SYNNEX CORP
Form 10-K
January 29, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended November 30, 2014

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-31892

SYNNEX CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	94-2703333 (IRS Employer Identification No.)
44201 Nobel Drive Fremont, California	94538
(Address of principal executive offices)	(Zip Code)

(510) 656-3333
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each classes:	Name of Stock Exchange on which registered:
Common Stock, par value $0.001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of Common Stock held by non-affiliates of the registrant (based upon the closing sale price on the New York Stock Exchange as of May 31, 2014, the last business day of the registrant’s most recently completed second fiscal quarter) was $1,877,967,268. Shares held by each executive officer, director and by each person who owns 10% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of January 20, 2015, there were 39,458,421 shares of Common Stock, $0.001 per share par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Items 10 (as to directors and Section 16(a) Beneficial Ownership Reporting Compliance), 11, 12 (as to Beneficial Ownership), 13 and 14 of Part III incorporate by reference information from the registrant’s proxy statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for the registrant’s 2014 Annual Meeting of Stockholders to be held on March 24, 2015.

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SYNNEX CORPORATION

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PART I

When used in this Annual Report on Form 10-K (the "Report"), the words "believes," "plans," "estimates," "anticipates," "expects," "intends," "allows," "can," "may," "designed," "will," and similar expressions are intended to identify forward-look statements. These are statements that relate to future periods and include statements about our business model and our services, our market strategy, including expansion of our product and service lines, our infrastructure, our investment in our information technology, or IT, systems, anticipated benefits, cost and timing of our acquisitions, including our acquisition of the customer relationship management business of International Business Machines Corporation, or IBM, our employee hiring, impact of MiTAC Holdings Corporation, or MiTAC Holdings, ownership interest in us, our revenue, sources of revenue and operating results, our gross margins, competition, including with Synnex Technology International Corp., our future needs for additional financing, concentration of customers and suppliers, customer contract terms, adequacy of our facilities, our legal proceedings, our operations and trends related thereto, international operations, expansion of our operations, our strategic acquisitions of businesses and assets, effects of future expansion of our operations, adequacy of our cash resources to meet our capital needs, our debt and financing arrangements, cash held by our foreign subsidiaries, our tax liabilities, adequacy of our disclosure controls and procedures, dependency on personnel, pricing pressures, impact of rules and regulations affecting public companies, impact of our pricing policies, impact of economic changes and changes to the market in which we compete, foreign currency and interest rate changes, our anti-dilution share repurchase program, impact of our accounting policies, and statements regarding our securitization programs and revolving credit lines. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, those risks discussed below, as well as the seasonality of the buying patterns of our customers, concentration of sales to large customers, dependence upon and trends in capital spending budgets in the IT and consumer electronics, or CE, industries, fluctuations in general economic conditions and risks set forth below under Part I, Item 1A, "Risk Factors." These forward-looking statements speak only as of the date hereof. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

In the sections of this Report entitled "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," all references to "SYNNEX," "we," "us," "our" or the "Company" mean SYNNEX Corporation and ou subsidiaries, except where it is made clear that the term means only the parent company or one of its segments.

SYNNEX, the SYNNEX Logo, CONCENTRIX, the CONCENTRIX Logo, EMJ, HYVE SOLUTIONS, NEW AGE ELECTRONICS, the NEW AGE ELECTRONICS Logo, JACK OF ALL GAMES, the JACK OF ALL GAMES Logo, PRINTSOLV, VARNEX, PC WHOLESALE, ASPIRE, ENCOVER, GEM, VISIONMAX and all other SYNNEX company, product and service names and slogans are trademarks or registered trademarks of SYNNEX Corporation. SYNNEX, the SYNNEX Logo, CONCENTRIX, HYVE SOLUTIONS, PRINTSOLV, and VARNEX Reg. U.S. Pat. & Tm. Off. Other names and marks are the property of their respective owners.

Item 1. Business

We are a Fortune 500 corporation and a leading business process services company, offering a comprehensive range of services to resellers, retailers, original equipment manufacturers, or OEMs, financial and insurance institutions and several other industry verticals worldwide. Our primary business process services are wholesale IT distribution, outsourcing services focused on customer relationship management, or BPO CRM, customer engagement management strategy, process optimization and improved business outcomes. We operate in two segments: distribution services, hereinafter referred to as Technology Solutions, and global business services, hereinafter referred to as Concentrix. Our Technology Solutions segment distributes peripherals, IT systems including data center server and storage solutions, system components, software, networking equipment, consumer electronics, or CE, and complementary products. Within our Technology Solutions segment, we also provide systems design and integration solutions. Our Concentrix segment offers a portfolio of strategic solutions and end-to-end business services focused on customer engagement strategy, process optimization, technology innovation, front and back-office automation and business transformation to clients in ten identified industry verticals.

We combine our core strengths in distribution with our customer engagement services to help our customers achieve greater efficiencies in time to market, cost minimization, real-time linkages in the supply chain and after-market product support. We distribute more than 30,000 technology products (as measured by active SKUs) from more than 300 IT, CE and OEM suppliers to more than 20,000 resellers, system integrators, and retailers throughout the United States, Canada, Japan, Mexico and China. As of November 30, 2014, we had over 64,000 full-time and temporary employees worldwide. From a geographic perspective, approximately 72%, 74%, and 74% of our total revenue was from the United States for the fiscal years

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2014, 2013 and 2012, respectively. The revenue attributable to countries is based on geographical locations from which the products are distributed and from where customer service contracts are managed.

In our Technology Solutions segment, we purchase peripherals, IT systems, system components, software, networking equipment, including CE and complementary products from our primary suppliers and sell them to our reseller and retail customers. We perform a similar function for our distribution of licensed software products. Our reseller customers include value-added resellers, or VARs, corporate resellers, government resellers, system integrators, direct marketers, and national and regional retailers. In Technology Solutions, we also provide comprehensive IT solutions in key vertical markets such as government and healthcare and we provide specialized service offerings that increase efficiencies in the areas of print management, renewals, networking, logistics services and supply chain management. Additionally, within our Technology Solutions segment, we provide our customers with systems design and integration solutions for data center servers and storage solutions built specific to our customers' data center environments.

Our Technology Solutions business is characterized by low gross profit as a percentage of revenue, or gross margin, and low income from operations as a percentage of revenue, or operating margin. The market for IT and CE products and services is generally characterized by declining unit prices and short product life cycles. We set our sales price based on the market supply and demand characteristics for each particular product or bundle of products we distribute and services we provide.

In our Technology Solutions segment, we are highly dependent on the end-market demand for IT and CE products and services. This end-market demand is influenced by many factors including the introduction of new IT and CE products and software by OEMs, replacement cycles for existing IT and CE products, overall economic growth and general business activity. A difficult and challenging economic environment may also lead to consolidation or decline in the IT and CE industries and increased price-based competition.

In our Concentrix segment, we provide a comprehensive range of strategic services and solutions to enhance our clients' customer life cycles to acquire, support and renew customer relationships, to automate and optimize processes, to maximize the value of every customer interaction and to improve business outcomes. Our portfolio of services includes end-to-end process outsourcing to customers in various industry vertical markets delivered through omni-channels that include both voice and non-voice mediums and in more than 40 languages. Our portfolio of solutions and services support our clients and their customers globally.

Our Concentrix segment generates revenue from performing services that are generally tied to our clients' products and services and how they are received in the marketplace. Any shift in business or size of the market for our customers' products, any failure of technology or failure of acceptance of our customers' products in the market may impact our business. The employee turnover rate in this business and the risk of losing experienced employees is high. Higher turnover rates can increase costs and decrease operating efficiencies and productivity.

To expand our Concentrix segment, we acquired the CRM business of International Business Machines Corporation, or IBM, in fiscal year 2014 for a preliminary aggregate purchase price of $418.3 million subject to certain post-closing adjustments. The acquisition added over 35,000 employees providing BPO CRM services to approximately 170 customers in 24 countries.

We have been in business since 1980 and are headquartered in Fremont, California. We have operations in North America, Central America, Asia and Europe. We were originally incorporated in the State of California as COMPAC Microelectronics, Inc. in November 1980, and we changed our name to SYNNEX Information Technologies, Inc. in February 1994. We later reincorporated in the State of Delaware under the name of SYNNEX Corporation in October 2003.

Our Products and Suppliers

In our Technology Solutions segment, we distribute a broad line of IT products, including peripherals, IT systems, system components, software and networking equipment from more than 300 OEM suppliers, enabling us to offer comprehensive solutions to our reseller and retail customers. Our Technology Solutions segment represented 92%, 98% and 99% of our consolidated revenue for the fiscal years 2014, 2013 and 2012, respectively.

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For fiscal year 2014, our product mix by category was in the following ranges:

Product Category:	
Peripherals	32% - 36%
IT Systems	28% - 32%
System Components and Integration Solutions	19% - 23%
Software	6% - 10%
Networking Equipment	4% - 8%

Our suppliers include leading peripherals, IT systems, system components, software, networking equipment, software and CE manufacturers. Our primary OEM suppliers are Hewlett-Packard Company, or HP, Lenovo, Asus Tek Computer Inc., Microsoft Corporation, Intel Corporation, Panasonic Corporation, Seagate Technologies LLC, Xerox Corporation and Samsung Electronics Co. Ltd.

Our largest OEM supplier is HP. Revenue from the sale of HP products and services represented approximately 25%, 31% and 36% of our consolidated revenue for fiscal years 2014, 2013 and 2012, respectively. As is typical with our OEM supplier agreements, our United States Business Development Partner Agreement with HP is short-term and may be terminated without cause upon short notice. In the event of any breach of the agreement by us, HP may terminate the agreement and we may be required to refund HP any discounts or program payments paid during the period we were in breach of the agreement and reimburse HP for reasonable attorneys’ fees. In the event the agreement is terminated for cause or if we fail to perform our obligations under the agreement, our agreement with HP for the resale of products, support and services will automatically terminate upon such default or termination. If either party becomes insolvent or bankrupt, the other party may terminate the agreement without notice and cancel any unfulfilled obligations, except for payment obligations. Some of our subsidiaries also have territorial supplier agreements with subsidiaries of HP located in the respective countries.

We have distribution agreements with most of our suppliers, including HP. These agreements usually provide for nonexclusive distribution rights and pertain to specific geographic territories. The agreements are also generally short-term, subject to periodic renewal, and often contain provisions permitting termination by either our supplier or us without cause upon relatively short notice. An OEM supplier that elects to terminate a distribution agreement will generally repurchase its products carried in our inventory.

Our Technology Solutions business subjects us to the risk that the value of our inventory will be affected adversely by suppliers’ price reductions or by technological changes affecting the usefulness or desirability of the products comprising our inventory. Many of our OEM suppliers offer us limited protection from the loss in value of our inventory due to technological change or a supplier’s price reduction. Under many of these agreements, we have a limited period of time to return or exchange products or claim price protection credits. We monitor our inventory levels and attempt to time our purchases to maximize our protection under supplier programs.

Our Customers

In our Technology Solutions segment, we distribute IT products to more than 20,000 resellers, system integrators and retailers. Resellers are classified primarily by their end-user customers. End-users include large corporations or enterprises, federal, state and local governments, small/medium sized businesses, or SMBs, and individual consumers. In addition, resellers vary greatly in size and geographic reach. Our reseller customers buy from us and other distributors. Our larger reseller customers also buy certain products directly from OEM suppliers. System integrators offer services in addition to product resale, primarily in systems customization, integration, and deployment. Retailers serve mostly individual end-users and to a small degree, small office/home office customers. We also provide system design and integration solutions for data center servers and storage solutions built specific to our customers' data center environments.

In our Concentrix segment, we serve over 300 clients, primarily in ten industry verticals: Healthcare, Banking & Finance, Insurance, Technology, Consumer Electronics, Retail & Ecommerce, Automotive, Media & Communications, Government & Public Sector, and Travel & Transportation.

In fiscal years 2014, 2013 and 2012, no customer accounted for 10% or more of our consolidated revenue.

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Our Services
We offer a variety of business process services to our customers. These services can be purchased individually or they can be purchased in combination with others in the form of supply chain solutions and after-market product support. The two major categories of services include Technology Solutions and Concentrix:
Technology Solutions. We have sophisticated pick, pack and ship operations, which allows us to efficiently receive shipments from our OEM suppliers and quickly fill orders for our reseller and retail customers. We generally stock or otherwise have access to the inventory of our OEM suppliers to satisfy the demands of our reseller and retail customers. In addition, we design and integrate energy efficient and cost effective data center servers and storage solutions which are built specific to the data center environments and actual workloads of our large scale data center customers.
The above services are complemented by the following:
Systems Design and Integration Services. We provide our customers with systems design and full rack integration services, build-to-order, or BTO, and configure-to-order, or CTO, assembly capabilities. In both of these cases, we offer design, integration, test and other production value-added services such as kitting, reconfiguration, asset tagging and hard drive imaging.
Logistics Services. We provide logistics support to our reseller customers such as outsourced fulfillment, virtual distribution and direct ship to end-users. Other logistics support activities we provide include generation of customized shipping documents, multi-level serial number tracking for customized, configured products and online order and shipment tracking. We also offer full turn-key logistics solutions designed to address the needs of large volume or specialty logistics services. Our full turn-key service offering is modular in nature and is designed to cover all aspects of the logistics life cycle including, transportation management, inventory optimization, complementary product matching, reverse logistics, asset refurbishment and disposal and strategic procurement.
Online Services. We maintain electronic data interchange, or EDI, extensible markup language or XML, and web-based communication links with many of our reseller and retail customers. These links improve the speed and efficiency of our transactions with our customers by enabling them to search for products, check inventory availability and prices, configure systems, place and track orders, receive invoices, review account status and process returns. We also have web-based application software that allows our customers or their end-user customers to order software and take delivery online.
Financing Services. We offer our reseller customers a wide range of financing options, including net terms, third party leasing, floor plan financing and letters-of-credit backed financing and arrangements where we collect payments directly from the end-user. The availability and terms of our financing services are subject to our credit policies or those of third party financing providers to our customers.
Marketing Services. We offer our OEM suppliers a full range of marketing activities targeting resellers, system integrators and retailers including direct mail, external media advertising, reseller product training, targeted telemarketing campaigns, national and regional trade shows, trade groups, database analysis, print on demand services and web-based marketing.
Concentrix. Our Concentrix segment represented 8% of our consolidated revenue in fiscal year 2014 and 2% in both fiscal years 2013 and 2012. We offer a portfolio of comprehensive solutions and end to end business services to enhance our clients’ customer life cycles, to acquire, support and renew customer relationships, to automate and optimize processes, to maximize the value of every customer interaction, and to improve business outcomes, primarily in ten identified industry verticals. Our Concentrix segment portfolio also includes technology assets and embedded analytics. We operate approximately 90 delivery centers and administrative facilities in numerous countries throughout North America, Latin America, Central America, Europe and Asia Pacific. Services are provided from these global locations to customers worldwide and in more than 40 languages.
Sales and Marketing
For Technology Solutions, we serve our large commercial, government reseller and retail customers through dedicated sales professionals. We market to smaller resellers and OEMs through dedicated regional sales teams. In addition, we have dedicated product management and business development specialists that focus on the sale and promotion of the products and services of selected suppliers or for specific end-market verticals. These specialists are also directly

involved in establishing new relationships with leading OEMs to create demand for their products and services and with resellers for their customers' needs. Our sales and marketing professionals are complemented by members of our executive management team who are integral in identifying potential new customer opportunities, promoting sales growth and ensuring customer satisfaction. We have sales and marketing professionals in close geographic proximity to our reseller, retail and OEM customers.

