

SYNEX CORP
Form 10-Q
April 07, 2016
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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 29, 2016

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 (State or other jurisdiction of incorporation or organization)	94-2703333 (IRS Employer Identification No.)
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44201 Nobel Drive Fremont, California (Address of principal executive offices) (510) 656-3333 (Registrant's telephone number, including area code)	94538 (Zip Code)
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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, 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 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

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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 31, 2016
Common Stock, \$0.001 par value	39,703,119

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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 29, 2016	November 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$447,627	\$336,072
Restricted cash	35,105	88,558
Short-term investments	5,153	5,546
Accounts receivable, net	1,485,084	1,759,491
Receivable from related parties	71	114
Inventories	1,273,467	1,328,967
Current deferred tax assets	38,272	40,510
Other current assets	103,586	90,523
Total current assets	3,388,365	3,649,781
Property and equipment, net	263,669	248,627
Goodwill	294,766	298,785
Intangible assets, net	151,075	166,567
Deferred tax assets	26,208	19,849
Other assets	59,617	60,538
Total assets	\$4,183,700	\$4,444,147
LIABILITIES AND EQUITY		
Current liabilities:		
Borrowings, current	\$69,493	\$92,093
Accounts payable	1,197,307	1,445,194
Payable to related parties	8,288	7,661
Accrued compensation and benefits	100,025	135,453
Other accrued liabilities	234,957	218,687
Income taxes payable	20,353	19,069
Total current liabilities	1,630,423	1,918,157
Long-term borrowings	635,250	638,798
Other long-term liabilities	90,015	76,582
Deferred tax liabilities	6,610	10,713
Total liabilities	2,362,298	2,644,250
Commitments and contingencies (Note 15)		
SYNEX Corporation 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, 40,494 and 40,350 shares issued as of February 29, 2016 and November 30, 2015, respectively	40	40
Additional paid-in capital	419,512	411,687
Treasury stock, 1,256 and 1,161 shares as of February 29, 2016 and November 30, 2015, respectively	(58,850)	(51,287)

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Accumulated other comprehensive income (loss)	(72,680) (55,237)
Retained earnings	1,532,773	1,494,178	
Total SYNEX Corporation stockholders' equity	1,820,795	1,799,381	
Noncontrolling interest	607	516	
Total equity	1,821,402	1,799,897	
Total liabilities and equity	\$4,183,700	\$4,444,147	

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 29, 2016	February 28, 2015
Revenue:		
Products	\$2,784,837	\$2,864,131
Services	340,785	338,327
Total revenue	3,125,622	3,202,458
Cost of revenue:		
Products	(2,631,130	) (2,704,139
Services	(210,300	) (210,101
Gross profit	284,192	288,218
Selling, general and administrative expenses	(208,566	) (209,271
Operating income	75,626	78,947
Interest expense and finance charges, net	(6,216	) (6,441
Other income, net	4,034	67
Income before income taxes	73,444	72,573
Provision for income taxes	(26,807	) (26,271
Net income	46,637	46,302
Net loss (income) attributable to noncontrolling interest	(75	) 21
Net income attributable to SYNEX Corporation	\$46,562	\$46,323
Earnings attributable to SYNEX Corporation per common share:		
Basic	\$1.17	\$1.17
Diluted	\$1.17	\$1.16
Weighted-average common shares outstanding:		
Basic	39,224	38,968
Diluted	39,462	39,303
Cash dividends declared per share	\$0.20	\$0.13

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)

	Three Months Ended	
	February 29, 2016	February 28, 2015
Net income	\$46,637	\$46,302
Other comprehensive income (loss):		
Unrealized gains (losses) on available-for-sale securities, net of taxes of \$0 and \$(123) for the three months ended February 29, 2016 and February 28, 2015, respectively	(378	) 223
Changes in unrealized losses of defined benefit plans, net of taxes of \$0 for both the three months ended February 29, 2016 and February 28, 2015	(666) —
Unrealized losses on cash flow hedges, net of taxes of \$3,225 and \$0 for the three months ended February 29, 2016 and February 28, 2015, respectively	(5,065) —
Foreign currency translation adjustments, net of taxes of \$238 and \$1,094 for the three months ended February 29, 2016 and February 28, 2015, respectively	(11,318	) (16,139
Other comprehensive loss	(17,427	) (15,916
Comprehensive income:	29,210	30,386
Comprehensive loss (income) attributable to noncontrolling interest	(91	) 20
Comprehensive income attributable to SYNEX Corporation	\$29,119	\$30,406

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

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SYNEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(currency in thousands)
(unaudited)

	Three Months Ended	
	February 29, 2016	February 28, 2015
Cash flows from operating activities:		
Net income	\$46,637	\$46,302
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	14,474	11,171
Amortization of intangible assets	11,704	14,593
Share-based compensation	3,467	3,656
Provision for doubtful accounts	860	2,462
Tax benefits from employee stock plans	2,696	1,670
Excess tax benefit from share-based compensation	(2,742)	(1,670)
Deferred income taxes	(5,307)	(955)
Gains on investments	—	(59)
Unrealized foreign exchange gains	(1,422)	—
Changes in assets and liabilities, net of acquisition of businesses:		
Accounts receivable	279,401	478,848
Receivable from related parties	44	219
Inventories	59,379	76,550
Other assets	(13,310)	(28,552)
Accounts payable	(240,590)	(365,878)
Payable to related parties	627	(2,507)
Other liabilities	(12,169)	(27,675)
Net cash provided by operating activities	143,749	208,175
Cash flows from investing activities:		
Purchases of trading and available-for-sale investments	(6)	(55)
Proceeds from sale of trading investments	—	57
Purchases of term deposits	(4,388)	(731)
Proceeds from maturity of term deposits	4,719	—
Refund of excess purchase consideration received ⁽¹⁾	561	33,044
Purchases of property and equipment	(35,859)	(22,400)
Repayments by third parties of loans and deposits	286	291
Changes in restricted cash	53,415	(3,289)
Net cash provided by investing activities	18,728	6,917
Cash flows from financing activities:		
Proceeds from securitization and revolving lines of credit	306,733	1,061,799
Payments of securitization and revolving lines of credit	(334,377)	(1,195,517)
Payments of term loans, capital leases and other borrowings	(7,973)	(3,007)
Dividends paid	(7,967)	(4,869)
Excess tax benefit from share-based compensation	2,742	1,670
Decrease in book overdrafts	(4,240)	(79,540)
Payments of acquisition-related contingent consideration	(137)	(170)
Repurchases of common stock	(4,943)	—
Proceeds from issuance of common stock	1,662	1,444
Repurchases of common stock for tax withholdings on equity awards	(2,620)	(1,457)

