SYNNEX CORP
Form 10-Q
October 03, 2017
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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 August 31, 2017
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	94-2703333
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
44201 Nobel Drive Fremont, California	94538
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

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

Class	Outstanding as of September 26, 2017
Common Stock, $0.001 par value	39,965,158

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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)

	August 31, 2017	November 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$243,265	$ 380,717
Restricted cash	3,677	6,265
Short-term investments	5,487	5,109
Accounts receivable, net	1,861,409	1,756,494
Receivable from related parties	72	102
Inventories	2,242,083	1,741,734
Other current assets	97,940	104,609
Total current assets	4,453,933	3,995,030
Property and equipment, net	329,885	312,716
Goodwill	536,306	486,239
Intangible assets, net	279,818	298,550
Deferred tax assets	66,215	58,564
Other assets	73,203	64,182
Total assets	$5,739,360	$ 5,215,281
LIABILITIES AND EQUITY		
Current liabilities:		
Borrowings, current	$489,904	$ 362,889
Accounts payable	1,770,435	1,683,155
Payable to related parties	33,675	30,679
Accrued compensation and benefits	173,146	165,585
Other accrued liabilities	291,599	217,127
Income taxes payable	14,603	17,097
Total current liabilities	2,773,362	2,476,532
Long-term borrowings	564,085	601,095
Other long-term liabilities	114,151	103,217
Deferred tax liabilities	70,891	58,639
Total liabilities	3,522,489	3,239,483
Commitments and contingencies (Note 16)		
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, 40,949 and 40,816 shares issued as of August 31, 2017 and November 30, 2016, respectively	41	41
Additional paid-in capital	458,916	440,713
Treasury stock, 1,373 and 1,339 shares as of August 31, 2017 and November 30, 2016, respectively	(71,184)	(67,262)
Accumulated other comprehensive income (loss)	(46,550)	(93,116)
Retained earnings	1,875,648	1,695,400
Total SYNNEX Corporation stockholders' equity	2,216,871	1,975,776

Noncontrolling interest	—	22
Total equity	2,216,871	1,975,798
Total liabilities and equity	$5,739,360	$5,215,281

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		Nine Months Ended	
	August 31, 2017	August 31, 2016	August 31, 2017	August 31, 2016
Revenue:				
Products	$3,784,599	$3,267,287	$10,289,463	$9,099,762
Services	492,087	402,527	1,444,360	1,075,173
Total revenue	4,276,686	3,669,814	11,733,823	10,174,935
Cost of revenue:				
Products	(3,590,007)	(3,096,529)	(9,736,190)	(8,608,518)
Services	(311,735)	(247,328)	(908,661)	(662,238)
Gross profit	374,944	325,957	1,088,972	904,179
Selling, general and administrative expenses	(252,728)	(227,935)	(739,867)	(655,225)
Operating income	122,216	98,022	349,105	248,954
Interest expense and finance charges, net	(9,754)	(7,517)	(26,898)	(20,245)
Other income (expense), net	1,854	(378)	1,325	4,605
Income before income taxes	114,316	90,127	323,532	233,314
Provision for income taxes	(39,153)	(31,426)	(113,432)	(83,619)
Net income	75,163	58,701	210,100	149,695
Net loss (income) attributable to noncontrolling interest	—	3	—	(67)
Net income attributable to SYNNEX Corporation	$75,163	$58,704	$210,100	$149,628
Earnings attributable to SYNNEX Corporation per common share:				
Basic	$1.88	$1.48	$5.27	$3.77
Diluted	$1.87	$1.47	$5.24	$3.75
Weighted-average common shares outstanding:				
Basic	39,563	39,346	39,530	39,285
Diluted	39,748	39,534	39,722	39,492
Cash dividends declared per share	$0.25	$0.20	$0.75	$0.60

