MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is [ph] Lamont and I will be your conference operator today. At this time, I would like to welcome everyone to the SYNNEX 2011 First Quarter Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. Thank you.

Ms. Lori Barker, you may begin your conference.

Lori Barker, Senior Director, Investor Relations

Thank you, Lamont. Good afternoon and welcome to SYNNEX Corporation's fiscal 2011 first quarter conference call for the period ended February 28, 2011. Joining us on today's call are Kevin Murai, President and Chief Executive Officer; Dennis Polk, Chief Operating Officer; Thomas Alsborg, Chief Financial Officer; and Chris Caldwell, Senior Vice President and General Manager, Global Business Services.

Before I begin, I would like to note that the statements on today's call, which are not historical facts, may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act. These forward-looking statements include, but are not limited to, statements regarding our strategy, including growth, market share, profitability and returns, our leadership position, expectations of our revenues, net income, acquisition, restructuring, integration charges and diluted earnings per share for the second quarter of fiscal 2011, our performance, general economic recovery, the impact and integration of our recent acquisitions, the impact of the events in Japan, benefits of our business model, IT demand expectations and market conditions, operating expenses and operating margins.

These are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in the forward-looking statements. Please refer to today's press release and documents filed with the Securities and Exchange Commission, specifically our most recent Form 10-K for information on risk factors that could cause actual results to differ materially from those discussed in these forward-looking statements. Additionally, this conference call is the property of SYNNEX Corporation and may not be recorded or rebroadcast without specific written permission from the company.

Now, I 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, Lori. Good afternoon, everyone and thank you for joining our call today. I'll begin with a few highlights and by summarizing our results of operations and key financial metrics for the quarter. I'll conclude with guidance for the second quarter of fiscal 2011.

First, some highlights on key financial metrics. I'm pleased to report our first quarter earnings grew 22% year-over-year to $0.80 per diluted share from continuing operations. We also increased our operating margin and we improved our year-over-year ROIC performance for the 14th consecutive quarter. So once again, SYNNEX continues to deliver on our key goals of growing profitability and returns for our investors, even as we make major investments in our business. And what is also noteworthy is that all these metrics are before backing out direct acquisition and integration expenses of approximately $730,000.

Let me share some of our details behind the strong performance, starting with revenues. In our first quarter, total consolidated revenues from continuing operations were $2.50 billion, up 29% over Q1 for 2010 and 1% sequentially. Approximately 13% of the year-over-year growth came from strong organic business performance. The remaining 16% of our year-over-year revenue growth came from our acquisitions of Infotec and the three smaller global business services BPO acquisitions and Jack of All Games and net of the divestitures of [ph] the Sun manufacturing platforms and the NDS business late last summer.

At the segment level, in the first quarter, revenues from the Distribution segment were $2.47 billion, up 29% year-over-year and 1% sequentially. The acquisition of Infotec brought $301 million in revenue and demand remained solid in the U.S., while improving in Canada as expected.

In our GBS segment, revenues were $39.2 million, up 51% year-over-year and up 42% compared to the fiscal fourth quarter 2010. The acquisition of Aspire, Encover and e4e which closed late in the quarter contributed approximately $11 million to our growth. The year ago quarter included $3.4 million in revenue from NDS which was sold in August of 2010.

In the first quarter, our consolidated gross margin was 5.75%, up 11 basis points as compared to 5.64% in the same quarter of 2010, and slightly up from our Q4 gross margin of 5.71%. Once again, the gross margin in our core distribution business was strong, driven by very good execution and continued traction in our technical solutions division and higher margin growth initiatives, which are driving a favorable mix change towards our value-add products and services such as enterprise, server and storage, networking and consumer electronics, to name a few. And our gross margin was also benefited from the mix change between our two segments in which GBS played a larger part in our overall gross profit mix in Q1 than in prior periods.

First quarter total selling, general and administrative expense was $92.9 million or 3.72% of revenues compared to $70.2 million or 3.63% in the first quarter of fiscal 2010 and $76.3 million or 3.09% sequentially. The sequential step in SG&A is due to our new acquisitions and the integration of them. We have identified $729,000 of specific direct acquisition and integration expenses.

There are also indirect cost and expenses due to inefficiencies or redundancies in some near-term higher depreciation and amortization and so forth that we have not called out, but which are temporarily inflating our SG&A run rate. Consistent with our communicated expectations from the January call, the activities and expenses will continue in Q2 after which they will abate in the second half of 2011.

Consolidated operating income from continued operations before non-operating items, income taxes and non-controlling interests was $50.9 million or 2.03% of revenues compared to $39.0 million or 2.01% in the prior year first quarter, and $64.6 million or 2.62% of revenues in the fiscal fourth quarter of 2010.

