



SYNNEX Corporation Reports Second Quarter Fiscal 2019 Results

Fremont, Calif., - June 25, 2019 - SYNNEX Corporation (NYSE: SNX), a leading business process services company, today announced financial results for the fiscal second quarter ended May 31, 2019.

	Q2 FY19	Q2 FY18 ⁽²⁾	Net change
Revenue (\$M)	\$ 5,723	\$ 4,908	16.6%
Operating income (\$M)	\$ 174.7	\$ 124.0	40.8%
Non-GAAP operating income (\$M) ⁽¹⁾	\$ 244.1	\$ 152.3	60.2%
Operating margin	3.05%	2.53%	52 bps
Non-GAAP operating margin ⁽¹⁾	4.26%	3.10%	116 bps
Net income (\$M)	\$ 114.5	\$ 93.7	22.1%
Non-GAAP net income (\$M) ⁽¹⁾	\$ 146.8	\$ 95.4	54.0%
Diluted earnings per common share ("EPS")	\$ 2.23	\$ 2.34	-4.7%
Non-GAAP Diluted EPS ⁽¹⁾	\$ 2.86	\$ 2.38	20.2%

“We delivered strong results in our second quarter as both of our business segments exceeded expectations and set quarterly records,” said Dennis Polk, SYNNEX President and CEO. “Our Concentrix business continued its momentum post the Convergys acquisition by delivering solid results, while executing ahead of schedule on our integration plan.”

Second Quarter Fiscal 2019 Highlights:

- Technology Solutions:** Revenue was \$4.6 billion, up 3.3% from the prior fiscal year second quarter. Operating income was \$112 million, or 2.5% of segment revenue, compared to \$96 million, or 2.2% of segment revenue, in the prior fiscal year second quarter. Non-GAAP operating income was \$124 million, or 2.7% of segment revenue, compared to \$111 million, or 2.5% of segment revenue, in the prior fiscal year second quarter.
- Concentrix:** Revenue was \$1.2 billion, up 136.3% from the prior fiscal year second quarter as a result of the Convergys acquisition on October 5, 2018. Operating income was \$62 million, or 5.4% of segment revenue, compared to \$28 million, or 5.6% of segment revenue in the prior fiscal year second quarter. Non-GAAP operating income was \$120 million, or 10.3% of segment revenue, compared to \$41 million, or 8.5% of segment revenue, in the prior fiscal year second quarter.
- The trailing fiscal four quarters Return on Invested Capital (“ROIC”) was 8.2% compared to 8.8% in the prior fiscal year second quarter. The adjusted trailing fiscal four quarters ROIC was 10.8%.

Third Quarter Fiscal 2019 Outlook:

The following statements are based on SYNnex' current expectations for the third quarter fiscal 2019. Non-GAAP financial measures exclude the impact of acquisition-related and integration expenses, the amortization of intangibles and the related tax effects thereon. These statements are forward-looking and actual results may differ materially.

- Revenue is expected to be in the range of \$5.55 billion to \$5.85 billion.
- Net income is expected to be in the range of \$99.0 million to \$105.0 million and on a non-GAAP basis, net income is expected to be in the range of \$144.2 million to \$150.2 million.
- Diluted earnings per share is expected to be in the range of \$1.92 to \$2.04 and on a non-GAAP basis, diluted earnings per share is expected to be in the range of \$2.80 to \$2.92, based on estimated outstanding diluted weighted average shares of 51.0 million.
- After-tax amortization of intangibles is expected to be \$37.7 million, or \$0.73 per share.
- After-tax acquisition-related and integration expense is expected to be \$7.5 million, or \$0.15 per share.

Dividend Announcement

SYNNEX announced today that its Board of Directors declared a quarterly cash dividend of \$0.375 per common share. The dividend is payable on July 26, 2019 to stockholders of record as of the close of business on July 12, 2019.

Conference Call and Webcast

SYNNEX will be discussing its financial results and outlook on a conference call today at 2:00 p.m. (PT):

To Listen via Telephone:

(866) 393-4306 (U.S. callers) / (734) 385-2616 (International callers)
Conference ID 7791288

To Listen via Internet:

Live webcast of the earnings call will be available at <http://ir.synnex.com>. A replay will be available approximately two hours after the earnings call has concluded.

