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**MANAGEMENT DISCUSSION SECTION**

Operator: Good day, ladies and gentlemen, and welcome to the SYNNEX Corporation first quarter 2006 earnings conference call. [Operator instructions]. And now it's my pleasure to introduce your host for today's conference Ms. Laura Crowley. Please begin, Ms. Crowley.

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

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Thank you, Omar. Good afternoon and welcome to SYNNEX Corporation fiscal 2006 first quarter earnings conference call. Joining us on today's call are Bob Huang, President and Chief Executive Officer; and Dennis Polk, Chief Financial Officer. John Paget, our President of North America and Chief Operating Officer will be unable to join us on this afternoon due to a bout with bronchitis.

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, expectations regarding our inventory, our current expectations of our revenues, net income and earnings per share for the second quarter of fiscal 2006, our stock option and other related non-cash compensation expense, our approximate weighted average diluted share count, product purchasing trends, sales projections for 2006, our growth rate, our profitability, maturity of the IT marketplace, our assembly business revenue, our ability to meet our 2006 goals, growth of our Canadian distribution business, continued focus on our technology solutions division, improvements in assembly business and our growth in 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-K 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 and to facilitate period-to-period comparisons and analysis of operating trends. A detailed reconciliation of the adjustments between results calculated using GAAP and non-GAAP can be viewed in the Investor Relations section of our website.

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 Dennis Polk, our Chief Financial Officer. Dennis?

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

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Thank you, Laura. Good afternoon and thanks for joining our call today. Consistent with the past two quarters, 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 first quarter of 2006, were a first quarter record of 1.5 billion, an increase of 15% over the first quarter of 2005, and down 6% sequentially. By segments, distribution revenues were 1.39 billion, an increase of 18% over the first quarter of 2005, and down 5% sequentially. The year-over-year increase was due to equally strong organic growth in both our US

and Canadian distribution businesses, including increased business from our larger customers and also strong retail sales in Canada. Contract assembly revenues were 111 million, a decrease of 14% over the first quarter of 2005 and down 13% sequentially. Contract assembly revenues for the first quarter of 2006 were in line with our expectations.

First quarter GAAP income from continuing operations was 10.7 million or \$0.34 per share compared to 8.3 million or \$0.26 per share in Q1 2005. First quarter non-GAAP income from continuing operations was 11.2 million or \$0.36 per share compared to 9.7 million or \$0.31 per share in Q1 2005. Please note that we have provided a reconciliation of GAAP to non-GAAP numbers at the end of our press release today and on our website. Q1 2006 non-GAAP income from continuing operations exclude approximately \$470,000 net of tax, or \$0.02 per share in stock-based compensation expense, which has increased significantly from prior periods, primarily due to the adoption of FASB 123 R in Q1 2006. Q1 2005 non-GAAP income from continuing operations excludes approximately 1.4 million or \$0.05 per share related to the integration and restructuring assets in Canada in early 2005.

Regarding our gross margins, the gross margin percentage for the first quarter was 4.33%, an increase of 4 basis points from the prior-year quarter and 13 basis points sequentially. The increase in gross margin percentage was primarily due to our continued focus on all aspects of our gross margin and our distribution business. First quarter 2006 GAAP selling, general and administrative expense was 42.8 million or 2.85% of revenues. On a non-GAAP basis, excluding 735,000 in stock-based compensation expense, our SG&A was 42 million or 2.8% of revenues in the first quarter of 2006, compared to non-GAAP SG&A of 38.1 million or 2.91% in the prior-year quarter and 41.9 million or 2.63% for the fourth quarter of 2005. On a dollar basis, and as a percentage of sales, our SG&A is reflective of our continued investments in our business, the cost of generating higher margin revenue and incremental costs of increased revenue. GAAP operating income from continuing operations for the first quarter was 22.2 million or 1.48% of revenue. On a non-GAAP basis, excluding stock-based compensation expense, operating income was 23 million or 1.53% of revenues compared to a non-GAAP operating income of 18.1 million or 1.38% of revenue in the prior year and 25 million or 1.57% of revenue in the fourth quarter of 2005.

On a segment basis, GAAP distribution operating income was 20.2 million or 1.46% of revenues, compared to 13 million or 1.1% of revenues in the prior year. On a non-GAAP basis, distribution operating income was 20.9 million or 1.51% of revenues compared to non-GAAP distribution operating income of 14.7 million or 1.24% in the prior year. Assembly operating income was 2 million or 1.79% of revenues compared to 3.4 million or 2.63% of revenues in the prior-year quarter. On a non-GAAP basis, assembly amounts were essentially the same. The decline in assembly operating income percentage was primarily due to the lower revenue levels versus the prior year and, to a lesser extent, product and customer mix.

