SYNNEX CORP
Form 10-Q
July 08, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 31, 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 (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 S 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 S 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 S 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 S

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 June 30, 2014
Common Stock, $0.001 par value	39,187,844

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PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

SYNNEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(currency and share amounts in thousands, except for par value)
(unaudited)

	May 31, 2014	November 30, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$204,595	$151,622
Short-term investments	10,503	15,134
Accounts receivable, net	1,812,568	1,593,191
Receivable from related parties	631	146
Inventories	1,424,227	1,095,107
Current deferred tax assets	19,384	22,031
Other current assets	113,175	54,502
Total current assets	3,585,083	2,931,733
Property and equipment, net	187,488	133,249
Goodwill	376,460	188,535
Intangible assets, net	271,382	23,772
Deferred tax assets	377	7,867
Other assets	54,176	40,733
Total assets	$4,474,966	$3,325,889
LIABILITIES AND EQUITY		
Current liabilities:		
Borrowings under securitization, term loans and lines of credit	$697,417	$252,523
Accounts payable	1,481,805	1,350,040
Payable to related parties	15,993	3,861
Accrued liabilities	343,762	181,325
Income taxes payable	10,246	1,629
Total current liabilities	2,549,223	1,789,378
Long-term borrowings	278,932	65,405
Long-term liabilities	56,161	56,418
Deferred tax liabilities	9,224	3,047
Total liabilities	2,893,540	1,914,248
Commitments and contingencies (Note 17)		
SYNNEX 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, 39,572 and 38,052 shares issued as of May 31, 2014 and November 30, 2013, respectively	40	38
Additional paid-in capital	370,469	286,329
Treasury stock, 868 and 842 shares as of May 31, 2014 and November 30, 2013, respectively	(29,160)	(27,450)
Accumulated other comprehensive income	28,482	19,168
Retained earnings	1,211,105	1,133,137

Total SYNNEX Corporation stockholders’ equity	1,580,936	1,411,222
Noncontrolling interest	490	419
Total equity	1,581,426	1,411,641
Total liabilities and equity	$4,474,966	$3,325,889

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

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SYNNEX CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(currency and share amounts in thousands, except for per share amounts)
(unaudited)

	Three Months Ended		Six Months Ended	
	May 31, 2014	May 31, 2013	May 31, 2014	May 31, 2013
Revenue	$3,453,535	$2,591,361	$6,480,519	$5,052,200
Cost of revenue	(3,174,521)	(2,436,571)	(5,994,859)	(4,741,323)
Gross profit	279,014	154,790	485,660	310,877
Selling, general and administrative expenses	(210,931)	(102,826)	(355,627)	(202,973)
Income before non-operating items, income taxes and noncontrolling interest	68,083	51,964	130,033	107,904
Interest expense and finance charges, net	(6,160)	(4,863)	(10,658)	(10,356)
Other income (expense), net	(197)	528	2,771	1,789
Income before income taxes and noncontrolling interest	61,726	47,629	122,146	99,337
Provision for income taxes	(22,147)	(16,837)	(44,109)	(35,154)
Net income	39,579	30,792	78,037	64,183
Net income attributable to noncontrolling interest	(28)	(23)	(69)	(45)
Net income attributable to SYNNEX Corporation	$39,551	$30,769	$77,968	$64,138
Earnings per share attributable to SYNNEX Corporation:				
Basic	$1.02	$0.84	$2.04	$1.75
Diluted	$1.01	$0.81	$2.01	$1.69
Weighted-average common shares outstanding:				
Basic	38,663	36,783	38,165	36,724
Diluted	39,203	37,869	38,720	37,950

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

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

	Three Months Ended		Six Months Ended	
	May 31, 2014	May 31, 2013	May 31, 2014	May 31, 2013
Net income	$39,579	$30,792	$78,037	$64,183
Other comprehensive income (loss):				
Unrealized gains (losses) on available-for-sale securities, net of tax expense of $0 for both the three and six months ended May 31, 2014 and 2013	230	(51)	262	188
Change in unrealized gain of defined benefit plan, net of tax expense of $60 for both the three and six months ended May 31, 2014, and $0 for both the three and six months ended May 31, 2013	114	—	114	—
Cash flow hedging instrument:				
Change in unrecognized loss, net of tax benefit of $21 and $26 for the three and six months ended May 31, 2014, respectively, and $0 tax for both the three and six months ended May 31, 2013	(157)	—	(191)	—
Amount reclassified into earnings	7	—	34	—
Foreign currency translation adjustments, net of tax benefit (expense) of ($287) and $235 for the three and six months ended May 31, 2014, respectively, and $0 and $448 tax for the three and six months ended May 31, 2013, respectively	11,199	(2,999)	9,097	(13,961)
Other comprehensive income (loss)	11,393	(3,050)	9,316	(13,773)
Comprehensive income:	50,972	27,742	87,353	50,410
Comprehensive income attributable to noncontrolling interest	(31)	(19)	(71)	(33)
Comprehensive income attributable to SYNNEX Corporation	$50,941	$27,723	$87,282	$50,377