About SYNnex

SYNNEX Corporation (NYSE: SNX) is a Fortune 200 corporation and a leading business process services company, providing a comprehensive range of distribution, logistics and integration services for the technology industry and providing outsourced services focused on customer engagement to a broad range of enterprises. SYNnex distributes a broad range of information technology systems and products, and also provides systems design and integration solutions. Founded in 1980, SYNnex Corporation operates in numerous countries throughout North and South America, Asia-Pacific and Europe. Additional information about SYNnex may be found online at www.synnex.com.

About Concentrix

Concentrix, a wholly-owned subsidiary of SYNnex Corporation (NYSE: SNX), is a technology-enabled global business services company specializing in customer engagement and improving business performance for some of the world's best brands. Every day, from more than 40 countries and across 6 continents, our staff delivers next generation customer experience and helps companies better connect with their customers. We create better business outcomes and help differentiate our clients through technology, design, data, process, and people. Concentrix provides services to clients in ten industry verticals: automotive; banking and financial services; insurance; healthcare; technology; consumer electronics; media and communications; retail and e-commerce; travel and transportation; and energy and public-sector. We are Different by Design. Visit www.concentrix.com to learn more.

⁽¹⁾Use of Non-GAAP Financial Information

In addition to the financial results presented in accordance with GAAP, SYNEX also uses adjusted selling, general and administrative expenses, non-GAAP operating income, non-GAAP operating margin, adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”), non-GAAP net income, and non-GAAP diluted earnings per share, which are non-GAAP financial measures that exclude acquisition-related and integration expenses, restructuring costs, the amortization of intangible assets and the related tax effects thereon.

In fiscal year 2019, non-GAAP net income and non-GAAP diluted earnings per share also exclude a gain upon the settlement of contingent consideration related to the Westcon-Comstor Americas acquisition.

In fiscal year 2018, non-GAAP net income and non-GAAP diluted earnings per share also exclude the impact of an adjustment relating to the enactment of the Tax Cuts and Jobs Act of 2017. This adjustment includes a transition tax on accumulated overseas profits and the remeasurement of deferred tax assets and liabilities to the new U.S. tax rate.

Additionally, SYNEX refers to growth rates at constant currency or adjusting for the translation effect of foreign currencies so that certain financial results can be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons of SYNEX’ business performance. Financial results adjusted for currency are calculated by translating current period activity in the transaction currency using the comparable prior year periods’ currency conversion rate. Generally, when the dollar either strengthens or weakens against other currencies, growth at constant currency rates or adjusting for currency will be higher or lower than growth reported at actual exchange rates.

Trailing fiscal four quarters ROIC is defined as the last four quarters’ tax effected operating income divided by the average of the last five quarterly balances of borrowings (excluding book overdraft) and equity, net of cash and cash equivalents in the United States. Adjusted ROIC is calculated by excluding the tax effected impact of acquisition-related and integration expenses, restructuring costs and the amortization of intangibles from operating income and equity and the impact of the contingent consideration gain and the U.S. tax reform adjustment on equity.

SYNEX management uses non-GAAP financial measures internally to understand, manage and evaluate the business, to establish operational goals, and in some cases for measuring performance for compensation purposes. These non-GAAP measures are intended to provide investors with an understanding of SYNEX’ operational results and trends that more readily enable investors to analyze SYNEX’ base financial and operating performance and to facilitate period-to-period comparisons and analysis of operational trends, as well as for planning and forecasting in future periods. Management believes these non-GAAP financial measures are useful to investors in allowing for greater transparency with respect to supplemental information used by management in its financial and operational decision-making. As these non-GAAP financial measures are not calculated in accordance with GAAP, they may not necessarily be comparable to similarly titled measures employed by other companies. These non-GAAP financial measures should not be considered in isolation or as a substitute for the comparable GAAP measures, and should be read only in conjunction with SYNEX’ consolidated financial statements prepared in accordance with GAAP. A reconciliation of SYNEX’ GAAP to non-GAAP financial information is set forth in the supplemental information section at the end of this press release.

⁽²⁾Fiscal 2018 second quarter and year-to-date financial statements have been adjusted to reflect the adoption of the new guidance on revenue recognition, on a full retrospective basis. Impact of adoption of the new guidance on the Consolidated Statement of Operations is presented in the supplementary information section at the end of this press release.