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		Nine Months Ended	
	August 31, 2017	August 31, 2016	August 31, 2017	August 31, 2016
Net income	$75,163	$58,701	$210,100	$149,695
Other comprehensive income (loss):				
Unrealized gains (losses) on available-for-sale securities, net of taxes of $0 for the three and nine months ended August 31, 2017 and 2016	220	(359)	710	(578)
Changes in unrealized losses of defined benefit plans, net of taxes of $0 for the three and nine months ended August 31, 2017 and 2016	(45)	—	(58)	(455)
Unrealized gains (losses) on cash flow hedges, net of taxes of $222 and $(128) for the three and nine months ended August 31, 2017, respectively, and $722 and $3,159 for the three and nine months ended August 31, 2016, respectively	(355)	(1,135)	203	(4,961)
Foreign currency translation adjustments, net of taxes of $(834) and $(895) for the three and nine months ended August 31, 2017, respectively, and $28 and $(1,371) for the three and nine months ended August 31, 2016, respectively	29,840	(2,068)	45,711	(3,347)
Other comprehensive income (loss)	29,660	(3,562)	46,566	(9,341)
Comprehensive income:	104,823	55,139	256,666	140,354
Comprehensive income attributable to noncontrolling interest	—	(9)	—	(100)
Comprehensive income attributable to SYNNEX Corporation	$104,823	$55,130	$256,666	$140,254

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)

	Nine Months Ended August 31, 2017	August 31, 2016
Cash flows from operating activities:		
Net income	$ 210,100	$ 149,695
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	108,302	83,058
Share-based compensation	12,412	10,615
Provision for doubtful accounts	7,299	884
Excess tax benefit from share-based compensation	(2,466)	(5,309)
Deferred income taxes	(746)	(5,811)
Unrealized foreign exchange gains	(2,731)	(8,943)
Others	868	—
Changes in assets and liabilities, net of acquisition of businesses:		
Accounts receivable, including from related parties	(76,866)	224,757
Inventories	(484,650)	(224,752)
Accounts payable, including to related parties	76,463	70,361
Other assets and liabilities	71,846	(20,933)
Net cash (used in) provided by operating activities	(80,169)	273,622
Cash flows from investing activities:		
Purchases of investments	(8,487)	(83,671)
Proceeds from sale and maturity of investments	6,230	82,886

Purchases of property and equipment	(72,130	)	(95,161	)
Acquisition of businesses, net of cash acquired and refunds	(51,309	)	(403,923	)
Others	1,538		4,123	
Net cash used in investing activities	(124,158	)	(495,746	)
Cash flows from financing activities:				
Proceeds from borrowings	5,371,963		1,902,424	
Repayments of borrowings	(5,289,800	)	(1,851,750	)
Dividends paid	(29,852	)	(23,809	)
Excess tax benefit from share-based compensation	2,466		5,309	
Increase (decrease) in book overdrafts	984		(3,501	)
Repurchases of common stock	—		(6,917	)
Proceeds from issuance of common stock	3,240		6,014	
Repurchases of common stock for tax withholdings on equity awards	(3,922	)	(3,427	)
Others	—		(1,337	)
Net cash provided by financing activities	55,079		23,006	
Effect of exchange rate changes on cash, cash equivalents and restricted cash	9,293		1,112	
Net decrease in cash, cash equivalents and restricted cash	(139,955	)	(198,006	)
Cash, cash equivalents and restricted cash at beginning of period	387,167		424,630	
Cash, cash equivalents and restricted cash at end of period	$ 247,212		$ 226,624	
Supplemental disclosure of non-cash investing activities				
Accrued costs for property and equipment purchases	$ 1,598		$ 5,135	

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 nine months ended August 31, 2017 and 2016
(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 headquartered in Fremont, California and has operations in North and South America, Asia-Pacific and Europe.

The Company has two reportable segments: Technology Solutions and Concentrix. The Technology Solutions segment distributes a broad range of information technology 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 August 31, 2017 and for the three and nine months ended August 31, 2017 and 2016 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, 2016 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, 2016.