We believe these are very good margins considering our four integrations and associated costs. But our expectations remain that we will see meaningful expansion of our operating margins in the second half of 2011 after the integrations are completed.

On a segment basis, distribution income from continuing operations before non-operating items, income taxes and non-controlling interest was $47.2 million or 1.91% of distribution revenues compared to $36.0 million or 1.88% in the prior year. GBS income from continuing operations before non-operating items, income taxes and non-controlling interest was $3.6 million or 9.26% of GBS revenues compared to $3.0 million or 11.35% in the prior year quarter.

Net total interest expense and finance charges for the first quarter of 2011 were $6.2 million. This includes interest charges from refinancing the working capital associated with the Infotec acquisition. On December 1st, we closed and funded two working capital lines in Japan totaling ¥10 billion or approximately US$120 million to be used for funding operations.

The effective tax rate for the first quarter of fiscal 2011 was 35.0% compared to 36.0% in the first quarter of 2010. The decrease was primarily due to the mix of profit contributions from our various tax jurisdictions. Our first quarter net income from continuing operations, net of tax was $29.7 million or $0.80 per diluted share. This compares to $23.2 million or $0.66 per diluted share in Q1 2010 and $37.5 million or $1.04 per diluted share in Q4, our seasonally strongest quarter.

Turning to the balance sheet, our accounts receivable totaled $1.03 billion at February 28, 2011 for a DSO of 43 days compared to 42 days for the prior year quarter. Inventory totaled $964 million or 37 days at the end of the first quarter compared to 38 days in the first quarter of 2010. Days payable outstanding was 36 days compared to 35 days at the end of the prior year quarter. Hence our overall cash conversion cycle for the first quarter was 44 days, lower by one day from the same quarter of last year and up two days from the last quarter.

Our debt-to-capitalization ratio was 33% with the financing of our recent acquisitions, still very manageable. Our liquidity and access to cash remains excellent. At the end of Q1, the company had over $0.50 billion available between cash and working capital lines. Other financial data and metrics of note for the first quarter are as follows.

Depreciation expense was $4.0 million. Amortization expense was $2.0 million. Hewlett-Packard at approximately 30% of sales was the only vendor accounting for more than 10% of sales. Q1 cash capital expenditures were $8.6 million. Total capital expenditures were $14.6 million. This includes a capitalized lease on the new U.S. facility during the quarter. Preliminary cumulative year-to-date cash flow provided by operations was approximately $56 million. Trailing four quarter ROIC was 10.2%, up from 9.1% as of Q1 2010.

Now moving to the second quarter 2011 expectations; I want to begin by noting that our guidance includes charges of approximately $200,000 to $300,000 associated with known damages and losses sustained primarily to inventory resulting from the events in Japan. These are initial estimates and the complete assessment is still underway.

Looking forward, we recognize that the situation is yet uncertain, though matters seem to be stabilizing. There could be implications to Japan's near term demand. Also, although nothing significant is currently expected, there could be some impact outside of Japan due to potential supply chain concerns.

As I mentioned, we have prepared our guidance with these factors in mind and included adjustments for both the sustained damages I mentioned earlier, as well as the reduced short-term expectations for SYNNEX Infotec in Japan.

Also at the beginning of Q1, we indicated we expected to incur approximately $2 million to $5 million of pre-tax direct acquisition and integration expenses in the first half of fiscal 2011. Having the benefit of one quarter behind us, we now expect this amount to be smaller and in the range of $1.5 million to $2.5 million pre-tax for the first half of the year. We incurred approximately $729,000 of this in our Q1 results, and now we anticipate incurring a remainder of about $0.8 million to $1.8 million pre-tax in Q2.

Consistent with the first quarter, our Q2 guidance does not include these amounts because analysts have told us they wish to understand the operations of the business before such charges.

With that backdrop, here is our Q2 guidance. For fiscal Q2 2011, we expect revenue to be in the range of $2.44 billion to $2.56 billion. Our forecast for net income before direct anticipated acquisition, restructuring and integration charges is expected to be in the range of $28.6 million to

$29.9 million, and corresponding diluted earnings per share are anticipated to be in the range of $0.77 to $0.81 per share. The calculation of diluted earnings per share is based on diluted weighted average common share count of approximately 37.1 million shares.

This guidance assumes continued stability of the overall demand environment, and as a reminder, all these statements are forward-looking and the actual results may differ materially.

Finally, before I turn the call over to Kevin, I just want to express my condolences to the people in Japan who have been affected by the earthquake and the subsequent events in these last two weeks.

I now turn the call over to Kevin Murai for his perspective on the business and our quarterly results. Kevin?

Kevin Murai, President and Chief Executive Officer

Thank you, Thomas. Good afternoon, everyone, and thank you for joining our call today. The year is off to a good start with successful completion of our first quarter. We achieved strong organic growth in all our business units and the integration of our recent acquisitions are all on track.