Safe Harbor Statement

Statements in this news release regarding SYNnex Corporation that are not historical facts are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements may be identified by terms such as believe, foresee, expect, may, will, provide, could and should and the negative of these terms or other similar expressions. These statements, including statements regarding our expectations and outlook for 2019 and the fiscal third quarter as to revenue, net income, non-GAAP net income, diluted earnings per share, non-GAAP diluted earnings per share, outstanding diluted weighted average shares, tax rate, after-tax amortization of intangibles after-tax acquisition-related and integration expenses; effects of the Convergys acquisition; and the anticipated benefits of the non-GAAP financial measures, are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in the forward-looking statements. These risks and uncertainties include, but are not limited to: general economic conditions and any weakness in information technology and consumer electronics spending; the loss or consolidation of one or more of our significant original equipment manufacturer, or OEM, suppliers or customers; market acceptance and product life of the products we assemble and distribute; competitive conditions in our industry and their impact on our margins; pricing, margin and other terms with our OEM suppliers; our ability to gain market share; variations in supplier-sponsored programs; changes in our costs and operating expenses; changes in foreign currency exchange rates; changes in tax laws; risks associated with our international operations; uncertainties and variability in demand by our reseller and integration customers; supply shortages or delays; any termination or reduction in our floor plan financing arrangements; credit exposure to our reseller customers and negative trends in their businesses; any future incidents of theft; and other risks and uncertainties detailed in our Form 10-K for the fiscal year ended November 30, 2018 and subsequent SEC filings. Statements included in this press release are based upon information known to SYNnex Corporation as of the date of this release, and SYNnex Corporation assumes no obligation to update information contained in this press release.

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SYNNEX Corporation
Consolidated Balance Sheets
(currency and share amounts in thousands)
(Amounts may not add due to rounding)
(unaudited)

	May 31, 2019	November 30, 2018
		(Adjusted) ⁽¹⁾
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 271,491	\$ 454,694
Accounts receivable, net	3,457,110	3,640,496
Receivable from vendors, net	350,330	351,744
Inventories	2,608,453	2,392,559
Other current assets	327,730	323,323
Total current assets	7,015,116	7,162,817
Property and equipment, net	564,290	571,326
Goodwill	2,192,076	2,203,316
Intangible assets, net	1,266,671	1,377,305
Deferred tax assets	82,353	76,508
Other assets	155,452	152,227
Total assets	\$ 11,275,958	\$ 11,543,498
LIABILITIES AND EQUITY		
Current liabilities:		
Borrowings, current	\$ 728,962	\$ 833,216
Accounts payable	2,764,919	3,048,102
Accrued compensation and benefits	325,165	358,352
Other accrued liabilities	612,159	672,635
Income taxes payable	30,012	41,322
Total current liabilities	4,461,217	4,953,627
Long-term borrowings	2,792,649	2,622,782
Other long-term liabilities	305,019	325,119
Deferred tax liabilities	180,020	206,916
Total liabilities	7,738,905	8,108,444
Stockholders' equity:		
Preferred stock, \$0.001 par value, 5,000 shares authorized, no shares issued or outstanding	—	—
Common stock, \$0.001 par value, 100,000 shares authorized, 52,929 and 52,861 shares issued as of May 31, 2019 and November 30, 2018, respectively	53	53
Additional paid-in capital	1,527,383	1,512,201
Treasury stock, 2,336 and 2,167 shares as of May 31, 2019 and November 30, 2018, respectively	(165,601)	(149,533)
Accumulated other comprehensive income (loss)	(188,561)	(126,288)
Retained earnings	2,363,779	2,198,621
Total stockholders' equity	3,537,053	3,435,054
Total liabilities and equity	\$ 11,275,958	\$ 11,543,498

⁽¹⁾ Amounts have been adjusted to reflect the adoption of Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), on a full retrospective basis.