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Net cash used in financing activities	(51,120) (219,647)
Effect of exchange rate changes on cash and cash equivalents	198	(5,817)
Net increase (decrease) in cash and cash equivalents	111,555	(10,372)
Cash and cash equivalents at beginning of period	336,072	180,143	
Cash and cash equivalents at end of period	\$447,627	\$169,771	
Supplemental disclosure of non-cash investing activities			
Accrued costs for property and equipment purchases	\$5,270	\$999	

(1) Represents working capital and other post-closing adjustments related to the acquisition of the customer relationship management business of International Business Machines Corporation in fiscal year 2014.

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

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SYNEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 29, 2016 and February 28, 2015
(currency and share amounts in thousands, except per share amounts)
(unaudited)

NOTE 1—ORGANIZATION AND BASIS OF PRESENTATION:

SYNEX Corporation (together with its subsidiaries, herein referred to as “SYNEX” or the “Company”) is a business process services company headquartered in Fremont, California and has operations in North and South America, Asia-Pacific and Europe.

The Company operates in two segments: Technology Solutions and Concentrix. The Technology Solutions segment distributes a broad range of information technology (“IT”) systems and products and also provides systems design and integration solutions. The Concentrix segment offers a portfolio of strategic solutions and end-to-end global business outsourcing 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.

The accompanying interim unaudited Consolidated Financial Statements as of February 29, 2016 and for the three months ended February 29, 2016 and February 28, 2015 have been prepared by the Company in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). The amounts as of November 30, 2015 have been derived from the Company’s annual audited financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States have been condensed or omitted in accordance with such rules and regulations. In the opinion of management, the accompanying unaudited Consolidated Financial Statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to state fairly the financial position of the Company and its results of operations and cash flows as of and for the periods presented. These financial statements should be read in conjunction with the annual audited financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended November 30, 2015.

The results of operations for the three months ended February 29, 2016 are not necessarily indicative of the results that may be expected for the fiscal year ending November 30, 2016, or any future period and the Company makes no representations related thereto.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company’s significant accounting policies are disclosed in the Company’s Annual Report on Form 10-K for the fiscal year ended November 30, 2015. There have been no material changes to these accounting policies. For a discussion of the significant accounting policies, please see the discussion in the Company’s Annual Report on Form 10-K for the fiscal year ended November 30, 2015.

Concentration of credit risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of cash and cash equivalents, accounts receivable and derivative instruments.

The Company’s cash and cash equivalents and derivative instruments are transacted and maintained with financial institutions with high credit standing and the compositions and maturities of which are regularly monitored by management. Through February 29, 2016, the Company had not experienced any credit losses on such deposits and derivative instruments.

Accounts receivable include amounts due from customers and original equipment manufacturer (“OEM”) vendors primarily in the technology industry. The Company performs ongoing credit evaluations of its customers’ financial condition and limits the amount of credit extended when deemed necessary, but generally requires no collateral. The Company also maintains allowances for potential credit losses. In estimating the required allowances, the Company takes into consideration the overall quality and aging of the receivable portfolio, the existence of a limited amount of credit insurance and specifically identified customer and vendor risks. Through February 29, 2016, such losses have

been within management's expectations.

During both the three months ended February 29, 2016 and February 28, 2015, no customer accounted for 10% or more of the Company's total revenue. Products purchased from the Company's largest OEM supplier, HP Inc. (formerly Hewlett-Packard Company) ("HP"), accounted for approximately 18% and 24% of total revenue for the three months ended February 29, 2016 and February 28, 2015, respectively. During the three months ended February 28, 2015, HP included both HP Inc. and Hewlett-Packard Enterprise.

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SYNEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)

For the three months ended February 29, 2016 and February 28, 2015

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

(unaudited)

As of February 29, 2016, one customer comprised 15% of the total consolidated accounts receivable balance. As of November 30, 2015, no customer comprised 10% of the consolidated accounts receivable balance.

Book overdrafts

Book overdrafts, representing checks issued in excess of balances on deposit in the applicable bank accounts and which have not been paid by the applicable bank at the balance sheet date are classified as “Borrowings, current” in the Company’s Consolidated Balance Sheets. Under the terms of the Company’s banking arrangements, the respective financial institutions are not legally obligated to honor the book overdraft balances. The Company’s policy is to report the change in book overdrafts as a financing activity in the Consolidated Statements of Cash Flows.

Inventories

Inventories are stated at the lower of cost or market. Cost is computed based on the weighted-average method.

Inventories are comprised of finished goods and work-in-process. Finished goods include products purchased for resale, system components purchased for both resale and for use in the Company’s systems design and integration business, and completed systems. Work-in-process inventories are not material to the Consolidated Financial Statements.

