MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is Shanelle, and I will be your conference operator today. At this time, I would like to welcome everyone to the SYNNEX Q1 2009 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]. Thank you.

Ms. Crowley, you may begin your conference.

Laura Crowley, Director of Investor Relations and Public Relations

Thank you, Shanelle. Good afternoon and welcome to the SYNNEX Corporations' fiscal 2009 first quarter earnings conference call.

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, Global Business Services.

Before we begin, I would like to note that the statements on today's call which are not historical facts and maybe 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, profitability and returns, expectations on our operating expense, sales, revenues, net income and earnings per share for the second quarter of fiscal 2009, our performance, benefits of our business alliances, benefits of our Integrated Communications Group, benefits of our business model, market conditions, our expectations from our operating margins, profitability and our ROIC. These 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-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'd like to turn the call over to Thomas Alsborg for an update on our financial performance. Thomas?

Thomas Alsborg, Chief Financial Officer

Thank you, Laura. Good afternoon everyone, and thank you for joining our call today. I'll begin by summarizing our results of operations for the quarter, with our key financial metrics. And then, I will provide guidance for our fiscal second quarter.

In our first quarter of fiscal 2009, which ended February 28, total consolidated revenues were $1.73 billion, compared to a consensus of $1.74 billion. This is a 17.5% decrease sequentially off of our seasonally high fourth quarter period.

Our top line performance reflects both seasonality and the recent economic slowness. Our estimate is that year-over-year the overall market contracted in the low teens percentage.

Compared to Q1 2008, we had a 1.1% decrease in revenue. The significant year-over-year change in our Canadian foreign exchange rate had an impact. And on a constant currency basis, total revenue growth year-over-year would have been up in the 3% range.

Even in this economic environment, we performed well on our goals of growing market share, profitability and returns. Our first quarter net income was $19.5 million or $0.59 per diluted share, well surpassing Wall Street estimates of $0.52.

ROIC was 7.9% for the fiscal first quarter of 2009, marking a virtual string of year-over-year ROIC growth over the last six quarters. The ROIC result is particularly noteworthy considering our formula for the calculation. And since I know some may use less conservative approaches, I would like to note that our ROIC calculation uses the average of the beginning and ending invested capital for the quarter and it includes the off – in fact, all off-balance sheet debt, that is our debt associated with our Canadian accounts receivable securitization.

To make this point by comparison, ROIC based simply on GAAP financial statements and total ending invested capital would have been 9.0% for Q2 2009. So once again, despite the current economic environment we have delivered growth in our market share and year-over-year EPS and ROIC. Here are some of the specifics.

In the first quarter of fiscal 2009, our consolidated gross margin once again expanded significantly reaching 6.12%, a new record for the Company. This represents an increase of 64 basis points, compared to the prior year first quarter and increase of 28 basis points sequentially. Again, our core distribution business and our global business services both contributed to our increased gross margin as a result of excellence in execution, cost control and disciplined pricing.

Total first quarter 2009 selling, general and administrative expense was $71.1 million or 4.11% of revenues, compared to 63.1 million or 3.61% in the first quarter of fiscal 2008, and 74.5 million or 3.55% sequentially.

The year-over-year increase in SG&A dollars was primarily due to the increase in infrastructure associated with our M&A activities over the past year. Also the mix of our Global Business Services business or SGB relative to our distribution segment has increased, which affects the SG&A as a percentage of revenue.

Income from operations was 34.7 million or 2.01% of revenues for the first fiscal quarter, compared to 32.8 million or 1.87% of revenues in the prior year, and 47.9 million or 2.28% of revenues in the fiscal fourth quarter of 2008. This was the second consecutive quarter where we generated operating margins in excess of 200 basis points. This is the result of good pricing discipline and execution as well as good continued cost control.

While we know there will continue to be puts and takes, and – in our margins and costs from the quarter to quarter and therefore we don't expect our margin growth to strictly be linear, we remain committed to our business strategy and committed to our path of driving increasing operating margins, income and returns and we still have much opportunity before us in these areas.