SYNNEX Corporation
Consolidated Statements of Operations
(currency and share amounts in thousands, except for per share amounts)
(Amounts may not add due to rounding)
(unaudited)

	Three Months Ended		Six Months Ended	
	May 31, 2019	May 31, 2018	May 31, 2019	May 31, 2018
		(Adjusted) ⁽¹⁾		(Adjusted) ⁽¹⁾
Revenue:				
Products	\$ 4,567,072	\$ 4,422,093	\$ 8,647,757	\$ 8,411,836
Services	1,155,816	486,188	2,324,585	989,795
Total revenue	5,722,889	4,908,281	10,972,341	9,401,631
Cost of revenue:				
Products	(4,297,096)	(4,174,771)	(8,130,213)	(7,940,283)
Services	(727,324)	(304,352)	(1,464,739)	(618,675)
Gross profit	698,468	429,158	1,377,389	842,673
Selling, general and administrative expenses	(523,813)	(305,156)	(1,040,771)	(607,175)
Operating income	174,655	124,002	336,618	235,498
Interest expense and finance charges, net	(43,144)	(16,375)	(84,750)	(33,826)
Other income (expense), net	21,546	(1,446)	20,851	(2,624)
Income before income taxes	153,057	106,181	272,719	199,048
Provision for income taxes	(38,584)	(12,439)	(71,140)	(81,208)
Net income	<u>\$ 114,473</u>	<u>\$ 93,742</u>	<u>\$ 201,579</u>	<u>\$ 117,840</u>
Earnings per common share:				
Basic	<u>\$ 2.24</u>	<u>\$ 2.35</u>	<u>\$ 3.94</u>	<u>\$ 2.95</u>
Diluted	<u>\$ 2.23</u>	<u>\$ 2.34</u>	<u>\$ 3.92</u>	<u>\$ 2.93</u>
Weighted-average common shares outstanding:				
Basic	<u>50,675</u>	<u>39,505</u>	<u>50,691</u>	<u>39,599</u>
Diluted	<u>50,939</u>	<u>39,742</u>	<u>50,933</u>	<u>39,859</u>

⁽¹⁾ Amounts have been adjusted to reflect the adoption of Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), on a full retrospective basis.

SYNNEX Corporation
Segment Information
(currency in thousands)
(Amounts may not add due to rounding)
(unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>May 31, 2019</u>	<u>May 31, 2018</u> (Adjusted) ⁽¹⁾	<u>May 31, 2019</u>	<u>May 31, 2018</u> (Adjusted) ⁽¹⁾
Revenue:				
Technology Solutions	\$ 4,567,074	\$ 4,422,106	\$ 8,647,759	\$ 8,411,905
Concentrix	1,160,877	491,246	2,334,148	998,983
Inter-segment elimination	(5,063)	(5,071)	(9,565)	(9,257)
Consolidated	<u>\$ 5,722,889</u>	<u>\$ 4,908,281</u>	<u>\$ 10,972,341</u>	<u>\$ 9,401,631</u>
Operating income:				
Technology Solutions	\$ 112,393	\$ 96,318	\$ 213,764	\$ 178,151
Concentrix	62,263	27,684	122,853	57,347
Consolidated	<u>\$ 174,655</u>	<u>\$ 124,002</u>	<u>\$ 336,618</u>	<u>\$ 235,498</u>

⁽¹⁾ Amounts have been adjusted to reflect the adoption of Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), on a full retrospective basis.

SYNNEX Corporation
Impact of adoption of Accounting Standards Codification (“ASC”) Topic 606 on Revenue and Earnings
(currency in thousands, except for per share amounts)
(Amounts may not add due to rounding)
(unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>May 31, 2019</u>	<u>May 31, 2018</u>	<u>May 31, 2019</u>	<u>May 31, 2018</u>
Revenue				
Consolidated				
Revenue as previously reported		\$ 4,972,583		\$ 9,524,953
Impact of adoption of ASC Topic 606		(64,302)		(123,322)
Revenue in accordance with ASC Topic 606 ⁽¹⁾	\$ 5,722,889	\$ 4,908,281	\$ 10,972,341	\$ 9,401,631
Technology Solutions				
Revenue as previously reported		\$ 4,486,408		\$ 8,535,227
Impact of adoption of ASC Topic 606		(64,302)		(123,322)
Revenue in accordance with ASC Topic 606 ⁽¹⁾	\$ 4,567,074	\$ 4,422,106	\$ 8,647,759	\$ 8,411,905
Concentrix				
Revenue as previously reported		\$ 491,246		\$ 998,983
Impact of adoption of ASC Topic 606		—		—
Revenue in accordance with ASC Topic 606 ⁽¹⁾	\$ 1,160,877	\$ 491,246	\$ 2,334,148	\$ 998,983

(1) Approximate value of transactions offset, in accordance with revenue recognition guidance on Principal versus Agent considerations, in circumstances where SYNNEX assumed an agency relationship, against cost of sales to present the margin earned on these transactions in revenue, with no associated cost of revenue.