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As part of our Concentrix segment, we have sales teams dedicated to cultivating new BPO CRM opportunities in customer acquisition, customer support and management, technical support, renewals management, process optimization, front and back-office automation, technology innovation and business outcome improvement on a global platform and in multiple languages.

Our Operations

In our Technology Solutions segment, we operate approximately 40 distribution and administrative facilities in the United States, Canada, Japan, Mexico and China. Our distribution processes are highly automated to reduce errors, ensure timely order fulfillment and enhance the efficiency of our warehouse operations and back office administration. Our distribution facilities are geographically dispersed to be near reseller customers and their end-users. This decentralized, regional strategy enables us to benefit from lower shipping costs and shorter delivery lead times to our customers. Furthermore, we track several performance measurements to continuously improve the efficiency and accuracy of our distribution operations. Our regional locations also enable us to make local deliveries and provide will-call fulfillment to more customers than if our distribution operations were more centralized, resulting in better service to our customers. Our workforce is comprised of permanent and temporary employees, enabling us to respond to short-term changes in order activity.

Our proprietary IT systems and processes enable us to automate many of our distribution operations. We use radio frequency and bar code scanning technologies in all of our warehouse operations to maintain real-time inventory records, facilitate frequent cycle counts and improve the accuracy of order fulfillment.

To enhance the accuracy of our distribution order fulfillment and protect our inventory from shrinkage, our distribution systems also incorporate numerous controls. These controls include order weight checks, bar code scanning, and serial number profile verification. We also use digital video imaging to record our small package shipping activities by order. These images and other warehouse and shipping data are available online to our customer service representatives, enabling us to quickly respond to order inquiries by our customers.

We operate our principal system design and integration solutions facilities in the United States and we operate an integration facility in the United Kingdom. We generally design and integrate IT systems, data center servers, storage solutions and IT appliances, by incorporating system components from our distribution inventory and other sources. Additionally, we perform other production value-added services, including kitting, asset tagging, hard drive imaging and reconfiguration. Our design and integration solutions facilities are ISO 9001:2008 and ISO 14001:2004 certified.

In our Concentrix segment, we operate approximately 90 delivery centers and administrative facilities in numerous countries throughout North America, Europe and Asia Pacific. Services are provided from these global locations to customers worldwide in multiple languages. These services are supported by proprietary technology to enable efficient and secure customer contact through various methods including voice, chat, web, email, social media and digital print.

Concentrix has global delivery capability which allows us to scale people and other resources from around the world, including foreign language fluency, proximity to clients and time-zone advantages. A critical component of this capability are our approximately 90 delivery centers in 24 countries. Our delivery centers improve the efficiency of our engagement teams through the reuse of processes, solution designs and infrastructure by leveraging the experience of delivery center professionals. During 2014, we significantly expanded and enhanced our global delivery capabilities, through the acquisition of the IBM CRM business; and recruiting actively in key locations of our network, including India, the Philippines and Europe.

As part of the acquisition of the IBM CRM business, we entered into a multi-year agreement with IBM, whereby we have become an IBM strategic business partner for BPO CRM services.

International Operations

Approximately 28% of our total revenue for the fiscal year 2014 and 26% for both fiscal years 2013 and 2012, originated outside of the United States. Approximately 12% of our total revenue for fiscal year 2014 and 14% for both fiscal years 2013 and 2012 was generated in Canada. Approximately 10% of our total revenue for fiscal years 2014 and 2013 and 11% for fiscal year 2012 was generated in Japan. A key element in our business strategy has been to locate our services in markets that are cost beneficial, but low risk. For a discussion of our net revenue by geographic region, please see Note 14—Segment Information in Notes to the Consolidated Financial Statements.

Sales concentrations in foreign jurisdictions subject us to various risks, including the impact of changes in the value of these foreign currencies relative to the US Dollar, which in turn can impact reported sales.

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Seasonality

Our operating results are affected by the seasonality of the IT and CE products industries. We have historically experienced higher sales in our fourth fiscal quarter due to patterns in the capital budgeting, federal government spending and purchasing cycles of our customers and end-users. These patterns may not be repeated in subsequent periods.

Purchasing

In our Technology Solutions segment, product costs represent our single largest expense and IT and CE product inventory is one of our largest working capital investments. Furthermore, product procurement from our OEM suppliers is a highly complex process that involves incentive programs, rebate programs, price protection, volume and early payment discounts and other arrangements. Consequently, efficient and effective purchasing operations are critical to our success.

Our purchasing group works closely with many areas of our organization, especially our product managers who work closely with our OEM suppliers and our sales force, to understand the volume and mix of IT products that should be purchased. In addition, the purchasing group utilizes an internally developed, proprietary information systems application tool that further aids in forecasting future product demand based on several factors, including historical sales levels, expected product life cycle and current and projected economic conditions. Our information system tool also tracks warehouse and channel inventory levels and open purchase orders on a real-time basis enabling us to stock inventory at a regional level closer to the customer as well as to actively manage our working capital resources. This level of automation promotes greater efficiencies of inventory management by replenishing and turning inventory, as well as placing purchase orders on a more frequent basis. Furthermore, our system tool also allows for automated checks and controls to prevent the generation of inaccurate orders.

Managing our OEM supplier incentive programs is another critical function of our purchasing and product management teams. We attempt to maximize the benefits of incentives, rebates and volume and early payment discounts that our OEM suppliers offer us from time to time. We carefully evaluate these supplier incentive benefits relative to our product handling and carrying costs so that we do not overly invest in our inventory. We also closely monitor inventory levels on a product-by-product basis and plan purchases to take advantage of OEM supplier provided price protection. By managing inventory levels and customer purchase patterns at each of our regional distribution facilities, we can minimize our shipping costs by stocking products near our resellers and retailers, and their end-user customers.

Financial Services

In our Technology Solutions segment, we offer various financing options to our customers as well as prepayment, credit card and cash on delivery terms. In issuing credit terms to our reseller and retail customers, we closely and regularly monitor their creditworthiness through our information systems, credit ratings information and periodic detailed credit file reviews by our financial services staff. We have also purchased credit insurance in some geographies to further control credit risks. Finally, we establish reserves for estimated credit losses in the normal course of business based on the overall quality and aging of the accounts receivable portfolio, the existence of a limited amount of credit insurance and specifically identified customer risks.

We also sell to certain reseller customers pursuant to third party floor plan financing. The expenses charged by these financing companies are subsidized either by our OEM suppliers or paid by us. We generally receive payment from these financing companies within 15 to 30 days from the date of sale, depending on the specific arrangement.

Information Technology

Within our Technology Solutions segment, our IT systems manage the entire order cycle, including processing customer orders, customer billing and payment tracking. These internally developed IT systems make our operations more efficient and provide visibility into our operations. We believe our IT infrastructure is scalable to support further growth. We continue to enhance and invest in our IT systems to improve product and inventory management, streamline order and fulfillment processes, and increase operational flexibility. Within our Concentrix segment, we invest in IT systems and infrastructure to enhance workforce management and improve productivity.

To allow our customers and suppliers to communicate and transact business with us in an efficient and consistent manner, we have implemented a mix of proprietary and off-the-shelf software programs that integrate our IT systems with those of our customers and suppliers. In particular, we maintain EDI, XML, web-based communication links and mobile platform applications with many of our reseller and retail customers to enable them to search for products, check real-time pricing, inventory availability and specifications, place and track orders, receive invoices and process returns.

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Competition

We operate in a highly competitive environment, both in the United States and internationally. The IT product industry is characterized by intense competition, based primarily on product availability, credit terms, price, speed and accuracy of delivery, effectiveness of sales and marketing programs, ability to tailor specific solutions to customer needs, quality and depth of product lines, pre-sale and post-sale technical support, flexibility and timely response to design changes, technological capabilities and product quality, service and support. We compete with a variety of regional, national and international IT product distributors and manufacturers.

Our major competitors in our Technology Solutions segment include Arrow Electronics, Inc., Avnet, Inc., Ingram Micro, Inc., ScanSource, Inc., Tech Data Corporation and Westcon Group and, to a lesser extent, regional distributors. We also face competition from our OEM suppliers that sell directly to resellers, retailers and end-users. The distribution industry has historically undergone, and continues to undergo, consolidation. Over the years, a number of providers within the IT distribution industry exited or merged with other providers. We have participated in this consolidation through our recent acquisitions of Supercom Canada Limited, Marubeni Infotec Corporation, Jack of All Games, and New Age Electronics, and we continue to evaluate other new opportunities.

In our Concentrix segment, our competitors are both regional players as well as global companies. Our major competitors include Accenture, Genpact Limited, Convergys Corporation, Sitel Worldwide Corporation, Sykes Enterprises Inc., Sutherland Global Services, Teleperformance and TeleTech Holdings, Inc.

We constantly seek to expand our business into areas primarily related to our core distribution and BPO CRM businesses as well as other support, logistics and related value-added services. In fiscal year 2014, we completed the acquisition of the CRM business from IBM, which added over 35,000 employees providing CRM services to approximately 170 customers in 24 countries.

As we enter new business areas, we may encounter increased competition from our current competitors and/or new competitors. Some of our competitors are substantially larger and may have greater financial, operating, manufacturing and marketing resources than us. Some of our competitors may have broader geographic breadth and range of services than us. Some may have more developed relationships with their existing customers. We attempt to offset our comparative scale differences by focusing on a limited number of leading OEMs in the Technology Solutions segment and by running a more efficient and low cost operation, and by offering a high level of value-added and customer services in both the Technology Solutions and Concentrix segments.

Employees

As of November 30, 2014, we had approximately 59,000 full-time employees. Given the variability in our business and the quick response time required by customers, it is critical that we are able to rapidly ramp-up and ramp-down our operational capabilities to maximize efficiency. As a result, we frequently use a significant number of temporary or contract workers, which totaled approximately 5,000, on a full-time equivalent basis, as of November 30, 2014. Except for our employees in China, our employees are not represented by a labor union, nor are they covered by a collective bargaining agreement. We consider our employee relations to be good.

Available Information

Our website is http://www.synnex.com. We make available free of charge, on or through our website, our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, if any, or other filings filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after electronically filing or furnishing these reports with the Securities and Exchange Commission, or SEC. Information contained on our website is not a part of this Report. We have adopted a code of ethics applicable to our employees including our principal executive, financial and accounting officers, and it is available free of charge, on our website’s investor relations page.

The SEC maintains an Internet site at http://www.sec.gov that contains our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, if any, or other filings filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, and our proxy and information statements. All reports that we file with the SEC may be read and copied at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, DC, 20549. Information about the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330.

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Item 1A. Risk Factors

The following are certain risk factors that could affect our business, financial results and results of operations. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Annual Report on Form 10-K because these factors could cause the actual results and conditions to differ materially from those projected in the forward-looking statements. Before you invest in our Company, you should know that making such an investment involves some risks, including the risks described below. The risks that have been highlighted here are not the only ones that we face. If any of the risks actually occur, our business, financial condition and results of operations could be negatively affected. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to the Acquisition of the CRM Business from IBM

We may not be able to realize all of the anticipated benefits of the acquisition of the IBM CRM business if we fail to integrate this business successfully, which could reduce our profitability and adversely affect our stock price.

Our ability to realize the anticipated benefits of the transaction will depend, in part, on our ability to integrate this BPO CRM business successfully and efficiently with our business. The integration of this business in numerous geographic locations is a complex, costly and time-consuming process. The integration process may disrupt our business and, if implemented ineffectively, preclude realization of the full benefits expected by us. If we are not successful in this integration, our financial results could be adversely impacted. Our management has been and will continue to be required to dedicate significant time and effort to this integration process, which could divert their attention from other business concerns. In addition, the overall integration has resulted and may continue to result in competitive responses, loss of customer and other relationships, loss of key employees and other employees, diversion of management’s attention, and other unanticipated problems, expenses and liabilities, and may cause our stock price to decline. The difficulties of combining the operations of the two businesses include, among others:

- retaining and preserving existing customer relationships;
- possible attrition of customer relationships resulting from the perceived loss of a globally recognized brand name service provider;
- challenges associated with minimizing the diversion of management attention from ongoing business concerns;
- coordinating geographically separate organizations which may be subject to additional complications resulting from being geographically distant from other of our operations;
- coordinating and combining international operations, relationships, and facilities, and eliminating duplicative operations;
- retaining key employees and maintaining employee morale, particularly in areas where we do not currently have personnel;
- unanticipated changes in general business or market conditions that might interfere with our ability to carry out all of our integration plans;
- unanticipated issues in integrating information, communications and other systems, and
- issues not discovered in our due diligence process.

In addition, even if the integration is successful, we may not realize the full potential benefits of the acquisition. The anticipated benefits may not be achieved within the anticipated time frame, or at all. As a result, we cannot provide assurance that this acquisition will result in the realization of the full benefits anticipated from the acquisition.

We have significantly expanded the geographic reach of our Concentrix business with our acquisition of the IBM CRM business, and this expansion exposes us to additional geopolitical risks that could adversely affect our business and results from operations.

With our acquisition of the IBM CRM business, we have significantly expanded the geographic reach of our Concentrix business, adding international operations in 24 countries. This breadth of business conducted outside of the United States exposes us to additional risks, which in turn could cause our business and results of operations to suffer. These additional risks include political and economic instability, extensive government regulation, cybersecurity threats, natural calamities, terrorist activities, worker strikes, civil unrest and military activity. We also face challenges in our management of, and compliance efforts involving, the larger geographic scope of business that is subject to a wider variety of laws, regulations and government

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policies. Our operations are based on a global delivery model with client services provided from delivery centers located in several countries. In connection with the acquisition, we have significantly increased the percentage of our workforce that is located in India and the Philippines. Socio-economic situations which are specific to these regions can severely disrupt our operations and impact our ability to fulfill our contractual obligations to our clients. If these regions experience severe natural calamities or political unrest, our personnel resources may be affected, our IT and communication infrastructure may be at risk and the client processes that we manage may be adversely affected. Changes in governments, laws, regulations and taxation rules may severely impact our ability to do business in these countries, our business practices, our operating costs and our results of operations.

Risks Related to Our Business

We anticipate that our revenue and operating results will fluctuate, which could adversely affect the enterprise value of our Company and our securities.