With respect to interest expenses and finance charges, the total for the first quarter of 2006 was 5.9 million, an increase of 2 million over the prior year. The primary reason for the increase in interest expense are an overall higher interest rate environment versus the prior year and higher borrowings due to our increase in business.

From a continuation operations standpoint, our tax rate for the first quarter was 36%. This rate is slightly lower than expectations primarily due to expected higher profits in lower-tax jurisdictions and the positive effect from continued improvements in our tax structure. Our current expectation for our tax rate in 2006 is approximately 36 to 37%.

Regarding our balance sheet metrics, accounts receivable totaled 591 million at February 28, 2006, which includes approximately 290 million associated with our off-balance sheet accounts receivable securitization program. DSO, including the off-balance sheet program, was approximately 41 days. Inventory totaled 525 million at the end of the quarter. Inventory days were approximately 33. Including the days-payable outstanding metric of 32 days, our first quarter cash conversion cycle

was 42 days. Our cash conversion cycle is slightly higher than seasonal norms, driven primarily by increased inventory days. Inventory days were up due to the timing of receipt of purchases, some opportunistic inventory positioning during the quarter, and seasonality of assembly inventory. We do not expect that our inventory days will rise past current levels and, as of the current date, this metric has already cycled down.

Regarding our balance sheet, I would also like to point out that we added a few new lines in our statement in Q1 '06 that reflect the long-term project business we are participating in through our Mexico operations. The classifications reflect short and long-term receivables, short and long-term payables, deferred costs of good sold, and deferred revenues associated with this business. As we discussed in our last call, this long-term business does carry some additional risk versus our normal distribution operations. However, incremental profit from this business should cover the incremental business risk.

Other first quarter metrics of note: Depreciation expense was 1.2 million; and amortization expense was 1 million. Capital expenditures were 3 million. Capital expenditures were higher than historical quarterly averages due to the timing of certain infrastructure upgrades that occurred in Q1.

From a distribution product line standpoint, peripherals accounted for 30 to 34% of our sales. System components accounted for 16 to 20%, IT systems accounted for 29 to 33, software accounted for 12 to 16, and networking accounted for 3 to 7. The changes in the percentages from Q4 are primarily due to seasonality.

In our contract assembly business, from a customer mix standpoint, approximately 95% of our business was from our primary customer, Sun, and approximately 5% was from all other customers. HP, at approximately 25%, was the only vendor accounting for more than 10% of sales during the first quarter of 2006. Total headcount was 2,555 as of February 28, 2006. This consists of 2,071 permanent employees and 484 temporary personnel.

Moving to our second quarter 2006 expectations. For Q2 2006, we expect revenues will be in the range of 1.45 billion to 1.5 billion. Net income will be in the range of 10.9 million to 11.6 million and earnings per share will be in the range of \$0.35 to \$0.37 per share. The earnings and per-share amounts do not include the effects of stock-based compensation expense, which we expect will total approximately \$0.02 to \$0.03 in the second quarter of 2006. These forecasted earnings per share figures are based on an approximate weighted average diluted share count of 31.5 million and also do not include any impact of any special charges or restructuring amount that could be incurred, as well. All these statements are forward looking and actual results may differ materially.

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

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

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Thank you, Dennis and good afternoon to everyone. Once again, we are pleased to deliver another solid quarter of revenue and earnings results in the first quarter, and I am encouraged by our strong performance in an otherwise normally slow seasonal period. Our above-market 15% revenue growth year-over-year and our improved earnings-per-share is our evidence that we continue to execute on our stated goals. Q1 2006 marked our 75th consecutive profitable quarter. Similar to last quarter, our Q1 performance was driven by our US and Canadian distribution businesses.

Regarding our US distribution business, during the first quarter of 2006, we built on the momentum generated during the second half of 2005. And, as a result, we were able to deliver a very healthy 14% year-over-year improvement in revenue growth. More importantly, our efforts over the past year to focus on profitable growth have paid off as well, as our operating income growth in the US

was even higher at approximately 23%. Please note that these amounts exclude stock-based compensation expenses.