\$ 870,000	\$ 711,000	\$ 1,711,000	\$ 1,395,000
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SYNNEX Corporation
Impact of adoption of Accounting Standards Codification (“ASC”) Topic 606 on Revenue and Earnings
(currency in thousands, except for per share amounts)
(Amounts may not add due to rounding)
(unaudited)
(continued)

Consolidated Statements of Operations	Three Months Ended		Six Months Ended	
	May 31, 2018		May 31, 2018	
	As Reported	As adjusted	As Reported	As adjusted
Revenue:				
Products	\$ 4,486,395	\$ 4,422,093	\$ 8,535,158	\$ 8,411,836
Services	486,188	486,188	989,795	989,795
Total revenue	4,972,583	4,908,281	9,524,953	9,401,631
Cost of revenue:				
Products	(4,239,137)	(4,174,771)	(8,063,233)	(7,940,283)
Services	(304,352)	(304,352)	(618,675)	(618,675)
Gross profit	429,094	429,158	843,045	842,673
Selling, general and administrative expenses	(305,156)	(305,156)	(607,175)	(607,175)
Operating income	123,938	124,002	235,870	235,498
Interest expense and finance charges, net	(16,375)	(16,375)	(33,826)	(33,826)
Other income (expense), net	(1,446)	(1,446)	(2,624)	(2,624)
Income before income taxes	106,117	106,181	199,420	199,048
Provision for income taxes	(12,424)	(12,439)	(81,293)	(81,208)
Net income	\$ 93,693	\$ 93,742	\$ 118,127	\$ 117,840
Earnings per common share:				
Basic	\$ 2.35	\$ 2.35	\$ 2.96	\$ 2.95
Diluted	\$ 2.34	\$ 2.34	\$ 2.94	\$ 2.93
Non-GAAP financial measures				
Non-GAAP operating income	\$ 152,260	\$ 152,324	\$ 292,707	\$ 292,335
<i>GAAP operating margin</i>	<i>2.49%</i>	<i>2.53%</i>	<i>2.48%</i>	<i>2.50%</i>
<i>Non-GAAP operating margin</i>	<i>3.06%</i>	<i>3.10%</i>	<i>3.07%</i>	<i>3.11%</i>
Non-GAAP net income	\$ 95,302	\$ 95,354	\$ 181,648	\$ 181,356
Non-GAAP diluted EPS	\$ 2.38	\$ 2.38	\$ 4.52	\$ 4.51

SYNNEX Corporation
Reconciliation of GAAP to Non-GAAP financial measures
(currency in thousands)
(Amounts may not add due to rounding)

	Three Months Ended		Six Months Ended	
	May 31, 2019	May 31, 2018	May 31, 2019	May 31, 2018
		(Adjusted) ⁽¹⁾		(Adjusted) ⁽¹⁾
Revenue in constant currency				
Consolidated				
Revenue	\$ 5,722,889	\$ 4,908,281	\$ 10,972,341	\$ 9,401,631
Foreign currency translation	56,850		107,938	
Revenue in constant currency	\$ 5,779,739	\$ 4,908,281	\$ 11,080,279	\$ 9,401,631
Technology Solutions				
Revenue	\$ 4,567,074	\$ 4,422,106	\$ 8,647,759	\$ 8,411,905
Foreign currency translation	42,381		79,114	
Revenue in constant currency	\$ 4,609,455	\$ 4,422,106	\$ 8,726,873	\$ 8,411,905
Concentrix				
Revenue	\$ 1,160,877	\$ 491,246	\$ 2,334,148	\$ 998,983
Foreign currency translation	14,469		28,824	
Revenue in constant currency	\$ 1,175,346	\$ 491,246	\$ 2,362,972	\$ 998,983