Today, I'll share with you some of our first quarter highlights, our progress to-date on our acquisitions, and then our views on IT spending. I'll also take some time to touch on the impact to SYNNEX from the recent events in Japan.

Our U.S. IT distribution business started the year with solid demand as we continued to grow our business in key strategic areas such as enterprise server and storage, networking and healthcare.

On the retail side of the business, our consumer electronics and video game business also showed strong growth and we were recognized with a number of awards, including Supplier of the Year from one of our major retail customers. Our experience in Canada was similar, as the market continued to show growth over last year, and in particular, gained momentum and grew market share in our commercial business.

Our Infotec business in Japan performed as expected in Q1. Sales reflected the normal seasonal strength leading up to the March fiscal year-end for the Japanese government and many Japanese corporations. Our integration work continues to track to plan.

In our BPO business, we saw solid organic growth well into the double digits, in particular, achieving significant growth in existing accounts from our Philippines business. During the quarter, much of our efforts were focused on acquisition integration and meeting our newly acquired clients. These acquisitions have received a positive reception from both acquired and existing customers, and we are well positioned for revenue growth and margin expansion later in our fiscal year.

In summary, for our first quarter, we saw strong top line results in our organic business and solid profitability. We're pleased with our recent acquisitions and view these investments as key drivers to increase long-term profitability for SYNNEX.

I'll now provide an update on our recent acquisitions. First, I will begin with the status of our Japanese operations particularly in light of the earthquake and subsequent events. As you know, we purchased Infotec on December 1, 2010. SYNNEX Infotec is headquartered in Tokyo and this is where the vast majority of our Japanese operations reside.

Following the earthquake, our first priority was to understand the status of all of our employees and their families and do whatever possible to assist them in their well being. I am very pleased to report that all of our Japanese associates have been accounted for and they are fine. As Thomas noted, we incurred some limited damage to our facilities and inventory and we remain open for business and continue to focus on our business operations and systems integration.

We recognize however that some aspects of the Japanese infrastructure, including utilities and roadways are impacted. We know some customers and vendors have also been impacted and we continue to assess this impact on the supply chain and demand environment.

So, with that update here is what we're doing. Our integration and ERP cutover is progressing fine and as planned, and while we believe the events in recent weeks may have some impact to our business, we still expect the integration to be completed by the summer. Specifically with respect to the impact on our business, we remain very confident in our ability to transition the Infotec business to perform in line with our North American distribution business, although given the current uncertainty the earthquake will have on market demand our trajectory towards financial goals may be delayed by a number of months.

Now let me turn towards GBS acquisitions. We are pleased with the progress of the integrations and they are on schedule. As Thomas noted, we will incur integration costs and related inefficiencies as a result of the acquisitions in this current quarter. However, we are excited about the growth and margin improvement impact these investments will bring to the company long-term. In fact, we are already starting to see the benefits of our expanded global footprint and our investments in renewals technology as both were key in closing a couple of deals in the quarter.

This is a strong signal that our strategy of enhancing our portfolio of life cycle management services is being well received by the market. We are now managing an increased pipeline of opportunities and we remain optimistic about our cross-selling opportunities. So to summarize on this topic, the integration of our acquisitions are on track and we expect to see the financial benefit from these investments late in our fiscal year.

Now, turning to the outlook for 2011. As Thomas mentioned, our Q2 guidance includes our current estimate of the impact on our business from the recent events in Japan. The timing of the recovery in Japan is a bit uncertain, but our team at Infotec will be working closely with our customers and vendors to help Japan drive a speedy recovery.

In North America, the economy continues to emerge from the recession. We expect the North American IT and consumer electronics markets will grow in the mid-single digits in 2011 and that SYNNEX will continue to outgrow the overall market.

Looking forward, we're optimistic about key demand drivers such as cloud computing, mobility and ubiquitous computing and the strategies we've developed to take advantage of these trends. Our core business remains healthy and demand for our products and services is strong. We have an excellent track record of expanding profitability and we continue to focus our strategies on margin growth. Also, we're pleased with the performance of our recent acquisitions and we believe we have the right business strategy that will evolve our company into new lines of business as key technology trends continue to shape the market.

So in closing, I'd like to thank our customer and vendor partners for their business and support. And in particular I want to acknowledge the hard work and dedication of our associates worldwide. Also on behalf of all of our employees, I want to send out my condolences to all those personally affected by the earthquake and tsunami in Japan.

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

Lori Barker, Senior Director, Investor Relations

Thank you, Kevin. Lamont, we're ready to open up the line for questions.

