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MANAGEMENT DISCUSSION SECTION

*Operator:* Good afternoon. My name is David, and I'll be your conference operator today. I would like to welcome everyone to the SYNNEX Fourth Quarter Fiscal 2019 Earnings Call. Today's call is being recorded and all lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session.

At this time for opening remarks, I would like to pass the call over to Ms. Mary Lai, Head of Investor Relations. Miss, you may begin.

*Mary Lai*  
*Head of Investor Relations, SYNNEX Corp.*

Thank you, David. And good afternoon, everyone. Welcome to the SYNNEX fourth quarter fiscal 2019 earnings call. Joining me to review our two announcements from earlier today are Dennis Polk, President and CEO; Marshall Witt, CFO; and Chris Caldwell, President of Concentrix. After the prepared remarks, we will open the call to a question-and-answer session.

Before we begin, we remind everyone that today's discussion contains forward-looking statements within the meaning of the federal securities laws, which statements include any predictions, estimates, projections, or other statements about future events, including the company's projected financial results and the expected separation transaction.

Actual results may differ materially from those mentioned in these forward-looking statements as a result of the risk and uncertainties discussed in today's earnings release, in the Form 8-K we filed today and in the Risk
Factors section of our Form 10-K and other reports and filings with the SEC. We do not intend to update any forward-looking statements.

Also during this call, we will reference certain non-GAAP financial information. A reconciliation of non-GAAP and GAAP reporting is included in our earnings release and the related Form-8K, available under the Investor Relations section of our website. This conference call is the property of SYNNEX Corporation and may not be recorded or rebroadcasted without our permission.

And now, I will turn the call over to our CEO, Dennis.

**Dennis Polk**  
*President, Chief Executive Officer & Director, SYNNEX Corp.*

Thank you, Mary. And thank you to everyone joining us today. I wanted to start off the call by acknowledging our very successful Q4 results announcement, which Marshall, Chris and I will review in more detail later, but to also acknowledge the news release we issued today regarding our intention to separate SYNNEX and Concentrix into two publicly traded companies.

Over the past decade, we have regularly asked ourselves does it make strategic sense to separate SYNNEX and Concentrix given the distinct differences of the two businesses. Our investors have continually asked us this question as well. To-date, while able to separate, we have not, for many reasons, mostly though we believed best to nurture both of these segments under one entity.

With the Convergys transaction one year ago, we expected it would be some time before we could consider a separation again due to the years and effort expected to successfully integrate Convergys into Concentrix, especially so given the size of the transaction. Also, we expect that it would take significant time to stabilize the business as Convergys was on a steady revenue decline path at the time of the acquisition.

Well, as a result of the true entrepreneurial spirit and capability of SYNNEX and Concentrix and under the excellent leadership of the management team, we substantially completed the integration and stabilized revenue growth in just one year, far ahead of expectations. This aspect, along with the dynamics of operating a nearly $5 billion a year, 225,000 plus associate CRM services entity under the umbrella of a technology distribution company, moved us to the belief that the two segments operating independently would be more beneficial for all stakeholders.

Equally important in this decision is the fact that the markets that both businesses operate in, have been and will continue to go through rapid change. Considering this aspect, we believe that having each business be independent to address the individual market dynamics in the nimblest way will enable the best opportunity for each entity to grow and drive returns, especially so in the significant markets that each segment has to address.

I will talk about a few more aspects related to the separation later in my prepared remarks, but let me now turn over the call to Marshall to discuss our Q4 results. Marshall?

**Marshall W. Witt**  
*Chief Financial Officer, SYNNEX Corp.*

Thanks, Dennis. And regarding the proposed separation, we expect the transaction to be a tax free share distribution to SYNNEX shareholders, resulting in two publicly traded companies. We anticipate filing the associated Form-10 in February with the effective date of separation expected in the second half of 2020. The
capital structure of each segment will be detailed in the Form-10. However, given early indications from financial partners, we expect both segments to exit separation with strong capital positions resulting from continued operating performance and cash flow generation. Please refer to the investor presentation published on our website.