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

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

	Six Months Ended May 31, 2014	May 31, 2013
Cash flows from operating activities:		
Net income	$78,037	$64,183
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	14,856	8,269
Amortization of intangible assets	20,863	3,924
Accretion of convertible notes discount	—	2,314
Share-based compensation	5,632	4,698
Provision for doubtful accounts	2,974	4,255
Tax benefits from employee stock plans	2,806	1,555
Excess tax benefit from share-based compensation	(2,758)	(1,765)
Gain on investments	(96)	(832)
Changes in assets and liabilities, net of acquisition of businesses:		
Accounts receivable	(200,060)	194,417
Receivable from related parties	(486)	26
Inventories	(332,143)	(1,036)
Other assets	(27,894)	(11,186)
Accounts payable	111,058	(147,715)
Payable to related parties	12,133	431
Accrued liabilities	103,911	(22,467)
Deferred liabilities	11,425	(7,599)
Net cash provided by (used in) operating activities	(199,742)	91,472
Cash flows from investing activities:		
Purchase of trading investments	(528)	(261)
Proceeds from sale of trading investments	3,453	3,149
Investment in held-to-maturity term deposits	(134)	(129)
Acquisition of businesses, net of cash acquired	(390,433)	(21,578)
Purchase of property and equipment	(20,269)	(8,127)
Repayments received from loans and deposits to third parties	1,509	762
Proceeds from sale of equity-method investee	—	4,153
Purchase of cost investment	—	(1,705)
Proceeds from sale of cost investment	1,877	—
Changes in restricted cash	2,208	(441)
Net cash used in investing activities	(402,317)	(24,177)
Cash flows from financing activities:		
Proceeds from securitization and revolving line of credit	2,085,743	256,038
Payment of securitization and revolving line of credit	(1,652,964)	(266,825)
Proceeds from long-term credit facility and term loans	225,000	—
Payment of long-term bank loans, capital leases and other borrowings	(519)	(941)
Excess tax benefit from share-based compensation	2,758	1,765
Decrease in book overdraft	(1,567)	—
Payment of acquisition-related contingent consideration	(5,136)	—
Cash paid for repurchase of treasury stock	—	(1,882)

Proceeds from issuance of common stock, net of taxes paid for settlement of equity awards	2,888	3,646
Payment for purchase of shares of subsidiary from noncontrolling interest	—	(11,400)
Net cash provided by (used in) financing activities	656,203	(19,599)
Effect of exchange rate changes on cash and cash equivalents	(1,171)	4,991
Net increase in cash and cash equivalents	52,973	52,687
Cash and cash equivalents at beginning of period	151,622	163,699
Cash and cash equivalents at end of period	$204,595	$216,386
Supplemental disclosure of non-cash investing activities		
Fair value of common stock issued for acquisition of business	$71,106	$—

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

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SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended May 31, 2014 and 2013
(currency and share amounts in thousands, except per share amounts)
(unaudited)

NOTE 1—ORGANIZATION AND BASIS OF PRESENTATION:

SYNNEX Corporation (together with its subsidiaries, herein referred to as "SYNNEX" or the "Company") is a business process services company, optimizing supply chains and providing customer care solutions for its clients. SYNNEX is headquartered in Fremont, California and has operations in North America, South America, Asia, Australia and Europe.

The Company operates in two segments: distribution services, hereinafter referred to as Technology Solutions, and global business services, hereinafter referred to as Concentrix. The Technology Solutions segment distributes a broad range of information technology ("IT") systems and products, and also provides systems design and integration services. The Concentrix segment offers a portfolio of end-to-end outsourced services around process optimization, customer engagement strategy and back-office automation to clients in ten identified industry verticals.

The accompanying interim unaudited Consolidated Financial Statements as of May 31, 2014 and for the three and six months ended May 31, 2014 and 2013 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, 2013 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, 2013.