QUESTION AND ANSWER SECTION

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

<Q – Brian Alexander>: Hi, thanks. Good evening everyone. I just – I wanted to clarify the EPS guidance for the May quarter, you're assuming roughly a $0.01 negative impact due to the known losses that you suffered in Japan, so just to clarify that? And if you could comment on how much revenue in operating income you are expecting from MIT in the second quarter, because it looks like your revenue guidance is roughly flat sequentially at the mid-point and it's typically up a couple points, so I'm just wondering if that delta between normal seasonality in your guidance is related to MIT. Thanks.

<A – Thomas Alsborg>: Hi, Brian. This is Thomas. First yes, the guidance does include the impact of the $200,000 to $300,000 of damages I referred to.

Second, looking forward [ph] for SYNNEX Infotec in Q2, we're expecting close to the same revenue run rate. As we mentioned, there are certain uncertainties given the events in Japan, so that amount could be slightly lower. From a profitability perspective, I can't give you too much specifics. I can tell you that we were pretty close to breakeven in Q1 and that you should expect us to have continued cost associated with this integration process in Q2, but as we've stated before, our expectations for the second half of the year or (sic) [are] (23:06) for incremental profitability with each quarter that passes.

<Q – Brian Alexander>: So then just I guess back to the revenue guidance, Thomas, any comments on what you're expecting sequentially, because it does look to be a little bit below where you've been historically on a sequential basis? Maybe just talk about the puts and takes to your revenue guidance for Q2 given that you expect MIT to be roughly flat sequentially?

<A – Thomas Alsborg>: Sure. So, puts and takes; first of all, what's different in this year versus prior years is Jack of All Games, as I think you well know from previous calls, the large part of Jack of All Games revenue takes place in the last three months of the calendar year, which includes our first one month December of our first fiscal quarter of 2011. So, the normal seasonality trends are adjusted slightly from Q1 to Q2 where it's going to be a little bit more flat. We also have a typical seasonality around the February-March timeframe associated with Canadian and now Japanese governments. We're still evaluating exactly how that will flow in Japan, but typically you see some ramp up in Q1 that continues into March and again, there are puts and takes around that depending on how things fall.

As we look forward, what I would suggest to you is that in future years, again, still under evaluation – but in future years, we're not going to have a pronounced seasonality between Q1 and Q2, and I think that there could be bigger factors that are really going to affect revenue forecast other than just normal seasonality.

<A – Kevin Murai>: And Thomas, one thing I would add to that is, New Age Electronics also of course has a strong holiday season and December is captured in our first quarter and of course not in the second quarter. As New Age Electronics in that segment become a bigger part of our business, it has more of an impact on seasonality. But to sum it all up, Brian, what I would tell you is, when I look at the forecast for all of our business units, the underlying theme is that we expect that we're going to grow faster than the market in all of our major business units.

<Q – Brian Alexander>: Okay. And then maybe just a couple quick follow-ups. I know the situation is unpredictable and fluid over in Japan, and for the full year, do you still expect that acquisition to be accretive including the integration costs? I think you said that last call and it sounds like the integration costs are actually lower now. And then the final one was just, how much of a drag do you think you're having on operating income from these indirect acquisition costs that you called out? I'm just trying to get a sense of what you think normalized distribution margins were in the quarter if you were to exclude those indirect costs?

<A – Thomas Alsborg>: So Brian, our expectation continues to be that for the full year this acquisition will be accretive. We are very confident in that expectation at this time, again, with all the uncertainties caveated before.

One of the points I want to call out is, as I stated in my prepared remarks, at the beginning of the year, we said that we expected $2 million to $5 million in charges. Some of those charges were for the ERP system that Infotec uses, and as the events have taken place, what happens and not to get too much into acquisition accounting, but the valuation of those ERP systems at the beginning of the year, once we finalized those numbers with an independent valuation, end up being slightly lower. And in addition to that, instead of taking a charge for that ERP system and writing it off right away, what we chose to do, to facilitate a smooth transition and integration as far as ERP systems is to run that system for the first two quarters of the year while we are bringing up our own CIS system for transition. And so because we did choose to actually utilize that ERP system for some months, instead of taking that charge, what you actually see is that there is a higher level of depreciation in our SYNNEX Infotec business for the first half of this year driven by a very rapid amortization of that ERP system, which was valued at just over about $1 million. So one of the factors you'll see in the latter half of the year is that that roughly $500,000 quarterly depreciation of the ERP system will curtail and that will be one of the step function changes in the lower SG&A in the second half of the year.

<Q – Brian Alexander>: What would be the total step function change, I guess, is what I'm trying to get at from the first half to the second half. If you take all this cost together, all the indirect cost together, how much lower will OpEx be on a run rate basis?