Our Canadian distribution business continues to produce very strong organic revenue and operating growth as well. Almost a year after the restructuring of these business units, and after the EMJ acquisition, SYNNEX Canada is enjoying much success and the synergistic benefits from the combined organization, growing revenue and operating income in the first quarter at a faster rate than in the US. From an overall market perspective, the North America distribution channel demand environment appears to be remaining stable and running through normal seasonable patterns. Also from the product perspective, the mix has stayed relatively constant.

Regarding our assembly business, we did experience a decline in revenues from the period – prior period. However, it is a mostly a factor of product and ASP mix, as we were able to produce more units for our main customer in the first quarter of 2006 versus the first quarter of 2005, and some minor material constraints that have cleared in March. Despite the top-line challenges with Sun, our relationship is still very solid and we expect that will remain solid. In addition to our Sun business, we continue to focus on growing our long-term business, but while this business was only 5% of our sales in Q1, the gross margin contribution to our assembly P&L was much more significant.

Moving down to our second quarter guidance. At the midpoint of our guidance, we are projecting a 10% increase in year-over-year sales for the second quarter of 2006. This growth rate is reflective of our desire to grow our business faster than the industry's, but also respectful of growing profitably and reflective of the seasonalities of our business. The projected increase in our revenue also assumes from a growth standpoint continued maturity of the IT marketplace and that our assembly revenue will be slightly higher than Q1 '06.

We believe we can accomplish our Q2 and fiscal 2006 goals through solid execution in our main operating units including the following. One, focus on areas where we can both better serve our customers and vendors. Two, work diligently on improving our margins by taking profitable business, by reducing unprofitable business, and by ensuring our cost structure is in line with the reality of our business. This includes our relentless efforts to improve our gross profit-to-expense or GPE ratio. Regarding these metrics, we are encouraged by our GPE ratio of 1.55 in the first quarter of 2006, up from 1.47 in the prior year. Three, continue to focus on our newly created Technology Solutions Division, which we announced last quarter. Through the first quarter of '06, this business is performing to our expectations. Four, pursuing additional fee-based and other opportunities to enhance our assembly business. The combination of all of these factors, and our continued ability to execute, improve on our day-to-day operations will be the driving factors to our success for the balance of the year.

Before I turn the call over to Laura, as always, I wanted to thank the SYNNEX family for another well-executed quarter and to our customers and suppliers for their continued loyalty and support. Thanks again for your time today and your interest in SYNNEX. Laura?

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

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Thanks Bob. Omar, please open up the line for questions.

**QUESTION AND ANSWER SECTION**

Operator: [Operator instructions]. Our first question comes from Rich Kugele from Needham & Company. Your question please.

**<Q – Richard Kugele>**: Thank you. I guess, first, you commented that the North American environment was stable and seasonal this past quarter. Some of your – one of your competitors in particular had commented that there were some troubling signs on from a pricing perspective. Is there a way of rationalizing these two comments?

**<A – Robert Huang>**: Rich, this is Bob. They are always – the market always is very competitive in our industry and they always have some part that's more competitive than the others. But I think overall, it is a reasonable stable environment. That is our view. We view...don't have the same data points like our competitors you are talking about.

**<Q – Richard Kugele>**: And you are just seeing that environment continue as well into this coming quarter?

**<A – Robert Huang>**: We don't know for sure. It depends on how our competitors react. If they react more aggressively, the pricing pressure will increase. However, we don't really see in – but overall, we don't see that pattern happening.

**<Q – Richard Kugele>**: Okay. And then secondly, just delving a lit bit deeper into the contract assembly business, because of the ASP change on the new product with their large customer there, is it fair to say that it is harder to grow that top line? Do you think that you can grow the units fast enough to really show the same type of revenue growth or revenue levels we have seen in a year ago, year-and-a-half ago?

**<A – Robert Huang>**: Richard, we don't really see we are losing market shares with our customers, per se, but we basically target to their growth. If they – we don't really have a very good visibility in that area, but I do know that we have a strong relationship and I do know that we produce a lot of more units than it used to be. And I do know those units we shipped out get well accepted.

**<Q – Richard Kugele>**: Okay. And then just lastly on your Technology Solutions business, you have now been going for a couple of quarters on that. At what point do you think it could be of a significant enough scale where we could get perhaps a breakout of it? And is there anything that you would need to do or anything you are looking to do to maybe accelerate that growth through strategic acquisitions, or is everything in place today to make that business grow?

**<A – Robert Huang>**: We made an announcement last quarter that we will grow this business in three years to \$500 million – and this is the second quarter from our – only two months ago, we announced. I think everything is running very good and to our expectations, and we certainly look at all possible acquisition opportunities over time to accelerate this growth.

