

SYNEX CORP
Form 10-Q
July 09, 2009
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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 May 31, 2009

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)

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Delaware
 (State or other jurisdiction of
 incorporation or organization)

94-2703333
 (I.R.S. Employer
 Identification No.)

44201 Nobel Drive

Fremont, California
 (Address of principal executive offices)

94538
 (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, or a smaller reporting company. See the definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) 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

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

Class	Outstanding at July 1, 2009
Common Stock, \$0.001 par value	33,162,411

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SYNEX CORPORATION

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. Financial Statements****SYNEX CORPORATION****CONSOLIDATED BALANCE SHEETS****(in thousands, except for par values)****(unaudited)**

	May 31, 2009	November 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 74,988	\$ 61,081
Short-term investments	12,088	10,345
Accounts receivable, net	699,567	807,206
Receivable from vendors, net	88,981	96,653
Receivable from affiliates	6,753	4,659
Inventories	651,475	696,008
Deferred income taxes	26,207	26,089
Current deferred assets	13,578	13,322
Other current assets	34,042	9,766
Total current assets	1,607,679	1,725,129
Property and equipment, net	85,583	84,602
Goodwill	135,943	113,438
Intangible assets, net	25,229	26,456
Deferred income taxes	6,735	6,036
Long-term deferred assets	31,204	50,907
Other assets	29,128	26,312
Total assets	\$ 1,921,501	\$ 2,032,880
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Borrowings under securitization, term loans and lines of credit	\$ 179,305	\$ 340,466
Accounts payable	528,143	571,329
Payable to affiliates	102,659	73,631
Accrued liabilities	121,053	113,593
Current deferred liabilities	29,981	30,809
Income taxes payable		4,713
Total current liabilities	961,141	1,134,541
Long-term borrowings	9,387	8,537
Long-term liabilities	29,567	26,591
Long-term deferred liabilities	22,856	33,567
Convertible debt	143,750	143,750
Deferred income taxes	2,279	1,380
Total liabilities	1,168,980	1,348,366

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Minority interest	5,075	4,673
Commitments and contingencies (Note 15)		
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, 32,628 and 31,954 shares issued and outstanding		
	33	32
Additional paid-in capital	222,806	207,558
Accumulated other comprehensive income	23,015	9,367
Retained earnings	501,592	462,884
Total stockholders' equity	747,446	679,841
Total liabilities and stockholders' equity	\$ 1,921,501	\$ 2,032,880

The accompanying notes are an integral part of these consolidated financial statements (unaudited).

Table of Contents**SYNEX CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except for per share amounts)****(unaudited)**

	Three Months Ended		Six Months Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Revenue	\$ 1,812,053	\$ 1,878,072	\$ 3,540,945	\$ 3,626,646
Cost of revenue	(1,705,675)	(1,777,267)	(3,328,770)	(3,429,991)
Gross profit	106,378	100,805	212,175	196,655
Selling, general and administrative expenses	(74,680)	(69,133)	(145,777)	(132,203)
Income from operations before non-operating items, income taxes and minority interest	31,698	31,672	66,398	64,452
Interest expense and finance charges, net	(3,083)	(3,310)	(7,066)	(7,477)
Other income (expense), net	1,430	581	1,023	(1,465)
Income before income taxes and minority interest	30,045	28,943	60,355	55,510
Provision for income taxes	(10,576)	(10,275)	(21,245)	(19,826)
Minority interest	(241)	(158)	(402)	(346)
Net income	\$ 19,228	\$ 18,510	\$ 38,708	\$ 35,338
Net income per common share basic	\$ 0.59	\$ 0.59	\$ 1.20	\$ 1.12
Net income per common share diluted	\$ 0.57	\$ 0.56	\$ 1.16	\$ 1.07
Weighted-average common shares outstanding basic	32,475	31,543	32,296	31,461
Weighted-average common shares outstanding diluted	33,731	33,256	33,249	33,150

The accompanying notes are an integral part of these consolidated financial statements (unaudited).

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SYNEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Six Months Ended	
	May 31, 2009	May 31, 2008
Cash flows from operating activities:		
Net income	\$ 38,708	\$ 35,338
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	5,934	5,294
Amortization of intangible assets	4,073	3,836
Share-based compensation	4,154	3,302
Provision for doubtful accounts	8,171	2,085
Tax benefits from employee stock plans	3,305	693
Excess tax benefit from share-based compensation	(2,718)	(542)
Realized and unrealized (gain) / loss on investments and fixed assets	(1,467)	397
Other-than-temporary impairment on securities	94	1,023
Minority interest	402	346
Changes in assets and liabilities, net of acquisition of businesses:		
Accounts receivable	113,551	87,839
Receivable from vendors	8,776	(23,984)
Receivable from affiliates	(2,093)	1,676
Inventories	58,663	(30,425)
Other assets	20,803	13,091
Payable to affiliates	29,027	(951)
Accounts payable	(56,548)	(64,458)
Accrued liabilities	(8,594)	240
Other liabilities	(11,310)	(5,259)
Net cash provided by operating activities	212,931	29,541
Cash flows from investing activities:		
Purchase of short-term investments	(4,517)	(5,035)
Proceeds from sale of short-term investments	4,201	6,607
Acquisition of businesses, net of cash acquired	(11,042)	(16,815)
Purchase of property and equipment	(4,843)	(9,237)
Increase in restricted cash	(20,141)	(2,988)
Purchase of intangible asset		(1,493)
Net cash used in investing activities	(36,342)	(28,961)
Cash flows from financing activities:		
Proceeds from revolving line of credit and securitization	1,214,517	885,094
Payment of revolving line of credit and securitization	(1,374,713)	(999,710)
Payment of bank loan	(10,006)	(13,313)
Proceeds from issuance of convertible debt (net of issuance costs of \$3,575)		140,175
Excess tax benefit from share-based compensation	2,718	542
Bank overdraft	4,149	(9,341)
Proceeds from issuance of common stock	3,585	2,348

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Net cash (used in) provided by financing activities	(159,750)	5,795
Effect of exchange rate changes on cash and cash equivalents	(2,932)	1,717
Net increase in cash and cash equivalents	13,907	8,092
Cash and cash equivalents at beginning of period	61,081	42,875
Cash and cash equivalents at end of period	\$ 74,988	\$ 50,967

The accompanying notes are an integral part of these consolidated financial statements (unaudited).

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SYNEX CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months Ended	Six Months
	May 31, 2009	Ended
	May 31, 2008	May 31, 2009