Now let's discuss Q4 results. We are pleased to report that we had exceeded expectations for all the Q4 financial metrics we previously guided to in September. On a consolidated basis, total revenue was an all-time record of $6.6 billion, up 19% compared to $5.5 billion in the same quarter of last year. FX did not have a significant impact on our top line or bottom line. Our consolidated gross profit dollars totaled a record $795 million, up 21% or $140 million versus a year ago. And gross margin was 12%, an improvement of 27 basis points from the prior year quarter.

Total adjusted SG&A expense was $456 million or 7% of revenue, up $70 million in absolute dollars, but down 4 basis points as a percentage of revenue compared to a year-ago quarter. We posted record consolidated non-GAAP operating income dollars and operating margins in the fourth quarter. Non-GAAP operating income was $338 million, up $71 million or 26% year-over-year. Non-GAAP operating margin of 5.1% was a 31 basis point expansion from the prior year quarter.

Shifting gears to Q4 operating performance by business segment. First on Technology Solutions. Technology Solutions delivered its highest ever revenue of $5.4 billion, an increase of 17% compared to $4.6 billion in the prior year quarter. Technology Solutions gross margin of 6.3% increased 30 basis points from the prior year quarter primarily due to favorable product mix. Non-GAAP operating income was also a record at $178 million, up 28% or $39 million over the prior year quarter. Non-GAAP operating margin was 3.3%, up 27 basis points compared to a year ago.

Now to Concentrix. Concentrix revenue was $1.2 billion, an increase of 25% compared to $1 billion in the prior year quarter due to the full quarter impact of the Convergys acquisition completed in October of 2018. On a pro forma constant currency basis, revenue grew almost 1%. Concentrix gross margin was 37.8%, down 149 basis points year-over-year. Non-GAAP operating income in the quarter was $161 million, up $32 million in absolute dollars or 25% year-over-year. Non-GAAP operating margin was essentially flat year-over-year at 13.3%. The increase in profit dollars was primarily due to the Convergys acquisition, the profile of the portfolio and integration synergies.

Now, moving back to consolidated results. Total non-GAAP net income was $220 million, up $46 million or 27% from the prior period and non-GAAP diluted EPS was $4.26, up $0.57 or 15% over the same period from a year ago. The effective tax rate for the fourth quarter was 26.6% and consistent with our expectations. For the first quarter of fiscal 2020, we expect the effective tax rate to be lower at 23%, driven by anticipated reversal of uncertain tax positions.

Fourth quarter net total interest expense and finance charges of $39 million came in ahead of expectations, and we expect this trend to be slightly lower in the first quarter of 2020. Our cash conversion cycle for the fourth quarter was 44 days, down 5 days sequentially and down 4 days year-over-year. Our portfolio was comprised of healthy assets, and we remain focused on optimizing our working capital efficiency.

Preliminary cash generated from operations was approximately $349 million for the fourth quarter. We achieved our 2019 goal of reducing debt by $400 million and exited the year with our debt to adjusted EBITDA leverage ratio of 2.4 times. Moving forward in Q1 of fiscal 2020, we expect to generate positive cash flow from both segments.
At the end of Q4 between our cash and credit facilities, SYNNEX had about $2.2 billion in liquidity available to fund growth. As described in our press release, the Board of Directors approved a regular quarterly cash dividend of $0.40 per common share, which is an increase of 7% from the prior year. The dividend is expected to be paid on January 31, 2020, stockholders of record as of the close of business on January 24, 2020.

Before our Q1 outlook, I'd like to make one comment on our largest Hyve customer. Beginning in the second half of fiscal 2020, we anticipate a shift to a consignment service model for a large portion of products we procure and integrate for this customer versus the current purchase and resell model. This is expected to lower our revenue in Q3 and Q4 by approximately $600 million a quarter. However, we do not expect this consignment model to materially change our earnings potential, should volumes with the customer continue at existing levels.

Now, moving to our first quarter fiscal 2020 outlook. We expect revenue to be in the range of $5.24 billion to $5.54 billion. Non-GAAP net income is expected to be in the range of $157 million to $167 million, and non-GAAP diluted EPS is expected to be in the range of $3.03 to $3.22 per diluted share based on weighted average shares outstanding of approximately 51.3 million. Non-GAAP net income and non-GAAP diluted EPS guidance excludes after-tax cost of approximately $43 million or $0.82 per share related to the amortization of intangibles and acquisition related and integration expenses. Please note that these statements at first quarter fiscal 2020 expectations are forward-looking and actual results may differ materially.