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

Operator: Our next question comes from Joel Wagonfeld of First Albany Capital. Your question, please.

**<Q – Joel Wagonfeld>**: Thank you. Couple of questions, if I could. First of all, your above-market revenue growth in distribution this quarter seems to imply that you took share. I was wondering if you could elaborate on – were there any particular segments, either product or customer, where you took share in particular? And then in terms of the revenue guidance, it implies that year-over-year growth is actually slowing versus this flat, this most recent quarter despite easier comparisons.

I am just wondering if you can refresh us on some of the dynamics that might have been going on that you are thinking about on a year-over-year basis or is it just potentially conservative? And then I have a follow-up on Sun if I could. Thanks.

**<A – Robert Huang>**: On your first question about where the growth came from, I think we mentioned: One is that our – in terms of seasonality, particularly in Canada, we had very strong, very strong year-end sales in the retails market. And that's one major factor of that. The second factor is we have a couple larger customers that we do lot more shipments than we originally forecasted. Those are the two main reasons.

**<Q – Joel Wagonfeld>**: So, you gained share in retail, primarily is what you're saying?

**<A – Robert Huang>**: Yes, I am pretty sure we are gaining market share. The market didn't grow 14, 15%.

**<Q – Joel Wagonfeld>**: Okay. And then, on the slower year-over-year growth, this coming quarter, despite easier comparisons, is this conservatism?

**<A – Dennis Polk>**: Yes, a couple of issues there, Joel. This is Dennis. One, we did have a very strong December in Q1 as we reported strong federal business for us, and as Bob mentioned in Canada, strong retail. We won't have that necessarily continue on given the timeframe in Q2. It's not a strong federal period and plus after March, the Canadian business does tend to step down due to its seasonality and that has become a larger percentage of our business, that affects our numbers on a comparison basis sequentially, and year-over-year.

**<Q – Joel Wagonfeld>**: Got you. Okay, and then, if I could just return to a previous question about Sun and ask it maybe a little bit differently. I guess the question is -- understanding that you are not losing share at Sun -- is it fair to say that the negative impact of lower ASPs is greater relative to the increase in units than you may have expected such that it's going to be tough to ever really see material revenue growth if the ASPs remain where they are? And have there been any surprises as you have ramped the new Sun products, given the traction that you alluded to last quarter? Thanks.

**<A – Robert Huang>**: Joel, we could not – this is Bob – we could not comment at the future growth on those areas. We only could see from the forecast that we are getting. I think we are doing very well in that area.

**<Q – Joel Wagonfeld>**: But I guess my question is, was the impact of the lower ASPs greater than you had anticipated or was it pretty much in line with what you expected?

**<A – Robert Huang>**: I think that's a fair – that's a fair statement, Joel.

**<A – Dennis Polk>**: And this is Dennis. To follow-up on the --

**<Q – Joel Wagonfeld>**: Which is fair? That it was greater than you expected or was it in line?

**<A – Robert Huang>**: It's greater than the – the lower-end servers – essentially shipping a lot more units than we originally anticipated.

**<Q – Joel Wagonfeld>**: Got you.

**<A – Robert Huang>**: And hence lowered the ASPs.

**<Q – Joel Wagonfeld>**: And the impact was greater than you had anticipated?

**<A – Robert Huang>**: That's correct.

<Q – Joel Wagonfeld>: Okay and then, I am sorry, Dennis?

<A – Dennis Polk>: I was just going to answer your question. As far as surprises, there were no significant surprises during the transition.

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

<A – Robert Huang>: Thank you.

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

<Q – Brian Alexander>: Thank you. Nice quarter. Just wanted to follow-up on the revenue guidance as well. It sounds like basically, you are expecting normal seasonality in the US on a sequential basis. I just wanted to clarify that because it sounds like the biggest swing factor relative to prior year's seasonality is that Canada is growing as a percentage of the total and you had a nice quarter in Canada. So, just clarify that and maybe help us understand how big is Canada as a percentage of distribution now versus a year or two ago. That's my first question and I have a follow-up.

<A – Dennis Polk>: We agree with your statements. That is true, the comments on the seasonality as well as Canada factor on that. Canada is approaching 20% of our sales and a year to two years ago, it was 10 to 12%. So, it has become a more significant percentage of our total sales.

<Q – Brian Alexander>: Is that total distribution revenue, Dennis, or is that total revenue?

<A – Dennis Polk>: That is total company revenue.