<A – Thomas Alsborg>: So frankly it's difficult to put an exact number on that Brian, but again some of the pieces are first of all that which I just described with regard to the ERP system. In addition, we have carved out direct acquisition and integration cost that were about $730,000 this quarter and will be larger in Q2. Of course those all by and large go away in the second half of the year and then what's left of course is a more hard to break out cost. I mean there is still duplication of infrastructure in a number of different places and we're talking across both segments right now as we integrate businesses. And all I can tell you without trying to peal the onion too deeply here is that our expectation as Kevin and I have shared in previous calls and Kevin said earlier today is that as we complete the integration in the middle half of this year and transition the business to normal operations according to the way SYNNEX does business and the way that Concentrix does business, you will see our each quarter incremental improvement in our margins to where ultimately we expect to be at higher operating margins in 2012 than you have historical seen in prior years with SYNNEX.

<Q – Brian Alexander>: Thanks for all the details. I appreciate it.

<A – Thomas Alsborg>: Before we take the next question I want to clarify I understand that my comments about Hewlett-Packard's percentage of revenue sounded like I said 30%, I want to be clear that Hewlett-Packard represented 33% of our revenue in the current quarter.

<A – Lori Barker>: Thank you. Next caller, please.

Operator: Your next question is from the line of Matt Sheerin with Stifel Nicolaus.

<Q – Matt Sheerin>: Yes. Thanks very much. Just a quick follow-up on Japan. Do you normally expect it to be flat? I mean, obviously [ph] you're new to the company, but if you looked at forecast or expectations for that business, say, three weeks ago and from what it is today, how much has changed?

<A – Thomas Alsborg>: So, I'll start with the answer that, Matt, the one thing I'll just tell you is that the business in Japan is very similar type business to the business we do here in the U.S. and so you're going to have some very similar seasonality trends with one, I think, notable difference is that the government fiscal year in Japan, as I mentioned earlier, ends in March.

<A – Kevin Murai>: Yeah. And, Matt, any comments I have I'll preface with, we've brought on this acquisition in the last few months. And so our understanding of the overall seasonality of the market is not as crisp as it is in North America. That being said, there is other noise in there with other aspects of what we're doing in bringing the business to profitability including shutting some of the unprofitable business as well. So I think that there is going to continue to be noise. As time goes on we'll also learn more about seasonality, but that is our best estimate at this point.

<Q – Matt Sheerin>: Okay. I guess what I'm getting at is whether you've seen actual customers or your resellers, [ph] talk to customers that are saying we're going to hold off now maybe just be cautious for whatever reason. Are you actually seeing order cancellations or push outs from customers there yet?

<A – Kevin Murai>: You know, obviously, when the earthquake and tsunami and other events happened, we did see an immediate impact because many – much of the country, of course, was not writing any business. That being said, shortly after that happened we did see a fairly quick recovery on our sales pipeline and our order bookings coming in to the point today, where they are not a whole lot different from the pre-earthquake time.

<Q – Matt Sheerin>: Okay. That's good to hear. And just turning to the BPO business, where there are also some integrations and obviously synergies that you're going to get later on and I think you said, you did around 9% operating margin. Given that you've got now a much bigger scale and I think you were running in the low teens 11, 12% or so, what would the goal be for operating margin in that business over the next few quarters?

<A – Thomas Alsborg>: Matt, this is Tom. As I'll start and then Chris can [ph] pipe in. I am going to reiterate what we said before because we want to be very consistent in our message, everything is tracking. So the acquisitions that we've made will bring us back to normal pre-acquisition operating margins once integration is completed and then beyond that we have commented that because we're now transitioning and in a large part of our business to a platform solution we actually expect as we grow that business that the operating margins will increase in the GBS business. And that represents about a third of the total revenue for GBS, so we have good expectations exiting 2011 heading into 2012 from margin expansion in that segment.

<Q – Matt Sheerin>: Okay. But no specific targets that you want to give?

<A – Thomas Alsborg>: Our pre – as you know, our – just to make sure, we have a stake in the ground, our historical numbers have been in the low teens around 11%, 12% for operating margins. So we expect to surpass those numbers.

<A – Lori Barker>: The next caller, please.

Operator: Your next question is from the line of Craig Hettenbach with Goldman Sachs.

<Q – Craig Hettenbach>: Yes, thank you. Kevin, outside of the direct impact in Japan, can you give us a sense of what you're hearing from your vendors from an inventory perspective as they look out over the next quarter or two, what they're [ph] embracing for from a supply perspective?

<A – Kevin Murai>: Sure. Obviously, we've been doing a lot of checking and receiving information back in particular from vendors that have, all or part of their supply chains in Japan. And the answer back really, and in particular for the North American market, has been really minimal impact on any inventory availability. Our understanding is that most supply chains today are outside of Japan, I think primarily for cost reasons. Now that being said, we have noticed at least some risk of constraint in certain areas, areas like some hard drives, glass primarily, panel that's 12 inches and smaller, and also in NAND memory. But beyond that we are not hearing of any other notable inventory constraints. Now that being said, depending on how long some perhaps component level supply shortages may occur that may at some point in time start to impact other finished goods. But right now, there doesn't seem to be any concern that that's going to happen.