I would now like to turn the call back over to Dennis.

**Dennis Polk**  
*President, Chief Executive Officer & Director, SYNNEX Corp.*

Thank you, Marshall. Regarding our Q4 results. As you've heard from Marshall, Q4 was another record quarter with exceptional results in all categories. Our Technology Solutions segment achieved revenue of $5.4 billion and a non-GAAP operating margin of 3.3%. Our core TS business grew slightly better than market and continues to perform well in all aspects.

Contributing to our core TS business growth was solid contribution from PC, software, cloud and networking product categories. Geographically, the US was the main driver of our growth. But the rest of our geos performed well and we’re essentially in line with our expectations.

In addition to the core business growth, the large project and integration business we discussed has been a positive in our third quarter was equally positive and much more than expected in our fourth quarter. This was mainly due to the unpredictability of this business, the mix of what we sold and orders that were not expected to transact in the quarter, but ultimately did. Our Concentrix business also delivered in Q4.

I would like to now turn the call over to Chris to discuss Concentrix's results and outlook. Chris?

**Christopher A. Caldwell**  
*Executive Vice President & President, Concentrix*

Thanks, Dennis. With the announcement today, the Concentrix team is both energized and focused on ensuring that we continue to execute and enhance Concentrix, as we prepare to separate the two businesses. We feel that this is a natural progression coming at the right time with our size, scale and abilities that allow us to be more aggressive in reaching our goals. We believe this will result in benefits for the SYNNEX shareholders, our team members around the world and our clients. This exciting announcement tops a very foundational change year for
Concentrix and a strong fourth quarter with Concentrix continuing our trend of like-for-like constant currency revenue growth and year-over-year margin expansion.

By the end of the quarter, our main integration activities were essentially complete and the related synergies contributed to a 120 basis point expansion in our pro forma adjusted operating margin. Fourth quarter revenue for Concentrix totaled $1.21 billion, an increase of approximately 25% on a reported basis.

On a like-for-like constant currency basis, revenues were up a little under 1% with currency fluctuations causing just under a 1% headwind this quarter. We're going into a new year with a strong pipeline that has a good representation across our verticals, geographies, and capabilities. We have also executed well on our strategy to rebalance our portfolio with telecom revenues now under 23% of revenue for the fourth quarter, representing an impact of 4% to our pro forma growth rate, but giving us a healthier business and more balanced business.

Adjusted operating income for the quarter was $161 million, up from $129 million in the year-ago period. Adjusted operating margin was 13.3%, up from 13.2% in the fourth quarter last year. It's important to understand on an apples-to-apples measurement taking into consideration when Convergys acquisition happened, the fourth quarter adjusted operating income margin was up 120 basis points from 12.1% last year. The improved profit margin is as a result of progress on integration strategies (sic) [synergies] and execution on our plan to improve the profit margins (sic) [profile] of our portfolio.

On the transaction synergy front, we exited the quarter at an annualized run rate for synergies of approximately $120 million, well ahead of a year-one target of $75 million and believe we will achieve more than $150 million run rate at the end of fiscal 2020, a full year ahead of our schedule.

Our GAAP results for the quarter reflect approximately $18 million of integration and separation related expenses. This is slightly higher than we anticipated entering the quarter as we were able to accelerate some facility's consolidation activities and recorded related charges in the quarter.

As we entered 2020, the integration of Convergys is essentially complete. We do anticipate a few remaining integration activities to continue into fiscal 2020, primarily related to the consolidation of facilities and data centers. We estimate we will incur approximately $20 million in expenses related to these activities in 2020 that will be primarily in lease exit costs.

Our margin expansion and disciplined investment strategy resulted in another quarter of strong cash flow generation. Cash flow from operations in the quarter totaled approximately $126 million. Additionally, we spent $40 million on [capital] expenditures this quarter primarily to support new business wins. We continue to believe that on a long-term basis, capital spend in this business should be approximately 3% of our revenue.

As I mentioned earlier, this was a transformational year for Concentrix. We essentially completed the integration of Convergys within about a year’s time. This represented the largest acquisition that has been completed in our space. As I mentioned earlier, we were ahead of schedule on our synergy plan and confident by the end of 2020, we will exceed the $150 million in annual synergy savings on a run rate basis.

