? When do you think you will start to grow GP dollars faster than OpEx, and we could see some more meaningful operating leverage?

<A – Thomas Alsborg>: Sure. Certainly, Brian. As I commented on the call on my prepared remarks, we expected to see additional redundant cost of about \$0.02 in the fourth quarter and we believe that that will -- by the time the fourth quarter is completed, we will have completed our restructuring and our consolidation to warehouses, and so we think that going into Q1, we should be running on a normal run rate.

<Q – Brian Alexander>: And so that normal run rate implies then that, maybe in 2008 we should start to see GP grow faster than OpEx?

<A – Thomas Alsborg>: Yes.

<Q – Brian Alexander>: Okay. Great. Thank you very much.

Operator: Our next question comes from Rich Kugele of Needham & Company. Your question, please.

<Q – Richard Kugele>: Thank you. Just one last question on the economic factors that -- when you look at the breakdown that you do provide every quarter, historically, since you guys know a lot of history, where do you normally see the first hit if the broader IT spending environment slows? Is there a usual segment that tends to be first hit and that at least gives you a tip off, not necessarily enterprise or it is SMB, but specific segments of your business?

<A>: Well, Richard, that is about -- no we didn't -- we could not see the pattern in the first year. There were a couple of years ago we had SMB issues more on the federal segment that we felt was somewhat slower, because of whatever the reasons happening out there on the defense budget and then we also -- from time-to-time, we will also see enterprises come as [ph] slower sometimes. So it is hard to know specifics in terms of the seasonalities.

<Q – Richard Kugele>: Okay. And then just, lastly in terms of your own ability to fund your own purchases, you haven't had any difficulties or anything that's changed in the way you have been running your balance sheet?

<A>: No. We don't break -- we don't have any difference here. And just one other thing on the acquisition front, especially since you have made quite a few of them in the past few quarters, do you feel you have all the pieces you need to grow your other segments or can you give us a sense of what you think on the acquisition front?

<A – Robert Huang>: When you say, Richard, when you say all the other pieces, what you are referring?

<Q – Richard Kugele>: Well, you have put together all these different operations to go and boost your gross margin and get into some of the more higher end growth areas and -- are there further acquisitions that you need as you see your whole plan play out to reach those levels?

<A – Robert Huang>: Well, we are digesting; we always are looking at new opportunities. So again, our philosophy -- the strategy is right, the price is right, we could innovate and we could finance them, we are doing. So, yes, we continue to look to few opportunities. As far as the current, the call centers business, I think that one is growing pretty well; we are fully focused on the technical support area in depth -- doing very well for us.

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

Operator: Our next question comes from Ananda Baruah of Banc of America Securities. Your question please.

<Q – Ananda Baruah>: Hi, guys, thanks.

<A – Laura Crowley>: Hi, Ananda.

<Q – Ananda Baruah>: Hi, I guess more of a clarification just wanted to make sure that the \$0.02 cost you guys incurred from the consolidation effort in Gulf is an apples to apples with \$0.01 that you incurred last quarter and \$0.01 that you're expecting to incur this quarter?

<A – Thomas Alsborg>: That is correct. We anticipated it would be \$0.01 heading into this quarter it ended up being \$0.02 and as Bob and I both remarked it simply because we have had a lot to execute during the quarter and we have better executed as well as we wanted to in terms of the timing in particular.

<Q – Ananda Baruah>: Okay. So if I look at simplistically, if you would kind of just really hit the \$0.01 that you're expecting, you actually would have posted \$0.01 upside in your core business, so is -- should we read that may be the core business overall is actually operating a bit stronger than you had anticipated, because the \$0.46 is the high end of your guidance, it looks like maybe you would have put 47?

<A – Thomas Alsborg>: That's a fair comment, because indeed our buck for this restructuring in the SG&A cost that went with it, we had a very solid, very strong quarter both in the core business and in our business process services. Maybe it would be helpful if I just kind of broke this out for the listeners, because I know that as a number of moving parts in this. So if you look at our reported SG&A of \$63.9 million and that's our GAAP number except for the restructuring, which is on a separate line item. As I said before, we had about \$1 million in this redundant cost or inefficiencies. And then, we had another \$400,000 in legal cost that would normally not occur of course and so if you back up both of those costs, that gets you down to something closer to \$62.5 million, which is closer to something like 3.5, 3.55% of revenue. And again, I would also want to let you know that we have not yet factored in the benefits of the restructuring. So we took the \$2.7 million charge or we are going to see the benefits of that on a go-forward basis and so after factoring the benefits of the restructuring charges, well, you would expect to see our company overall come out with an SG&A as a percentage of revenue, given the current mix and current revenue and so forth of a number slightly below 3.5%. Is that helpful?