With respect to our net interest expense, finance charges and other expenses, the net total interest expense and finance charges for the first quarter of 2009 were 4.0 million, an overall decrease of about $200,000 from the prior year quarter of 4.2 million. Within this number, our net interest expense was actually about 1 million lower than the prior year's same quarter due to lower rates and lower borrowing levels. However, this was in part offset by a charge in the amounts of about $800,000 for a write-off of part of our debt issuance cost associated with the working capital lines that will refinance in January.

Our other non-operating expenses line for the first quarter of 2009 was approximately $400,000, compared to $2 million in the same quarter last year. These amounts primarily represent losses on investments mainly associated with a deferred compensation plan combined with small amounts of gains and losses in foreign exchange.

The main reason for the decrease in this expense compared to the prior year is that our losses in the deferred compensation investments were significantly smaller in the first quarter of 2009. As a reminder, the losses on investments associated with deferred costs are offset against deferred comp liability within the SG&A and hence have no bottom-line P&L impact.

The effective tax rate for the first quarter of 2009 was 35.2%, compared to 36%, that is, 36.0% in the first quarter of 2008. The decrease in the effective tax rate was primarily due to higher profit contributions from lower tax within lower tax jurisdictions.

Turning to our balance sheet and related metrics. I'd like to start by highlighting that even with the sequential quarterly reduction in sales our cash-to-cash cycle has not extended but remained flat at 44 days, highlighting our continued focus on managing our working capital to the demand environment on a real time basis.

In fact, as a result of our execution, we generated considerable cash and we reduced our debt, including our off-balance sheet debt associated with the Canadian AR securitization by approximately $200 million. Consequently, our debt-to-cap ratio has dropped to 33%.

At the end of Q1, our accounts receivable including accounts receivable from the off-balance sheet program totaled $706 million at February 28, down from 866 million in the fourth quarter of 2008. DSO, also including the AR from the off-balance sheet program, was 43 days. Inventory totaled 653 million at the end of the first quarter, down 696 in the fourth quarter period of 2009, translating to 37 days of inventory supply. And as a result, days payable outstanding was 36 days.

As I noted, our debt-to-cap ratio for Q1 2009, was 33%, down from 40% in Q1 2008, and down from 45% from Q4 2008, reflecting good cash generation during this slow period of demand. Again, this is a good example of our flexible capital structure, in which our debt-to-cap, total debt, goes down and right sizes with the demand environment. Our liquidity and access to cash remains excellent. At the end of Q1, the Company had an incremental $266 million of availability under our working capital lines.

As previously announced, in January of this year we amended and restated our U.S. accounts receivable securitization program and our revolving credit facility. The restated and amended AR arrangement has a maturity date of January 2010, with a credit facility of up to $350 million. Our U.S. senior secured revolving line of credit has a maturity date of February 2011. This facility has a capacity of up to $80 million.

Other financial data and metrics of note are as follows: First quarter depreciation expense was $3.0 million. Amortization expense was $2.1 million. Hewlett-Packard, at approximately 35% of sales, was the only vendor accounting for more than 10% of our sales during the first quarter of 2009. Capital expenditures were $2.3 million for the first quarter, and preliminary cash flow from operations was approximately $205 million for the first fiscal quarter of the year, compared to $73 million in the same period of 2008.

Now moving to our second quarter 2009 expectations. For Q2 2009, we expect revenues will be in the range of 1.63 billion to $1.73 billion. This forecast reflects normal seasonality trends and continued weak environment. We continue to allow for more disciplined approach to pricing, and to be selective in the types of business we take on as well. Net income is expected to be in the range of 15.7 million to $16.7 million. And diluted earnings per share are anticipated to be in the range of

47 to $0.50 per share. The calculation of diluted earnings per share for the second quarter is based on a diluted average common share count of approximately 33.3 million shares.

As a reminder, all of these statements are forward-looking and actual results may differ materially. I will now turn the call over to Kevin Murai for his perspective on this business and our quarterly results. Kevin?

Kevin Murai, President and Chief Executive Officer

Thank you, Thomas, and good afternoon to everyone, and thank you for joining our call today. Our first quarter earnings result truly speaks for itself, as we continue to perform very well in the current economic environment.