Reclassifications

Certain reclassifications have been made to prior period amounts in the Consolidated Statements of Cash Flows to conform to current period presentation. These reclassifications had no effect on the previously reported cash flows from operating, investing and financing activities.

As of February 29, 2016, book overdrafts of \$1,620 were recorded as current borrowings in the Consolidated Balance Sheet. As of November 30, 2015, book overdrafts of \$5,840 were classified as accounts payable in the Consolidated Balance Sheet.

Recently issued accounting pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued a new standard which revises various aspects of accounting for leases. The most significant impact to the Company’s consolidated financial statements relates to the recognition by a lessee of a right-of-use asset and a lease liability for virtually all of its leases other than short-term leases. The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. Consistent with current guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification. For income statement purposes, operating leases will result in a straight line expense while finance leases will result in a front-loaded expense pattern. This accounting standard will be applicable to the Company at the beginning of its first quarter of fiscal year 2020 using a modified retrospective approach and earlier adoption is permitted. The Company expects that most of its operating lease commitments will be subject to the new standard and recognized as operating lease liabilities and right-of-use assets upon adoption and is currently evaluating the impact on its Consolidated Financial Statements upon the adoption of this new standard.

In January 2016, the FASB issued new guidance which amends various aspects of the recognition, measurement, presentation, and disclosure of financial instruments. With respect to the Company’s consolidated financial statements, the most significant impact relates to the accounting for equity investments (other than those that are consolidated or accounted under the equity method) which will be measured at fair value through earnings. The new guidance is effective for annual reporting periods, and interim periods within those years beginning after December 15, 2017 with early adoption permitted only for certain provisions. The amendments should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, with other amendments related specifically to equity securities without readily determinable fair values applied prospectively. The Company does not expect the adoption of this standard to have a material impact on its Consolidated Financial Statements.

In November 2015, the FASB issued a new accounting standard that requires deferred tax liabilities and assets be classified as noncurrent on a company's balance sheet. The new standard should be applied either prospectively or retrospectively to all periods presented. It is effective for annual reporting periods beginning after December 15, 2016 and interim periods within those annual periods, with early adoption permitted. The Company does not expect the adoption of this standard to have a material impact on its Consolidated Financial Statements.

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SYNEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)

For the three months ended February 29, 2016 and February 28, 2015

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

(unaudited)

In September 2015, the FASB issued a new accounting standard that eliminates the requirement to restate prior period financial statements for measurement period adjustments. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. Consistent with existing guidance, the new guidance requires an acquirer to disclose the nature and amount of measurement period adjustments. In addition, companies are required to present separately on the face of the income statement or disclose in the notes the portion of the adjustment recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The new standard should be applied prospectively to measurement period adjustments that occur after the effective date. For public business entities, the new standard is effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted. The Company does not expect the adoption of this standard to have a material impact on its Consolidated Financial Statements.

In July 2015, the FASB issued a new accounting standard that simplifies the subsequent measurement of inventory. It replaces the current lower of cost or market test with the lower of cost or net realizable value test. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The new standard should be applied prospectively and is effective for annual reporting periods beginning after December 15, 2016 and interim periods within those annual periods, with early adoption permitted. The Company does not expect the adoption of this standard to have a material impact on its Consolidated Financial Statements.

In April 2015, the FASB issued new guidance to customers about whether a cloud computing arrangement includes a software license. If the cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If the cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The new standard may be applied prospectively or retrospectively and is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those annual periods, with early adoption permitted. The Company does not expect the adoption of this standard to have a material impact on its Consolidated Financial Statements.

In April 2015, the FASB issued a new accounting standard that requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the corresponding debt liability. In August 2015, the FASB clarified that for a line-of-credit arrangement, a company can continue to defer and present the debt issuance costs as an asset and subsequent amortization of debt issuance costs over the term of the line-of-credit arrangement, whether or not there are any outstanding borrowings on the line-of-credit arrangement. The new standard is effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted, and is to be applied on a retrospective basis. The Company does not expect the adoption of this standard to have a material impact on its Consolidated Financial Statements.

In May 2014, the FASB issued a comprehensive new revenue recognition standard for contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of this standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, the standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. This guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows

arising from an entity's contracts with customers. In August 2015, the FASB amended this accounting standard and postponed the implementation date to fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early application for fiscal years, and interim periods within those years, beginning after December 15, 2016 is permitted. The standard permits the use of either the retrospective or cumulative effect transition method. This accounting standard will be applicable to the Company at the beginning of its first quarter of fiscal year 2019. The Company is currently evaluating the impact on its Consolidated Financial Statements upon the adoption of this new standard.

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SYNEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)

For the three months ended February 29, 2016 and February 28, 2015

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

(unaudited)

NOTE 3—SHARE-BASED COMPENSATION:

The Company recognizes share-based compensation expense for all share-based awards made to employees and directors, including employee stock options, restricted stock awards, restricted stock units and employee stock purchases, based on estimated fair values.