Interim results of operations are not necessarily indicative of financial results for a full year, and the Company makes no representations related thereto.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

For a discussion of the Company's significant accounting policies, please see the discussion in the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2016. During the nine months ended August 31, 2017, the Company adopted certain new accounting pronouncements which are discussed below.

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 their compositions and maturities are regularly monitored by management. Through August 31, 2017, 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 August 31, 2017, such losses have been within management’s expectations.

One customer accounted for 22% and 20%, respectively, of the Company's total revenue during the three and nine months ended August 31, 2017. During the three and nine months ended August 31, 2016, the same customer accounted for 12% and 10%, respectively, of the Company's total revenue. Products purchased from the Company’s largest OEM supplier, HP Inc. accounted for approximately 14% of total revenue during both the three and nine months ended August 31, 2017, and approximately 16% and 17%, respectively, of total revenue during the three and nine months ended August 31, 2016.

As of August 31, 2017, one customer comprised 14% of the total accounts receivable balance. As of November 30, 2016, no customer comprised 10% or more of the total accounts receivable balance.

Inventories

Inventories as of November 30, 2016 were stated at the lower of cost or market. Commencing December 1, 2016, inventories are stated at the lower of cost or net realizable value. 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 Balance Sheets, the Consolidated Statements of Cash Flows and the notes thereto to conform to current period presentation, primarily pursuant to the adoption of new accounting pronouncements. The impact of reclassifications pursuant to adoption of new guidance is provided below under “Recently adopted accounting pronouncements.” Other reclassifications in the Consolidated Statements of Cash Flows had no effect on cash flows from operating, investing or financing activities as previously reported.

Recently adopted Accounting Pronouncements

In May 2017, the Financial Accounting Standard Board (the “FASB”) issued guidance to clarify when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The guidance is effective prospectively for all companies for annual periods and interim periods within those annual periods, beginning on or after December 15, 2017. The Company adopted the guidance prospectively in the second quarter of fiscal year 2017. The adoption had no impact on the Company's Consolidated Financial Statements, nor is it likely to have a material impact for the remainder of the fiscal year.

In January 2017, the FASB issued guidance to simplify the accounting for goodwill impairment. It removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Goodwill impairment will now be calculated as the amount by which a reporting unit’s carrying value exceeds its fair value, not exceeding the carrying amount of goodwill. In addition, income tax effects from any tax deductible goodwill shall also be considered in measuring goodwill impairment loss, if applicable. The guidance is effective for annual and interim periods beginning after December 15, 2019 and should be adopted prospectively. Early adoption is permitted for interim or annual goodwill impairment test performed with a measurement date after January 1, 2017. The Company adopted the guidance prospectively in the first quarter of fiscal year 2017. The adoption had no impact on the Company's Consolidated Financial Statements, nor is it likely to have a material impact for the remainder of the fiscal year.

In November 2016, the FASB issued new guidance which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company adopted this new guidance in the first quarter of fiscal year 2017, with retrospective effect. The adoption did not have a material impact on the Company's cash flow statement for the nine months ended August 31, 2017, nor is it likely to have a material impact for the remainder of the fiscal year. For the nine months ended August 31, 2016, cash used in investing activities increased by $85,400.

In October 2016, the FASB issued new guidance that requires a reporting entity to recognize the tax expense from intra-entity transfers of assets other than inventory in the selling entity’s tax jurisdiction when the transfer occurs, even

though the pre-tax effects of that transaction are eliminated in consolidation. Any deferred tax asset that arises in the buying entity's jurisdiction would also be recognized at the time of the transfer. The Company adopted this new guidance in the first quarter of fiscal year 2017 using the modified retrospective approach. The adoption did not have a material impact on the Company's Consolidated Financial Statements, nor is it likely to have a material impact for the remainder of the fiscal year.