<Q – Brian Alexander>: Okay, great. And then, Dennis, could you just touch a little bit on inventory. It looked like it was up a little bit sequentially? Just want to get a sense for what areas might you have been building inventory and just given the fact that you are expecting flat-to-down sales in the second quarter, that was a little surprising. And then, I guess I've one more follow-up after that.

<A – Dennis Polk>: Yes, as we mentioned in the script, we did build inventory a bit, some of it were just due to pure timing and when the inventory comes in, but also due to some opportunistic buys that we made. Then, on top of that, our assembly inventory is up due to the stronger March month that we anticipate for the Sun business; we bought for that position. So the total of those three are why our inventory was up, but as we also noted, it's already started to cycle down in the March month.

<Q – Brian Alexander>: Okay, great. And then, with respect to the Solutions initiative, remind us again the margin differential between that business as a standalone unit versus your core distribution business. My understanding was that you could be achieving up to 2x type of gross margins in that business segment relative to what you are used to. I just want to understand that better.

<A – Robert Huang>: Yes, I think that's still what we are looking at.

<Q – Brian Alexander>: And are the margins in that segment coming down at all or they are remaining relatively stable on the solutions side?

<A – Robert Huang>: No, it's relatively stable in that area.

<Q – Brian Alexander>: Okay, great, thank you very much.

<A – Dennis Polk>: Thank you.

Operator: Our next question comes from Jason Gursky of JP Morgan. Your question please.

<Q – Jason Gursky>: Hi guys, a couple of quick ones, maybe one for Bob. I think in your prepared remarks, you had – you made a quick comment about some shortages in some parts for your Sun assembly business. I was wondering if you could go into a bit more detail on exactly what that was?

<A – Robert Huang>: Jason, specific – I do not get into these specific parts per se, but I think the issue gets resolved and I think like we said on the script, it has been cleared, the material's been cleared in March.

<Q – Jason Gursky>: Okay, but it wasn't specific – like a long lead time issue or something like that that really this was just a timing on the parts coming in in time or is there --?

<A – Robert Huang>: It's all related more in more new products, conditions, and environmental requirements.

<Q – Jason Gursky>: Okay, great, that's helpful. And then, the – on the enterprise distribution, I was just wondering if you could perhaps talk a little bit about what contribution sales in this quarter may or may not have had on the year-over-year and quarter-on-quarter increase in gross margins, whether that's kind of playing through nicely for you as planned? And then, secondly, to get to this 500 million number, in your view, what do you need to do as far as bringing on new vendors and new line cards? Are you 25% of the way there now, 50% of the way there now, just to give us a sense of what types of milestones we should be looking for going forward?

<A – Robert Huang>: From the vendors' perspectives... First of all, from our investment point of view, John mentioned quite a few times that we had the outside sales force in place and we've got certifications in place, and we continue to have new vendors coming in. And we indicated last year, EVA on the enterprise storage products from HP, the tipping point, the security products we got other storage products coming in, and by now, it is still insignificant relative to the total business we have. So, we probably will not be able to give you numbers, more meaningful numbers until – probably end of this year or first part of next year. Everything takes – especially on the enterprise type of products, takes a very long time to do, to get qualified, to get accounts closed, to get vendor sign-offs.

<Q – Jason Gursky>: Okay. So, are there any new ones in the quarter and if you – do you plan to put out a press release each time you sign on a new vendor?

<A – Robert Huang>: We do that, Jason.

<Q – Jason Gursky>: Okay. And then lastly, for either Bob or Dennis, can you just remind us exactly what the retail portion of your business is in Canada?

<A – Robert Huang>: Let's see, retail, retail is a third of our Canadian business. Jason, that's what we have.

<A – Laura Crowley>: Thanks.

<Q – Jason Gursky>: Okay. Great, thanks, guys.

<A – Laura Crowley>: Thanks, Jason.

Operator: Our next question comes from Peter Barry of Bear Stearns. Your question please.



<Q – Peter Barry>: Good afternoon.

<A – Robert Huang>: Good afternoon Peter.

<Q – Peter Barry>: I just wanted to make sure I heard you correctly, operating income in US distribution was up 23% year-to-year in the quarter?

<A – Dennis Polk>: Yes, Peter, that's for US distribution, yes.

<Q – Peter Barry>: And Dennis, Canadian distribution, Bob continued saying, was up even faster than US?

<A – Dennis Polk>: That's correct. That's what we said.

<Q – Peter Barry>: Could you give us a bit of additional color in terms of what's driving up maybe both the revenues and the profitability in Canada at the present time?