The following table summarizes the number of share-based awards granted under the Company's 2013 Stock Incentive Plan, as amended, during the three months ended February 29, 2016 and February 28, 2015, respectively, and the grant-date fair value of the awards:

	Three Months Ended			
	February 29, 2016		February 28, 2015	
	Shares awarded	Fair value of grants	Shares awarded	Fair value of grants
Restricted stock awards	3	\$231	3	\$215
Restricted stock units	34	2,754	49	3,799
	37	\$2,985	52	\$4,014

The Company recorded share-based compensation expense in the Consolidated Statements of Operations for the three months ended February 29, 2016 and February 28, 2015 as follows:

	Three Months Ended	
	February 29, 2016	February 28, 2015
Cost of revenue	\$114	\$204
Selling, general and administrative expenses	3,349	3,452
Total share-based compensation	3,463	3,656
Tax effect on share-based compensation	(1,264	) (1,323
Net effect on net income	\$2,199	\$2,333

NOTE 4—BALANCE SHEET COMPONENTS:

	As of	
	February 29, 2016	November 30, 2015
Accounts receivable, net:		
Accounts receivable	\$1,536,541	\$1,818,123
Less: Allowance for doubtful accounts	(15,064) (14,417
Less: Allowance for sales returns	(36,393) (44,215
	\$1,485,084	\$1,759,491

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SYNEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)

For the three months ended February 29, 2016 and February 28, 2015

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

(unaudited)

	As of		
	February 29, 2016	November 30, 2015	
Property and equipment, net:			
Land	\$21,537	\$21,581	
Equipment, computers and software	212,988	202,310	
Furniture and fixtures	50,328	45,470	
Buildings and leasehold improvements	184,469	167,893	
Construction-in-progress	7,819	11,799	
Total property and equipment, gross	477,141	449,053	
Less: Accumulated depreciation	(213,472)	(200,426)	
	\$263,669	\$248,627	
Goodwill:			
	Technology Solutions	Concentrix	Total
Balance as of November 30, 2015	\$95,947	\$202,838	\$298,785
Foreign exchange translation	511	(4,530)	(4,019)
Balance as of February 29, 2016	\$96,458	\$198,308	\$294,766

	As of February 29, 2016			As of November 30, 2015		
	Gross Amounts	Accumulated Amortization	Net Amounts	Gross Amounts	Accumulated Amortization	Net Amounts
Intangible assets, net:						
Customer relationships and lists	\$271,261	\$(129,321)	\$141,940	\$277,122	\$(120,478)	\$156,644
Vendor lists	36,815	(33,640)	3,175	36,815	(33,255)	3,560
Technology	7,500	(2,250)	5,250	7,500	(2,000)	5,500
Other intangible assets	6,542	(5,832)	710	6,598	(5,735)	863
	\$322,118	\$(171,043)	\$151,075	\$328,035	\$(161,468)	\$166,567

Amortization expense was \$11,704 and \$14,593 for the three months ended February 29, 2016 and February 28, 2015, respectively.

Estimated future amortization expense of the Company's intangible assets is as follows:

Fiscal Years Ending November 30,	
2016 (remaining nine months)	\$34,419
2017	35,168
2018	26,434
2019	17,403
2020	13,445
thereafter	24,206
Total	\$151,075

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SYNEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)

For the three months ended February 29, 2016 and February 28, 2015

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

(unaudited)

Accumulated other comprehensive income (loss):

The components of accumulated other comprehensive income (loss), net of taxes, excluding noncontrolling interests were as follows:

	Unrealized gains on available-for-sale securities, net of taxes	Unrecognized defined benefit plans costs, net of taxes	Unrealized losses on cash flow hedges, net of taxes	Foreign currency translation adjustment, net of taxes	Total
Balance as of November 30, 2015	\$ 946	\$217	\$(3,539)	\$(52,861)	\$(55,237)
Other comprehensive loss	(376)	(666)	(5,065)	(11,336)	(17,443)
Balance as of February 29, 2016	\$ 570	\$(449)	\$(8,604)	\$(64,197)	\$(72,680)

NOTE 5—INVESTMENTS:

The carrying amount of the Company's investments is shown in the table below:

	As of February 29, 2016			November 30, 2015		
	Cost Basis	Unrealized Gains	Carrying Value	Cost Basis	Unrealized Gains	Carrying Value
Short-term investments:						
Held-to-maturity investments	\$5,153	\$—	\$5,153	\$5,546	\$—	\$5,546
Long-term investments in other assets:						
Available-for-sale securities	\$920	\$794	\$1,714	\$837	\$1,073	\$1,910
Cost-method investments	\$4,543	\$—	\$4,543	\$4,555	\$—	\$4,555

Short-term held-to-maturity investments primarily consist of term deposits with maturities from the date of purchase greater than three months and less than one year. These term deposits are held until the maturity date and are not traded. Long-term available-for-sale securities primarily consist of investments in other companies' equity securities. Long-term cost-method investments consist of investments in equity securities of private entities.

Available-for-sale securities are recorded at fair value in each reporting period and therefore the carrying value of these securities equals their fair value. For cost-method securities, the Company records an impairment charge when the decline in fair value is determined to be other-than-temporary. The fair value of cost-method investments is based on an internal valuation of the investees.

During the three months ended February 28, 2015, the Company recorded a gain of \$59 in "Other income, net" in the Consolidated Statements of Operations for changes in the fair value of the Company's trading investments. There were no trading investments during the three months ended February 29, 2016.

NOTE 6—DERIVATIVE INSTRUMENTS:

In the ordinary course of business, the Company is exposed to foreign currency risk, interest rate risk, equity risk and credit risk. The Company's transactions in most of its foreign operations are primarily denominated in local currency. The Company enters into transactions, and owns monetary assets and liabilities, that are denominated in currencies other than the legal entity's functional currency. The Company may enter into forward contracts, option contracts, swaps, or other derivative instruments to offset a portion of the risk on expected future cash flows, on net investments in certain foreign subsidiaries and on certain existing assets and liabilities. However, the Company may choose not to

hedge certain exposures for a variety of reasons including, but not limited to, accounting considerations and the prohibitive economic cost of hedging particular

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exposures. There can be no assurance the hedges will offset more than a portion of the financial impact resulting from movements in foreign currency exchange or interest rates.

All derivatives are recognized on the balance sheet at their fair value. Changes in the fair value of a derivative are recorded in the Consolidated Statements of Operations as "Other income, net" or as a component of "Accumulated other comprehensive income (loss)" in the Consolidated Balance Sheets, as discussed below.