In August 2016, the FASB issued an amendment to the statement of cash flows. It addresses eight specific cash flow issues to clarify the presentation and classification of cash receipts and cash payments in the statement of cash flows where

diversity in practice exists. The Company adopted this new standard in the first quarter of fiscal year 2017, with retrospective effect. The adoption did not have a material impact on the Company's cash flows from operating, investing or financing activities, nor is it likely to have a material impact for the remainder of the fiscal year.

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 Company adopted this new standard in the first quarter of fiscal year 2017, with retrospective effect. Although the adoption did not materially impact the company's consolidated financial position or results of operations, it resulted in a reclassification of $44,116 of deferred tax assets from current to noncurrent and a reclassification of $448 of deferred tax liabilities from current to noncurrent at November 30, 2016. In addition, the Company offset $5,000 of current deferred tax assets against noncurrent deferred tax liabilities as of November 30, 2016 in order to present a single noncurrent deferred tax balance by tax jurisdiction.

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 Company adopted this new standard prospectively in the first quarter of fiscal year 2017. The adoption did not have a material impact on the Company's Consolidated Financial Statements, nor is it likely to have a material impact for the remainder of the fiscal year.

In July 2015, the FASB issued a new accounting standard that simplifies the subsequent measurement of inventory. It replaces the 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 Company adopted this new standard prospectively in the first quarter of fiscal year 2017. The adoption did not have a material impact on the Company's Consolidated Financial Statements, nor is it likely to have a material impact for the remainder of the fiscal year.

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 Company adopted this new standard prospectively in the first quarter of fiscal year 2017. The adoption had no impact on the Company's Consolidated Financial Statements, nor is it likely to have a material impact for the remainder of the fiscal year.

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 Company adopted this new standard in the first quarter of fiscal year 2017, with retrospective effect. The adoption did not have a material impact on the Company's Consolidated Financial Statements, nor is it likely to have a material impact for the remainder of the fiscal year.

Recently issued accounting pronouncements

In August 2017, the FASB issued a new accounting standard that amends and simplifies existing guidance related to hedge accounting in order to allow companies to more accurately present the economic effects of risk management

activities in their financial statements. It is effective for annual reporting periods beginning after December 15, 2018 and interim periods within those annual periods with early adoption permitted. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first effective reporting period. The Company does not expect the adoption of this standard to have a material impact on its Consolidated Financial Statements but expects this new guidance to ease the administrative burden of hedge documentation requirements and assessing hedge effectiveness. The Company plans to adopt this guidance in the fourth quarter of fiscal year 2017.

In June 2016, the FASB issued a new credit loss standard that replaces the incurred loss impairment methodology in current GAAP. The new impairment model requires immediate recognition of estimated credit losses expected to occur for most financial assets and certain other instruments. It is effective for annual reporting periods beginning after December 15, 2019 and interim periods within those annual periods. Early adoption for fiscal years beginning after December 15, 2018 is permitted. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first effective reporting period. The Company is currently evaluating the impact of the new guidance.

In March 2016, the FASB issued guidance which changes the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification in the Consolidated Statement of Cash Flows. The guidance is effective for interim and annual periods beginning after December 15, 2016 and early adoption is permitted. Had the Company adopted this guidance during the nine months ended August 31, 2017, income tax expense would be lower by $639 and $2,466 for the three and nine months ended August 31, 2017, respectively, and net income would be higher by approximately the same amounts. The tax impact is included in additional paid-in capital for the nine months ended August 31, 2017. Cash used in operating activities during the nine months ended August 31, 2017 would be lower by $2,466.

In February 2016, the 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 early 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 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 has established an implementation team and engaged external advisers to assess the Company's business and contracts. The Company is in the process of determining the transition method and evaluating the impact of several aspects of the standard including principal versus agent considerations, identification of performance obligations and the determination of when control of goods and services transfers to the Company's customers.