Our results once again validate our chosen strategic direction in combination with the strength of our low-cost business model and our culture of excellent execution. We remain focus on growing market share, profitability and returns for investors.

As Thomas called out earlier, our distribution business continues to perform very well, maintaining and gaining market share and producing good performance on earnings and ROIC.

Our Global Business Services division is also performing well. We're pleased with our growth in this area, as companies continue to look to outsourcing for cost-saving opportunities, and service level improvements, especially in this down economy.

I'm very proud of our SYNNEX team for tenaciously targeting and achieving good strong profitable business, proving that there remain opportunities for winning share and profitable growth. I'd like to recognize and thank the SYNNEX team for their continued hard work, dedication and relentless focus on improving all aspects of our business.

I'd also like to thank our customers and suppliers for their continued business and support. I believe through great partnerships, we can not only weather any environment, but thrive together.

With the completion of our first quarter of 2009, SYNNEX achieved our 87 consecutive quarter of profitability, continuing our strong track record of achieving our core operating and financial objectives.

Before I provide my perspective on the quarter and the overall market, I'd like to note our recent announcement that Jim Estill, CEO of SYNNEX Canada, announced his departure from the Company. I'd like to thank Jim for his many years of dedicated service, and I wish him all the best in his future endeavor.

I'm pleased to announce that Mitchell Martin, current President of SYNNEX Canada's Broadline Division, will assume leadership responsibilities for all of SYNNEX Canada. With over 20 years of direct company experience, Mitchell is a seasoned executive. He has progressed through the ranks of the organization, taking on more and more responsibility over time, and establishing him, both within SYNNEX and throughout the industry, as a well respected leader for his business acumen, vision and leadership. I'm very confident in Mitchell's ability to pick up where Jim has left off to continue achieving our strategic initiatives and goals for this division.

Now, let me take a moment to discuss the current economic environment, and then provide my thoughts on our results for the quarter. Recently, there has been a lot of commentary from our vendors, customers and competitors about the softness in the current demand environment.

Generally, our view of the overall market is in line with these observations. The current overall demand in the North American IT channel is down in the low teens from the same timeframe in 2008. With that being said, we continue to gain share within the market, and I believe this further positions SYNNEX for greater success, both today and as the recession ends and market demand rebounds.

What we noticed during the quarter is the demand patterns were slightly different month-by-month, with February being softer than expected. However, based on early results in March, it appears demand has again stabilized. Regardless of the market conditions, we always remain focused on growing our business profitably and in Q1 we delivered on that goal.

I am very pleased with how the team did, and our results serve as a testament to the success of our diversified strategy to offer more solutions up and down the supply chain. We pride ourselves on having a more – on having a competitive advantage in our cost structure, and the SYNNEX team performed a good job of identifying and reducing our costs during the Q1 period. Going forward, we will continue to be prudent in managing our cost structure, in line with the market demand. Our ability to act quickly is a benefit of our low-cost model, and the variable costs associated with our SG&A.

I am proud to say the diversification of our business model is working, adding stability to our earnings and returns, and allowing SYNNEX to continue to pursue opportunities for expansion and growth. Examples include our GBS division, where businesses continue to see the value we provide in lowering costs, while increasing service levels. Areas within adjacent markets, like our investments in our consumer electronics business with New Age Electronics, which continues to grow and take share, and the refurbished and end-of-life business with PC Wholesale, a business that is producing solid results, as companies look for ways to trim costs on their IT spend.

All of our business lines performed very well during the quarter, highlighting our unique strategic ability to produce profitable results and giving an edge to SYNNEX to continue to outperform our competition and gain market share.

We also continue to invest in other strategic areas within our business, such as our technical solutions division, managed services and vertical industries, such as the healthcare sector. We continue to add new vendors to our line card to complete the build-out of these very important solution sets.