The results of operations for the three months ended May 31, 2014 are not necessarily indicative of the results that may be expected for the fiscal year ending November 30, 2014, 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, 2013. There have been no material changes to these accounting policies. For a discussion of the significant accounting policies, please see the discussion in the Annual Report on Form 10-K for the fiscal year ended November 30, 2013.

Restricted cash

Restricted cash balances relate to temporary restrictions caused by the timing of lockbox collections under the Company's borrowing arrangements, future payments to contractors for the long-term projects at the Company's Mexico operation and deposits.

The following table summarizes the restricted cash balances as of May 31, 2014 and November 30, 2013 and the location where these amounts are recorded on the Consolidated Balance Sheets:

	As of	
	May 31, 2014	November 30, 2013
Related to borrowing arrangements and others:		
Other current assets	$20,129	$22,349
Related to long-term projects:		

Other assets	1,927	1,865
Total restricted cash	$22,056	$24,214

SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and six months ended May 31, 2014 and 2013
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Concentration of credit risk

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

The Company’s cash and cash equivalents are maintained with high quality institutions, the compositions and maturities of which are regularly monitored by management. Through May 31, 2014, the Company had not experienced any losses on such deposits.

Accounts receivable include amounts due from customers and 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 May 31, 2014, such losses have been within management’s expectations.

In both the three and six months ended May 31, 2014, no customer accounted for 10% or more of the Company's total revenue. In both the three and six months ended May 31, 2013, one customer accounted for 10% of the Company's total revenue. Products purchased from the Company’s largest OEM supplier, Hewlett-Packard Company (“HP”), accounted for approximately 25% and 26% for the three and six months ended May 31, 2014, respectively, and for approximately 32% of the total revenue for both the three and six months ended May 31, 2013.

As of both May 31, 2014 and November 30, 2013, no customer exceeded 10% of the total consolidated accounts receivable balance.

Revenue recognition

Technology Solutions

The Company generally recognizes 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. 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 the Company. 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. The Company recognizes revenue on a net basis on certain contracts, including service contracts, post-contract software support services and extended warranty contracts, where it is not the primary obligor, by recognizing the margins earned in revenue with no associated cost of revenue.

Concentrix

The Company recognizes revenue from business process outsourcing service 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. Client contract terms typically can span from less than one year to over five years.

Recurring operating costs for services contracts, including costs related to bid and proposal activities, are recognized as incurred. 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 term of the contract.

Earnings per common share

Earnings per common share-basic is computed by dividing the net income attributable to SYNNEX Corporation for the period by the basic weighted-average number of outstanding common shares.

Earnings per common share-diluted is computed by adding the dilutive effect of in-the-money employee stock options, restricted stock awards, restricted stock units and similar equity instruments granted by the Company to the basic weighted-average number of outstanding common shares. The Company uses the treasury stock method, under which the amount the employee must pay for exercising stock options, the amount of compensation cost for future services that the Company has not yet recognized and the amount of tax benefits that would be recorded in “Additional paid-in capital” when the award becomes deductible are assumed to be used to repurchase shares.

It was the Company’s intent to settle the principal amount of the 4.0% Convertible Senior Notes due 2018 (the "Convertible Senior Notes") in cash; accordingly, the principal amount was excluded from the determination of diluted earnings per share. In April 2013, the Company decided to settle the payment of the conversion premium in cash as discussed in Note 11 — Convertible Debt. Through April 2013, the Company accounted for the conversion premium using the treasury stock method by adjusting the diluted weighted-average common shares if the effect was dilutive. From April 2013 through the date of settlement in August 2013, the numerator for the computation of earnings per common share-diluted was adjusted for the changes in the estimated value of the conversion premium until the final settlement date.

The calculation of earnings per common share attributable to SYNNEX Corporation is presented in Note 12.

Reclassifications

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

Effective in the first quarter of fiscal year 2014, the Company realigned its business segments. Certain operations of the Company 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 the preceding segment structure change for all periods presented.

Recent accounting pronouncements

In July 2013, the FASB issued a new accounting standard that will require the presentation of certain unrecognized tax benefits as reductions to deferred tax assets rather than as liabilities in the Consolidated Balance Sheets when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The new accounting update will be applicable to the Company in the first quarter of fiscal 2015; however, early adoption and retrospective application are permitted. The Company is currently evaluating the impact of this new standard 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. The new standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early application is prohibited. The standard permits the use of either the retrospective or cumulative effect transition method. This guidance will be applicable to the Company at the beginning of its first quarter of fiscal year 2018. The Company is currently evaluating the impact on its consolidated financial statements upon the adoption of this new standard.