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SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and nine months ended August 31, 2017 and 2016
(currency and share amounts in thousands, except per share amounts)
(unaudited)

NOTE 3—ACQUISITIONS:
Fiscal 2017 acquisitions
On July 31, 2017, the Company acquired 100% of Tigerspike Pty Ltd (“Tigerspike”), a digital products company incorporated in Australia, specializing in strategy, experience design, development and systems integration, for a preliminary purchase price of $68,457 in cash subject to post-closing adjustments, including $10,000 payable by October 31, 2017. The acquisition is being integrated into the Concentrix segment and is expected to enhance Concentrix' digital and mobility competencies by providing improved business intelligence and performance for its clients through enabling technologies that are designed to create effortless, personalized end-user engagements. Based on the preliminary purchase price allocation, the Company recorded net tangible liabilities of $692, goodwill of $43,727 and intangible assets of $25,423, primarily comprising customer relationships and technology. The primary area of the preliminary purchase price allocation that is not yet finalized relates to the valuation of intangible assets acquired. Acquisition-related and integration expenses incurred were $321 during both the three and nine months ended August 31, 2017. These charges were recorded in “Selling, general and administrative expenses.”
Subsequent to the fiscal quarter ended August 31, 2017, on September 1, 2017, the Company acquired the North America and Latin America distribution businesses, of Datatec Limited, a public limited company incorporated in the Republic of South Africa (“Datatec”), through the purchase of 100% of the shares of its subsidiary, Westcon Group, Inc., a Delaware company (“Westcon-Comstor Americas”). The purchase price of approximately $600,000 was paid in cash. In addition, a potential earnout amount of up to $200,000 will be payable in cash if certain gross profit targets are achieved for the twelve-month period ending February 28, 2018. The acquisition is related to the Technology Solutions segment and is expected to strengthen the Company’s line card in the security, Unified Communications and Collaboration and networking markets, enhance the Company’s North American position and expand the Company’s footprint into Latin America.
The Company also purchased 10% of Datatec’s EMEA (Europe, Middle East and Africa) and APAC (Asia Pacific) distribution businesses for $30,000 through the purchase of 10% of the shares of each of Westcon Emerging Markets Group (Pty) Limited, a South Africa company, and Westcon Group European Holdings, Limited, a United Kingdom company. The Company has an option to purchase up to an additional 10% equity interest in each of the EMEA and APAC distribution businesses within the twelve months following the closing of the acquisition, for an additional cash consideration of up to $30,000 depending on the percentage of equity interest the Company determines to purchase in either entity.
In order to fund the acquisition, the Company amended and increased its existing senior secured credit agreement in the United States on September 1, 2017. See Note 10 for further information.
For its fiscal year ended February 28, 2017, Westcon-Comstor Americas generated $2,235 in revenue. Given the short period of time from the close of the acquisition to the filing of this Form10-Q, the Company is in the process of compiling the initial accounting for the Westcon-Comstor Americas combination including the determination of the fair values of the earnout amount and the range of outcomes, certain tangible assets acquired and liabilities assumed, the valuation of intangible assets acquired, income and non-income based taxes and residual goodwill and the amount of goodwill that will be deductible for tax purposes.
Fiscal 2016 acquisition
In August 2016, the Company acquired 100% of the Minacs group of companies (“Minacs”), which provide integrated business process outsourcing services, for a purchase price of $429,135 paid in cash, after certain post-closing adjustments. During the nine months ended August 31, 2017, the Company received a refund of $6,500 related to post-closing adjustments. This amount is reflected in the Consolidated Statements of Cash Flows under investing activities. The Company also recorded certain immaterial measurement period adjustments to the fair value of acquired net tangible assets. Acquisition-related and integration expenses were $9,798, of which $0 and $611,

respectively, were incurred during the three and nine months ended August 31, 2017. These charges were recorded in "Selling, general and administrative expenses."