<Q – Craig Hettenbach>: Okay. And then the reference to the mid single digit IT demand this year, and the company expects to grow above that. Can you talk about what product categories you expect to do the best this year?

<A – Kevin Murai>: Yeah. Well I can really talk, Craig, just in terms of, number one, what we've seen so far category-wise, and then moving forward I guess on a more gross basis, what – where we think the growth opportunities are going to be as well and some of those are pretty consistent too. But overall I guess we're seeing stronger than average growth on the networking, security side. Even categories and peripherals, like printing and printing supplies have shown strong year-over-year growth. Our business in the data center in particular server and storage has been strong as well, and the business that we do in tablets of course is growing pretty significantly.

We expect to see anything to do with mobility, continue to drive growth and in particular anything to do with cloud, including cloud infrastructure. So when we look at data center, when we look at tablet devices, other mobile devices and then the network that supports that, those are all key categories of growth that we expect to see.

<Q – Craig Hettenbach>: Okay. And last one, quite a bit of M&A in the services side, and the acquisition in Japan last year, can you talk about just what the pipeline looks like today and the appetite for additional M&A going forward?

<A – Kevin Murai>: I think, Craig, we've been pretty vocal in talking about our own business strategy and what drives our strategy. I can tell you that we continue to be squarely focused on making the right investments to bring on capabilities, to address the kind of the markets that we know we need to be serving in the future. So we continue to look for opportunities. We've done a number of acquisitions over the past number of months as you had mentioned. However, if the right opportunity is out there for us, we certainly have the capacity and the capability and resource to be able to do them.

<Q – Craig Hettenbach>: Okay. Thank you.

Operator: The next question is from the line of Ananda Baruah with Brean Murray.

<Q – Ananda Baruah>: Hey, guys, thanks a lot for taking the question. Kevin and Tom, just I guess to start a point of clarification on MIT, it sounds like you're saying, okay, expected to be accretive to this year, but Tom did you also make a comment to say – that said, although you expect it to eventually reach [ph] in, I guess of course [indiscernible] with distribution operating margins that it might take longer than you had originally expected given what's going on in Japan?

<A – Kevin Murai>: Ananda, that was my comment in the prepared remarks. So in answer to the first part of your question, we're pleased with the investment that we've made in Japan and we absolutely expect that we're going to achieve the financial goals that we set forth when we made this investment. Given the relative uncertainty right now in the marketplace, we continue to monitor that of course we learn more as each day goes on. Just saying that, if anything, it could have an impact on the timeline to get to those goals, but we're confident that we're going to get to those goals.

<Q – Ananda Baruah>: Okay. Great. Thanks. And Kevin, can you just remind us what some of the things are that you are – that you are doing or looking at doing or would like to do to actually expand the – I guess the revenue run rate of MIT. I know that was a big part of – what you guys were thinking about when you completed the acquisition?

<A – Kevin Murai>: Well, I think really our priority – our first priority is driving improve profitability in the business. And so, from that perspective, one of the key things that we're doing is implementing our own ERP which also is going to drive enhanced process within that business and make them much more efficient in how they run their business, as well as provide a lot more visibility into key information and data that we use every day here in the U.S. and Canada to run our business as well. So, that is probably first priority and one of the key levers that we have. But in going forward and then leveraging higher sales growth, we believe that we bring to the market a step level improvement in service; supply chain efficiency and service, so being in stock, being able to get the product more quickly to where it needs to go to and then also leveraging existing large relationships that we have here in the U.S. and in Canada to enhance their overall line card.

<Q – Ananda Baruah>: Okay, great. Thanks. And just quickly, can you give us an update on how New Age did for the quarter, I guess, ex-Jack, and maybe what some of the area of strengths with New Age and if there were any areas of weakness, I guess, maybe how consumer PCs did in that business?

<A – Kevin Murai>: So overall New Age Electronics did very well. Our consumer business, which pretty much is New Age Electronics, grew faster than the overall average for the distribution segment. Notebook and computing and tablet actually all did fairly well for our business. So in some cases where we see what's happening in the market and I would point out that notebooks or laptops overall from a market standpoint are relatively soft, we actually saw pretty good sales growth performance there and a lot of that coming out of the New Age business. New Age was also the segment of our business that brought on a number of tablet computing devices and they did very well with those two.

<Q – Ananda Baruah>: Okay. Great. I mean, is the expectation – I mean, I know, you said sort of mid-single digits for consumer as well as for IT distribution, is the – I guess, for New Age itself is the expectation to see continuation of trends that you saw this quarter?