As part of its risk management strategy, the Company uses short-term forward contracts to minimize its balance sheet exposure to foreign currency risk. These forward-exchange contracts are not designated as hedging instruments. The forward exchange contracts are recorded at fair value in each reporting period and any gains or losses, resulting from the changes in fair value, are recorded in earnings in the period of change.

In May 2015, the Company entered into interest rate swaps with an aggregate notional amount of \$400,000 to economically convert a portion of its variable-rate debt to fixed-rate debt. The effective portions of cash flow hedges are recorded in "Accumulated other comprehensive income (loss)" until the hedged item is recognized in earnings. Deferred gains and losses associated with cash flow hedges of interest expense are recognized in "Other income, net" in the same period as the related expense is recognized. The ineffective portions and amounts excluded from the effectiveness testing of cash flow hedges are recognized in "Other income, net."

Derivative instruments designated as cash flow hedges must be de-designated as hedges when it is probable the forecasted hedged transaction will not occur in the initially identified time period or within a subsequent two-month time period. Deferred gains and losses in "Accumulated other comprehensive income (loss)" associated with such derivative instruments are reclassified immediately into "Other income, net." Any subsequent changes in fair value of such derivative instruments are reflected in "Other income, net" unless they are re-designated as hedges of other transactions.

Generally, the Company does not use derivative instruments to cover equity risk and credit risk. The Company's policy is not to allow the use of derivatives for trading or speculative purposes. The fair values of the Company's derivative instruments are also disclosed in Note 7.

The following table summarizes the fair values of the Company's outstanding derivative instruments as of February 29, 2016 and November 30, 2015:

Balance Sheet Line Item	Fair Value as of February 29, 2016	November 30, 2015
Derivative instruments not designated as hedging instruments		
Foreign exchange forward contracts		
Other current assets	\$1,296	\$1,753
Other accrued liabilities	\$3,480	\$466
Derivative instruments designated as cash flow hedges		
Interest rate swaps		
Other current assets	\$53	\$19
Other long-term liabilities	\$14,132	\$5,808

The notional amounts of the foreign exchange forward contracts that were outstanding as of February 29, 2016 and November 30, 2015 were \$236,552 and \$251,677, respectively. The notional amounts represent the gross amounts of foreign currency, including the Canadian Dollar, British Pound, Indian Rupee, Brazilian Real, Euro, Australian Dollar, Mexican Peso, and Philippine Peso, that will be bought or sold at maturity. The contracts mature in six months or less. In relation to its forward contracts not designated as hedging instruments, the Company recorded gains of \$1,834 and \$11,580 in "Other income, net" during the three months ended February 29, 2016 and February 28, 2015, respectively. The gains and losses on the Company's foreign currency forward contracts are largely offset by changes in the fair

value of the underlying hedged assets or liabilities.

During the three months ended February 29, 2016, the Company recorded a loss before tax of \$8,290, in other comprehensive income related to changes in the fair value of its derivative instruments designated as cash flow hedging instruments. For the three months ended February 29, 2016, there was no hedge ineffectiveness related to these derivative

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instruments. For the three months ended February 29, 2016, there were no gains or losses recognized in earnings associated with an underlying exposure that did not, or was not expected to, occur; nor are there any anticipated in the normal course of business within the next twelve months. There were no derivatives designated as hedging instruments during the three months ended February 28, 2015.

In the Consolidated Balance Sheets, the Company does not offset derivative assets against liabilities in master netting arrangements. If derivative exposures covered by a qualifying master netting agreement had been netted in the Consolidated Statement of Financial Position, the total derivative asset and liability positions would have been reduced by \$1,174 each as of February 29, 2016 and \$1,168 each as of November 30, 2015.

Credit exposure for derivative financial instruments is limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed our obligations to the counterparties. We manage the potential risk of credit losses through careful evaluation of counterparty credit standing and selection of counterparties from a limited group of financial institutions.

NOTE 7—FAIR VALUE MEASUREMENTS:

The Company's fair value measurements are classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The following table summarizes the valuation of the Company's investments and financial instruments that are measured at fair value on a recurring basis:

	As of February 29, 2016				As of November 30, 2015			
	Total	Fair value measurement category			Total	Fair value measurement category		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets:								
Cash equivalents	\$332,201	\$332,201	\$—	\$—	\$208,597	\$208,597	\$—	\$—
Restricted cash	35,105	35,105	—	—	88,558	88,558	—	—
Available-for-sale securities	1,714	1,714	—	—	1,910	1,910	—	—
Forward foreign currency exchange contracts	1,296	—	1,296	—	1,753	—	1,753	—
Interest rate swaps	53	—	53	—	19	—	19	—
Liabilities:								
Forward foreign currency exchange contracts	\$3,480	\$—	\$3,480	\$—	\$466	\$—	\$466	\$—
Interest rate swaps	14,132	—	14,132	—	5,808	—	5,808	—
Acquisition-related contingent consideration	—	—	—	—	433	—	—	433

The Company's cash equivalents consist primarily of highly liquid investments in money market funds and term deposits with maturity periods of three months or less. Restricted cash relates primarily to temporary restrictions caused by the timing of lockbox collections under the Company's borrowing arrangements. The carrying values of the

cash equivalents approximate fair value since they are near their maturity. Investments in trading and available-for-sale securities consist of equity securities and

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are recorded at fair value based on quoted market prices. The fair values of forward exchange contracts are measured based on the foreign currency spot and forward rates quoted by the banks or foreign currency dealers. Fair values of interest rate swaps are measured using standard valuation models using inputs that are readily available in public markets, or can be derived from observable market transactions, including LIBOR spot and forward rates. The effect of nonperformance risk on the fair value of derivative instruments was not material as of February 29, 2016 and November 30, 2015.