Our operating results have fluctuated and will fluctuate in the future as a result of many factors, including:

- the impact of the business acquisitions and dispositions we make;
- general economic conditions and level of IT and CE spending;
- the loss or consolidation of one or more of our significant OEM suppliers or customers;
- market acceptance, product mix, quality, pricing, availability and useful life of our products;
- competitive conditions in our industry;
- pricing, margin and other terms with our OEM suppliers;
- decline in inventory value as a result of product obsolescence and market acceptance;
- variations in our levels of excess inventory, vendor reserves and doubtful accounts;
- fluctuations in rates in the currencies in which we transact;
- changes in the terms of OEM supplier-inventory protections, such as price protection and return rights; and
- the expansion of our design and integration solutions sales and operations, globally.

Although we attempt to control our expense levels, these levels are based, in part, on anticipated revenue. Therefore, we may not be able to control spending in a timely manner to compensate for any unexpected revenue shortfall.

Our operating results also are affected by the seasonality of the IT and CE products and services industry. We have historically experienced higher sales in our fourth fiscal quarter due to patterns in the capital budgeting, federal government spending and purchasing cycles of end-users. These patterns may not be repeated in subsequent periods. You should not rely on period-to-period comparisons of our operating results as an indication of future performance. In future years, our operating results may be below our expectations or those of our public market analysts or investors, which would likely cause our share price to decline.

In our Technology Solutions segment, we depend on a small number of OEMs to supply the IT and CE products and services that we sell and the loss of, or a material change in, our business relationship with a major OEM supplier, could adversely affect our business, financial position and operating results.

Our future success is highly dependent on our relationships with a small number of OEM suppliers. For example, sales of HP products and services represented approximately 25%, 31%, and 36% of our total revenue for fiscal years 2014, 2013, and 2012, respectively. Our OEM supplier agreements typically are short-term and may be terminated without cause upon short notice. The loss or deterioration of our relationship with HP or any other major OEM supplier, the authorization by OEM suppliers of additional distributors, the sale of products by OEM suppliers directly to our reseller and retail customers and end-users, or our failure to establish relationships with new OEM suppliers or to expand the distribution and supply chain services that we provide OEM suppliers could adversely affect our business, financial position and operating results. In addition, OEM suppliers may face liquidity or solvency issues that in turn could negatively affect our business and operating results.

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Our business is also highly dependent on the terms provided by our OEM suppliers. Generally, each OEM supplier has the ability to change the terms and conditions of its distribution agreements, such as reducing the amount of price protection and return rights or reducing the level of purchase discounts, incentive rebates and marketing programs available to us.

From time to time we may conduct business with a supplier without a formal agreement because the agreement has expired or otherwise terminated. In such case, we are subject to additional risk with respect to products, warranties and returns, and other terms and conditions. If we are unable to pass the impact of these changes through to our reseller and retail customers, our business, financial position and operating results could be adversely affected.

In our Technology Solutions segment our gross margins are low, which magnifies the impact of variations in gross margin, operating costs and bad debt on our operating results.

As a result of significant price competition in the IT and CE products and services industry, our gross margins are low, and we expect them to continue to be low in the future. Increased competition arising from industry consolidation and low demand for certain IT and CE products and services may hinder our ability to maintain or improve our gross margins. These low gross margins magnify the impact of variations in revenue, operating costs, inventory obsolescence and bad debt on our operating results. A portion of our operating expense is relatively fixed, and planned expenditures are based in part on anticipated orders that are forecasted with limited visibility of future demand. As a result, we may not be able to reduce our operating expense to sufficiently mitigate any further reductions in gross profit or margin in the future. If we cannot proportionately decrease our cost structure in response to competitive price pressures, our business and operating results could suffer.

We also receive purchase discounts and rebates from OEM suppliers based on various factors, including sales or purchase volume and breadth of customers. A decrease in net sales could negatively affect the level of volume rebates received from our OEM suppliers and thus, our gross margin. Because some rebates from OEM suppliers are based on percentage increases in sales of products, it may become more difficult for us to achieve the percentage growth in sales required for larger discounts due to the current size of our revenue base. A decrease or elimination of purchase discounts and rebates from our OEM suppliers would adversely affect our business and operating results.

We are subject to uncertainties and variability in demand by our Technology Solutions customers, which could decrease revenue and adversely affect our operating results.

In our Technology Solutions segment, we sell to our customers on a purchase order basis, rather than pursuant to long-term contracts or contracts with minimum purchase requirements. Consequently, our sales are subject to demand variability by our customers. The level and timing of orders placed by our customers vary for a variety of reasons, including seasonal buying by end-users, the introduction of new hardware and software technologies and general economic conditions. Customers submitting a purchase order may cancel, reduce or delay their orders. If we are unable to anticipate and respond to the demands of our reseller, retail and design and integration solutions customers, we may lose customers because we have an inadequate supply of products, or we may have excess inventory, either of which could harm our business, financial position and operating results.

With regard to our design and integration solutions customers, unique parts are purchased based both on purchase order or forecasted demand. We have limited protection against excess inventory should anticipated demand not materialize.

We are subject to the risk that our inventory value may decline, and protective terms under our OEM supplier agreements may not adequately cover the decline in value, which in turn may harm our business, financial position and operating results.

The IT and CE products industry is subject to rapid technological change, new and enhanced product specification requirements, and evolving industry standards. These changes may cause inventory on hand to decline substantially in value or to rapidly become obsolete. Most of our OEM suppliers offer limited protection from the loss in value of inventory. For example, we can receive a credit from many OEM suppliers for products held in inventory in the event of a supplier price reduction. In addition, we have a limited right to return a certain percentage of purchases to most OEM suppliers. These policies are often subject to time restrictions and do not protect us in all cases from declines in inventory value. In addition, our OEM suppliers may become unable or unwilling to fulfill their protection obligations to us. The decrease or elimination of price protection, or the inability of our OEM suppliers to fulfill their protection obligations, could lower our gross margins and cause us to record inventory write-downs. If we are unable to manage our inventory with our OEM suppliers with a high degree of precision, we may have insufficient product supplies or we may have excess inventory, resulting in inventory write-downs, either of which could harm our business, financial position and operating results.

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We depend on OEM suppliers to maintain an adequate supply of products to fulfill customer orders on a timely basis, and any supply shortages or delays could cause us to be unable to timely fulfill orders, which in turn could harm our business, financial position and operating results.

Our ability to obtain particular products in the required quantities and to fulfill reseller and retail customer orders on a timely basis is critical to our success. In most cases, we have no guaranteed price or delivery agreements with our OEM suppliers. We occasionally experience a supply shortage of certain products as a result of strong demand or problems experienced by our OEM suppliers. For example, in fiscal years 2011 and 2012, we experienced shortage in hard drives from OEM suppliers in Thailand due to floods. If shortages or delays persist, the price of those products may increase, or the products may not be available at all. Such delays could also impact our ability to procure critical components required to complete customer orders. In addition, our OEM suppliers may decide to distribute, or to substantially increase their existing distribution business, through other distributors, their own dealer networks, or directly to resellers, retailers or end-users. Accordingly, if we are not able to secure and maintain an adequate supply of products to fulfill our customer orders on a timely basis, our business, financial position and operating results could be adversely affected.

Our systems design and integration solutions business has customer concentration and intense competition which could adversely impact our revenue.

The system design and integration solutions business of our Technology Solutions segment has customer concentration, requires investments in working capital and infrastructure, and has customer contracts that often offer limited or no volume guarantees or protection for end-of-life investments. The loss of a customer or reduction in order volumes could adversely impact our revenue, provision for inventory losses, the absorption of fixed overhead costs and our future expansion plans. In addition, our ability to deliver customized solutions on a timely basis is critical to our success. Any delay could impact our competitive position and result in loss of customer orders, which could adversely impact our financial position and operating results.

The market for CE products that we distribute is characterized by short product life cycles. Increased competition for limited retailer shelf space, decreased promotional support from resellers or retailers or increased popularity of downloadable or online content and services could adversely impact our revenue.

The market for CE products, such as personal computers and tablets, mobile devices, wearable devices, video game titles and hardware, and audio or visual equipment, is characterized by short product life cycles and frequent introductions of new products. For example, the life cycle of a video game is short and typically provides a relatively high level of sales only for the first few months after introduction of the game. The markets in which we compete frequently introduce new products to meet changing consumer preferences and trends. As a result, competition is intense for resellers' and retailers' limited shelf space and promotions. If our vendors' new products are not introduced in a timely manner or do not achieve significant market acceptance, we may not generate sufficient sales or profitability. Further, if we are unable to successfully compete for resellers' or retailers' space and promotional resources, this could negatively impact market acceptance of our products and negatively impact our business and operating results. In addition, increased consumer use of downloadable content and online services and the further integration of technological tasks currently requiring several different CE products may negatively affect our CE product distribution business and operating results, as they may reduce consumer demand for having several different electronics devices and other physical products. For example, the popularity of downloadable and online games has increased and, if the trend continues, could adversely affect our over-the-counter retail video games sales.

The terms and conditions of our customer contracts within our Concentrix segment, including the CRM business acquired from IBM, contain provisions which, if triggered, could cause fluctuations in our revenue, which in turn would adversely affect our financial results.

In our Concentrix segment, we provide global business services, including BPO CRM services, to our customers under contracts with provisions that, if triggered, could impact our profitability. For example, many of our contracts may be terminated with a short amount of notice, and to the extent our customers terminate these contracts, we could experience unexpected fluctuations in our revenue and operating results from period to period. Additionally, some contracts have performance-related bonus or penalty provisions, whereby we could receive a bonus if we satisfy certain performance levels or have to pay a penalty for failing to do so. Whether we receive a bonus or are required to pay a penalty is unpredictable, and may cause additional fluctuations in our financial results. In addition, our customers may not guarantee a minimum volume; however, we hire employees based on anticipated average volumes. If we fail to anticipate volumes correctly, our operations and financial results may suffer. The reduction of volume, loss of customers, payment of penalties or inability to terminate any unprofitable contracts could have an adverse impact on our operations and financial results

Our Concentrix business, including the CRM business acquired from IBM, is subject to dynamic changes in business model and competition, which in turn could cause our Concentrix operations to suffer.

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The customer acquisition, support and renewal services businesses of our Concentrix segment represent emerging markets that are vulnerable to numerous changes that could cause a shift in the business and size of the market. For example, if software and hardware customers move to a utility or fee-for-service based business model, this business model change could significantly impact operations or cause a significant shift in the way we currently conduct our business. If our customers place more focus in this area and internalize these operations, this could also cause a significant reduction in the size of the available market for third party service providers like us. Similarly, if competitors offer their services at below market margin rates to gain market share, or use other lines of business to subsidize the renewals management business, this could cause a significant decrease in the available market for us. In addition, if a cloud-based solution or some other technology were introduced, this new technology could cause an adverse shift in the way our existing business operations are conducted or decrease the size of the available market.

If we are unable to hire and retain employees with domain expertise for our Concentrix business, our operations will be disrupted, and such disruption may impact our ability to manage our costs, which in turn could impact our profitability.

The success of our operations and the quality of our services are highly dependent on our ability to attract and retain skilled personnel in all of our international delivery centers. The industry is characterized by high employee attrition rates and we face competition in hiring, retaining and motivating talented and skilled leaders and employees with domain experience.

In addition, our profitability is directly affected by the utilization rate of our personnel resources. If we are unable to achieve an optimum utilization of our personnel resources, we may experience erosions in our profit margins. However, if our utilization is too high, it may result in the deterioration in the quality of services provided to our clients and may also result in higher attrition rates. If we are unable to manage our employee attrition rates, adequately motivate our employees or utilize our personnel resources efficiently, our operations will be disrupted, and such disruption may impact our ability to manage our costs, which in turn could impact our profitability.

If we fail to effectively provide our operations services to our clients in the Concentrix business, client relations may suffer, which in turn may adversely affect our revenue and results of operations.

Our customer engagement services business involves us representing our clients in certain critical operations of their business processes such as sales, marketing and customer support. If our clients experience disruptions in these operations or are dissatisfied with the quality of service provided, our client relationships may suffer and we may face possible legal action.

In addition, in our management of our clients operations, we manage large volumes of customer information and confidential data. We may be liable and our operations may be disrupted if there is a breach of confidentiality of client data, if an employee violates policies and regulations governing the management of personal information, if we lose our client's data or if the security of our IT systems is compromised.

We may also be liable if we do not maintain adequate internal controls over the processes we manage for our clients or if we fail to comply with the laws and regulations applicable to the operations in which we represent our clients. Our clients may request us to obtain audit reports over our internal controls. If we are unable to complete these audit reports or if internal control deficiencies are identified in the audit process, our client relationships may suffer.

If we are unable to successfully manage our delivery centers, our results of operations could be adversely affected and we may not fully realize the anticipated benefits of our recent acquisitions.

Our Concentrix business, which has extensive international operations, may be adversely impacted if we are unable to manage and communicate with the resources located internationally. Service quality may be placed at risk and our ability to optimize our resources may be more complicated if we are unable to manage our resources remotely. Our Concentrix business uses a wide variety of technologies to allow us to manage a large volume of work. These technologies are designed to keep our employees productive. Any failure in technology may have a negative impact on our operations. The success of our services primarily depends on performance of our employees and resulting customer satisfaction. Any increase in average waiting time or handling time or lack of promptness or technical expertise of our employees will directly impact customer satisfaction. Any adverse customer satisfaction may impact the overall business. If we are unable to successfully manage our delivery centers, our results of operations could be adversely affected and we may not fully realize the anticipated benefits of our recent acquisitions.

Changes in foreign exchange rates and limitations on the convertibility of foreign currencies could adversely affect our business and operating results.

Approximately 28% of our total revenue in fiscal year 2014 and 26% for both fiscal years 2013 and 2012 were generated outside the United States. Most of our international revenue, cost of revenue and operating expenses are denominated in foreign

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currencies. We presently have currency exposure arising from both sales and purchases denominated in foreign currencies. Changes in exchange rates between foreign currencies and the U.S. dollar may adversely affect our operating margins. For example, if these foreign currencies appreciate against the U.S. dollar, it will be more expensive in terms of U.S. dollars to purchase inventory or pay expenses with foreign currencies. This could have a negative impact to us if revenue related to these purchases is transacted in U.S. dollars. In addition, currency devaluation can result in our products, which are usually purchased by us in U.S. dollars, to be relatively more expensive to produce than products manufactured locally. We currently conduct only limited hedging activities, which involve the use of currency forward contracts. Hedging foreign currencies can be risky. Certain of these hedge positions are undesignated hedges of balance sheet exposures, such as intercompany loans, and typically have maturities of less than one year.

In our Concentrix segment, our customer engagement services are delivered from several delivery centers located around the world, with significant operations in India and the Philippines. As a result, our revenue may be earned in currencies that are different from the currencies in which we incur corresponding expenses. Fluctuations in the value of currencies, such as the Indian Rupee and the Philippine Peso, against the U.S. Dollar, and inflation in the local economies in which these delivery centers are located, could increase the operating and labor costs in these delivery centers which can result in reduced profitability.

There is also additional risk if the currency is not freely or actively traded. Some currencies, such as the Chinese Renminbi, Indian Rupee and Philippines Peso, are subject to limitations on conversion into other currencies, which can limit our ability to hedge or to otherwise react to rapid foreign currency devaluations. We cannot predict the impact of future exchange rate fluctuations on our business and operating results.