On a pro forma constant currency basis, we grew revenues by approximately 2% to over $4.7 billion in 2019. In doing so, we overcame two meaningful headwinds. First, we had the turnaround with the revenue trajectory of the Convergys business which saw revenues decrease by roughly 7% on a constant currency basis in the second quarter of 2018. Second, we continued the process of rebalancing our portfolio to improve the profit profile of our business. In this process we grew despite having to replace an additional 4% of our revenue during the year that
offset low margin business and the telecom sector which we continue to see shrinking as a percentage of our overall business.

Through a combination of integration synergies, cost discipline and profitable organic growth, we drove a steep (sic) step change in our margin trajectory in 2019. Our full year 2019 adjusted operating income margin was 11.3%, a 90 basis improvement over 2018 on an as reported basis and then 180 basis point improvement on a pro forma basis.

Through our margin expansion and disciplined investment approach, we generated cash flows from operations of approximately $450 million in 2019. Capital expenditures for the year totaled $111 million. Our 2019 accomplishments positioned us to continue to grow and to expand our margins further in 2020. Turning to the first quarter of 2020, we expect to see the typical seasonal pattern for our business. Importantly, we do expect to see modest constant currency revenue growth and margin expansion in the first quarter on a year-over-year basis.

As I conclude, I would like to thank the Concentrix team members who are working to exceed our client's needs and have helped us achieve the successful 2019, while working to integrate convergence. Through their efforts, we have established a platform for growth, margin expansion and success in 2020, and beyond that we will be able to take advantage on this as we enter this new chapter of Concentrix.

The new chapter was only possible with the vision of Bob Huang, the founder of SYNNEX and really the starting person of Concentrix; Dennis for his support and guidance throughout the Concentrix growth; and the SYNNEX board further supporting us taking this step.

Thank you very much. Now back to you, Dennis.

Dennis Polk
President, Chief Executive Officer & Director, SYNNEX Corp.

Thanks, Chris. As Chris indicated, 2019 was a special year for Concentrix as well it was a special year for all of SYNNEX. We ended the year with nearly $24 billion in revenue, the third year in a row increasing our top line by approximately $3 billion. We were able to do so because of investments made in the preceding years.

Going forward, we will continue to invest in our business as we adapt to our marketplace and prepare for the next opportunities. Before commenting on our Q1 outlook, I wanted to touch on the items mentioned by Marshall that will affect our 2020 revenue. While a decision by a major customer to consign components to us for integration is not ideal from a top line standpoint, we treat the decision as another area to partner on with a customer versus focus on the revenue implications. As such, we will ensure a smooth transition. Equally important, we are focused on earning a solid return on the design and integration services we provide and we'll expect this to continue as Marshall indicated. While the top-line will decline, we will benefit from lower cash used in this business and we'll ensure this capital is properly utilized.

Now turning to our outlook for Q1 fiscal 2020. In our Technology Solutions business, we expect the market to remain competitive, but we are confident that we can leverage our linecard and cross-selling efforts to maintain our sales momentum. As a result, we expect our core TS business to grow better than market.

Regarding our Project and Integration business, while the last two quarters have been much more than expected, we see Q1 at a more normalized level, essentially in line with Q1 2019. In Concentrix, as Chris noted, we expect our Q1 to be within normal seasonal ranges with positive revenue growth and margin expansion. As we look at
the markets we serve, businesses are continuing to invest in new technologies and we remain at the forefront of those actions, strategically providing solutions enabling our partners and customers to grow.

As we make our way through the spin process, we will continue to invest in both Technology Solutions and Concentrix and expect to deliver the best results possible through the separation date.

Regarding Concentrix, I am very happy for Chris to be taking on the CEO role for Concentrix once the separation occurs. Chris understands the BPO market very well. He's a well-regarded leader in the industry, has taken the best of the SYNNEX culture in forming Concentrix and has a very solid team to execute a successful independent company following the separation. My expectation is that Concentrix will be even more exciting in the next 10 years than in the past 10 years, where it grew from $100 million in annual revenue to nearly $5 billion.