	Three Months Ended		Six Months Ended	
	May 31, 2019	May 31, 2018	May 31, 2019	May 31, 2018
		(Adjusted) ⁽¹⁾		(Adjusted) ⁽¹⁾
Selling, general and administrative expenses				
Consolidated				
GAAP selling, general and administrative expenses	\$ 523,813	\$ 305,156	\$ 1,040,771	\$ 607,175
Acquisition-related and integration expenses	16,533	2,046	44,382	3,851
Amortization of intangibles	52,441	25,814	104,898	52,105
Adjusted selling, general and administrative expenses	\$ 454,839	\$ 277,296	\$ 891,491	\$ 551,219
Technology Solutions				
GAAP selling, general and administrative expenses	\$ 157,586	\$ 151,013	\$ 303,781	\$ 293,467
Acquisition-related and integration expenses	649	2,046	981	3,851
Amortization of intangibles	10,975	12,462	21,969	25,278
Adjusted selling, general and administrative expenses	\$ 145,962	\$ 136,505	\$ 280,831	\$ 264,338
Concentrix				
GAAP selling, general and administrative expenses	\$ 368,265	\$ 155,894	\$ 740,983	\$ 317,136
Acquisition-related and integration expenses	15,884	—	43,401	—
Amortization of intangibles	41,466	13,352	82,929	26,827
Adjusted selling, general and administrative expenses	\$ 310,915	\$ 142,542	\$ 614,653	\$ 290,309

SYNNEX Corporation
Reconciliation of GAAP to Non-GAAP financial measures
(currency in thousands)
(Amounts may not add due to rounding)
(continued)

	Three Months Ended		Six Months Ended	
	May 31, 2019	May 31, 2018 (Adjusted) ⁽¹⁾	May 31, 2019	May 31, 2018 (Adjusted) ⁽¹⁾
Operating income and Operating margin				
Consolidated				
Revenue	\$ 5,722,889	\$ 4,908,281	\$ 10,972,341	\$ 9,401,631
GAAP operating income	\$ 174,655	\$ 124,002	\$ 336,618	\$ 235,498
Acquisition-related and integration expenses	16,533	2,046	44,382	3,851
Amortization of intangibles	52,864	26,276	105,721	52,986
Non-GAAP operating income	\$ 244,052	\$ 152,324	\$ 486,721	\$ 292,335
Depreciation (excluding accelerated depreciation included in acquisition-related expenses above)	38,890	22,596	80,407	44,520
Adjusted EBITDA	\$ 282,942	\$ 174,920	\$ 567,128	\$ 336,855
GAAP operating margin	3.05%	2.53%	3.07%	2.50%
Non-GAAP operating margin	4.26%	3.10%	4.44%	3.11%
Technology Solutions				
Segment revenue	\$ 4,567,074	\$ 4,422,106	\$ 8,647,759	\$ 8,411,905
GAAP operating income	\$ 112,393	\$ 96,318	\$ 213,764	\$ 178,151
Acquisition-related and integration expenses	649	2,046	981	3,851
Amortization of intangibles	10,975	12,462	21,969	25,278
Non-GAAP operating income	\$ 124,017	\$ 110,826	\$ 236,714	\$ 207,280
Depreciation	5,475	5,010	10,844	9,844
Adjusted EBITDA	\$ 129,492	\$ 115,836	\$ 247,558	\$ 217,124
GAAP operating margin	2.46%	2.18%	2.47%	2.12%
Non-GAAP operating margin	2.72%	2.51%	2.74%	2.46%
Concentrix				
Segment revenue	\$ 1,160,877	\$ 491,246	\$ 2,334,148	\$ 998,983
GAAP operating income	\$ 62,263	\$ 27,684	\$ 122,853	\$ 57,347
Acquisition-related and integration expenses	15,884	—	43,401	—
Amortization of intangibles	41,889	13,814	83,752	27,708
Non-GAAP operating income	\$ 120,036	\$ 41,498	\$ 250,006	\$ 85,055
Depreciation (excluding accelerated depreciation included in acquisition-related expenses above)	33,415	17,586	69,563	34,676
Adjusted EBITDA	\$ 153,451	\$ 59,084	\$ 319,569	\$ 119,731
GAAP operating margin	5.36%	5.64%	5.26%	5.74%
Non-GAAP operating margin	10.34%	8.45%	10.71%	8.51%

SYNNEX Corporation
Reconciliation of GAAP to Non-GAAP financial measures
(currency and share amounts in thousands, except for per share amounts)
(Amounts may not add due to rounding)
(continued)