The acquisition-related contingent consideration liability represented the future potential earn-out payments relating to an acquisition. The fair value of the contingent consideration liability was based on the Company's probability assessment of the established profitability measures during the earn-out period ranging from one to three years from the date of the acquisition. The liability was settled during the three months ended February 29, 2016.

The carrying values of held-to-maturity securities, accounts receivable, accounts payable and short-term debt approximate fair value due to their short maturities and interest rates which are variable in nature. The carrying value of the Company's term loans approximate their fair value since they bear interest rates that are similar to existing market rates.

During fiscal year 2015 and the three months ended February 29, 2016, there were no transfers between the fair value measurement category levels.

NOTE 8—ACCOUNTS RECEIVABLE ARRANGEMENTS:

The Company has an accounts receivable securitization program to provide additional capital for its operations in the United States (the "U.S. Arrangement"). The U.S. Arrangement has a maturity date of November 4, 2016. One of the Company's subsidiaries, which is the borrower under the U.S. Arrangement, can borrow up to a maximum of \$600,000 based upon eligible trade accounts receivable generated by the parent company and one of its United States subsidiaries. The U.S. Arrangement includes an accordion feature to allow requests for an increase in the lenders' commitment by an additional \$100,000. The effective borrowing cost under the U.S. Arrangement is a blended rate that includes prevailing dealer commercial paper rates and the daily London Interbank Offered Rate ("LIBOR"), plus a program fee of 0.375% per annum based on the used portion of the commitment, and a facility fee of 0.40% per annum payable on the aggregate commitment of the lenders. As of February 29, 2016 and November 30, 2015, there were no borrowings outstanding under the U.S. Arrangement.

Under the terms of the U.S. Arrangement, the Company and one of the Company's United States subsidiaries sell, on a revolving basis, their receivables (other than certain specifically excluded receivables) to a wholly-owned, bankruptcy-remote subsidiary. The borrowings are funded by pledging all of the rights, title and interest in and to the receivables acquired by the Company's bankruptcy-remote subsidiary as security. Any borrowings under the U.S. Arrangement are recorded as debt on the Company's Consolidated Balance Sheets. As is customary in trade accounts receivable securitization arrangements like the U.S. Arrangement, where some of the loans are funded through one or more lender's affiliated asset-backed commercial paper programs, a credit rating agency's downgrade of the third party issuer of commercial paper or of a back-up liquidity provider (which provides a source of funding if the commercial paper market cannot be accessed) could result in an increase in the Company's cost of borrowing or loss of the Company's financing capacity under these programs if the commercial paper issuer or liquidity back-up provider is not replaced, or if the lender whose commercial paper issuer or liquidity back-up provider is not replaced does not elect to offer the Company an alternative rate. Loss of such financing capacity could have a material adverse effect on the Company's financial condition and results of operations.

During the three months ended February 29, 2016, the Company entered into an uncommitted supply-chain financing program with a United States financial institution under which trade accounts receivable of a certain customer may be acquired, without recourse, by the financial institution. Available capacity under this program is dependent on the

level of our trade accounts receivable with this customer and the financial institution's willingness to purchase such receivables. At February 29, 2016, accounts receivable sold to and held by the financial institution under this program were \$41,684. Discount fees of \$116, incurred during the three months ended February 29, 2016, related to the sale of trade accounts receivable under this facility are included in "Interest expense and finance charges, net" in the consolidated statement of operations.

The Company also has other financing agreements in North America with various financial institutions ("Flooring Companies") to allow certain customers of the Company to finance their purchases directly with the Flooring Companies. Under these agreements, the Flooring Companies pay to the Company the selling price of products sold to various customers,

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less a discount, within approximately 15 to 30 days from the date of sale. The Company is contingently liable to repurchase inventory sold under flooring agreements in the event of any default by its customers under the agreement and such inventory being repossessed by the Flooring Companies. Please see Note 15—Commitments and Contingencies for further information.

The following table summarizes the net sales financed through the flooring agreements and the flooring fees incurred:

	Three Months Ended	
	February 29, 2016	February 28, 2015
Net sales financed	\$258,711	\$315,785
Flooring fees ⁽¹⁾	1,647	2,076

(1)Flooring fees are included within “Interest expense and finance charges, net.”

As of February 29, 2016 and November 30, 2015, accounts receivable subject to flooring agreements were \$51,279 and \$55,333, respectively.

SYNEX Infotec, the Company's Japan Technology Solutions subsidiary, has arrangements with various banks and financial institutions for the sale and financing of approved accounts receivable and notes receivable. The amounts outstanding under these arrangements that were sold, but not collected, as of February 29, 2016 and November 30, 2015 were \$3,595 and \$3,074, respectively.

NOTE 9—BORROWINGS:

Borrowings consist of the following:

	As of	
	February 29, 2016	November 30, 2015
SYNEX U.S. credit agreement	609,375	617,188
SYNEX Canada term loan and revolver	4,505	14,449
SYNEX Infotec credit facility	80,753	96,662
Other borrowings and capital leases	10,110	2,592
Total borrowings	704,743	730,891
Less: Current portion	(69,493	) (92,093
Non-current portion	\$635,250	\$638,798
SYNEX U.S. credit agreement		

In November 2013, the Company entered into a senior secured credit agreement (the “U.S. Credit Agreement”) which was comprised of a \$275,000 revolving credit facility and a \$225,000 term loan. In May 2015, the U.S. Credit Agreement was amended to increase the term loan to \$625,000. The Company may request incremental commitments to increase the principal amount of revolving loans or term loans available under the U.S. Credit Agreement up to \$350,000. The U.S. Credit Agreement matures in May 2020.