I'm equally energetic about the prospects of the standalone TS business. I believe the most exciting times in the TS business are to come as well, considering the current positive business momentum of TS, separate capital structure post separation and plentiful investment opportunities in the market. I want to thank all our passionate and dedicated associates around the world for making this journey possible. And thanks to our business partners and shareholders for their continuous support.

With that, I would like to open up the call for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Vince Colicchio with Barrington Research. Please go ahead.

Vincent A. Colicchio
Analyst, Barrington Research Associates, Inc.

Yeah. Thanks for taking my questions. A few for you, Chris. The growth in the quarter – actually when you exited the quarter, I think you were talking about growing in line with the market. So I was just curious when do you think you'll see that happening going forward.

Christopher A. Caldwell
Executive Vice President & President, Concentrix

Yeah, Vince. I think we're going to continue to see consecutive growth that we're doing. I think we were little more aggressive in kind of Q3, Q4 replacing some of the lower margin business and closing some of the facilities that went along with that, that impacted a bit. But underlying based on our pipeline, we continue to see a great confidence to continue to get back to that rate within 2020.

Vincent A. Colicchio
Analyst, Barrington Research Associates, Inc.

And could you give us some color on how voice performed versus non-voice and maybe within non-voice how RPA is performing?

Christopher A. Caldwell
Executive Vice President & President, Concentrix
We saw sort of balanced growth actually on both the voice and non-voice parts of the business. RPA had sort of a less of an impact with the business in the last quarter. We've had a lot of, sort of, integration already done. New deals tend to come across with some of that automation already completed. So it wasn't necessarily a meaningful part of the revenue mix.

Vincent A. Colicchio  
*Analyst, Barrington Research Associates, Inc.*

And then it looks like you've done a nice job stabilizing that Convergys for sure. But I'm just curious, a year in now, is there any meaningful churn from Convergys clients?

Christopher A. Caldwell  
*Executive Vice President & President, Concentrix*

No. We have the business 100% integrated. We had obviously common clients across the two and no meaningful churn whatsoever.

Vincent A. Colicchio  
*Analyst, Barrington Research Associates, Inc.*

And Dennis, I think someone mentioned that you expect growth in the Tech Solutions business at a premium to the market. How should we think about the growth in the market in 2020? Any help there will be good?

Dennis Polk  
*President, Chief Executive Officer & Director, SYNNEX Corp.*

Sure, Vince. As far as the product sets that we carry today and represent in the market, we see that in the next year growing between 2% and 4%. And as I indicated, in my remarks and is always our goal, we expect to grow faster than the market rates.

Mary Lai  
*Head of Investor Relations, SYNNEX Corp.*

Thank you. Operator, next question please.

Operator: Your next question comes from the line of Matt Sheerin with Stifel. Please go ahead. Your line is open.

Matthew John Sheerin  
*Analyst, Stifel, Nicolaus & Co., Inc.*

Yes, thank you. Thanks for taking the questions and congrats on the decision to spin-out the two businesses. Just first question, on the spin-out, was there any consideration by the board to instead of spinning out two public companies to look at an alternative transaction perhaps with PE or a strategic buyer in either of the two segments? Was there a reason is that something that you've looked into?

Dennis Polk  
*President, Chief Executive Officer & Director, SYNNEX Corp.*

Hi, Matt. This is Dennis. Thanks for the question. Yes, our board as part of the process to make the decision that we announced today asked us to look at all potential opportunities for each business segment, Technology Solutions and Concentrix, and once we analyzed everything, and each possibility has its positives and negatives.
But once we analyzed everything, we believed that the separation process that we announced today was the best option for our company.

Matthew John Sheerin  
Analyst, Stifel, Nicolaus & Co., Inc.

Were there any particular top three reasons why you went that route?

Dennis Polk  
President, Chief Executive Officer & Director, SYNNEX Corp.

Yeah. Matt, what I would do is first call out and remind folks what Marshall called out in his script regarding the presentation, we posted on our IR site today, where we detail the rationale, the why now aspects, how we believe this will create value for all stakeholders for our business including our customers, our partners, our associates and shareholders. So I think if you take a look at that presentation, you'll get a lot more of the detail of why we thought the spin process to deliver Concentrix as a public company to the market is the best alternative.