I'd like to take a moment to highlight one area of strategic focus for SYNNEX. The unified communications market is getting a lot of attention from technology manufacturers, and our Integrated Communications Group addresses this space by providing comprehensive unified communications solutions to our resellers and their end customers. The solution sets that SYNNEX offers are unique, because we are able to optimize our value proposition and leverage our strength in data to drive a true convergence offering.

Our go-to-market strategy touches all tiers of the channel including the reseller, the vendor and the end customer, to offer not only a complete solution, but to build out a solutions practice. We've received numerous accolades from our vendors and the VAR community about our unique offering. We've made great progress in adding new vendors to our line card for this business, with the addition of Firetide, Allied Telesis and ADTRAN for wireless solutions, Panasonic for voice solutions, and an exclusive partnership with Astaro for network security.

I am pleased with our progress to-date, and we will continue to invest in this strategic area in the future.

Now looking at Q2, as expected, the market remains softer than normal. We will continue to execute well and we believe this will allow us to continue to gain market share. We remain laser focused on shareholder value. And as always, we'll manage our business as cost effectively as possible with a strong bias to growing profitability and returns.

Thank you again for your time today and for your continued interest and investment 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, Kevin. Shanelle, can we open up the line for questions please?

QUESTION AND ANSWER SECTION

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

<Q – Brian Alexander>: Thanks. Kevin, just want to clarify, you said you've seen stability here in March. So does the revenue guidance that you are providing assume that that stability continues through the end of the quarter or are you being more conservative in anticipation that things may get a little bit tougher as we move throughout the quarter?

<A – Kevin Murai>: Well, I mean it's – I would tell you it's really based on looking at a number of different scenarios, Brian. I think on the one hand it was good to see a bit of return of strengthened demand coming out of February into March. And even as we take a look at the rest of quarter, our visibility is relatively limited. But we do at least assume more stability through, beyond March and into the better part of the quarter.

<Q – Brian Alexander>: And then just another question. So the second quarter guidance, if I try to tie revenue and profitability together implies that you won't be able to hold the 2% operating margin, if just used the midpoints, for that quarter. But you made comments – Thomas, I think made comments that there is still room for margin improvement. So can you just help me reconcile those two comments? Is there a seasonality element here that would cause margins to go down sequentially in the second quarter, but resume expansion in Q3 and Q4, so that when we look at the full year picture you should be north of 2% for the year?

<A – Thomas Alsborg>: Brian, hello. The way I will describe this to you is that we have normal seasonality in our business, which is always factored into our guidance. And it does affect our margins as well as we all know.

In addition to that, from any given quarter or even month-to-month we see changes in our mix of our business, changes in demand from one line to another and so forth. And we have to allow for some room there. So the main point I was trying to make is that we are very confident in our ability to continue to grow operating margins and EPS and return on invested capital. But – and with the history, by the way, that we have in the last two or three years I think that really stands out almost in a linear fashion.

But the point I wanted to make is that we shouldn't expect it to always be linear. And while I'm not suggesting anything necessarily about this quarter, we want our investor community to know we're focused on the long run. And that you always will have some puts to take either within a quarter or from quarter to quarter. But long term, I will affirm to you that our expectation is to continue to grow our operating margins.

<Q – Brian Alexander>: To maybe ask it a different way, if we do see some continued stability in sales such that your overall revenue is down around 10% for the next few quarters, as you're guiding too for May. Is that an environment where you think you can still deliver operating margin expansion year-over-year given all the positive things going on within your business?

<A – Thomas Alsborg>: Brian, I appreciate the question, why you would want to ask that but again given that visibility in this current recessionary environment is a little bit difficult looking beyond one quarter, I don't think it would be of much value to you frankly to be commenting on what our annual margin targets are. We certainly have them. I think the important thing for investors to know is that we continue – our intention is to continue to develop and grow our margins as we go forward.

<Q – Brian Alexander>: And then one final one just on the announcement the other day that Dell is going to be selling select PCs through two of your competitors in the U.S. and Canada. I guess two part question; one, I'm curious to what extent you consider to adding that line? And two to what extent do you see it as an opportunity to gain market share with existing vendors who may view that announcement unfavorably? Thanks.