We do not use derivative financial instruments for speculative trading purposes, nor do we hedge our foreign currency exposure in a manner that entirely offsets the effects of changes in foreign exchange rates.

As a general rule, we do not use financial instruments to hedge local currency denominated operating expenses in countries where a natural hedge exists. For example, in many countries, revenue from the local currency services substantially offsets the local currency denominated operating expenses.

Because we conduct substantial operations in China, risks associated with economic, political and social events in China could negatively affect our business and operating results.

A substantial portion of our IT systems operations, including our IT systems support and software development operations, and a portion of our BPO CRM services, is located in China. In addition, we also conduct general and administrative activities from our facilities in China. As of November 30, 2014, we had approximately 4,300 support personnel located in China. Our operations in China are subject to a number of risks relating to China’s economic and political systems, including:

- a government controlled foreign exchange rate and limitations on the convertibility of the Chinese Renminbi;
- extensive government regulation;
- changing governmental policies relating to tax benefits available to foreign-owned businesses;
- the telecommunications infrastructure;
- a relatively uncertain legal system; and
- uncertainties related to continued economic and social reform.

Our IT systems are an important part of our global operations. Any significant interruption in service, whether resulting from any of the above uncertainties, natural disasters or otherwise, could result in delays in our inventory purchasing, errors in order fulfillment, reduced levels of customer service and other disruptions in operations, any of which could cause our business and operating results to suffer.

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We may have higher than anticipated tax liabilities.

We conduct business globally and file income tax returns in various tax jurisdictions. Our effective tax rate could be adversely affected by several factors, many of which are outside of our control, including:

- changes in income before taxes in various jurisdictions in which we operate that have differing statutory tax rates;
- changing tax laws, regulations, and/or interpretations of such tax laws in multiple jurisdictions;
- effect of tax rate on accounting for acquisitions and dispositions;
- issues arising from tax audit or examinations and any related interest or penalties; and
- uncertainty in obtaining tax holiday extensions or expiration or loss of tax holidays in various jurisdictions.

We report our results of operations based on our determination of the amount of taxes owed in various tax jurisdictions in which we operate. The determination of our worldwide provision for income taxes and other tax liabilities requires estimation, judgment and calculations where the ultimate tax determination may not be certain. Our determination of tax liability is always subject to review or examination by tax authorities in various tax jurisdictions. Any adverse outcome of such review or examination could have a negative impact on our operating results and financial condition. The results from various tax examinations and audit may differ from the liabilities recorded in our financial statements and could adversely affect our financial results and cash flows.

We have pursued and intend to continue to pursue strategic acquisitions or investments in new markets and may encounter risks associated with these activities, which could harm our business and operating results.

We have in the past pursued and in the future expect to pursue acquisitions of, or investments in, businesses and assets in new markets, either within or outside the IT and CE products and services industry, that complement or expand our existing business. Our acquisition strategy involves a number of risks, including:

- difficulty in successfully integrating acquired operations, IT systems, customers, and OEM supplier relationships, products and services and businesses with our operations;
- loss of key employees of acquired operations or inability to hire key employees necessary for our expansion;
- diversion of our capital and management attention away from other business issues;
- increase in our expenses and working capital requirements;
- in the case of acquisitions that we may make outside of the United States, difficulty in operating in foreign countries and over significant geographical distances;
- other financial risks, such as potential liabilities of the businesses we acquire; and
- our due diligence process may fail to identify significant issues with the acquired company's product quality, financial disclosures, accounting practices or internal control deficiencies.

We may incur additional costs and consolidate certain redundant expenses in connection with our acquisitions and investments, which may have an adverse impact on our operating margins. Future acquisitions may result in dilutive issuances of equity securities, the incurrence of additional debt, large write-offs, a decrease in future profitability, or future losses. The incurrence of debt in connection with any future acquisitions could restrict our ability to obtain working capital or other financing necessary to operate our business. Our recent and future acquisitions or investments may not be successful, and if we fail to realize the anticipated benefits of these acquisitions or investments, our business and operating results could be harmed.

Because of the capital-intensive nature of our business, we need continued access to capital, which if not available to us or if not available on favorable terms, could harm our ability to operate or expand our business.

Our business requires significant levels of capital to finance accounts receivable and product inventory that is not financed by trade creditors. If cash from available sources is insufficient, proceeds from our accounts receivable securitization and revolving credit programs are limited or cash is used for unanticipated needs, we may require additional capital sooner than anticipated.

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In the event we are required, or elect, to raise additional funds, we may be unable to do so on favorable terms, or at all, and may incur expenses in raising the additional funds. Our current and future indebtedness could adversely affect our operating results and severely limit our ability to plan for, or react to, changes in our business or industry. We could also be limited by financial and other restrictive covenants in securitization or credit arrangements, including limitations on our borrowing of additional funds and issuing dividends. Furthermore, the cost of securitization or debt financing could significantly increase in the future, making it cost prohibitive to securitize our accounts receivable or borrow, which could force us to issue new equity securities. If we issue new equity securities, existing stockholders may experience dilution, or the new equity securities may have rights, preferences or privileges senior to those of existing holders of common stock. If we cannot raise funds on acceptable terms, we may not be able to take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. Any inability to raise additional capital when required could have an adverse effect on our business and operating results.

The terms of our debt arrangements impose significant restrictions on our ability to operate which in turn could negatively affect our ability to respond to business and market conditions and therefore could have an adverse effect on our business and operating results.

As of November 30, 2014, we had $980.5 million in outstanding short and long-term borrowings under term loans, lines of credit, accounts receivable securitization programs and capital leases, excluding trade payables. The terms of one or more of the agreements under which this indebtedness was incurred may limit or restrict, among other things, our ability to:

- incur additional indebtedness;
- make investments;
- pay dividends or make certain other restricted payments;
- repurchase common stock;
- consummate certain asset sales or acquisitions;
- enter into certain transactions with affiliates; and
- merge, consolidate or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our assets.

We are also required to maintain specified financial ratios and satisfy certain financial condition tests, including a leverage and a fixed charge coverage ratio as outlined in our senior secured credit agreement and in our accounts receivable securitization program. Our inability to meet these ratios and tests could result in the acceleration of the repayment of the related debt, the termination of the facility, the increase in our effective cost of funds or the cross-default of other credit and securitization arrangements. As a result, our ability to operate may be restricted and our ability to respond to business and market conditions may be limited, which could have an adverse effect on our business and operating results.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations, which could adversely affect our business.

Our ability to make scheduled debt payments or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot be certain that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, and interest on our indebtedness.

We funded our acquisition of the IBM CRM business through a combination of cash and the issuance of common stock. The cash component of the acquisition was significant and resulted in an increase in borrowing levels under our senior secured credit agreement and our accounts receivable securitization.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We cannot be certain that we would be able to take any of these actions, that these actions would be successful and permit us to meet our scheduled debt service obligations or that these actions would be permitted under the terms of our existing or future debt agreements. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Some of our credit facilities restrict our ability to dispose assets and use the proceeds from the disposition. As such, we may not be able to consummate those dispositions or use any resulting proceeds and, in addition, such proceeds may not be adequate to meet any debt service obligations then due.

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If we cannot make scheduled payments on our debt, we will be in default and, as a result:

- our lenders could declare all outstanding principal and interest to be due and payable;
- the lenders under our credit agreements could terminate their commitments to loan us money and, in the case of our secured credit agreements, foreclose against the assets securing their borrowings;
- we could be forced to raise additional capital through the issuance of additional, potentially dilutive securities; and
- we could be forced into bankruptcy or liquidation, which is likely to result in delays in the payment of our indebtedness and in the exercise of enforcement remedies related to our indebtedness.

If the interest rates on our borrowings increase, our access to capital and net income could be adversely affected.

Our borrowings and securitization arrangements are variable-rate obligations and expose us to interest rate risks. If interest rates increase, debt service obligations and our interest expense will increase even though the amount borrowed remains the same. Our net income and cash flows, including cash available for servicing indebtedness, will correspondingly decrease.

An increase in interest rates may increase our future borrowing costs and restrict our access to capital. Additionally, current market conditions, the recovering global economy, and overall credit conditions could limit our availability of capital, which could cause increases in interest margin spreads over underlying indices, effectively increasing the cost of our borrowing. While some of our credit facilities have contractually negotiated spreads, any changes to these spreads in connection with renegotiations of our credit facilities could adversely affect our results of operations.

A portion of our revenue is financed by floor plan financing companies and any termination or reduction in these financing arrangements could increase our financing costs and harm our business and operating results.

A portion of our product distribution revenue is financed by floor plan financing companies. Floor plan financing companies are engaged by our customers to finance, or floor, the purchase of products from us. In exchange for a fee, we transfer the risk of loss on the sale of our products to the floor plan companies. We currently receive payment from these financing companies within approximately 15 to 30 days from the date of the sale, which allows our business to operate at much lower relative working capital levels than if such programs were not available. If these floor plan arrangements are terminated or substantially reduced, the need for more working capital and the increased financing cost could harm our business and operating results.

We have significant credit exposure to our customers, and negative trends in their businesses could cause us significant credit loss and negatively impact our cash flow and liquidity position.

We extend credit to our customers for a significant portion of our sales to them and they have a period of time, generally 30 days after the date of invoice, to make payment. However, in certain cases, for some of our larger customers, we offer longer terms of payment. As a result, we are subject to the risk that our customers will not pay on time or at all. The majority of our customers are small and medium sized businesses. Our credit exposure risk may increase due to financial difficulties or liquidity or solvency issues experienced by our customers, resulting in their inability to repay us. The liquidity or solvency issues may increase as a result of an economic downturn or a decrease in IT or CE spending by end-users. If we are unable to collect payments in a timely manner from our customers due to changes in financial or economic conditions, or for other reasons, and we are unable to collect under our credit insurance policies, we may write-off the amount due from the customers. These write-offs may result in credit insurance being more expensive and on terms that are less favorable to us and may negatively impact our ability to utilize accounts receivable-based financing. In addition, the failure of customers to pay within a specified time period after the date of an invoice could result in defaults under our accounts receivable securitization program. These circumstances could negatively impact our cash flow and liquidity position, or result in the cross-default to our other indebtedness and acceleration of our indebtedness. Further, we are exposed to higher collection risk as we continue to expand internationally, where the payment cycles are generally longer and the credit rating process may not be as robust as in the United States, and where our access to accounts receivable financing is more limited.

In addition, the revenue from our Mexico operations includes various long-term projects funded by government and other local agencies, which often involve extended payment terms and contractual penalties and could expose us to additional collection risks.

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We are dependent on a variety of IT and telecommunications systems and the Internet, and any failure of these systems could adversely impact our business and operating results.

We depend on IT and telecommunications systems and the Internet for our operations. These systems support a variety of functions including inventory management, order processing, shipping, shipment tracking, billing, and our BPO CRM business.

Failures or significant downtime of our IT or telecommunications systems could prevent us from taking customer orders, printing product pick-lists, shipping products, billing customers and handling call volume. Sales also may be affected if our reseller and retail customers are unable to access our pricing and product availability information. We also rely on the Internet, and in particular electronic data interchange, or EDI, and XML, for a large portion of our orders and information exchanges with our OEM suppliers and reseller and retail customers. The Internet and individual websites have experienced a number of disruptions and slowdowns, some of which were caused by organized attacks. In addition, some websites have experienced security breakdowns. If we were to experience a security breakdown, disruption or breach that compromised sensitive information, it could harm our relationship with our OEM suppliers and reseller and retail customers. Disruption of our website or the Internet in general could impair our order processing or more generally prevent our OEM suppliers and reseller and retail customers from accessing information. Our BPO CRM business is dependent upon telephone and data services provided by third party telecommunications service vendors and our IT and telecommunications systems. Any significant increase in our IT and telecommunications costs or temporary or permanent loss of our IT or telecommunications systems could harm our relationships with our customers. The occurrence of any of these events could have an adverse effect on our operations and financial results.

We rely on independent shipping companies for delivery of products, and price increases or service interruptions from these carriers could adversely affect our business and operating results.

We rely almost entirely on arrangements with independent shipping companies, such as FedEx and UPS, for the delivery of our products from OEM suppliers and delivery of products to reseller and retail customers. Freight and shipping charges can have a significant impact on our gross margin. As a result, an increase in freight surcharges due to rising fuel cost or general price increases will have an immediate adverse effect on our margins, unless we are able to pass the increased charges to our reseller and retail customers or renegotiate terms with our OEM suppliers. In addition, in the past, carriers have experienced work stoppages due to labor negotiations with management. An increase in freight or shipping charges, the termination of our arrangements with one or more of these independent shipping companies, the failure or inability of one or more of these independent shipping companies to deliver products, or the unavailability of their shipping services, even temporarily, could have an adverse effect on our business and operating results.

Because of the experience of our key personnel in the IT, CE and the BPO CRM service industries and their technological and industry expertise, if we were to lose any of our key personnel, it could inhibit our ability to operate and grow our business successfully.

We are dependent in large part on our ability to retain the services of our key senior executives and other technological and industry experts and personnel. Except for Kevin Murai, our President and Chief Executive Officer, our employees and executives generally do not have employment agreements. Furthermore, we do not carry "key person" insurance coverage for any of our key executives. We compete for qualified senior management and technical personnel. The loss of, or inability to hire, key executives or qualified employees could inhibit our ability to operate and grow our business successfully.

We may experience theft of product from our warehouses, water damage to our properties and other casualty events which could harm our operating results.

From time to time, we have experienced incidents of theft at various facilities, water damages to our properties and other casualty events. These types of incidents may make it more difficult or expensive for us to obtain insurance coverage in the future. Also, the same or similar incidents may occur in the future for which we may not have sufficient insurance coverage or policy limits to be fully compensated for the loss, which may have an adverse effect on our business and financial results.

We may become involved in intellectual property or other disputes that could cause us to incur substantial costs, divert the efforts of our management, and require us to pay substantial damages or require us to obtain a license, which may not be available on commercially reasonable terms, if at all.

From time to time, we receive notifications alleging infringements of intellectual property rights allegedly held by others relating to our business or the products we sell or integrate for our OEM suppliers and others. Litigation with respect to patents or other intellectual property matters could result in substantial costs and diversion of management and other resources and could have an adverse effect on our business. Although we generally have various levels of indemnification protection from our

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OEM suppliers and design and integration solutions customers, in many cases any indemnification to which we may be entitled is subject to maximum limits or other restrictions.

In addition, we have developed proprietary IT systems, mobile applications, and cloud-based technology and acquired technologies that play an important role in our business. If any infringement claim is successful against us and if indemnification is not available or sufficient, we may be required to pay substantial damages or we may need to seek and obtain a license of the other party’s intellectual property rights. We may be unable to obtain such a license on commercially reasonable terms, if at all.

We are from time to time involved in other litigation in the ordinary course of business. We may not be successful in defending these or other claims. Regardless of the outcome, litigation could result in substantial expense and could divert the efforts of our management.