Matthew John Sheerin  
Analyst, Stifel, Nicolaus & Co., Inc.

Got it. Okay. Thank you. And then on the revenue recognition change with the Hyve customers, I understand the lower revenue. How does that impact your gross profit dollars in operating profit dollars? Because I imagine, there were some margin that you made on some of the pass-through of those components. I know there is a carrying cost too obviously and you did mention that earlier, but could you just quantify that any impact on the operating margin or operating profits?

Marshall W. Witt  
Chief Financial Officer, SYNNEX Corp.

Hey, Matt. This is Marshall. Yeah. Our expectations are that operating profit dollars are anticipated to grow. Operating margins will improve and don't lose sight. What Dennis had mentioned to you that we will see overall working capital needs go down which will help our debt levels and lower our interest expense.

Matthew John Sheerin  
Analyst, Stifel, Nicolaus & Co., Inc.

Okay. So Dennis, I don't think there's any negatives. It sounds like a positive move for you. Okay. Very good and I think that's it from me.

Dennis Polk  
President, Chief Executive Officer & Director, SYNNEX Corp.

Yeah.

Matthew John Sheerin  
Analyst, Stifel, Nicolaus & Co., Inc.

Yeah.

Dennis Polk  
President, Chief Executive Officer & Director, SYNNEX Corp.

Okay. Thank you.
Operator: [Operator Instructions] Your next question comes from the line of Shannon Cross with Cross Research. Please go ahead. Your line is open.

Shannon S. Cross  
Analyst, Cross Research LLC

Thank you very much for taking my questions. I was just curious maybe Chris and Dennis, if you can talk about how you see these two businesses on a go-forward basis? I guess there's obviously been some consolidation in the industry. Concentrix clearly has been a consolidator. Would you assume that that's sort of the same track you want to go on? Or again sort of maybe going back to the board discussion, but is this something where you think that the value creation might be through a bigger transaction where maybe either TS or Concentrix becomes part of the bigger company? I'm trying to think about how you're thinking about this from, maybe, a little bit long-term perspective?

Christopher A. Caldwell  
Executive Vice President & President, Concentrix

Yeah. Shannon, from the Concentrix perspective, we're continuing to see opportunities in the market to consolidate and will continue to be participating as a consolidator in the marketplace.

Dennis Polk  
President, Chief Executive Officer & Director, SYNNEX Corp.

Hi Shannon and this is Dennis. From a TS perspective, I'll refer you back to the investor deck that we posted today. On slide 11, you can see the strategic playbook that we have for our TS business. Being a separate company, so Concentrix does not change the strategy of the company, but being a standalone business will allow us a few opportunities that we haven't had to date.

But again, the strategy has not changed, and if you fold the deck that we have, it's three pronged. We really want to continue to optimize our core business. We think we run a very efficient company, but we always know we can improve it and offer more returns as a result. That's number one.

Number two, we think we can drive significant organic growth by investing in a few more areas in our business. Number one is linecard expansion. We have a very healthy linecard. And while it's not the easiest thing to do to add additional vendor relationships, we do think we have the ability to do so going forward. So, opportunity for growth there. We're significantly investing in all the offerings around anything-as-a-service and cloud solutions, and we'll continue to do that as the market expands and offers opportunities.

And then, we're going to continue to invest in our team. We've actually hired a lot of sales, product and business development folks over the past year, somewhat under the radar, but that's helped us grow our business, and as we absorb those additional head count, we'll then go for a round two and continue invest in that area of our business and we expect that'll drive organic growth as well.

And then, last but not least, we have been a consolidator in this industry through M&A and other strategic investments. We haven't done as much in the last couple of years since our Westcon-Comstor acquisition, primarily as a result of the fact that we are very focused on the Convergys transaction and that came with a lot of capital contributed to it. So, as a separate company, we'll have the ability to focus solely on the M&A needs if you will of the TS business, and that's what we plan to do.
Shannon S. Cross  
Analyst, Cross Research LLC

Okay. That's very helpful. And then just one question, we've been out at CES and met with your partners on the PC side and clearly there are challenges with access to CPUs, which obviously did not manifest itself this quarter, I would assume there was a fair amount of channels [ph] as well in the quarter (00:32:30). So I'm just curious, do you anticipate there being a time where you know – what Intel is, I don't know, doing to its PC partners at this point, will actually hit your numbers? Or is there a reason why we should think that you can kind of get through this, and all we need to worry about is typical PC trend? Thank you.