<A – Kevin Murai>: Sure. And Brian, first of all with Dell now selling through distribution, we view this as an endorsement for our model for distribution and overall a win for the channel. Should there be any fallout as a result of this with other competitive manufacturers, we believe that we're very well positioned in the partnerships and opportunities that we have with other key vendors like Hewlett-Packard, Lenovo Toshiba, Panasonic and others. And so we do believe that that will provide an opportunity for us, both in the short and mid-term.

<Q – Brian Alexander>: Thanks, Kevin and Thomas.

<A – Kevin Murai>: Thank you.

Operator: Your next question is from the line of Matt Sheerin with Thomas Weisel.

<Q – Matt Sheerin>: Yes, thanks. Just to follow-up on Brian's question regarding the margins, I guess, I still don't understand why the seasonality that impacted the big upside in gross margin in February, where it's up 30 – almost 30 basis points and then looking at your guidance for May, backing into it sort of implies back down to the 5.8, 5.85 range. So could you help me understand what the components of the business and how they affected that?

<A – Kevin Murai>: Well, I can startup at high level. And Matt my comment really is more on just to talk about our gross margin performance in first quarter. I would say the answer to our gross margin is threefold: number one is, just continued excellent execution of the way that we price in light of some foreign exchange fluctuations.

Second, again, excellent execution of the way that we manage our inventory and pricing of that in light of price increases from our vendors in the case of certain product segments.

And then finally and perhaps even more importantly is the diversification of our business model, with respect to adding new product categories that have better gross margin and growth profile as well as the growth of our services business.

<Q – Matt Sheerin>: So did they – is there more seasonality in your services business in the February quarter that would that drive higher and then bring it down in the May quarter? I'm just trying to figure out why you're going to be down 30 basis points when revenue essentially is going to be flat to down a little bit in May? So are you just being conservative?

<A – Thomas Alsborg>: Matt, Q1 is an example of what I was just describing a minute ago when I said that you can have puts and takes from quarter to quarter. So in Q1 we had record gross margin of 6.14%. It doesn't necessarily mean we're going to continue to stay above 6.14% or whatever the number might be every quarter.

Mix of business that we have is one piece, the seasonality is one piece. Within our vendor relationships we have certain incentives which we're rewarded for when we meet them. You don't necessarily have the same targets from quarter to quarter. So there is a great many variables which with we have to work. And as it turns out in this quarter, as we have in recent quarters, we've done very well in achieving our goals but our business is subject to a reasonable amount of variance in our gross margin. That's the only thing we're calling out.

I would – since this is the second time we've had this question, I'd like to just bring us back to the history of our company in the last two years frankly, looking quarter-after-quarter at our progress. And we are in no way suggesting that you should expect anything different going forward in terms of trends in – of gross margin or operating margin expansion. We're just saying again that you shouldn't always expect it to be linear and we're certainly not trying to set an expectation in Q2 that we're going to have the same levels of gross margin in Q1 necessarily.

<Q – Matt Sheerin>: Okay. And just one other question related to that then. Are – do you get any more rebates or incentives in the February quarter because you have some fiscal year closes with your custom... – your suppliers? So in other words, you get certain rebates for achieving annual goals in addition to quarterly goals?

<A – Thomas Alsborg>: That's a great question. The answer is no. So what you see here is really – it's just – there's – as Kevin described there's a great many things that drove our performance here. And it all comes down to in my opinion and our opinion very good execution against the goals that are set. There's nothing magical about Q1 or Q2. We just perform as we go.

<Q – Matt Sheerin>: And are you seeing the pricing environment any more severe? I mean it sounds like you're pricing very intelligently, which is helping margins. But certainly, we're seeing demand continuing to soften in North America. So are you seeing more pricing pressure and are you walking away from deals? Is that part of your guidance or is it just a take on in demand being weak?

<A – Kevin Murai>: The pricing environment has always been aggressive. It continues to be so but it's not really any different than it had been before. I think a lot of it really has to do, Matt, with our ability to win share based on our ability and stock, the service levels and the relationships that we have with our customers. And again, because of our pricing discipline and the systems that drive the visibility that we have on our cost in any – every transaction that we do we're able to price intelligently and know when business is good and know when we need to walk away.