We have significant operations concentrated in North America, Asia, Europe and Australia and any disruption in the operations of our facilities could harm our business and operating results.

Our worldwide operations could be subject to natural disasters, adverse weather conditions and other business disruptions, which could seriously harm our revenue and financial condition and increase our costs and expenses. We have significant operations in our facilities located in North America, Asia, Europe and Australia. As a result, any prolonged disruption in the operations of our facilities, whether due to technical difficulties, power failures, break-ins, destruction or damage to the facilities as a result of a natural disaster, fire or any other reason, could harm our operating results. If there are related disruptions in local or international supply chains, we may experience supply shortages or delays in receiving products from our OEM suppliers or experience other delays in shipping to our customers. If we are unable to fulfill customer orders in a timely manner, this could harm our operating results. For example, in March 2011, Japan experienced a 9.0 magnitude earthquake followed by tsunami waves and aftershocks. These events affected the infrastructure in the country, caused power outages and temporarily disrupted the local and international, supply chains for some vendors. Our facilities in Japan suffered nominal inventory and facility damages. In addition, our Philippines operation is at greater risk due to adverse weather conditions, such as typhoons, mudslides and floods. We currently have a disaster recovery plan and business interruption insurance; however, they may not be sufficient to compensate for losses that could occur.

Global health and economic, political and social conditions may harm our ability to do business, increase our costs and negatively affect our stock price.

Worldwide economic conditions have experienced significant volatility due to the credit conditions impacted by the subprime mortgage crisis and other factors, including slower economic activity which may impact our results of operations. External factors, such as potential terrorist attacks, acts of war, geopolitical and social turmoil or epidemics and other similar outbreaks in many parts of the world, could prevent or hinder our ability to do business, increase our costs and negatively affect our stock price, which in turn, may require us to record an impairment in the carrying value of our goodwill. More generally, these geopolitical social and economic conditions could result in increased volatility in the United States and worldwide financial markets and economy. For example, increased instability may adversely impact the desire of employees and customers to travel, the reliability and cost of transportation and our ability to obtain adequate insurance at reasonable rates and may require us to incur increased costs for security measures for our domestic and international operations. We are predominantly uninsured for losses and interruptions caused by terrorism, acts of war and similar events. These uncertainties make it difficult for us and our customers to accurately plan future business activities. While general economic conditions have recently begun to improve, there is no assurance that this trend will continue or at what rate.

Part of our business is conducted outside of the United States, exposing us to additional risks that may not exist in the United States, which in turn could cause our business and operating results to suffer.

We have expanded our international operations and presence which subjects us to risks, including:

- political or economic instability;
- extensive governmental regulation;
- changes in import/export duties;
- trade restrictions;
- compliance with the Foreign Corrupt Practices Act, U.K. bribery laws and similar laws;

- difficulties and costs of staffing and managing operations in certain foreign countries;

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- work stoppages or other changes in labor conditions;
- difficulties in collecting accounts receivable on a timely basis or at all;
- taxes; and
- seasonal reductions in business activity in some parts of the world.

We may continue to expand internationally to respond to competitive pressure and customer and market requirements. Establishing operations in any other foreign country or region presents risks such as those described above as well as risks specific to the particular country or region. In addition, until a payment history is established over time with customers in a new geography or region, the likelihood of collecting accounts receivable generated by such operations could be less than our expectations. As a result, there is a greater risk that reserves set with respect to the collection of such accounts receivable may be inadequate. In addition, the revenue derived from our Mexico operation includes various long-term projects with government and other public agencies that involve extended payment terms and could expose us to additional collection risks. Furthermore, if our international expansion efforts in any foreign country are unsuccessful, we may decide to cease operations, which would likely cause us to incur additional expense and loss.

In addition, changes in policies or laws of the United States or foreign governments resulting in, among other things, higher taxation, currency conversion limitations, restrictions on fund transfers or the expropriation of private enterprises, could reduce the anticipated benefits of our international expansion. Any actions by countries in which we conduct business to reverse policies that encourage foreign trade or investment could adversely affect our business. If we fail to realize the anticipated growth of our future international operations, our business and operating results could suffer.

Risks Related to Our Relationship with MiTAC Holdings Corporation

The concentration of ownership of our common stock among our executive officers, directors and principal stockholders could allow them to influence all matters requiring stockholder approval and could delay or prevent a change in control of SYNNEX.

As of November 30, 2014, our executive officers, directors and principal stockholders owned approximately 27% of our outstanding common stock. In particular, MiTAC Holdings Corporation ("MiTAC Holdings") and its affiliates owned approximately 25% of our common stock. MiTAC Holdings is a publicly-traded company on the Taiwan Stock Exchange. As a result, these stockholders have the potential ability to influence or control matters requiring stockholder approval, including the election of directors and the approval of mergers and acquisitions, or exert influence of actions of the Board of Directors. This concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

There could be potential conflicts of interest between us and MiTAC Holdings and its affiliates, which could affect our business and operating results.

MiTAC Holdings' and its affiliates' continuing beneficial ownership of our common stock could create conflicts of interest with respect to a variety of matters, such as potential acquisitions, competition, issuance or disposition of securities, election of directors, payment of dividends and other business matters. For example, we currently purchase inventories from MiTAC Holdings. Similar risks could exist as a result of Matthew Miau's positions as our Chairman Emeritus, a member of our Board of Directors, the Chairman of MiTAC Holdings and as a director or officer of MiTAC Holdings' affiliates. For fiscal year 2014, Mr. Miau received the same compensation as our independent directors. For fiscal year 2015, Mr. Miau will receive the same compensation as our independent directors. Mr. Miau's compensation as one of our directors is based upon the approval of the Nominating and Corporate Governance Committee, which is solely composed of independent members of the Board of Directors. We also have adopted a policy requiring material transactions in which any of our directors has a potential conflict of interest to be approved by our Audit Committee, which is also composed of independent members of the Board of Directors.

Synnex Technology International Corp., or Synnex Technology International, a publicly-traded company based in Taiwan and affiliated with MiTAC Holdings, currently provides distribution and fulfillment services to various markets in Asia and Australia, and is also a potential competitor of ours. As of November 30, 2014, MiTAC

Incorporated, a privately-held company based in Taiwan and a separate entity from MiTAC Holdings, directly and indirectly owned approximately 13.6% of Synnex Technology International and approximately 8.0% of MiTAC Holdings. As of November 30, 2014, MiTAC Holdings directly and indirectly owned 0.2% of Synnex Technology International and Synnex Technology International directly and indirectly owned approximately 0.9% of MiTAC Holdings. In addition, MiTAC Holdings directly and indirectly owned approximately

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8.7% of MiTAC Incorporated and Synnex Technology International directly and indirectly owned approximately 18.4% of MiTAC Incorporated as of November 30, 2014. Synnex Technology International indirectly through its ownership of Peer Developments Limited owned approximately 10.9% of our outstanding common stock as of November 30, 2014. Neither MiTAC Holdings, nor Synnex Technology International is restricted from competing with us. In the future, we may increasingly compete with Synnex Technology International, particularly if our business in Asia expands or Synnex Technology International expands its business into geographies or customers we serve. Although Synnex Technology International is a separate entity from us, it is possible that there will be confusion as a result of the similarity of our names. Moreover, we cannot limit or control the use of the Synnex name by Synnex Technology International in certain geographies and our use of the Synnex name may be restricted as a result of registration of the name by Synnex Technology International or the prior use in jurisdictions where it currently operates.

Risks Related to Our Industry

Volatility in the IT and CE industries could have a material adverse effect on our business and operating results.

We have in the past, experienced decreases in demand and we anticipate that the industries we operate in will be subject to a high degree of cyclicality in the future. Softening demand for our products and services caused by an ongoing economic downturn and over-capacity may impact our revenue, as well the salability of inventory and collection of reseller and retail customer accounts receivable.

While in the past we may have benefited from consolidation in our industry resulting from delays or reductions in IT or CE spending in particular, and economic weakness in general, any such volatility in the IT and CE industries could have an adverse effect on our business and operating results.

We are subject to intense competition in the Technology Solutions and Concentrix businesses, both in the United States and internationally, and if we fail to compete successfully, we will be unable to gain or retain market share.

We operate in a highly competitive environment, both in the United States and internationally. This competition is based primarily on product and service availability, credit availability, price, speed of delivery, ability to tailor specific solutions to customer needs, quality and depth of product and service lines, pre-sales and post-sales technical support, flexibility and timely response to design changes, and technological capabilities, service and support. We compete with a variety of regional, national and international IT and CE product and service distributors, contract manufacturers and assemblers and providers of BPO CRM services. In some instances, we also compete with our own customers, our own OEM suppliers and MiTAC Holdings and its affiliates.

Our primary competitors are substantially larger and have greater financial, operating, manufacturing and marketing resources than us. Some of our competitors may have broader geographic breadth and range of services than us and may have more developed relationships with their existing customers. We may lose market share in the United States or in international markets, or may be forced in the future to reduce our prices in response to the actions of our competitors and thereby experience a reduction in our gross margins.

In addition, in our BPO CRM business, we also face competition from our customers. For example, some of our customers may have internal capabilities and resources to provide their own customer contact centers. Furthermore, pricing pressures and quality of services could impact our business adversely. Our ability to provide a high quality of service is dependent on our ability to retain and properly train our employees and to continue investing in our infrastructure, including IT and telecommunications systems.

We may initiate other business activities, including the broadening of our supply chain capabilities, and may face competition from companies with more experience in those new areas. In addition, as we enter new areas of business, we may also encounter increased competition from current competitors or from new competitors, including some that may once have been our OEM suppliers or reseller and retail customers. Increased competition and negative reaction from our OEM suppliers or reseller and retail customers resulting from our expansion into new business areas could harm our business and operating results.

Our business may be adversely affected by some OEM suppliers' strategies to increase their direct sales, which in turn could cause our business and operating results to suffer.

Consolidation of OEM suppliers has resulted in fewer sources for some of the products and services that we distribute. This consolidation has also resulted in larger OEM suppliers that have significant operating and financial resources.

Some OEM suppliers, including some of the leading OEM suppliers that we service, have been selling products and services directly to reseller and retail customers and end-users, thereby limiting our business opportunities. If large OEM suppliers increasingly

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sell directly to end-users or our resellers and retailers, rather than use us as the distributor of their products and services, our business and operating results will suffer.

OEMs could limit the number of supply chain service providers with which they do business, which in turn could negatively impact our business and operating results.

A determination by any of our primary OEMs to consolidate their business with other distributors or integration service providers could negatively affect our business and operating results. In particular, the termination of our contract by HP would have a significant negative effect on our revenue and operating results.

The IT and CE industries are subject to rapidly changing technologies and process developments, and we may not be able to adequately adjust our business to these changes, which in turn would harm our business and operating results.

Dynamic changes in the IT and CE industries, including the consolidation of OEM suppliers and reductions in the number of authorized distributors used by OEM suppliers, have resulted in new and increased responsibilities for management personnel and have placed, and continue to place, a significant strain upon our management, operating and financial systems and other resources. We may be unable to successfully respond to and manage our business in light of industry developments and trends. Also crucial to our success in managing our operations is our ability to achieve additional economies of scale. Our failure to achieve these additional economies of scale or to respond to changes in the IT and CE industries could adversely affect our business and operating results.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expense and affect our operations.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, SEC regulations and New York Stock Exchange, or NYSE, rules, are creating uncertainty for companies such as ours. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and corporate governance practices. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expense and a diversion of management time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

If we are unable to maintain effective internal control over financial reporting, our ability to report our financial results on a timely and accurate basis may be adversely affected, which in turn could cause the market price of our common stock to decline.

Section 404 of the Sarbanes-Oxley Act of 2002 requires our management to report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal control structure and procedures for financial reporting. We completed an evaluation of the effectiveness of our internal control over financial reporting for fiscal year 2014, and we have an ongoing program to perform the system and process evaluation and testing necessary to continue to comply with these requirements. In the past, however, our internal controls have not eliminated all error. We expect to continue to incur increased expense and to devote additional management resources to Section 404 compliance. In the event that one of our Chief Executive Officer, Chief Financial Officer or independent registered public accounting firm determines that our internal control over financial reporting is not effective as defined under Section 404, investor perceptions and our reputation may be adversely affected and the market price of our stock could decline.

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Changes to financial accounting standards may affect our results of operations and cause us to change our business practices.

We prepare our financial statements to conform to generally accepted accounting principles in the United States. These accounting principles are subject to interpretation by the Financial Accounting Standards Board, American Institute of Certified Public Accountants, the SEC and various bodies formed to interpret and create appropriate accounting policies. A change in those policies can have a significant effect on our reported results and may affect our reporting of transactions completed before a change is announced. Changes to those rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

For example, in May 2014, the Financial Accounting Standards Board issued a comprehensive new revenue recognition standard for contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The standard permits the use of either the retrospective or cumulative effect transition method. This guidance will be applicable to us at the beginning of its first quarter of fiscal year 2018.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive offices are located in Fremont, California, and are owned by us. We operate distribution, integration services, contact center and administrative facilities in different countries.

Our Technology Solutions segment occupies approximately 40 facilities covering approximately 4.0 million square feet and includes warehouse, logistics and administrative facilities. We own approximately 1.3 million square feet of property and lease the remainder.

Our Concentrix segment occupies approximately 90 facilities comprising of service and delivery centers and administrative facilities covering approximately 5.9 million square feet. We own approximately 230 thousand square feet and lease the remainder.

We have sublet unused portions of some of our facilities. We believe our facilities are well maintained and adequate for current operating needs.

Item 3. Legal Proceedings

We are from time to time involved in legal proceedings in the ordinary course of business. We do not believe that these proceedings will have a material adverse effect on our results of operations, financial position or cash flows of our business.

In addition, we have been involved in various bankruptcy preference actions where we were a supplier to the companies now in bankruptcy. These preference actions are filed by the bankruptcy trustee on behalf of the bankrupt estate and generally seek to have payments made by the debtor within 90 days prior to the bankruptcy returned to the bankruptcy estate for allocation among all of the bankruptcy estate’s creditors. We are not currently involved in any material preference proceedings.

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Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

The following table sets forth information regarding our executive officers as of November 30, 2014:

Name	Age	Position
Kevin Murai	51	President, Chief Executive Officer and a Director
Dennis Polk	48	Chief Operating Officer and a Director
Peter Larocque	53	President, North American Distribution
Marshall Witt	49	Chief Financial Officer
Christopher Caldwell	42	Executive Vice President; President, Concentrix Corporation
Simon Leung	49	Senior Vice President, General Counsel and Corporate Secretary

Kevin Murai is our President and Chief Executive Officer and a Director and joined us in March 2008. He served as Co-Chief Executive Officer until Robert Huang's retirement in December 2008. Prior to SYNNEX, Mr. Murai was employed for 19 years at Ingram Micro, Inc., where he served in several executive management positions, including President and Chief Operating Officer and also on the Ingram Micro, Inc. Board of Directors. He holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Waterloo in Ontario, Canada.