	Three Months Ended		Six Months Ended	
	May 31, 2019	May 31, 2018 (Adjusted) ⁽¹⁾	May 31, 2019	May 31, 2018 (Adjusted) ⁽¹⁾
Net income				
Net income	\$ 114,473	\$ 93,742	\$ 201,579	\$ 117,840
Acquisition-related and integration expenses (benefit)	16,362	(588)	44,211	1,217
Amortization of intangibles	52,864	26,276	105,721	52,986
Contingent consideration	(19,034)	—	(19,034)	—
Income taxes related to the above ⁽²⁾	(17,820)	(7,076)	(39,780)	(15,388)
U.S. tax reform adjustment	—	(17,000)	—	24,701
Non-GAAP net income	\$ 146,845	\$ 95,354	\$ 292,697	\$ 181,356
Diluted earnings per common share ("EPS")⁽³⁾				
Net income	\$ 114,473	\$ 93,742	\$ 201,579	\$ 117,840
Less: net income allocated to participating securities	1,027	860	1,813	1,076
Net income attributable to common stockholders	113,446	92,882	199,766	116,764
Acquisition-related and integration expenses (benefit) attributable to common stockholders	16,216	(583)	43,814	1,206
Amortization of intangibles attributable to common stockholders	52,391	26,036	104,772	52,503
Contingent consideration attributable to common stockholders	(18,864)	—	(18,863)	—
Income taxes related to the above attributable to common stockholders ⁽²⁾	(17,661)	(7,011)	(39,423)	(15,248)
U.S. tax reform adjustment attributable to common stockholders	—	(16,844)	—	24,476
Non-GAAP net income attributable to common stockholders	\$ 145,528	\$ 94,480	\$ 290,065	\$ 179,702
Weighted-average number of common shares - diluted:	<u>50,939</u>	<u>39,742</u>	<u>50,933</u>	<u>39,859</u>
Diluted EPS ⁽³⁾	\$ 2.23	\$ 2.34	\$ 3.92	\$ 2.93
Acquisition-related and integration expenses (benefit)	0.32	(0.01)	0.86	0.03
Amortization of intangibles	1.03	0.66	2.06	1.32
Contingent consideration	(0.37)	—	(0.37)	—
Income taxes related to the above ⁽²⁾	(0.35)	(0.18)	(0.77)	(0.38)
U.S. tax reform adjustment	—	(0.42)	—	0.61
Non-GAAP Diluted EPS	<u>\$ 2.86</u>	<u>\$ 2.38</u>	<u>\$ 5.70</u>	<u>\$ 4.51</u>

SYNNEX Corporation
Reconciliation of GAAP to Non-GAAP financial measures
(amounts in millions, except for per share amounts)
(Amounts may not add due to rounding)
(continued)

	Forecast	
	Three Months Ending August 31, 2019	
	Low	High
Net income	\$ 99,003	\$ 105,003
Acquisition-related and integration expenses	10,305	10,305
Amortization of intangibles	51,608	51,608
Income taxes related to the above ⁽²⁾	(16,717)	(16,717)
Non-GAAP net income	<u>\$ 144,200</u>	<u>\$ 150,200</u>
Diluted EPS ⁽³⁾	\$ 1.92	\$ 2.04
Acquisition-related and integration expenses	0.20	0.20
Amortization of intangibles	1.00	1.00
Income taxes related to the above ⁽²⁾	(0.32)	(0.32)
Non-GAAP Diluted EPS	<u>\$ 2.80</u>	<u>\$ 2.92</u>

⁽¹⁾ Adjusted to reflect the adoption of the new guidance on revenue recognition, on a full retrospective basis.

⁽²⁾ The tax effect of taxable and deductible non-GAAP adjustments was calculated using the effective year-to-date tax rate during the respective periods. The effective tax rate for fiscal year 2018 excludes the impact of the transition tax on accumulated overseas profits and the remeasurement of deferred tax assets and liabilities to the new U.S. tax rate related to the enactment of the Tax Cuts and Jobs Act of 2017.

⁽³⁾ Diluted EPS is calculated using the two-class method. Unvested restricted stock awards granted to employees are considered participating securities. For purposes of calculating Diluted EPS, Net income allocated to participating securities was approximately 0.9% of Net income for the three and six months ended May 31, 2019 and 2018. Net income allocable to participating securities is estimated to be approximately 0.9% of the forecast Net income for the three months ending August 31, 2019.