<A – Kevin Murai>: Yeah, that would be correct. In fact I would make that comment for all of our business units, which is to grow faster than the market. That's been our history by the way and we certainly expect to continue to do that.

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

<A – Kevin Murai>: Thanks, Ananda.

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

<Q – Richard Kugele>: Thank you. Good afternoon. Just a couple from me. I just wanted to understand a little bit better about the streamlining of Infotec. Given obviously dramatic events in Japan, does it make sense to lengthen the timeframe for exiting some of those less profitable businesses until the IT spending environment balances itself? Is that what you are kind of hinting at or is it just general expectations of taking longer given the spending?

<A – Kevin Murai>: Yeah, no, I wouldn't – I wouldn't say it's specific to any kind of streamlining or rationalization of our line card or any unprofitable parts of our business. That is certainly underway.

Really what I'm referring to is, having just an underlying stable demand environment so that we can continue on our path to profitability. That's really what I was referring to, Rich.

<Q – Richard Kugele>: Okay. That's helpful. And then in terms of inventory management, you cited a few areas that perhaps there is some market tightness for on the product side. Have you changed any of your inventory practices? Are you – whether Japan or here domestically, are you trying to hold a little bit more product just in case?

<A – Dennis Polk>: Hi Rich, this is Dennis. Nothing really substantial to say there. We obviously are monitoring the situation very closely, but with the situation in Japan, it will not dramatically affect our inventory levels over the next three months or over the next quarter I should say. But we do monitor it very closely, and where we need to make adjustments or take inventory positions, as needed we will.

<Q – Richard Kugele>: Okay. Then the last one is just, how much was Infotec actually shipping outside of Japan, and has that been impacted at all?

<A – Kevin Murai>: There is nothing that got shipped outside of Japan.

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

<A – Kevin Murai>: Thanks, Richard.

<A – Lori Barker>: Next caller, please.

Operator: [Operator Instructions] Your next question is from the line of Richard Gardner with Citigroup.

<Q – Joe Yoo>: Thank you. This is Joe Yoo on behalf of Rich. In the spirit of just getting as much information as possible on the Japanese situation, can you provide any color on how the recent events have impacted your reseller base, and maybe the proportion of the reseller base that is located north of Tokyo or around the epicenter?

<A – Dennis Polk>: Hi, Joe, this is Dennis. My comment on that would be really referencing back to what Kevin said, obviously after the initial earthquake happened daily run rates slowed down significantly, but we have seen those run rates come back almost to normal levels over the past week, that would suggest that the reseller base overall is recovering along with the rest of the market.

<Q – Joe Yoo>: Great. And just shifting over to the OpEx side, I just wanted to get some long-term sort of views on your business model, some of your larger competitors have said they're comfortable growing OpEx at half the rate of top line growth, and I know, there's a lot of noise in the P&L right now because of M&As, but what do you think has been the appropriate or normalized rate of growth for OpEx as it relates to revenues?

<A – Thomas Alsborg>: Joe, to be able to make a statement like that, I think, this assumes a certain mix of business as relatively constant, and one of the flagship messages that you've been hearing actually observing in our financial results is that the mix of our business continues to change, especially going up to more value add products and services, and as a result of that when you look at the type of business and the SG&A required for enterprise-level distribution services rather than broad line distribution services, the SG&A profile does look different. This is one of the reasons why we continue to focus on growing operating margins and don't get too hung up on SG&A because it's very much relative to gross margin. So that said, what I would tell you is we do not use the metrics that grows SG&A at a certain level of sales, rather our focus is again growing operating margins, but always trying to reduce and be lean with regards to SG&A. Always trying grow gross margin, add value to the customers, and at the end of the day drive operating margins and ROIC.

<Q – Joe Yoo>: Great. Thank you very much.

<A – Lori Barker>: Thank you. I believe we have one more caller on the line.

Operator: We do have a follow-up question from the line of Ananda Baruah with Brean Murray.

<Q – Ananda Baruah>: Yeah, thanks guys for the question. Kevin, just wondering if you could give us a quick update on, I guess sort of the overall tenor of what you are seeing in enterprise, I mean, how are you seeing, like what are kind of customers sort of looking for these days in terms of configurations, I mean, has that changed at all as you sort of continue to get more and more months under your belt with a pretty attractive portfolio, what are you guys doing sort of differently if anything, less is more, and things of that nature, I guess just any sort of texture around what you guys are doing and what you are seeing and maybe what your customers are thinking and feeling, that would be great? Thanks.