Dennis Polk is our Chief Operating Officer and has served in this capacity since July 2006. Mr. Polk is also a Director and has served in this capacity since February 2012. He previously served as Chief Financial Officer and Senior Vice President of Corporate Finance since joining us in February 2002. Mr. Polk received a Bachelor of Science degree in Accounting from Santa Clara University.

Peter Larocque is President, North America Distribution and has served in this capacity since November 2013, having previously served as President of U.S. Distribution since July 2006, Executive Vice President of Distribution since June 2001, and Senior Vice President of Sales and Marketing from September 1997 until June 2001. Mr. Larocque is responsible for SYNNEX' North American Technology Solutions business. He received a Bachelor of Science degree in Economics from the University of Western Ontario, Canada.

Marshall Witt is our Chief Financial Officer and has served in this capacity since April 2013. Prior to SYNNEX, Mr. Witt was Senior Vice President of Finance and Controller with FedEx Freight. During his fifteen-year tenure with FedEx Corporation, Mr. Witt held progressive financial and operational roles. Prior to FedEx, he held accounting and finance leadership positions including five years with KPMG LLP as an audit manager for banking and transportation clients. Mr. Witt holds a Bachelor of Business Administration in Finance from Pacific Lutheran University, a Masters in Accounting from Seattle University and is a Certified Public Accountant.

Christopher Caldwell is Executive Vice President and President of Concentrix Corporation and has served in this capacity since February 2014. He previously served as President of Concentrix Corporation from June 2012 to February 2014, Senior Vice President and General Manager of Concentrix Corporation from March 2007 until June 2012, and Senior Vice President, Global Business Development from March 2007 until June 2012. Mr. Caldwell joined SYNNEX in 2004 as Vice President, Emerging Business from the EMJ Data Systems Ltd. purchase in Canada. Mr. Caldwell serves as a Director of Microland Ltd. and has received numerous awards and recognition for his entrepreneurial approach to business.

Simon Leung is our Senior Vice President, General Counsel and Corporate Secretary and has served in this capacity since May 2001. Mr. Leung joined us in November 2000 as Corporate Counsel. Prior to SYNNEX, Mr. Leung was an attorney at the law firm of Paul, Hastings, Janofsky & Walker LLP. Mr. Leung received a Bachelor of Arts degree from the University of California, Davis in International Relations and his Juris Doctor degree from the University of Minnesota Law School.

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PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock, par value $0.001, is traded on the New York Stock Exchange, or NYSE, under the symbol “SNX.” The following table sets forth the range of high and low sales prices for our common stock for each of the periods listed, as reported by the NYSE.

	Price Range of Common Stock	
	Low	High
Fiscal Year 2014		
First Quarter	$51.65	$68.71
Second Quarter	$57.50	$79.44
Third Quarter	$62.01	$74.57
Fourth Quarter	$59.27	$72.77
Fiscal Year 2013		
First Quarter	$32.55	$38.48
Second Quarter	$32.04	$41.22
Third Quarter	$40.15	$52.53
Fourth Quarter	$46.87	$66.80

As of January 20, 2015, our common stock was held by 506 stockholders of record. Because many of the shares of our common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial owners represented by these stockholders of record.

Stock Price Performance Graph

The stock price performance graph below, which assumes a $100 investment on November 30, 2009, compares our cumulative total stockholder return, the NYSE Composite Index and the Standard Industrial Classification, or SIC, Code Index (SIC Code 5045—Wholesale Computer and Computer Peripheral Equipment and Software) for the period beginning November 30, 2009 through November 30, 2014. The closing price per share of our common stock was $71.44 on November 28, 2014. The comparisons in the table are required by the SEC and are not intended to forecast or be indicative of possible future performance of our common stock.

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	Fiscal Years Ended					
	11/30/2009	11/30/2010	11/30/2011	11/30/2012	11/30/2013	11/30/2014
SYNNEX Corporation	$ 100.00	$ 101.24	$ 103.67	$ 116.64	$ 233.70	$ 252.88
NYSE Market Index	$ 100.00	$ 107.63	$ 111.33	$ 126.42	$ 160.03	$ 176.52
Computers & Peripheral Equipment	$ 100.00	$ 108.17	$ 101.04	$ 98.36	$ 140.41	$ 152.55

Securities Authorized for Issuance under Equity Compensation Plans

Information regarding the Securities Authorized for Issuance under Equity Compensation Plans can be found under Item 12 of this Report.

Dividends

On September 29, 2014, we announced the initiation of a quarterly cash dividend to common stockholders with the initial payment of $0.125 per share on October 31, 2014 to stockholders of record as of October 17, 2014. On January 12, 2015, we announced a cash dividend of $0.125 per share to stockholders of record as of January 16, 2015, payable on January 30, 2015. Future dividends are subject to continued capital availability, compliance with the covenants and conditions in our senior secured credit agreement and declaration by our Board of Directors in the best interest of our stockholders.

Purchases of Equity Securities

In June 2011, our Board of Directors authorized a three-year $65 million share repurchase program. As of November 30, 2014, we had purchased 361,451 shares for a total cost of $11.3 million in the open market before the program expired in June 2014. Those shares are held in treasury for general corporate purposes.

In June 2014, our Board of Directors authorized a three-year $100 million share repurchase program pursuant to which we may repurchase its outstanding common stock from time to time in the open market or through privately negotiated transactions. We did not repurchase any of our common stock during fiscal year 2014.

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Item 6. Selected Financial Data

The following selected consolidated financial data are qualified by reference to, and should be read together with, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Item 7 of this Report and the Consolidated Financial Statements and related Notes included in Item 8 of this Report. The selected Consolidated Statements of Operations and cash flow data presented below for fiscal years 2014, 2013 and 2012 and the consolidated balance sheet data as of November 30, 2014 and 2013 have been derived from our audited Consolidated Financial Statements included elsewhere in this Report. The Consolidated Statements of Operations and other data for fiscal years 2011 and 2010 and the Consolidated Balance Sheet data as of November 30, 2012, 2011 and 2010 have been derived from our Consolidated Financial Statements that are not included in this Report. The Consolidated Statements of Operations data include the operating results from our acquisitions from the closing date of each acquisition. Historical operating results are not necessarily indicative of the results that may be expected for any future period. Please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 2 and Note 3 to our Consolidated Financial Statements included elsewhere in this Report for a discussion of factors, such as business combinations, that affect the comparability of the following selected consolidated financial data.

	Fiscal Years Ended November 30,				
	2014	2013	2012	2011	2010
Statements of Operations Data: (in thousands, except per share amounts)					
Revenue	$13,839,590	$10,845,164	$10,285,507	$10,409,840	$8,614,141
Cost of revenue	(12,740,586)	(10,190,194)	(9,628,770)	(9,779,342)	(8,122,525)
Gross profit	1,099,004	654,970	656,737	630,498	491,616
Selling, general and administrative expenses	(790,497)	(414,142)	(401,725)	(374,270)	(292,466)
Income from continuing operations before non-operating items, income taxes, noncontrolling interest	308,507	240,828	255,012	256,228	199,150
Interest expense and finance charges, net	(25,187)	(17,115)	(22,930)	(25,505)	(17,114)
Other income (expense), net	962	14,339	4,471	(1,005)	1,550
Income from continuing operations before income taxes and noncontrolling interest	284,282	238,052	236,553	229,718	183,586
Provision for income taxes	(104,132)	(85,730)	(84,050)	(79,165)	(66,910)
Income from continuing operations before noncontrolling interest, net of tax	180,150	152,322	152,503	150,553	116,676
Income from discontinued operations, net of tax	—	—	—	—	75
Gain on sale of discontinued operations, net of tax	—	—	—	—	11,351
Net income	180,150	152,322	152,503	150,553	128,102
Net income attributable to noncontrolling interest	(116)	(85)	(1,127)	(222)	(154)
Net income attributable to SYNNEX Corporation	$180,034	$152,237	$151,376	$150,331	$127,948
Amounts attributable to SYNNEX Corporation:					
Income from continuing operations, net of tax	180,034	152,237	151.376	150,331	116,538
Discontinued operations:					
Income from discontinued operations, net of tax	—	—	—	—	59

Gain on sale of discontinued operations, net of tax	—	—	—	—	11,351
Net income attributable to SYNNEX Corporation	$180,034	$152,237	$151,376	$150,331	$127,948
Earnings per share attributable to SYNNEX Corporation:					
Basic:					
Income from continuing operations	$4.61	$4.06	$4.08	$4.13	$3.30
Discontinued operations	—	—	—	—	0.32
Net income per common share - basic	$4.61	$4.06	$4.08	$4.13	$3.62
Diluted:					
Income from continuing operations	$4.57	$3.02	$3.96	$4.04	$3.21
Discontinued operations	—	—	—	—	0.32
Net income per common share - diluted	$4.57	$3.02	$3.96	$4.04	$3.53
Cash dividends declared and paid per share	$0.13	$—	$—	$—	$—

The calculation of earnings per share for prior periods presented above has been revised using the two-class method as described in Note 13 to the consolidated financial statements, which is incorporated by reference herein.

For the fiscal year ended November 30, 2013, the numerator for the computation of "Net income per common share-diluted" was adjusted for dilutive changes in the estimated value of the conversion premium of our convertible debt from April 2013 through the final settlement dates. The adjustment to the numerator had the effect of reducing our "Net income per

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common share-diluted" by $0.97 for the fiscal year ended November 30, 2013. The calculation of earnings per common share attributable to SYNNEX Corporation is presented in Note 13 to the Consolidated Financial Statements.

	As of November 30,				
	2014	2013	2012	2011	2010
Balance Sheet Data: (in thousands)					
Cash and cash equivalents	$180,143	$151,622	$163,699	$67,571	$88,038
Working capital	1,178,260	1,142,355	1,085,754	1,066,162	895,185
Total assets	4,713,042	3,325,889	2,963,262	2,833,295	2,499,861
Current borrowings under term loans, lines of credit and convertible debt	716,257	252,523	194,134	159,200	245,973
Long-term borrowings	264,246	65,405	81,152	223,822	140,333
Total equity	$1,653,985	$1,411,641	$1,319,355	$1,168,458	$992,827

	Fiscal Years Ended November 30,				
	2014	2013	2012	2011	2010
Other Data: (in thousands)					
Depreciation and amortization from continuing operations	$91,699	$24,462	$24,630	$24,673	$16,285

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Selected Consolidated Financial Data and the Consolidated Financial Statements and related Notes included elsewhere in this Report.

When used in this Annual Report on Form 10-K or the Report, the words "believes," "plans," "estimates," "anticipates," "expects," "intends," "allows," "can," "may," "designed," "will," and similar expressions are intended to identify forward-look statements. These are statements that relate to future periods and include statements about market trends, our business model and our services, our market strategy, including expansion of our product lines, our infrastructure, anticipated benefits, costs and timing of our acquisitions, including our acquisition of the customer relationship management business of International Business Machines Corporation, or IBM, information technology demand, our employee hiring, impact of MiTAC Holdings Corporation, or MiTAC Holdings, ownership interest in us, our revenue and operating results, our gross margins, our inventory, competition with Synnex Technology International Corp., our future needs for additional financing, concentration of customers, our international operations, including our operations in Japan and Canada, expansion of our operations, including our Concentrix business, our strategic acquisitions of businesses and assets, effects of future expansion of our operations, adequacy of our cash resources to meet our capital needs, cash held by our foreign subsidiaries, adequacy of our disclosure controls and procedures, pricing pressures, competition, impact of economic and industry trends, impact of our accounting policies, our tax rates, our anti-dilution share repurchase program, and statements regarding our securitization programs and revolving credit lines. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, those risks discussed herein, as well as the seasonality of the buying patterns of our customers, concentration of sales to large customers, dependence upon and trends in capital spending budgets in the information technology, or IT, and consumer electronics, or CE, industries, fluctuations in general economic conditions, our ability to successfully integrate the acquired IBM customer relationship management business and risks set forth under Part I, Item 1A, "Risk Factors." These forward-looking statements speak only as of the date hereof. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Overview

We are a Fortune 500 corporation and a leading business process services company, offering a comprehensive range of services to resellers, retailers, original equipment manufacturers, or OEMs, financial and insurance institutions and several other industry verticals worldwide. Our primary business process services are wholesale IT distribution and outsourcing services focused on customer relationship management, or BPO CRM. We operate in two segments: distribution services, hereinafter referred to as Technology Solutions, and global business services, hereinafter referred to as Concentrix. Our Technology Solutions segment distributes peripherals, IT systems, system components, software, networking equipment, CE, and complementary products. Within our Technology Solutions segment, we also provide systems design and integration solutions. Our Concentrix segment offers a portfolio of end-to-end outsourced services around customer relationship management, or CRM, process optimization and back-office automation to clients in ten identified industry verticals.

In fiscal year 2014, under the terms of a Master Asset Purchase Agreement, we completed the acquisition of the assets of the CRM business of IBM for a preliminary aggregate purchase price of $418.3 million subject to certain post-closing adjustments. As of November 30, 2014, the Company was obligated to pay an amount of $40.0 million in cash and had a receivable of $85.1 million from IBM related to working capital adjustments and other post-closing adjustments recognized in accordance with the agreement. The acquisition has been integrated into our Concentrix segment. The acquisition added over 35,000 employees providing BPO CRM services to approximately 170 customers in 24 countries.

We combine our core strengths in distribution with our BPO CRM services to help our customers achieve greater efficiencies in time to market, cost minimization, real-time linkages in the supply chain and after-market product support. We distribute more than 30,000 technology products (as measured by active SKUs) from more than 300 IT, CE and OEM suppliers to more than 20,000 resellers, system integrators, and retailers throughout the United States, Canada, Japan, Mexico and China. As of November 30, 2014, we had over 64,000 full-time and temporary employees worldwide. From a geographic perspective, approximately 72%, 74% and 74% of our total revenue was from the United States for the fiscal years 2014, 2013 and 2012, respectively. The revenue attributable to countries is based on geographical locations from which the products are distributed and from where customer service contracts are managed.

In our Technology Solutions segment, we purchase peripherals, IT systems, system components, software, networking equipment, including CE and complementary products from our primary suppliers such as HP, Lenovo, Asus Tek Computer Inc. and Microsoft Corporation, and sell them to our reseller and retail customers. We perform a similar function for our

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distribution of licensed software products. Our reseller customers include value-added resellers, or VARs, corporate resellers, government resellers, system integrators, direct marketers, and national and regional retailers. In Technology Solutions, we also provide comprehensive IT solutions in key vertical markets such as government and healthcare and we provide specialized service offerings that increase efficiencies in the areas of print management, renewals, networking, logistics services and supply chain management. Additionally, within our Technology Solutions segment, we provide our customers with systems design and integration solutions for data center servers and storage solutions built specific to our customers' data center environments.

In our Concentrix segment, our portfolio of services includes end-to-end process outsourcing to customers in various industry vertical markets delivered through omni-channels that include both voice and non-voice mediums.