<Q – Ananda Baruah>: Yes, it is, yes it is. Thanks. And okay, and then I guess just for a further clarification, the 3.5%, once you get -- I guess what I was going to try to say, once you get the full benefit at whenever point that is through 2008 of the restructuring efforts, is that -- would the 3.5% represents, or can you actually drive beyond that because I know that you provided some guidance or had begun to provide some clarification last quarter about the actual benefit exceeding the

charges -- the restructuring charges that you are going to actually take and that the long-term benefits that actually exceed what that charge was although you were not ready to provide guidance around that, yet gives us some long-term lease benefits, and things of that nature?

<A – Thomas Alsborg>: Right. So I can answer that second question and then I'll go back to the first. With regard to the second question, we expect the pay back period on this restructuring charge to be about three quarters. And then going back to your first question, yes, our goal is to reduce our SG&A below 3.5%, let me say it differently, it wasn't -- I didn't characterize that well. What I just did when I reconciled into that number that's slightly below 3.5 excuse me 3.5% was just to explain, if you take all the moving pieces that we have on the table today and backed them out, that's where we would come. So that's how we think of our operations when we are managing the business as we are trying to complete the integration and the execution and then by the end of Q4, going into Q1, we look at ourselves as a 3.5% for a lower SG&A company. And then as I have been saying since I have been here, we have SG&A opportunities; Dennis said the same thing with me. And we continue to work to reduce those numbers. So our goal is to go -- again even lower than that number.

<Q – Ananda Baruah>: Okay, thanks. That's very helpful. Thank you.

Operator: Thank you. Our next question comes from Ben Radinsky of Bear, Stearns. Your question please.

<Q – Ben Radinsky>: Thanks. Can you just remind us what your goal is for TSE for the full-year and I believe it was originally by Q4, you would be at a run rate of 500 million per year and is that goal still out there?

<A – Robert Huang>: Ben, I think we are pretty much as reaching that goal that we told you after even as early as last year. So I think we are fine.

<Q – Ben Radinsky>: Okay. And then in terms of the breakout between organic growth and acquired growth this quarter, I believe in one of the earlier question you began to break it out, but I was hoping to give us a little bit more color?

<A – Dennis Polk>: Ben, this is Dennis here. I don't think we are breaking out specifically our organic growth versus the growth that comes from the acquisitions. What we're trying to provide you is that the core business is growing faster than the market, which is our desire and on top of that we're getting benefit from the acquisitions.

<Q – Ben Radinsky>: Okay. And then last one from me, if you could just talk about specifically in the quarter maybe a deal or two that was one because of the new strategy, the new BPO strategy, if you could just provide some color as to how you have actually seeing some benefits from putting these pieces together?

<A – Robert Huang>: Perhaps on a no-name [ph] basis.

<Q – Ben Radinsky>: That would be --.

<A – Dennis Polk>: We cannot disclose our customers for any BPO, they generally were nervous about these. So I think it's fair to say given the relationships that we have had for 25 plus years now on the vendor and customer side from the distribution standpoint has benefited us when we have combined these new organizations into SYNNEX.

<Q – Ben Radinsky>: Okay. Is there any -- have you seen incremental business because of the combination, I guess where it was going with it?

<A – Dennis Polk>: We have indeed and speaking specifically of the BPO service again on a no name basis, you are familiar with the business we had, Concentric here in the United states and then recently two quarters ago we have acquired another business in Philippines called Link2Support and it was only couple of months ago that we were able to have the folks who were in Concentric US win business on behalf of the folks in the Philippines Link2Support that would have been business we would not have otherwise been able to win by either company alone.

<Q – Ben Radinsky>: Okay. Thanks. That's it for me.

Operator: Thank you. At this time, I show no further questions.

Laura Crowley, Director of Investor Relations and Public Relations

Okay. Well, this concludes our third quarter conference call. Thank you for joining us today. We will have a replay of this call available for two weeks beginning today at approximately 5 P.M. Pacific Time through October 8, 2007. As always, should have any of follow-up questions, both Thomas and I are available to take your call. Thank you for your participation today.

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

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2007. CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.