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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, performance-based 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 and nine months ended August 31, 2017 and 2016, and the grant-date fair value of those awards:

	Three Months Ended				Nine Months Ended			
	August 31, 2017		August 31, 2016		August 31, 2017		August 31, 2016	
	Shares awarded	Fair value of grants	Shares awarded	Fair value of grants	Shares awarded	Fair value of grants	Shares awarded	Fair value of grants
Restricted stock awards	2	$ 250	2	$ 175	25	$2,803	16	$1,410
Restricted stock units	—		1	76	33	3,768	35	2,840
	2	$ 250	3	$ 251	58	$6,571	51	$4,250

The Company's share-based compensation expense was $4,125 and $12,501 for three and nine months ended August 31, 2017, respectively, and $3,424 and $10,654 for the three and nine months ended August 31, 2016, respectively. The Company recorded substantially all of its share-based compensation expense in “Selling, general and administrative expenses” in the Consolidated Statements of Operations.

NOTE 5—BALANCE SHEET COMPONENTS:

Cash, cash equivalents and restricted cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Balance Sheets that sum to the total of the same amounts shown in the Consolidated Statements of Cash Flows:

	As of	
	August 31, 2017	November 30, 2016
Cash and cash equivalents	$243,265	$380,717
Restricted cash	3,677	6,265
Restricted cash included in other assets	270	185
Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows	$247,212	$387,167

Restricted cash balances relate primarily to temporary restrictions caused by the timing of lockbox collections under borrowing arrangements and the issuance of bank guarantees.

	As of	
	August 31, 2017	November 30, 2016
Accounts receivable, net:		
Accounts receivable	$1,926,103	$1,820,049
Less: Allowance for doubtful accounts	(18,653)	(13,564)
Less: Allowance for sales returns	(46,041)	(49,991)

$1,861,409	$1,756,494

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	As of August 31, 2017	November 30, 2016
Property and equipment, net:		
Land	$23,953	$ 23,629
Equipment, computers and software	291,688	255,400
Furniture and fixtures	56,819	51,767
Buildings, building improvements and leasehold improvements	243,772	219,780
Construction-in-progress	27,643	12,007
Total property and equipment, gross	643,875	562,583
Less: Accumulated depreciation	(313,990)	(249,867)
	$329,885	$ 312,716

Depreciation expense was $20,185 and $59,058 for the three and nine months ended August 31, 2017, respectively, and $15,375 and $46,549 for the three and nine months ended August 31, 2016, respectively.
Goodwill:

	Technology Solutions	Concentrix	Total
Balance as of November 30, 2016	$ 96,412	$389,827	$486,239
Additions from acquisitions, net of adjustments (See Note 3)	—	37,642	37,642
Foreign exchange translation	3,494	8,931	12,425
Balance as of August 31, 2017	$ 99,906	$436,400	$536,306

	As of August 31, 2017			As of November 30, 2016		
	Gross Amounts	Accumulated Amortization	Net Amounts	Gross Amounts	Accumulated Amortization	Net Amounts
Intangible assets, net:						
Customer relationships and lists	$468,123	$ (211,132)	$256,991	$448,008	$ (160,033)	$287,975
Vendor lists	36,815	(35,946)	869	36,815	(34,793)	2,022
Technology	26,154	(4,741)	21,413	10,900	(3,227)	7,673
Other intangible assets	5,939	(5,394)	545	5,827	(4,947)	880
	$537,031	$ (257,213)	$279,818	$501,550	$ (203,000)	$298,550

Amortization expense was $16,688 and $49,244 for the three and nine months ended August 31, 2017, respectively, and $13,011 and $36,509 for the three and nine months ended August 31, 2016, respectively.
Estimated future amortization expense of the Company's intangible assets, including preliminary estimates from the acquisition of Tigerspike, is as follows:

Fiscal Years Ending November 30,	
2017 (remaining three months)	$17,102
2018	57,971
2019	46,025
2020	40,907
2021	35,690
thereafter	82,123
Total	$279,818