Revenue and Cost of Revenue

We derive our revenue primarily through the distribution of peripherals, IT systems, system components, software, networking equipment and CE products. We also provide systems design and integration solutions and BPO CRM services. For products, we recognize revenue generally as products are shipped, if a purchase order exists, the sales price is fixed or determinable, collection of the resulting accounts receivable is reasonably assured, risk of loss and title have transferred and product returns are reasonably estimable. Shipping terms are typically F.O.B. shipping point. Where product acceptance provisions exist, revenue is recognized upon the customer acceptance provisions and other revenue recognition criteria being met. Provisions for sales returns and allowances are estimated based on historical data and are recorded concurrently with the recognition of revenue. We review and adjust these provisions periodically. Revenue is reduced for early payment discounts and volume incentive rebates offered to customers. We provide our BPO CRM services in our Concentrix segment to customers under contracts that typically consist of a master services agreement or statement of work, which contains the terms and conditions of each program and service we offer. Our agreements can range from less than one year to over five years and are subject to early termination by our customers or us for any reason, typically with 30 to 90 days notice. Revenue on fixed price contracts is recognized on a straight-line basis over the term of the contract as services are provided. Revenue on unit-price transactions is recognized using an objective measure of output including staffing hours or the number of transactions processed by service agents.

We recognize revenue on a net basis on certain contracts, including service contracts, post-contract software support services and extended warranty contracts, where we are not the primary obligor, by recognizing the margin earned in revenue without any associated cost of revenue.

In fiscal years 2014, 2013 and 2012, no customer accounted for 10% or more of our total revenue. Approximately 25%, 31%, and 36% of our total revenue in fiscal years 2014, 2013, and 2012, respectively, were derived from the sale of HP products and services.

The market for IT products and services is generally characterized by declining unit prices and short product life cycles. Our overall business is also highly competitive on the basis of price. We set our sales price based on the market supply and demand characteristics for each particular product or bundle of products we distribute and services we provide. From time to time, we also participate in the incentive and rebate programs of our OEM suppliers. These programs are important determinants of the final sales price we charge to our reseller customers. To mitigate the risk of declining prices and obsolescence of our distribution inventory, our OEM suppliers generally offer us limited price protection and return rights for products that are marked down or discontinued by them. We carefully manage our inventory to maximize the benefit to us of these supplier provided protections.

A significant portion of our cost of revenue is the purchase price we pay our OEM suppliers for the products we sell, net of any incentives, rebates and purchase discounts received from our OEM suppliers. Cost of product distribution revenue also consists of provisions for inventory losses and write-downs, freight expenses associated with the receipt in and shipment out of our inventory, and royalties due to OEM vendors. In addition, cost of revenue includes the cost of materials, labor and overhead for our systems design and integration solutions and BPO CRM services.

Margins

The Technology Solutions industries in which we operate are characterized by low gross profit as a percentage of revenue, or gross margin, and low income from operations as a percentage of revenue, or operating margin. Our gross margin has fluctuated annually due to changes in the mix of products and services we offer, customers we sell to, incentives and rebates received from our OEM suppliers, competition, seasonality and replacement of less profitable business with investments in higher margin, more profitable lines, lower costs associated with increased efficiencies and inventory obsolescence. Increased competition arising from industry consolidation and low demand for IT products may hinder our ability to maintain or improve our gross margin. Generally, when our revenue becomes more concentrated on limited products or customers, our gross margin tends to decrease due to increased pricing pressure from OEM suppliers or reseller customers.

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Concentrix margins, which are generally higher than those in our Technology Solution segment, can be impacted by additional lead time for programs to be fully scalable and transition and initial set-up costs. Our operating margin has also fluctuated annually, based primarily on our ability to achieve economies of scale, the management of our operating expenses, changes in the relative mix of our Technology Solutions and Concentrix revenue, and the timing of our acquisitions and investments.

Economic and Industry Trends

Our Technology Solutions revenue is highly dependent on the end-market demand for IT and CE products. This end-market demand is influenced by many factors including the introduction of new IT and CE products and software by OEMs, replacement cycles for existing IT and CE products and overall economic growth and general business activity. A difficult and challenging economic environment may also lead to consolidation or decline in the IT and CE distribution industry and increased price-based competition.

The BPO CRM industry is also extremely competitive. The customers’ performance measures are based on competitive pricing terms and quality of services. Accordingly, we could be subject to pricing pressure and may experience a decline in our average selling prices for our services. While we are susceptible to economic trends in the global economy, our Technology Solutions business is largely concentrated in the United States, Canada and Japan and our Concentrix business is largely concentrated in the United States, United Kingdom, India and Japan, so we will be most directly impacted by economic strength or weakness in these geographies. During the fiscal years 2014, 2013 and 2012, the economic environment was stable and grew modestly.

Deferred Compensation Plan

We have a deferred compensation plan for a limited number of our directors and employees. We maintain a liability on our balance sheet for salary and bonus amounts deferred by participants and we accrue interest expense on uninvested amounts. Interest expense on the deferred amounts is classified in selling, general and administrative expenses on our Consolidated Statements of Operations. The participant may designate one or more investments as the measure of investment return on the participant’s account. The equity securities are either classified as trading securities or cost-method securities. Generally, the gains (losses) on the deferred compensation securities are recorded in other income (expense), net and an equal amount is charged (or credited if losses) to selling, general and administrative expenses relating to compensation amounts which are payable to the plan participants. For the deferred compensation investments, we recorded a gain of $0.4 million, $1.9 million and $2.6 million, in fiscal years 2014, 2013 and 2012, respectively.

Critical Accounting Policies and Estimates

The discussions and analysis of our consolidated financial condition and results of operations are based on our Consolidated Financial Statements, which have been prepared in conformity with generally accepted accounting principles in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the financial statement date, and reported amounts of revenue and expenses during the reporting period. On an ongoing basis, we review and evaluate our estimates and assumptions, including those that relate to accounts receivable, vendor programs, inventories, goodwill and intangible assets, and income taxes. Our estimates are based on our historical experience and a variety of other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making our judgment about the carrying values of assets and liabilities that are not readily available from other sources. Actual results could differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies are affected by our judgment, estimates and/or assumptions used in the preparation of our Consolidated Financial Statements.

Revenue Recognition. For the Technology Solutions segment, we generally recognize revenue on the sale of hardware and software products when they are shipped and on services when they are performed, if a purchase order exists, the sales price is fixed or determinable, collection of resulting accounts receivable is reasonably assured, risk of loss and title have transferred and product returns are reasonably estimable. Where product acceptance provisions exist, assuming all other revenue recognition criterion are met, revenue is recognized upon the earlier of shipment for products that have been demonstrated to meet product specifications, customer acceptance or the lapse of acceptance provisions. Provisions for sales returns and allowances are estimated based on historical data and are recorded concurrently with the recognition of revenue. These provisions are reviewed and adjusted periodically by us. Revenue is presented net of taxes collected from customers and remitted to government authorities. Revenue is reduced for early payment discounts and volume incentive rebates offered to customers. We recognize revenue on a net basis on certain contracts, including service contracts, post-contract software support services and extended warranty contracts, where we are not the primary obligor, by recognizing the margins earned in revenue without any associated cost of revenue.

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For the Concentrix segment, we recognize revenue from services contracts when evidence of an arrangement exists, services are delivered, fees are fixed or determinable and collectability is reasonably assured. Service contracts may be based on a fixed price or on a fixed unit-price per transaction or other objective measure of output. Revenue on fixed price contracts is recognized on a straight-line basis over the term of the contract as services are provided. Revenue on unit-price transactions is recognized using an objective measure of output including staffing hours or the number of transactions processed by service agents. Customer contract terms typically can range from less than one year to more than five years. Revenue is reported net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions.

Cost of Revenue. For the Technology Solutions segment, a significant portion of our cost of revenue consists of the purchase price paid to our OEM suppliers for the products we sell, net of any incentives, rebates and purchase discounts received from our OEM suppliers. Cost of product distribution revenue also consists of provisions for inventory losses and write-downs, shipping and handling, expenses associated with the purchase of our inventory, and royalties due to OEM vendors. In addition, cost of revenue includes the cost of materials, labor, overhead and warranty for our systems design and integration solutions activities.

For the Concentrix segment, recurring direct operating costs for services are recognized as incurred. A significant portion of cost of revenue consists of personnel costs. Where a contract requires an up-front investment, which typically includes transition and set-up costs related to systems and processes, these amounts are deferred and costs are amortized on a straight-line basis over the expected period of benefit, not to exceed the fixed term of the contract. We perform periodic reviews to assess the recoverability of deferred contract transition and setup costs. This review is done by comparing the estimated minimum remaining undiscounted cash flows of a contract to the unamortized contract costs. If such minimum undiscounted cash flows are not sufficient to recover the unamortized costs, an impairment loss is recognized. If a cash flow deficiency remains after reducing the carrying amount of the deferred costs, we evaluate any remaining long-lived assets related to that contract for impairment.

Allowance for Doubtful Accounts. We provide allowances for doubtful accounts on our accounts receivable for estimated losses resulting from the inability of our customers to make payments for outstanding balances. In estimating the required allowance, we take into consideration the overall quality and aging of the accounts receivable, credit evaluations of customers' financial condition and existence of credit insurance. We also evaluate the collectability of accounts receivable based on specific customer circumstances, current economic trends, historical experience with collections and value and adequacy of collateral received from customers.

OEM Supplier Programs. We receive funds from OEM suppliers for volume promotion programs, price protection and product rebates and record them as adjustments to cost of revenue and the carrying value of inventories, as appropriate. Where there is a binding agreement, we track vendor promotional programs for volume discounts on a program-by-program basis and record them as a reduction of cost of revenue based on a systematic and rational allocation. We monitor the balances of vendor receivables on a quarterly basis and adjust the balances due for differences between expected and actual sales volume. Vendor receivables are generally collected through reductions authorized by the vendor, to accounts payable. Funds received for specific marketing and infrastructure reimbursements, net of direct costs, are recorded as adjustments to "Selling, general and administrative expenses," and any excess reimbursement amount is recorded as an adjustment to cost of revenue.

Inventories. Our inventory levels are based on our projections of future demand and market conditions. Any sudden decline in demand and/or rapid product improvements and technological changes can cause us to have excess and/or obsolete inventories. On an ongoing basis, we review for estimated obsolete or unmarketable inventories and write-down our inventories to their estimated market value based upon our forecasts of future demand and market conditions. These write-downs are reflected in our cost of revenue. If actual market conditions are less favorable than our forecasts, additional inventory reserves may be required. Our estimates are influenced by the following considerations: sudden decline in demand due to economic downturns, rapid product improvements and technological changes, our ability to return to OEM suppliers a certain percentage of our purchases, and protection from loss in value of inventory under our OEM supplier agreements.

Goodwill and Intangible Assets. Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in an acquisition. We assess potential impairment of our goodwill and intangible assets when there is evidence that recent events or changes in circumstances have made recovery of an asset's carrying value unlikely. We also assess potential impairment of our goodwill on an annual basis during our fourth quarter, regardless if there is evidence or suspicion of impairment. The amount of an impairment loss would be recognized as the excess of the asset's carrying value over its fair value.

Goodwill is tested for impairment annually in the fourth quarter. For the purpose of the goodwill analysis, we have two reporting units, the Technology Solutions reporting unit and the Concentrix reporting unit. Goodwill is tested for impairment at

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the reporting unit level by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. The factors that were considered in the qualitative analysis included macroeconomic conditions, industry and market considerations, cost factors such as increases in product cost, labor, or other costs that would have a negative effect on earnings and cash flows, and other relevant entity-specific events and information.

If the reporting unit does not pass the qualitative assessment, then the reporting unit's carrying value is compared to its fair value. The fair values of the reporting units are estimated using market and discounted cash flow approaches. The assumptions used in the market approach are based on the value of a business through an analysis of multiples of guideline companies and recent sales or offerings of a comparable entity. The assumptions used in the discounted cash flow approach are based on historical and forecasted revenue, operating costs, future economic conditions, and other relevant factors. Goodwill is considered impaired if the carrying value of the reporting unit exceeds its fair value. The annual goodwill impairment analysis did not result in an impairment charge for fiscal years 2014, 2013 and 2012.

Long-lived assets. We review the recoverability of our long-lived assets, such as intangible assets, property and equipment and certain other assets, when events or changes in circumstances occur that indicate the carrying value of the asset group may not be recoverable. The assessment of possible impairment is based on our ability to recover the carrying value of the asset or asset group from the expected future pre-tax cash flows, undiscounted and without interest charges, of the related operations. If these cash flows are less than the carrying value of such assets, an impairment loss is recognized for the difference between estimated fair value and carrying value.

Determining the fair value of a reporting unit, intangible asset or a long-lived asset is judgmental and involves the use of significant estimates and assumptions. We base our fair value estimates on assumptions that we believe are reasonable, but are uncertain and subject to changes in market conditions.

Income Taxes. We estimate our income taxes in each of the tax jurisdictions in which we operate. Our current tax expense is estimated after adjusting for differences resulting from the different treatment of certain items and foreign tax credits. These differences may result in deferred tax assets and liabilities, which are included in our Consolidated Balance Sheets. We assess the likelihood that our deferred tax assets, which include net operating loss carry forwards and temporary differences that are expected to be deductible in future years, will be recoverable from future taxable income or other tax planning strategies. If recovery is not likely, we provide a valuation allowance based on our estimates of future taxable income in the various tax jurisdictions, and the amount of deferred taxes in excess of amounts that are ultimately considered more likely than not realizable. The provision for current and deferred taxes involves evaluations and judgments of uncertainties in the interpretation of complex tax regulations by various tax authorities. Actual results could differ from our estimates.

We recognize tax benefits from uncertain tax positions only if that tax position is more likely than not to be sustained on examination by the taxing authorities, based on the technical merits of the position. We measure the tax benefits recognized in the financial statements from such positions based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. We recognize interest and penalties related to unrecognized tax benefits in the provisions for income taxes.

Recent Acquisitions

We continually seek to augment our product and service offerings through both internal expansion and strategic acquisitions of businesses and assets that complement and expand our global operational capabilities. We also divest businesses that we deem no longer strategic to our ongoing operations. Our historical acquisitions have extended the geographic reach of our operations, particularly in targeted markets, and have diversified and expanded the services we provide to our OEM suppliers and customers. Our prior acquisitions have brought us new reseller and retail customers, OEM suppliers, product lines and service offerings and technological capabilities. We account for acquisitions using the purchase method of accounting and include acquired entities within our Consolidated Financial Statements from the closing date of the acquisition.

Acquisitions during fiscal year 2014

IBM CRM business acquisition

On September 30, 2014, under the terms of a Master Asset Purchase Agreement, we completed the final closing of our acquisition of the assets of the CRM business of IBM. The preliminary purchase price was $418.3 million, subject to post-closing adjustments. A portion of the purchase price was settled through the issuance of 1,266,357 shares of our common stock at a fair value of $71.1 million based on the closing price of our common stock on the date of issuance, with the remaining amount of the purchase price being payable in cash. As of November 30, 2014, we were obligated to pay an amount of $40.0 million in cash and had a receivable of $85.1 million due from IBM related to working capital adjustments and other post-closing adjustments recognized in accordance with the agreement.

