

SYNEX CORP
Form 10-Q
April 06, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended February 28, 2018

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

SYNEX CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	94-2703333
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

44201 Nobel Drive	94538
Fremont, California	
(Address of principal executive offices)	(Zip Code)
(510) 656-3333	
(Registrant’s telephone number, including area code)	

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 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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one).
Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of March 30, 2018
Common Stock, \$0.001 par value	40,109,179

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PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

SYNEX CORPORATION

CONSOLIDATED BALANCE SHEETS

(currency and share amounts in thousands, except for par value)

(unaudited)

	February 28, 2018	November 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 372,344	\$ 550,688
Restricted cash	5,643	5,837
Short-term investments	5,698	5,475
Accounts receivable, net	2,620,279	2,846,371
Receivable from related parties	1,265	77
Inventories	2,323,259	2,162,626
Other current assets	197,278	168,704
Total current assets	5,525,766	5,739,778
Property and equipment, net	346,705	346,589
Goodwill	871,106	872,641
Intangible assets, net	558,408	583,051
Deferred tax assets	31,687	31,687
Other assets	124,111	124,780
Total assets	\$ 7,457,783	\$ 7,698,526
LIABILITIES AND EQUITY		
Current liabilities:		
Borrowings, current	\$ 694,560	\$ 805,471
Accounts payable	2,427,847	2,626,720
Payable to related parties	20,631	16,888
Accrued compensation and benefits	166,770	204,665
Other accrued liabilities	389,123	354,104
Income taxes payable	42,242	33,359
Total current liabilities	3,741,173	4,041,207
Long-term borrowings	1,121,206	1,136,089
Other long-term liabilities	192,360	124,008
Deferred tax liabilities	87,605	113,527
Total liabilities	5,142,344	5,414,831
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 5,000 shares authorized, no shares issued or outstanding	—	—
Common stock, \$0.001 par value, 100,000 shares authorized, 41,145 and 41,092 shares issued as of February 28, 2018 and November 30, 2017, respectively	41	41
Additional paid-in capital	474,653	467,948
Treasury stock, 1,431 and 1,419 shares as of February 28, 2018 and November 30, 2017, respectively	(78,775)	(77,133)
Accumulated other comprehensive income (loss)	(45,701)	(61,919)
Retained earnings	1,965,221	1,954,758

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Total stockholders' equity	2,315,439	2,283,695
Total liabilities and equity	\$7,457,783	\$ 7,698,526

The accompanying Notes are an integral part of these Consolidated Financial Statements (unaudited).

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SYNEX CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(currency and share amounts in thousands, except for per share amounts)

(unaudited)

	Three Months Ended	
	February 28,	February 28,
	2018	2017
Revenue:		
Products	\$4,048,763	\$3,046,621
Services	503,607	474,248
Total revenue	4,552,370	3,520,869
Cost of revenue:		
Products	(3,824,096)	(2,880,553)
Services	(314,323)	(298,533)
Gross profit	413,951	341,783
Selling, general and administrative expenses	(302,019)	(240,024)
Operating income	111,932	101,759
Interest expense and finance charges, net	(17,451)	(8,182)
Other expense, net	(1,178)	(323)
Income before income taxes	93,303	93,254
Provision for income taxes	(68,869)	(31,465)
Net income	\$24,434	\$61,789
Earnings per common share:		
Basic	\$0.61	\$1.55
Diluted	\$0.61	\$1.54
Weighted-average common shares outstanding:		
Basic	39,695	39,494
Diluted	39,978	39,705
Cash dividends declared per share	\$0.35	\$0.25

The accompanying Notes are an integral part of these Consolidated Financial Statements (unaudited).

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SYNEX CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(currency in thousands)
(unaudited)