<A – Kevin Murai>: Yeah, so Ananda great question, but you know really the answer is it's been relatively consistent over the past couple of years. The enterprise and data center continues to be a strong growth area for us and a growth opportunity not just because of some of the underlying drivers in terms of virtualization, but also because it's a relatively – we are a relatively smaller player to some of the traditional enterprise distributors in that space, and so of course our piece of the pie is smaller and the growth opportunity for us is much greater there. But again driven by the same things that we have been talking about all along, which is trying to drive much more efficiency in the datacenter both through virtualization as well as through power savings.

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

<A – Kevin Murai>: Thanks, Ananda.

<A – Lori Barker>: I think we have one more caller and then that will be it.

Operator: And our last question is a follow-up from Brian Alexander with Raymond James.

<Q – Brian Alexander>: Yeah. Just to expand on your comment earlier on tablets. I think it was more of a consumer comment, but if you can talk about to what extent you are seeing cannibalization of notebooks, because I think you mentioned notebooks are also strong, Kevin? Then in the enterprise, what kind enterprise and/or SMB, what kind of interest level are you seeing for tablets?

<A – Kevin Murai>: Sure. Okay, so starting off with more of a market comment, I do believe what we are seeing is – strength in tablets really driving much, much of the softness that we see in the overall notebook category.

Within certain segments of our business, and I did highlight our consumer business, we still continue to sell a lot of notebooks and even grow that business year-on-year. I would make the same comment by the way for our Canadian business. But overall with tablets, we are seeing at least some of cannibalization there, certainly a lot of adoption in the Android-based tablets that we've been selling in the retail and consumer markets.

And there is definitely a lot of interest when we get to the consumer markets, but I think that there are a number of hurdles that most businesses are going to have to clear before you're going to see very rapid adoption of tablets beyond just some of the simple un-integrated applications that you have today, and that has to do with security and tighter integration into actual workflow and in commercial, but there is a lot of things that are happening there. In fact, with the development capabilities that we have we're also trying to breakthrough on some of those and actually help enable that growth happen.

I think that we're going to start to see even more growth in commercial on tablets as some of the Tier 1 OEMs launch their tablet offerings as well, which is starting to happen now and certainly we'll see a lot more of that happen over the next six months.

<Q – Brian Alexander>: Okay. And then on the GBS margins, Thomas, I know you said that the leverage should pickup in the second half of the year due to these platform acquisitions. What kind of difference in margins would you expect to see from the platform companies? Maybe Chris could chime in then you would see with the traditional tech support related businesses just so we can get a sense of the disparity there?

<A – Thomas Alsborg>: Brian, first thing, it's important to understand is that generally speaking the margin profiles of these businesses given their current size was not a lot indifferent from SYNNEX and what drives the margin expansion is being able to leverage the fixed investments in these platforms. So they will – the expansion we'll receive will be very much related to the revenue expansion on that part of the business.

<A – Christopher Caldwell>: I'd add a comment, Brian, that when we look at the margins – operating margins, right now, it's partly being affected by our integration expenses and as we build the business out, and not the expansion that's going to come in the later part of the year is actually based [ph] on clearly that up and building a foundation where the enhanced margin expansion is going to be more close to the end of the year will be based off of the platform sales that we're looking at.

<Q – Brian Alexander>: Okay. But over time as the platform businesses grow, I guess, I'm trying to get a sense for what's the margin potential for that model as it grows and achieves the leverage that you are looking for?

<A – Thomas Alsborg>: Brian, I think, it's premature to say that given the recent acquisitions. I think that as we progress through the year, we're going to have a little more color around what those expectations might be without setting forward-looking guidance. I understand the nature of what you're after, but again, I'd say it's premature right now to be setting those kinds of goals publicly.

<Q – Brian Alexander>: Okay. And then just final, I guess modeling question, Thomas, the tax rate, it was lower than I was looking for, for the quarter of 35%. Going forward, is 35% kind of the right way to think about tax rate? I know it depends on mix a little bit, but maybe just update us on the range there?

<A – Thomas Alsborg>: Yeah. I would say that as you look out into the rest of the year in the 35% to 36% range Brian is what to expect.

<Q – Brian Alexander>: Okay. And as MIT grows to be a bigger percentage of the total, and maybe as GBS becomes a bigger percentage of total profits, do both of those dynamics have a lowering effect on the tax rate or not necessarily?

<A – Thomas Alsborg>: Yeah, in the near-term, Brian, you should expect the same kind of range. So, I'm talking for the rest of the year...

<Q – Brian Alexander>: Okay.

<A – Thomas Alsborg>: 35%, 36%.

<Q – Brian Alexander>: Thanks.

<A – Thomas Alsborg>: Okay.

Lori Barker, Senior Director, Investor Relations

Okay. This concludes our first quarter fiscal 2011 earnings conference call. Thank you for joining us today. We'll have a replay of this call available for two weeks beginning today at approximately 5.00 PM. As always, if you have any further questions, please feel free to give us a call. Thanks for your participation.

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