<Q – Matt Sheerin>: Okay. And then – and just another thing on what you're seeing in terms of demand. You said that February was soft and you saw a more stable signs in March. Does that mean March patterns were in line or stable with February or little bit better?

<A – Kevin Murai>: They were a little stronger than February.

<Q – Matt Sheerin>: Okay. Okay, that's great. And then – okay, you talked about the – just on the IBM and – I'm sorry the Dell, Ingram, Tech Data deal, would you expect that to perhaps improve your relationships with existing vendors as Dell might take market share within your – at some of your competitors?

<A – Kevin Murai>: Yeah. I mean, first of all the relationships that we have with our vendors, I would put as first rate to begin with. We do tend to align how we go to market with their go-to market strategy and I think we've driven great success in doing so.

As I said, though, I think this provides us with a good opportunity to get even closer and perhaps partner even more closely with these key manufacturers and drive increased share.

<Q – Matt Sheerin>: Okay. And then, the IBM X-series business that was phasing out, was – is – did you start to see that revenue come out in February and – or not and – or – and is that in your May number, or is it phasing out, and when will that all phase out?

<A – Kevin Murai>: The IBM X-series business, we were pretty much done with that before the end of December. So that really had not, that really was no part of our first quarter, or a very small part of our first quarter number.

<Q – Matt Sheerin>: Okay. Thanks very much.

<A – Kevin Murai>: Thanks, Matt.

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

<Q – Richard Kugele>: Yes, thank you. Just a quick question on the debt-to-cap, you reduced that pretty materially. It had kind of gone up a little bit over the course of the past couple years with your acquisitions. But do you have any targets there, or is this something that we should expect that as business improves maybe starts ticking back up again?

<A – Thomas Alsborg>: Hi. Our – what we shared in the past remains the case that our number one goal is to have a debt-to-cap structure that allows us flexibility. And we went into this at some length on our Investor Day in January, where we described that we have a certain fixed component and variable component. So the range that we shared in the past about our debt-to-cap is that we are comfortable, very comfortable with the debt-to-cap ratio in the low 40 range. And should the demand environment allow opportunities for us to grow, and should that growth be rapid, then it would not be unrealistic to expect our debt-to-cap ratio to go back up to those levels again. They are manageable levels for us, and frankly we've operated there for quite some time.

I think, I'll just – the reason to highlight this to you and the investment community is to demonstrate our ability to manage our working capital as we go to the demand environment. I think the fact that we're able to reduce our debt-to-cap so substantially in a matter of three months, just speaks to, I think, the good engineering of our capital structure.

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

<A – Thomas Alsborg>: You bet.

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

<Q – Richard Gardner>: Okay, thank you. Thomas, I was just hoping you could give us an update on AR Aging versus what you said at the Analyst Meeting. And then also inventories were up a bit. I know they're typically up a bit sequentially. But are you comfortable with the inventory levels and the composition of the inventory that you're carrying? Thank you.

<A – Dennis Polk>: Hi, Rich. This is Dennis here.

<Q – Richard Gardner>: Hey, Dennis.

<A – Dennis Polk>: I'll start with that one. From a credit and accounts receivable perspective, our overall portfolio is performing very well, despite the economic environment. While we have had small pockets of increased bad debts, we have not seen any overall negative trend, or any major cause for concern with regards to our portfolio and our customer set.

On the inventory side, we did see a tick-up this quarter as you noted. The increase is mostly due to the timing of receipts, provisioning for some inventory for our assembly customers, and the timing of those sales. And as Kevin mentioned, partially due to how the month of February ended from a revenue perspective.

The key takeaway, though, is two things. One, our DIO is already improving based on our March numbers that we talked about. And as important if not more, the quality and age of our inventory remains very solid. So again, the takeaway here with regards to our DIO at 228 is not a cause for concern.