Interest on borrowings under the U.S. Credit Agreement can be based on LIBOR or a base rate at the Company's option. Loans borrowed under the U.S. Credit Agreement bear interest, in the case of LIBOR loans, at a per annum rate equal to the applicable LIBOR, plus a margin which may range from 1.50% to 2.25%, based on the Company's consolidated leverage ratios, as determined in accordance with the U.S. Credit Agreement. Loans borrowed under the U.S. Credit Agreement that are not LIBOR loans, and are instead base rate loans, bear interest at a per annum rate equal to (i) the greatest of (A) the Federal Funds Rate plus a margin of 1/2 of 1.0%, (B) LIBOR plus 1.0% per annum, and (C) the rate of interest announced, from time to time, by the agent, Bank of America, N.A, as its “prime rate,” plus (ii) a margin which may range from 0.50% to 1.25%, based on the Company's consolidated leverage ratios as

determined in accordance with the U.S. Credit Agreement. The unused revolving

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credit facility is subject to a commitment fee ranging from 0.20% to 0.35% per annum, based on the Company's consolidated leverage ratios.

The outstanding principal amount of the term loan is repayable in quarterly installments, in an amount equal to (a) for each of the first eight full calendar quarters ending after the U.S. Credit Agreement amendment entered in May 2015, 1.25% of the amended principal amount of the term loan, (b) for each of the next four calendar quarters ending thereafter, 1.875% of the amended principal amount of the term loan, (c) for each calendar quarter ending thereafter, 2.50% of the amended principal amount of the term loan and (d) on the May 2020 maturity date of the term loan, the outstanding principal amount of the term loan. The Company's obligations under the U.S. Credit Agreement are secured by substantially all of the parent company's and its United States domestic subsidiaries' assets and are guaranteed by certain of its United States domestic subsidiaries.

As of February 29, 2016 and November 30, 2015, balances outstanding under the term loan component of the U.S. Credit Agreement were \$609,375 and \$617,188, respectively. There were no borrowings outstanding under the revolving credit facility as of either February 29, 2016 or November 30, 2015. There was \$1,500 outstanding as of both February 29, 2016 and November 30, 2015, in standby letters of credit under the U.S. Credit Agreement.

SYNEX Canada revolving line of credit

SYNEX Canada Limited ("SYNEX Canada") has a revolving line of credit arrangement with a group of financial institutions (the "Canadian Revolving Arrangement") which has a maximum commitment of CAD100,000, or \$73,834, and includes an accordion feature to increase the maximum commitment by an additional CAD25,000, or \$18,458, to CAD125,000, or \$92,292, at SYNEX Canada's request.

SYNEX Canada has granted a security interest in substantially all of its assets in favor of the lender under the Canadian Revolving Arrangement. In addition, the Company pledged a portion of its stock in SYNEX Canada as collateral for the Canadian Revolving Arrangement. The interest rate applicable under the Canadian Revolving Arrangement is equal to (i) the Canadian base rate plus a margin of 0.75% for a Base Rate Loan in Canadian Dollars, (ii) the US base rate plus a margin of 0.75% for a Base Rate Loan in U.S. Dollars, and (iii) the Bankers' Acceptance rate ("BA") plus a margin of 2.00% for a BA Rate Loan. The Canadian base rate means the greater of (a) the prime rate determined by a major Canadian financial institution and (b) the one month Canadian Dealer Offered Rate (the average rate applicable to Canadian Dollar bankers' acceptances for the applicable period) plus 1.50%. The US base rate means the greater of (a) a reference rate determined by a major Canadian financial institution for US dollar loans made to Canadian borrowers and (b) the US federal funds rate plus 0.50%. A fee of 0.25% per annum is payable with respect to the unused portion of the commitment. The credit arrangement expires in May 2017. As of February 29, 2016, there were no borrowings outstanding under the Canadian Revolving Arrangement, and there was \$9,728 outstanding as of November 30, 2015. The Canadian Revolving Arrangement also provides a sublimit of \$5,000 for the issuance of standby letters of credit. As of both February 29, 2016 and November 30, 2015, there were no letters of credit outstanding.

SYNEX Canada term loan

SYNEX Canada has a term loan associated with the purchase of its logistics facility in Guelph, Canada. The interest rate for the unpaid principal amount is a fixed rate of 5.374% per annum. The final maturity date for repayment of the unpaid principal is April 1, 2017. As of February 29, 2016 and November 30, 2015, the balances outstanding on the term loan were \$4,505 and \$4,721, respectively.

SYNEX Infotec credit facility

SYNEX Infotec has a credit agreement with a group of financial institutions for a maximum commitment of JPY14,000,000, or \$124,235. The credit facility is comprised of a JPY6,000,000, or \$53,243, term loan and a JPY8,000,000, or \$70,991, short-term revolving credit facility. The interest rate for the term loan and revolving credit facility is based on the Tokyo Interbank Offered Rate ("TIBOR") plus a margin of 0.70% per annum. The unused line

fee on the revolving credit facility is 0.10% per annum. This credit facility expires in November 2018. As of February 29, 2016 and November 30, 2015, the balances outstanding under this facility were \$80,753 and \$96,662, respectively. The term loan can be repaid at any time prior to expiration date without penalty. The Company has guaranteed the obligations of SYNEX Infotec under this facility.

India credit facilities

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The Company's Indian subsidiaries have credit facilities with a financial institution to borrow up to an aggregate amount of \$14,000 for working capital purposes. The interest rate under the credit facilities is based on LIBOR plus a margin of 0.90% per annum. The credit facilities expire in June 2016 and may be extended with the approval of the financial institution. The Company guarantees the obligations under these credit facilities. As of February 29, 2016 and November 30, 2015, there were no outstanding borrowings under these credit facilities.