Dennis Polk  
President, Chief Executive Officer & Director, SYNNEX Corp.

Sure. Shannon, this is Dennis. So, the reality is we've been dealing with this situation essentially on and off for the last year. And I think what we see – what the market sees, which is we expect it will probably continue for a couple more quarters at least. But we've been able to, I think, navigate it fairly well, work with our partners to ensure that product gets delivered as soon as it can. And the plan is to continue to do that for the next couple of quarters as the situation plays out.

Shannon S. Cross  
Analyst, Cross Research LLC

Thank you.

Operator: Your next question comes from the line of Adam Tindle with Raymond James. Please go ahead. Your line is open.

Madison Suhr  
Analyst, Raymond James & Associates, Inc.

Good afternoon. This is Madison on for Adam and thanks for taking my questions. Marshall, I know it's early, but I was hoping you could help us better understand some of the balance sheet dynamics between the two businesses. Maybe anything related to cash conversion cycle and how can we think about the allocation of debt between the businesses post spin?

Marshall W. Witt  
Chief Financial Officer, SYNNEX Corp.

Yeah. We expect it to be about 50/50 in our prepared remarks and then what I'd said we absolutely believe given where we're projecting in terms of strong balance sheets for both entities, additional improvement in operating performance and cash flows that that will only bolster that comment.

Madison Suhr  
Analyst, Raymond James & Associates, Inc.

Okay. And any differences around cash conversion cycles between the businesses?

Marshall W. Witt  
Chief Financial Officer, SYNNEX Corp.

There is unique differences clearly for TS. It's a full spectrum of cash conversion from AR to inventory to [ph] AP (00:34:29). And as we've said in the past with Concentrix that it's predominantly the AR DSO cycle.
Dennis Polk  
*President, Chief Executive Officer & Director, SYNNEX Corp.*

And then, Madison, this is Dennis. Just a follow-up on the capital side as Marshall indicated, we're filing a [ph] Form F-10 (00:34:45) as part of this transaction and there'll be more information about the go-forward capital structure in that document.

Madison Suhr  
*Analyst, Raymond James & Associates, Inc.*

Okay. Thanks. And then just a quick follow-up here. I know the spin will qualify as tax-free, but would there be any tax implications for a potential buyer to come into play here?

Marshall W. Witt  
*Chief Financial Officer, SYNNEX Corp.*

Yeah. So, as we said, we expect this to be a tax-free spin and will be a pro rata allocation through dividend to our SYNNEX shareholders.

Operator: [Operator Instructions] Your next question comes from the line of Zhen Yang with Citi. Please go ahead. Your line is open.

Zhen Yang  
*Analyst, Citigroup Global Markets, Inc.*

Hey. Thanks for taking the question. On Concentrix, I think the target for top-line growth is mid-single digit and you're growing a low single-digit percentage in 2019. I think you mentioned that you have some portfolio optimization. I think the question is, are you comfortable with your current [indiscernible] (00:35:50) exposure right now and how should we think about the timeline for achieving the target growth?

Christopher A. Caldwell  
*Executive Vice President & President, Concentrix*

Yeah. So we see the market growing between 3% and 5%, and our expectation is that we'll achieve that in 2020. We're very comfortable with our portfolio right now. We're very comfortable with our pipeline right now and have actually sort of been more aggressive at sort of rebalancing our portfolio over the last quarter and a bit, to make sure that we have a more rich margin profile and a more diverse [ph] product profile (00:36:19) across our verticals. So quite happy where we're at.

Zhen Yang  
*Analyst, Citigroup Global Markets, Inc.*

And timeline for achieving the target growth?

Christopher A. Caldwell  
*Executive Vice President & President, Concentrix*

Within 2020, we've said that we are comfortable of achieving it within our 2020 timeline between the market growth rates.
Got you. Okay. One quick follow-up. You had a very strong result in TS business. For some of your vendors mentioned that enterprise spending remains pressured. Can you help us understand why there is a disconnect between your performance versus your vendors? Thank you.