SYNNEX Corporation
Calculation of Financial Metrics
(currency in thousands)
(Amounts may not add or compute due to rounding)

Return on Invested Capital ("ROIC")

	May 31, 2019	May 31, 2018
ROIC		
Operating income (trailing fiscal four quarters) ⁽¹⁾	\$ 651,784	\$ 517,574
Income taxes on operating income ⁽²⁾	(180,564)	(194,642)
Operating income after taxes ⁽¹⁾	\$ 471,220	\$ 322,932
Total borrowings, excluding book overdraft (last five quarters average)	\$ 2,823,841	\$ 1,537,631
Total equity (last five quarters average)	3,024,940	2,250,775
Less: U.S. cash and cash equivalents (last five quarters average)	(72,005)	(132,465)
Total invested capital	\$ 5,776,776	\$ 3,655,941
ROIC	8.2%	8.8%
Adjusted ROIC		
Non-GAAP operating income (trailing fiscal four quarters) ⁽¹⁾	\$ 914,514	\$ 625,206
Income taxes on Non-GAAP operating income ⁽²⁾	(245,487)	(199,325)
Non-GAAP operating income after taxes ⁽¹⁾	\$ 669,027	\$ 425,881
Total invested capital	\$ 5,776,776	\$ 3,655,941
Tax effected impact of cumulative non-GAAP adjustments (last five quarters average)	393,862	253,198
Total Non-GAAP invested capital	\$ 6,170,638	\$ 3,909,139
Adjusted ROIC	10.8%	10.9%

⁽¹⁾ GAAP and non-GAAP operating income included in the trailing fiscal four quarters calculation reflects the adoption of ASC Topic 606 for the fiscal quarters ended February 28, 2019 and 2018 and May 31, 2019 and 2018. GAAP and non-GAAP operating income for other quarters included in the trailing fiscal four quarters calculation are based on amounts as previously reported.

⁽²⁾ Income taxes on GAAP operating income was calculated using the effective year-to-date tax rates during the respective periods. Income taxes on non-GAAP operating income was calculated by excluding the tax effect of taxable and deductible non-GAAP adjustments using the effective year-to-date tax rate during the respective periods. In fiscal year 2018, the effective tax rate for non-GAAP operating income excludes the impact of the transition tax on accumulated overseas profits and the remeasurement of deferred tax assets and liabilities to the new U.S. tax rate related to the enactment of the Tax Cuts and Jobs Act of 2017.

Debt to Adjusted EBITDA leverage ratio

	May 31, 2019	May 31, 2018
Total borrowings, excluding book overdraft	(a) \$ 3,517,322	\$ 1,810,926
Trailing fiscal four quarters Adjusted EBITDA ⁽¹⁾	(b) \$ 1,051,356	\$ 711,558
Debt to Adjusted EBITDA leverage ratio	(c)=(a)/(b) 3.3	2.5

⁽¹⁾ Adjusted EBITDA included in the trailing fiscal four quarters calculation reflects the adoption of ASC Topic 606 for the fiscal quarters ended February 28, 2019 and 2018 and May 31, 2019 and 2018. Adjusted EBITDA for other quarters included in the trailing fiscal four quarters calculation is based on amounts as previously reported.

SYNNEX Corporation
Calculation of Financial Metrics
(currency in thousands)
(continued)

Cash Conversion Cycle

		Three Months Ended	
		May 31, 2019	May 31, 2018 (Adjusted) ⁽¹⁾
Days sales outstanding			
Revenue (products and services)	(a)	\$ 5,722,889	\$ 4,908,281
Accounts receivable, net	(b)	3,457,110	2,519,218
Days sales outstanding	(c) = (b)/((a)/the number of days during the period)	56	47
Days inventory outstanding			
Cost of revenue (products and services)	(d)	\$ 5,024,420	\$ 4,479,123
Inventories	(e)	2,608,453	1,996,161
Days inventory outstanding	(f) = (e)/((d)/the number of days during the period)	48	41
Days payable outstanding			
Cost of revenue (products and services)	(g)	\$ 5,024,420	\$ 4,479,123
Accounts payable	(h)	2,764,919	2,287,954
Days payable outstanding	(i) = (h)/((g)/the number of days during the period)	51	47
Cash conversion cycle	(j) = (c)+(f)-(i)	53	41

⁽¹⁾ Adjusted to reflect the adoption of the new guidance on revenue recognition, on a full retrospective basis.

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