During fiscal year 2014, the following accounting standard was adopted
In February 2013, the FASB issued an accounting update that requires companies to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present significant amounts reclassified out of accumulated other comprehensive income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. The amendments are effective

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

prospectively for reporting periods beginning after December 15, 2012 with early adoption permitted. The Company adopted the accounting update in the first quarter of fiscal year 2014.

NOTE 3—ACQUISITIONS:
Fiscal year 2014 acquisitions
IBM customer care business acquisition
On September 10, 2013, the Company announced a definitive agreement to acquire the assets of the customer care business of International Business Machines Corporation, a New York corporation ("IBM") for a preliminary aggregate purchase price of $503,335, subject to certain post-closing adjustments. The transaction is being completed in phases with the initial closing completed on January 31, 2014 and the second phase closing completed on April 30, 2014. The countries acquired through April 30, 2014 comprise approximately 99.5% of the preliminary valuation of the customer care business. The subsequent closings are expected to occur in the second half of 2014, but contractually no later than June 30, 2015, and are subject to customary closing conditions. As of May 31, 2014, the Company is obligated to pay an additional amount of $40,000 in cash at the final closing including $2,386 towards the subsequent closing countries. This amount may also be adjusted based upon final agreement between the Company and IBM on the value of actual net tangible assets acquired
The acquisition has been included into the Concentrix segment. It expands the Company's service portfolio, delivery capabilities and geographic reach, and brings deep process expertise and managerial talent.
The acquisition has been accounted for as a business combination. Assets acquired and liabilities assumed were recorded at their preliminary fair values as of the respective closing dates. The total preliminary purchase price consideration for the initial and second phase closings is as follows:

Preliminary purchase consideration for the initial and second phase closings:	Fair Value
Cash payment	$390,000
Stock consideration	71,106
Cash consideration payable	37,614
Preliminary fair value of stock awards assumed	2,229
	$500,949

The Company issued 1,266 shares of its common stock, at a fair value of $71,106 based on the closing price of the Company's common stock on the New York Stock Exchange Composite Transactions Tape as of the date of issuance. Additionally, the Company assumed unvested restricted IBM stock-based awards with a preliminary estimated fair value of $11,003 on the respective closing dates. The Company exchanged the acquisition date fair value of the unvested restricted IBM stock awards of employees with the Company's equity-based awards or cash settled with deferred payouts. The fair value of the replaced IBM awards was based on the market value of the Company's common stock on the respective closing dates of the initial and second phase closings. The fair value of the cash settled awards was based on IBM's stock price on the acquisition date, adjusted for the exclusion of dividend equivalents. Of the equity awards issued, a portion relating to the pre-combination service period was preliminarily allocated to the purchase consideration and the remainder of the preliminary estimated fair value will be expensed over the remaining service periods on a straight-line basis.
The total preliminary purchase price has been allocated between the acquisition of the IBM customer care business and a separate element representing IBM-initiated prepaid compensation plans. Of the total $16,321 prepaid amount, $13,232 was recorded in "Other current assets" and $3,089 in "Other assets" and is being expensed to "Selling, general and administrative expenses" over the service period.
The portion of the preliminary purchase price for the acquisition was allocated to the net tangible and intangible assets based on their preliminary fair values as of January 31, 2014 and April 30, 2014. The excess of the purchase price

over the preliminary net tangible assets and preliminary intangible assets was recorded as goodwill. The goodwill balance is attributed to the assembled workforce and expanded market opportunities due to the comprehensive service portfolio delivery capabilities and geographic reach resulting from the acquisition. The preliminary allocation of the purchase price was based upon a preliminary valuation and the Company's estimates and assumptions are subject to change within the measurement period (up

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SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and six months ended May 31, 2014 and 2013
(currency and share amounts in thousands, except per share amounts)
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to one year from the acquisition date). The primary areas of the preliminary purchase price allocation that are not yet finalized relate to the fair values of certain tangible assets acquired and liabilities assumed, the valuation of intangible assets acquired, fair value of operating lease assumed, income and non-income based taxes and residual goodwill. The Company expects to continue to obtain information for the purpose of determining the fair value of the net assets acquired at the acquisition date during the measurement period and the amount of goodwill that will be deductible for tax purposes.
The total preliminary purchase price allocation is as follows:

Preliminary purchase price allocation:	Fair Value	
Accounts receivable	$25,742	
Other current assets	24,947	
Property, plant and equipment	46,582	
Goodwill	180,957	
Intangible assets	263,532	
Other assets	17,122	
Accounts payable	(25,524	)
Accrued liabilities	(15,154	)
Other long-term liabilities	(2,528	)
Deferred tax liabilities, non-current	(14,727	)
	$500,949	

The identifiable intangible assets acquired and their estimated useful lives are summarized as follows:

	Fair Value	Weighted Average Useful Life
Customer relationships	$251,332	10 years
Technology	7,500	3-10 years
Trade names	4,700	5-10 years
Total intangibles acquired	$263,532	

Amortization of customer relationships and trade names is recorded in selling, general and administrative expenses. Amortization of technology is recorded in cost of revenue.
During the three and six months ended May 31, 2014, the IBM customer care business contributed $244,095 and $318,587, respectively, of revenue to the Company's total consolidated results of operations. Earnings contributed by the acquired business are not separately identifiable as a result of the Company's integration activities. Acquisition and integration expenses were $15,876 and $24,783 during the three and six months ended May 31, 2014, respectively, and consist of costs incurred to complete the acquisition and retention payments to integrate the business. Substantially all of the acquisition and integration expenses were recorded in "Selling, general and administrative expenses".
The following unaudited pro forma financial information combines the unaudited Consolidated Results of Operations as if the initial closing of the acquisition of the IBM customer care business had occurred at the beginning of the periods presented and excludes the results of the subsequently closing countries. Pro forma adjustments include only the effects of events directly attributable to transactions that are factually supportable. The pro forma results contained in the table below include pro forma adjustments for amortization of acquired intangibles, interest expense incurred on borrowings to fund the acquisition, stock-based compensation expense, other employee-related payments, the related tax effects of the pro forma adjustments and the issuance of shares.

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SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and six months ended May 31, 2014 and 2013
(currency and share amounts in thousands, except per share amounts)
(unaudited)

The pro forma financial information, as presented below, is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition and any borrowings undertaken to finance the acquisition had taken place at the beginning of fiscal periods presented.

	Three Months Ended		Six Months Ended	
	May 31, 2014	May 31, 2013	May 31, 2014	May 31, 2013
Revenue	$3,484,773	$2,901,361	$6,723,452	$5,692,700
Net income attributable to SYNNEX Corporation	39,959	33,002	81,174	63,978
Net income from continuing operations per share - basic	$1.03	$0.87	$2.10	$1.68
Net income from continuing operations per share - diluted	$1.02	$0.84	$2.07	$1.63

Fiscal year 2013 acquisitions

In April 2013, the Company acquired substantially all of the assets of Supercom Canada Limited ("Supercom Canada"), a distributor of IT and consumer electronics products and services in Canada. The purchase price was approximately CAD37,593, or US$36,665, in cash, including CAD4,450, or US$4,340, in deferred payments, subject to certain post-closing conditions, payable within 18 months. The Company has paid CAD1,800 of the deferred amount as of May 31, 2014. Subsequent to the acquisition, the Company repaid debt and working capital lines in the amount of US$53,721. Based on the purchase price allocation, the Company recorded net tangible assets of US$26,912, goodwill of US$5,384 and intangible assets of US$4,369 in relation to this acquisition. This acquisition did not meet the conditions of a material business combination and was not subject to the disclosure requirements of accounting guidance for business combinations utilizing the purchase method of accounting. The acquisition is integrated into the Technology Solutions segment and has expanded the Company's existing product and service offerings in Canada.

NOTE 4—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 Company uses the Black-Scholes valuation model to estimate fair value of stock options. The Black-Scholes option-pricing model was developed for use in estimating the fair value of short-lived exchange traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of highly subjective assumptions, including the option’s expected life and the price volatility of the underlying stock. The expected stock price volatility assumption was determined using historical volatility of the Company’s common stock.

The following table summarizes the number of share-based awards granted under the Company’s 2013 Stock Incentive Plan, as amended, during the three and six months ended May 31, 2014 and the Company's Amended and Restated 2003 Stock Incentive Plan, as amended, during the three and six months ended May 31, 2013 and the grant-date fair value of the awards:

	Three Months Ended				Six Months Ended			
	May 31, 2014		May 31, 2013		May 31, 2014		May 31, 2013	
	Shares awarded	Fair value of grants	Shares awarded	Fair value of grants	Units awarded	Fair value of grants	Units awarded	Fair value of grants
Restricted stock awards	18	$1,158	36	$1,275	98	$5,702	38	$1,329
Restricted stock units	7	500	8	268	53	3,204	106	3,736
	25	$1,658	44	$1,543	151	$8,906	144	$5,065

The Company recorded share-based compensation expenses of $3,048 and $5,632 in "Selling, general and administrative expenses" for the three and six months ended May 31, 2014, respectively, and $2,215 and $4,698 for the three and six months ended May 31, 2013, respectively.