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The estimated purchase price allocation consisted of $15.4 million of net tangible assets, $269.0 million of intangible assets and $133.9 million of goodwill. The purchase price allocation is preliminary, subject to remaining post-closing adjustments.

The acquisition has been integrated into the Concentrix segment. It expands our service portfolio, delivery capabilities and geographic reach, and brings deep process expertise and managerial talent.

Acquisitions during fiscal year 2013

In April 2013, we acquired substantially all of the assets of Supercom Canada Limited, or Supercom Canada, a distributor of IT and consumer electronics products and services in Canada. The purchase price was approximately CAD37.6 million, or US$36.7 million, in cash, including approximately CAD4.5 million, or US$4.3 million, in deferred payments, subject to certain post-closing conditions, payable within 18 months. As of November 30, 2014, we have paid the entire deferred payment amount. Subsequent to the acquisition, we repaid debt and working capital lines in the amount of US$53.7 million. Based on the purchase price allocation, we recorded net tangible assets of US$26.9 million, goodwill of US$5.4 million and intangible assets of US$4.4 million in relation to this acquisition. The acquisition is integrated into the Technology Solutions segment and has expanded our existing product and service offerings in Canada.

Acquisitions and divestitures during fiscal year 2012

In fiscal year 2012, we purchased shares of our subsidiary SYNNEX Infotec Corporation, or SYNNEX Infotec, which were held by the noncontrolling interest SB Pacific Corporation Limited, or SB Pacific, for $17.5 million, of which $11.4 million was paid during the fiscal year 2013. The transaction increased our ownership interest in SYNNEX Infotec from 70.0% to 99.8%. In fiscal year 2012, we also sold our 33.3% noncontrolling interest in SB Pacific, our equity-method investee at that time, back to SB Pacific. During the fiscal year 2013, we received the final payment of $4.2 million of the sale price.

In fiscal year 2012, we acquired a business in the Concentrix segment for a purchase price of $6.2 million with $1.2 million payable upon the completion of certain post-closing procedures and $1.3 million contingent consideration payable upon the achievement of certain target earnings, of which $0.4 million was paid as of November 31, 2014. We recorded goodwill of $6.2 million in relation to this acquisition.

Results of Operations

The following table sets forth, for the indicated periods, data as percentages of revenue:

Statements of Operations Data:	Fiscal Years Ended November 30,					
	2014		2013		2012	
Revenue	100.00	%	100.00	%	100.00	%
Cost of revenue	(92.06	)	(93.96	)	(93.61)	
Gross profit	7.94		6.04		6.39	
Selling, general and administrative expenses	(5.71	)	(3.82	)	(3.91)	
Income from operations before non-operating items, income taxes and noncontrolling interest	2.23		2.22		2.48	
Interest expense and finance charges, net	(0.19	)	(0.16	)	(0.22)	
Other income, net	0.01		0.13		0.04	
Income from operations before income taxes and noncontrolling interest	2.05		2.19		2.30	
Provision for income taxes	(0.75	)	(0.79	)	(0.82)	
Net income	1.30		1.40		1.48	
Net income attributable to noncontrolling interest	(0.00)		(0.00)		(0.01)	
Net income attributable to SYNNEX Corporation	1.30	%	1.40	%	1.47	%

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Segment Information

In the first quarter of fiscal year 2014, we realigned our business segments. Certain operations that were previously reported under the Concentrix segment and that primarily provided inter-segment support and IT services have now been aligned with and report into the Technology Solutions segment. The financial information presented herein reflects the impact of this segment structure change for all periods presented.

Fiscal Years Ended November 30, 2014, 2013 and 2012

Revenue

	Fiscal Years Ended November 30,			Percent Change	
	2014	2013	2012	2014 to 2013	2013 to 2012
		(in thousands)			
Revenue	$13,839,590	$10,845,164	$10,285,507	27.6 %	5.4 %
Technology Solutions revenue	12,755,514	10,666,215	10,135,795	19.6 %	5.2 %
Concentrix revenue	1,096,214	189,463	159,522	478.6 %	18.8 %
Inter-segment elimination	(12,138)	(10,514)	(9,810)	15.4 %	7.2 %

In our Technology Solutions segment, we distribute in excess of 30,000 technology products (as measured by active SKUs) from more than 300 IT, CE and OEM suppliers to more than 20,000 resellers. The prices of our products are highly dependent on the volumes purchased within a product category. The products we sell from one period to the next are often not comparable because of rapid changes in product models and features. The revenue generated in our Concentrix segment relates to global business services process optimization, customer engagement strategy and back office automation. Inter-segment elimination represents services and transactions generated between our reportable segments that are eliminated on consolidation.

Revenue in our Technology Solutions segment in fiscal year 2014 increased from fiscal year 2013 due to strong commercial and consumer electronics retail sales growth in the United States and strong demand for our systems design and integration solutions. Japan experienced strong consumer revenue growth in the first half of 2014 due to the consumption tax increase in April 2014. In comparison to fiscal year 2013, revenue in fiscal year 2014 was negatively impacted by 2.2% for the translation impact of foreign exchange rates, primarily from the weakening of the Japanese Yen and the Canadian Dollar. On a constant currency basis, revenue increased by 21.8% in fiscal year 2014, compared to fiscal year 2013.

By product category, our sales of system components and integration, IT systems, peripherals, software and networking equipment in fiscal year 2014 were higher by 46%, 20%, 13%, 11% and 10%, respectively, in comparison to fiscal year 2013. The increase in the sale of system components and integration was due to the expansion of our system design and integration solutions business. The increase in the sale of IT systems was primarily due to higher sales of laptops, tablets and desktops. The increase in the sale of peripherals was primarily due to higher sales of audio products and system accessories. The increase in the sale of software was primarily due to higher sales from IT system software and gaming products.

Revenue in our Technology Solutions segment increased in fiscal year 2013 from fiscal year 2012 due to strong demand for our systems design and integration solutions, strong consumer and commercial sales growth in the U.S. and strong consumer sales in Japan. In comparison to fiscal year 2012, revenue in fiscal year 2013 was negatively impacted by 2.6% for the translation impact of foreign exchange rates, primarily from the weakening of the Japanese Yen.

By product category, our sales of peripherals, networking, system components and integration and IT systems in fiscal year 2013 were higher by 15%, 9%, 2% and 2%, respectively, in comparison to fiscal year 2012. The increase in the sale of peripheral and networking categories was due to higher sales of audio products and networking hardware devices, including the expansion of our line card. Revenue growth was partially offset by 15% lower software sales which was due to the strategic decision to consolidate less profitable products and lower gaming software sales. All product categories were negatively impacted by the translation impact of foreign exchange rates, primarily due to the weakening Japanese Yen.

The increase in revenue in our Concentrix segment in fiscal year 2014, compared to fiscal year 2013 is primarily due to the acquisition of the IBM CRM business. The acquisition added approximately $900.0 million in revenue to our consolidated results in fiscal year 2014. Our revenue in our Concentrix segment in fiscal year 2013 increased 13.3% from fiscal year 2012, benefiting from new customer contracts and expanded business volumes from certain continuing customers.

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Gross Profit

	Fiscal Years Ended November 30,			Percent Change	
	2014	2013	2012	2014 to 2013	2013 to 2012
		(in thousands)			
Gross profit	$1,099,004	$654,970	$656,737	67.8 %	(0.3)%
Gross margin	7.94%	6.04%	6.39%		

Our gross margin is affected by a variety of factors, including our sources of revenue by segments, competition, average selling prices, mix of products and services we sell, our customers, product costs along with rebate and discount programs from our suppliers, reserves or settlement adjustments, freight costs, charges for inventory losses, acquisitions and divestitures of business units and fluctuations in revenue. Concentrix margins, which are generally higher than those in our Technology Solution segment, can be impacted by additional lead time for programs to be fully scalable and transition and initial set-up costs.

The increase in our gross margins in fiscal year 2014, compared to fiscal year 2013, was primarily due to the change in our business mix as a result of our acquisition of the IBM CRM business starting on January 31, 2014.

Our gross margin in fiscal year 2013 was 35 basis points lower than fiscal year 2012. The decrease in the gross margin percentage in fiscal year 2013 from the prior year was due to changes in our product and business mix, partly offset by the reduction in certain reserve requirements related to vendor programs. Fiscal year 2012 also benefitted by approximately 15 basis points from the shortage of hard disk drives, primarily in the first quarter.

Selling, General and Administrative Expenses

	Fiscal Years Ended November 30,			Percent Change	
	2014	2013	2012	2014 to 2013	2013 to 2012
	(in thousands)				
Selling, general and administrative expenses	$790,497	$414,142	$401,725	90.9 %	3.1 %
Percentage of revenue	5.71 %	3.82 %	3.91 %		

Our selling, general and administrative expenses primarily consist of personnel costs such as salaries, commissions, bonuses, share-based compensation and temporary personnel costs. Selling, general and administrative expenses also include costs incurred in relation to the acquisition and integration of businesses, cost of facilities, utility expenses, professional fees, depreciation on our capital equipment, bad debt expense, amortization of our intangible assets, and marketing expenses, offset in part by reimbursements from our OEM suppliers.

The increase in our selling, general and administrative expenses in fiscal year 2014 compared to fiscal year 2013 both in terms of absolute dollars and a percentage of revenue was primarily the result of our acquisition of the IBM CRM business in the Concentrix segment, commencing on January 31, 2014 and completed on September 30, 2014. We incurred approximately $43.0 million in acquisition-related and integration expenses in our Concentrix segment related to the IBM CRM business acquisition in fiscal year 2014, compared to $7.5 million during fiscal year 2013. The amortization of our intangible assets was approximately $54.5 million in fiscal year 2014, compared to $8.0 million in fiscal year 2013, primarily as a result of the acquisition of IBM's CRM business. In addition, we incurred higher personnel cost and operating overhead due to higher headcount to support our growth in our Technology Solutions segment. These higher expenses were offset in part by a decrease of $8.5 million as a result of fluctuations in foreign exchange rates, primarily due to the weakening of the Canadian Dollar and the Japanese Yen.

The increase in our selling, general and administrative expenses in the fiscal year 2013 compared to fiscal year 2012, was primarily due to $18.2 million in higher personnel costs and general overhead expenses as the result of our April 2013 acquisition of Supercom Canada in our distribution segment and to support the growth in our Concentrix segment. In addition, we incurred $7.5 million acquisition and integration expenses in fiscal year 2013. These acquisition expenses were primarily related to our acquisition of the IBM CRM business, which was completed in fiscal year 2014. These higher expenses were offset in part by a $12.2 million decrease as a result of fluctuations in foreign exchange rates, primarily due to the weakening of the Japanese Yen.

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Income from Operations before Non-Operating Items, Income Taxes and Noncontrolling Interest

	Fiscal Years Ended November 30,			Percent Change	
	2014	2013	2012	2014 to 2013	2013 to 2012
		(in thousands)			
Income from operations before non-operating items, income taxes and noncontrolling interest	$308,507	$240,828	$255,012	28.1 %	(5.6)%
Percentage of total revenue (operating margin)	2.23 %	2.22 %	2.48 %		
Technology Solutions income from operations before non-operating items, income taxes and noncontrolling interest	305,499	237,290	248,924	28.7 %	-4.7 %
Percentage of Technology Solutions revenue (Technology Solutions operating margin)	2.40 %	2.22 %	2.46 %		
Concentrix income from operations before non-operating items, income taxes and noncontrolling interest	2,455	3,249	6,376	(24.4)%	(49.0)%
Percentage of Concentrix Revenue (Concentrix operating margin)	0.22 %	1.71 %	4.00 %		
Inter-segment elimination	553	289	(288)	91.3 %	(200.3)%

Our income before non-operating items, income taxes and noncontrolling interest as a percentage of revenue in fiscal year 2014 was consistent with fiscal year 2013 primarily due to growth of our U.S. Technology Solutions business, offset by higher selling, general and administrative expenses in our Concentrix segment. The operating margin of our Technology Solutions segment increased in fiscal year 2014 compared to fiscal year 2013 due to the growth in our U.S. Technology Solutions business. The operating margin of our Concentrix segment in fiscal year 2014 was adversely affected by $43.0 million in acquisition-related and integration expenses incurred in relation to our acquisition of the IBM CRM business, compared to $8.4 million in fiscal year 2013. In addition, the amortization of our intangible assets was approximately $51.0 million in fiscal year 2014 as compared to $4.0 million as a result of this acquisition.

Our income before non-operating items, income taxes and noncontrolling interest as a percentage of revenue decreased in fiscal year 2013 as compared to fiscal year 2012. The operating margin in our Technology Solutions segment in fiscal year 2012 was favorably impacted by the supply-demand constraints of hard disk drives, primarily in the first quarter of fiscal year 2012. Our operating margin in our Concentrix segment in fiscal year 2013 was 3.56% compared to 6.83% in the prior fiscal year 2012. The operating margin in fiscal year 2013 was affected by $8.4 million acquisition-related and integration expenses. These expenses relate primarily to our acquisition of the IBM CRM business announced in fiscal year 2013 and completed in fiscal year 2014. The operating margins in the Concentrix segment were also affected by the investment of personnel in preparation for our recent business contract wins.

Interest Expense and Finance Charges, Net

	Fiscal Years Ended November 30,			Percent Change	
	2014	2013	2012	2014 to 2013	2013 to 2012
		(in thousands)			
Interest expense and finance charges, net	$25,187	$17,115	$22,930	47.2 %	(25.4)%

Percentage of revenue	0.18	%	0.16	%	0.22	%

Amounts recorded in interest expense and finance charges, net, consist primarily of interest expense paid on our lines of credit and other debt, fees associated with third party accounts receivable flooring arrangements and the sale or pledge of accounts receivable through our securitization facilities, offset by income earned on our cash investments. Interest expense recorded in fiscal year 2013 also includes non-cash interest expense incurred on our convertible debt, which was settled in August 2013.

The increase in our interest expense and finance charges, net during fiscal year 2014, compared to fiscal year 2013, is primarily the result of the increase in borrowing levels primarily to fund the acquisition of the IBM CRM business, to infuse working capital into the newly acquired business and to invest in growing our Technology Solutions business. This increase

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was partially offset by the settlement of the convertible debt in August 2013. The fiscal year 2013 interest expense included approximately $5.3 million in cash and non-cash interest expense components related to the convertible debt. The decrease in our interest expense and finance charges, net in fiscal year 2013, compared to fiscal year 2012, was primarily due to lower interest expense on our Convertible Senior Notes which were called in May 2013. The cash and non-cash interest expenses on the Convertible Senior Notes in fiscal year 2013 were lower by $3.5 million and $3.0 million, respectively, compared to the fiscal year 2012. Interest expense in fiscal year 2013 also benefitted from changes in the foreign currency translation rates and lower interest rates during the year, partially offset by higher flooring fees and lower interest income from our Mexico contracts.

Other Income, Net

	Fiscal Years Ended November 30,	Percent Change