<Q – Richard Gardner>: Okay. Thanks, Dennis. And then, I wanted to ask a question on gross margin. I understand, Thomas, your comment about things not necessarily being linear and gross margins not necessarily staying above 6% or at the 6.12 level. Are you suggesting though that maybe you should have been a little bit more aggressive on pricing during the quarter? Should we expect you to get a little bit more aggressive? And how comfortable are you that you understand the elasticity in the marketplace and what that will do for you from a top line perspective?

<A – Kevin Murai>: So I actually, Rich, I'll take that. I think we understand pricing elasticity very well in the marketplace. And again, our focus is to continue to drive improvements in overall profitability and returns. We typically don't play the game of going out and buying market share. We've had a great track record of gaining market share. And again, this past quarter we've done so. But that I would tell you we've earned. We haven't gone out and bought.

And again, because we've had great stability in our organization, the relationships that we have with our customers, which are really key to a lot of the business that we do, in particular with the thousands of VARs that we deal with, have really helped us to drive more consistency in the business that we have. And as a result of that our service levels have been excellent. And I think it's because of all of that we've actually earned our share gains. We haven't gone out and bought it. And at the same time, I think we've done a great job in pricing and in overall improvement of our gross margins and overall operating margin.

<Q – Richard Gardner>: Okay, all right. And then finally, I was wondering if you'd be willing to give us some color on areas of strength and weakness from a product perspective?

<A – Kevin Murai>: Sure. So from a product perspective, overall, and I'll break down the U.S. and Canada separately. In the U.S., notebooks and in particular mini notebooks were better than what we saw as our average growth, desktops as well. We did well in our networking business. And of course, managed services including managed print services were better. And the components business that we have did well too.

Some of the categories that were a bit slower than our average were in the server area, software and displays. And then really, the only remaining major segment is printers. They were about at average.

For Canada, in some cases mostly the same with just few differences. So notebooks and mini notebooks again were stronger. Desktops, components and consumables were strong. Software and servers were on the lower-than-average side and peripherals as a general category was about average for us in Canada.

<Q – Richard Gardner>: Okay, great. All right, thanks Kevin.

<A – Kevin Murai>: Thanks Rich.

Operator: Your next question is a follow-up question from the line of Brian Alexander with Raymond James.

<Q – Brian Alexander>: Yeah, just a follow-up on the GBS business, the margins, the operating margins were down just a little bit year-on-year despite 30% growth. Was that due to mix factors or something else? Just curious how we should be thinking about the margins there? And how much of that growth of 30% you saw is being driven by relationships that you have on the distribution side that are fueling some incremental business in GBS? Thanks.

<A – Thomas Alsborg>: Hi, I'll start with this. So as we continue to invest in the GBS business, you're going to continue to see us spend in different areas, including building relationships. And part of building those relationships and bringing on new businesses is going to be investment and training, which sometimes will affect your gross margin initially.

We talked about in the past how in this environment with regards to the GBS business, the economy is bit of the double-edged sword. In some cases, you're seeing companies wanting to reduce their costs and so they're outsourcing more, creating more business for us. In other cases, you're seeing, some of the businesses that we have want to be more aggressive in terms of their arrangement with us as well.

And so the trick for us in this business is to be able to manage the two of those together. A big component though going back to the point I made a minute ago is, as we've been bringing on new business during the quarter, we have been investing in training of our employees, which is a pretty standard part of the GBS model.

<A – Christopher Caldwell>: Thanks, Thomas. Brian, I'd also add that from the growth perspective, our growth was generally fueled by taking more share of wallet from our current customer set, some of those being tied to distribution vendors that SYNNEX represents as well.

<Q – Brian Alexander>: Thanks a lot, Chris.

Operator: There are no further questions at this time. Ms. Crowley, do you have any closing remarks?

Laura Crowley, Director of Investor Relations and Public Relations

Yes, thank you. This concludes our first quarter earnings conference call. Thank for joining us today. We will have a replay of this call available for the next two weeks, beginning at approximately 5:00 P.M. Pacific Daylight Time through April 9.

As always, should you have any follow-up questions, both Thomas and I are available to take your call. Thank you for your participation today.

Operator: Ladies and gentlemen, this does conclude today's conference call. You may now disconnect.