**Dennis Polk**  
*President, Chief Executive Officer & Director, SYNNEX Corp.*

Hi. This is Dennis. Yeah, I think a couple of reasons for that. One, we've been executing very well in the marketplace overall. Part of that I'll go back to what I said before. We've been investing in the business, additional sales head count, additional BD and product folks that have really helped us to take share. So that's allowed us to grow faster than the overall market. Also, as we talked about in our Q3 results and as I mentioned in the script today, our integration and system design business, we've been able to cross-sell additional services to that customer set, which are more distribution like, more supply chain like services. And we benefited by that again as well in the quarter.

**Zhen Yang**  
*Analyst, Citigroup Global Markets, Inc.*

Thank you so much.

**Marshall W. Witt**  
*Chief Financial Officer, SYNNEX Corp.*

Thank you.

**Operator:** Your next question comes from the line of Ananda Baruah with Loop Capital. Please go ahead. Your line is open.

**Ananda Baruah**  
*Analyst, Loop Capital Markets LLC*

Hey. Good afternoon, you guys. Congratulations on this. Nice move. Hey, just a couple for me, Dennis and Marshall and Chris as well. Dennis, you talked earlier about having – both companies [indiscernible] (00:38:10) opportunities to do some things now separately that maybe they weren't able to previously. Can you talk about what some of those more material things might be with the revenue related, strategic related optimization related? We'd love to know what those things might be. And then I have a quick follow-up. Thanks.

**Dennis Polk**  
*President, Chief Executive Officer & Director, SYNNEX Corp.*

Hi, Ananda. This is Dennis. So, to be clear, the separation doesn't immediately change anything with regard to either segment. Our strategies for Concentrix and SYNNEX have been in place for quite some time and we've been executing on them. But having two companies under one umbrella does have the situation come up now and again where you have to make a decision between the two. That won't occur going forward. That's the key first thing that'll happen once the separation occurs. But then when the independent companies have their own management teams in place, their own Board of Directors, they'll be able to specifically focus on their strategies. And by doing that, along with a separate capital structure, I think the long-term prospects of each individual entity will be better than they are today. But to emphasize, the strategies of the business aren't changing because of the separation, they're just improved as a result.
Ananda Baruah  
Analyst, Loop Capital Markets LLC

Yeah. Understood. Understood. And then, just with regards to the comments that you guys made on the TS side, how you sort of been, this is [ph] my turn, like I'm on pause (00:39:49), you haven't done much M&A-wise there. You’d be open to doing stuff again. Can you help us just think about where you think the industry still could benefit from the consolidation? There's been a lot of consolidation at the [indiscernible] (00:40:09) level, the VAR level, that hasn't been as much. Are there any other areas just kind of like that? Higher level would be helpful. Appreciate it.

Dennis Polk  
President, Chief Executive Officer & Director, SYNNEX Corp.

Sure. Ananda, this is Dennis again. I'd say two areas that would benefit the industry. One would be further consolidation. I do think a larger set of, call it, power distributors if you will, will benefit the market more by offering streamlined services and efficient services to the OEM and VAR community. That's number one. And number two, I think we can, as a distribution channel, can use our resources to invest in other services to further help our partners out, be it a OEM or a VAR, to extend their offerings to the end customer.

Ananda Baruah  
Analyst, Loop Capital Markets LLC

Any types, particular type of services that pop out?

Dennis Polk  
President, Chief Executive Officer & Director, SYNNEX Corp.

Yeah. I go back to one of the strategies that we talk about in the investor deck. We're investing in cloud related services and anything around Anything-as-a-Service. And so there might be possibilities to do investments in those areas beyond the organic ones that I talked about.

Ananda Baruah  
Analyst, Loop Capital Markets LLC

Okay great. Thanks a lot. Really appreciate it.

Operator: [Operator Instructions] There are no further questions at this time. I will turn the call back to Mary Lai for closing remarks.

Mary Lai  
Head of Investor Relations, SYNNEX Corp.

Thank you for joining us today. We appreciate your time and your interest. We look forward to speaking with you next time. This concludes our conference call. Thank you.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

**Editor's note: Texts in brackets have been inserted at the request of the company after the event to make clarification on certain statements.**