Other borrowings and capital leases

SYNEX Infotec has short-term revolving credit facilities aggregating JPY3,000,000, or \$26,622, with financial institutions. The interest rates for these credit facilities are based on TIBOR plus margins ranging from 0.50% to 1.20% per annum. In addition, there is a facility fee of 0.425% per annum, applicable to one credit facility. These credit facilities can be renewed annually. As of February 29, 2016 and November 30, 2015, there were no outstanding balances under this credit facility.

As of February 29, 2016 and November 30, 2015, the Company recorded 8,490 and \$2,592, respectively, on its Consolidated Balance Sheets in obligations attributable to SYNEX Infotec for the sale and financing of this subsidiary's approved accounts receivable and notes receivable with recourse provisions and outstanding capital lease obligations. As of February 29, 2016, the Company had book overdrafts of \$1,620. As of November 30, 2015, book overdrafts of \$5,840 were included in Accounts Payable.

The maximum commitment amounts for local currency credit facilities in Canada and Japan have been translated into United States Dollars at February 29, 2016 exchange rates.

Future principal payments

Future principal payments under the above loans and capital leases as of February 29, 2016 are as follows:

Fiscal Years Ending November 30,	
2016 (remaining nine months)	\$61,493
2017	35,828
2018	104,733
2019	63,246
2020	438,274
Thereafter	1,169
	\$704,743

Interest expense and finance charges

The total interest expense and finance charges for the Company's borrowings were \$6,633 and \$6,947 for the three months ended February 29, 2016 and February 28, 2015, respectively. The variable interest rates ranged between 0.76% and 4.25% during the three months ended February 29, 2016 and between 0.57% and 4.50% during the three months ended February 28, 2015.

Covenant compliance

The Company's borrowing arrangements have a number of covenants and restrictions that, among other things, require the Company to comply with certain financial and other covenants. These covenants require the Company to maintain specified financial ratios and satisfy certain financial condition tests, including minimum net worth and fixed charge coverage ratios. The covenants also limit the Company's ability to incur additional debt, make or forgive intercompany loans, pay dividends and make other types of distributions, make certain acquisitions, repurchase the Company's stock, create liens, cancel debt owed to the Company, enter into agreements with affiliates, modify the nature of the Company's business, enter into sale-leaseback transactions, make certain investments, enter into new real estate leases, transfer and sell assets, cancel or terminate any material contracts and merge or consolidate. As of February 29, 2016, the Company was in compliance with all material covenants for the above arrangements.

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NOTE 10—EARNINGS PER COMMON SHARE:

The following table sets forth the computation of basic and diluted earnings per common share for the periods indicated.

	Three Months Ended	
	February 29, 2016	February 28, 2015
Basic earnings per common share:		
Net income attributable to SYNEX Corporation	\$46,562	\$46,323
Less: net income allocated to participating securities ⁽¹⁾	(502)	(599)
Net income attributable to SYNEX Corporation common stockholders	\$46,060	\$45,724
Weighted-average number of common shares - basic	39,224	38,968
Basic earnings attributable to SYNEX corporation per common share	\$1.17	\$1.17
Diluted earnings per common share:		
Net income attributable to SYNEX Corporation	\$46,562	\$46,323
Less: net income allocated to participating securities ⁽¹⁾	(499)	(594)
Net income attributable to SYNEX Corporation common stockholders	\$46,063	\$45,729
Weighted-average number of common shares - basic	39,224	38,968
Effect of dilutive securities:		
Stock options and restricted stock units	238	335
Weighted-average number of common shares - diluted	39,462	39,303
Diluted earnings attributable to SYNEX Corporation per common share	\$1.17	\$1.16
Anti-dilutive shares excluded from diluted earnings per share calculation	14	4

(1) Restricted stock awards granted to employees and non-employee directors by the Company and its subsidiaries are considered participating securities.

NOTE 11—SEGMENT INFORMATION:

Operating segments

Summarized financial information related to the Company's reportable business segments for the three months ended February 29, 2016 and February 28, 2015 is shown below:

	Technology Solutions	Concentrix	Inter-Segment Elimination	Consolidated
Three months ended February 29, 2016				
Revenue	\$2,784,907	\$344,692	\$(3,977)	\$3,125,622
External revenue	2,784,837	340,785	—	3,125,622
Operating income	67,671	7,861	94	75,626
Three months ended February 28, 2015				
Revenue	2,864,288	341,762	(3,592)	3,202,458
External revenue	2,864,131	338,327	—	3,202,458
Operating income	71,250	7,578	119	78,947
Total assets as of February 29, 2016	\$3,932,360	\$1,041,380	\$(790,040)	\$4,183,700
Total assets as of November 30, 2015	4,149,080	1,057,880	(762,813)	4,444,147

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Inter-segment elimination represents services and transactions generated between the Company's reportable segments that are eliminated on consolidation.

Geographic information

Shown below is summarized financial information related to the geographic areas in which the Company operates.

The revenue attributable to countries is based on the geography of entities from where the products are delivered or from where customer service contracts are managed.

	Three Months Ended	
	February 29, 2016	February 28, 2015
Revenue:		
United States	\$2,246,348	\$2,311,237
Canada	360,322	349,277
Others	518,952	541,944
Total	\$3,125,622	\$3,202,458
	As of	
	February 29, 2016	November 30, 2015
Property and equipment, net:		
United States	\$ 123,924	\$ 118,766
Philippines	29,996	28,503
India	27,408	23,056
Others	82,341	78,302
Total	\$263,669	\$248,627

During the three months ended February 29, 2016 and February 28, 2015, no other country represented more than 10% of the total revenue. As of February 29, 2016 and November 30, 2015, no other country represented more than 10% of the total net property and equipment.