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NOTE 5—BALANCE SHEET COMPONENTS:

	As of May 31, 2014	November 30, 2013
Short-term investments:		
Trading securities	$1,828	$4,728
Held-to-maturity securities	8,665	8,753
Cost method investments	10	1,653
	$10,503	$15,134

	As of May 31, 2014	November 30, 2013
Accounts receivable, net:		
Accounts receivable	$1,883,603	$1,681,917
Less: Allowance for doubtful accounts	(15,138)	(14,010)
Less: Allowance for sales returns	(55,897)	(74,716)
	$1,812,568	$1,593,191

	As of May 31, 2014	November 30, 2013
Property and equipment, net:		
Land	$22,736	$22,665
Equipment and computers	135,979	107,528
Furniture and fixtures	40,019	21,480
Buildings, building improvements and leasehold improvements	131,742	113,777
Construction in progress	5,062	1,621
Total property and equipment, gross	335,538	267,071
Less: Accumulated depreciation	(148,050)	(133,822)
	$187,488	$133,249

Goodwill:

	Technology Solutions	Concentrix	Total
Balance as of November 30, 2013	$108,218	$80,317	$188,535
Additions from acquisitions, net of adjustments	(28)	180,957	180,929
Foreign exchange translation	(1,000)	7,996	6,996
Balance as of May 31, 2014	$107,190	$269,270	$376,460

As discussed in Note 13—Segment Information, in the first quarter of fiscal year 2014, the Company completed a realignment of its business segments. The change has been reflected in the goodwill balances by business segment above for all periods presented.
The additions to "Goodwill" recorded during the six months ended May 31, 2014 relate to the acquisition of the IBM customer care business in the Concentrix segment.

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

Intangible assets, net	As of May 31, 2014			As of November 30, 2013		
	Gross Amounts	Accumulated Amortization	Net Amounts	Gross Amounts	Accumulated Amortization	Net Amounts
Vendor lists	$36,815	$(30,948)	$5,867	$36,815	$(30,180)	$6,635
Customer relationships	308,329	(54,306)	254,023	52,179	(35,379)	16,800
Technology	4,886	(618)	4,268	—	—	—
Other intangible assets	11,890	(4,666)	7,224	4,857	(4,520)	337
	$361,920	$(90,538)	$271,382	$93,851	$(70,079)	$23,772

Amortization expenses were $15,166 and $20,863 for the three and six months ended May 31, 2014, respectively, and $1,971 and $3,924 for the three and six months ended May 31, 2013, respectively. The increase in intangible assets, net from November 30, 2013 to May 31, 2013, 2014 is due to the acquisition of the IBM customer care business in the Concentrix segment.

Amortization is based on the pattern in which the economic benefits of the intangible assets will be consumed or on a straight line basis when the consumption pattern is not apparent. Estimated future amortization expense of the Company's intangible assets, which includes the preliminary estimates of amortization for the assets acquired through the initial and second closing of the IBM customer care acquisition, is as follows:

Fiscal Years Ending November 30,	
2014	$35,264
2015	54,687
2016	51,612
2017	39,453
2018	30,001
thereafter	60,365
Total	$271,382

Accumulated other comprehensive income

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

	Losses on cash flow hedges, net of taxes	Unrealized gains on available-for-sale securities, net of taxes	Unrecognized pension and post-retirement benefit costs, net of taxes	Foreign currency translation adjustment, net of taxes	Total
Beginning as of November 30, 2013	$—	$ 543	$(365)	$18,990	$19,168
Other comprehensive income (loss) before reclassifications	(191)	261	114	9,096	9,280
Net loss reclassified into earnings	34	—	—	—	34
Ending as of May 31, 2014	$(157)	$ 804	$(251)	$28,086	$28,482

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NOTE 6—INVESTMENTS:
The carrying amount of the Company's investments is shown in the table below:

	As of					
	May 31, 2014			November 30, 2013		
	Cost Basis	Unrealized Gains	Carrying Value	Cost Basis	Unrealized Gains	Carrying Value
Short-term investments:						
Trading securities	$1,531	$297	$1,828	$3,857	$871	$4,728
Held-to-maturity investments	8,665	—	8,665	8,753		