<A – Dennis Polk>: Sure, Peter. It is obviously a lot to do with our acquisition of EMJ, and the integration of it that we did over the past year. Again, the synergies of that acquisition is really coming through. When we put the two businesses together, and we are enjoying quite a bit of success with many customers including the retail business that we talked about, but also outside the retail business as well.

<Q – Peter Barry>: Okay, going on to your sales mix by category, I couldn't help but notice that software was particularly strong sequentially as a percentage of revenues. Any particular driver that you can discuss with us in there?

<A – Robert Huang>: Yes, Peter. Some enterprise software that happened at year-end, that helped.

<Q – Peter Barry>: Has that basically slowed now so that the relationship, the percentage of revenues, will move back perhaps closer to 11 to 13, in that neighborhood?

<A – Robert Huang>: That's correct, Peter.

<Q – Peter Barry>: Okay, could you – Bob, could you provide us with an update on what's going on in the auto-ID area?

<A – Robert Huang>: We have – we continue to make progress in that area, Peter. Again, that becomes part of the TST. It is still very small, relatively, to the whole business.

<Q – Peter Barry>: But you are apparently taking market share with a fair degree of consistency?

<A – Robert Huang>: We are getting some business, but it is still very small. I mean, certainly few hundred percentage group-- growth from a year ago, but it's still very small.

<Q – Peter Barry>: When would you expect the technology solutions to turn profitable if it hasn't already, Bob?

<A – Robert Huang>: It's always – we don't invest too much ahead of our sales, so we always want to make sure that the investment pays by itself-- at the least.

<Q – Peter Barry>: And just to follow up on an earlier question, the 2x margin potential in that space, what creates that dynamic?

<A – Robert Huang>: A couple of factors. One is that on the TST product lines, general gross margin is higher. It's on the high-single digit area and because our efficiencies – as you can see from our P&L, we think we should be able to get 2x operating margins.

<Q – Peter Barry>: And just let me – could you share with us your thoughts about industry growth for the remainder of your fiscal year?

<A – Robert Huang>: Industry growth for our total business?

<Q – Peter Barry>: Yes.

<A – Robert Huang>: The total business, we probably – people looking at about 5% – 4%, 5% in North America IT. That's probably you heard – probably that's you see on MPD data, if you have some subscription on it.

<A – Laura Crowley>: Thank you, Peter. And we have time for one more question, operator?

Operator: Our next question comes from Scott Craig from Banc of America. Your question please.

<Q – Scott Craig>: Yes, thanks, good afternoon. Hey, Dennis, on the balance sheet, is there a new sort of targeted levels for cash cycle or inventory? For example, if I look at inventory – it has been steadily increasing on a days basis over the last few quarters, year-over-year and the cash cycle as well. So, is there some new metrics there or is this just a temporary blip?

<A – Dennis Polk>: No, this is a temporary blip. We don't want our inventory days to increase past the current levels and in fact, we are working on bringing those down. And as always our DSO, we want to keep that below 40. It's been 40, 41 in the past few quarters. But again, we are working on that to bring it down as well.

<Q – Scott Craig>: Okay. So, from an inventory days perspective, although it used to be more like in the mid-20s back in early '05, late '04. How realistic is it to get it back down to that levels over the next few quarters?

<A – Dennis Polk>: We're going to take one step at a time. We are currently at 33, we want to get back down to the 30 level. And then once we get back down to that level, we will take a look at the business and see if we can drive it down further.

<A – Robert Huang>: I wanted to also – this is Bob. When we take inventory, we always look at the economics. If it makes sense then we do it. And so, it may change over the period of time.

<Q – Scott Craig>: Okay. And then just a quick follow-up on the Microsoft Vista. Bob, can you describe what typically happens to your business when you see new product launches like Vista that are delayed before purchasing, where people hold off until the new product comes out or is that it not a big deal for you guys? Maybe you can describe that?

<A – Robert Huang>: Well, it's not so much a big deal because we are dealing more with the commercial space and these would probably would impact more the consumer side, more so than commercial. As you can imagine, enterprise typically would, the adoptions cycle is much longer than consumers.

<Q – Scott Craig>: Okay, thanks.

Operator: There are no more questions at this time.

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

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Thank you, Omar. This concludes our first quarter 2006 earnings conference call. Thank you all for joining us today. We will have a replay of this call available for two weeks beginning today at approximately 5 PM Pacific time through April 6. The link will be posted on our website at the [ir.synnex.com](http://ir.synnex.com). Thank you again for your participation today.

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