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Accumulated other comprehensive income (loss):
The components of accumulated other comprehensive income (loss), net of taxes, attributable to SYNNEX Corporation were as follows:

	Unrealized gains on available-for-sale securities, net of taxes	Unrecognized defined benefit plan costs, net of taxes	Unrealized gains (losses) on cash flow hedges, net of taxes	Foreign currency translation adjustment, net of taxes	Total
Balance as of November 30, 2016	$ 713	$ (850)	$ (4,458)	$ (88,521)	$ (93,116)
Other comprehensive gain (loss)	710	(58)	203	45,711	46,566
Balance as of August 31, 2017	$ 1,423	$ (908)	$ (4,255)	$ (42,810)	$ (46,550)

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

	As of August 31, 2017			November 30, 2016		
	Adjusted Cost Basis	Unrealized Gains	Carrying Value	Adjusted Cost Basis	Unrealized Gains	Carrying Value
Short-term investments:						
Held-to-maturity investments	$5,487	$ —	$ 5,487	$5,109	$ —	$ 5,109
Long-term investments in other assets:						
Available-for-sale securities	$988	$ 1,711	$ 2,699	$928	$ 955	$ 1,883
Held-to-maturity investments	4,963	—	4,963	2,102	—	2,102
Cost-method investments	3,835	—	3,835	3,884	—	3,884

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 held-to-maturity investments consist of foreign government bonds of $1,242 purchased pursuant to local regulations, maturing in fiscal year 2023, and term deposits with maturities not exceeding one year. These term deposits are renewed due to certain restrictions under the terms of an acquisition arrangement. 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 investments, 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. The fair value of foreign government bonds is $1,173 as of August 31, 2017.
Cash flows from purchases, sales, and maturities of available-for-sale and held-to-maturity securities are classified as cash flows from investing activities and reported gross on a combined basis as these principally represent cash flows from held-to-maturity securities.

NOTE 7—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 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 (expense), 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 offset the foreign exchange risk on assets and liabilities denominated in currencies other than the functional currency of the respective entities. 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 (expense), 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 (expense), 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 (expense), net.” Any subsequent changes in fair value of such derivative instruments are reflected in “Other income (expense), 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 8.

The following table summarizes the fair value of the Company’s derivative instruments as of August 31, 2017 and November 30, 2016:

Balance Sheet Line Item	Fair Value as of August 31, 2017	Fair Value as of November 30, 2016
Derivative instruments not designated as hedging instruments		
Foreign exchange forward contracts		
Other current assets	$940	$ 1,700
Other accrued liabilities	1,187	979
Derivative instruments designated as cash flow hedges		
Interest rate swaps		

Other accrued liabilities	$1,295	$ 706
Other long-term liabilities	5,622	6,542

The notional amounts of the foreign exchange forward contracts that were outstanding as of August 31, 2017 and November 30, 2016 were $209,539 and $275,163, respectively. The notional amounts represent the gross amounts of foreign currency, including the Canadian Dollar, British Pound, Philippines Peso, Mexican Peso, Euro, Brazilian Real, Japanese Yen and Australian Dollar, 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 losses of $1,581 and $3,780, respectively,

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during the three and nine months ended August 31, 2017, and losses of $1,668 and $6,126, respectively, during the three and nine months ended August 31, 2016, in “Other income (expense), net.”
During the three and nine months ended August 31, 2017, the Company recorded losses before tax of $577 and gains before tax of $331, respectively, and losses before tax of $1,857 and $8,120, respectively, for the three and nine months ended August 31, 2016 in “Other comprehensive income (loss)” related to changes in the fair value of its derivative instruments designated as cash flow hedging instruments. During the three and nine months ended August 31, 2017 and 2016, there was no hedge ineffectiveness related to these derivative instruments. During the three and nine months ended August 31, 2017 and 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.
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 $935 each as of August 31, 2017 and $1,364 each as of November 30, 2016.
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 8—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 August 31, 2017				As of November 30, 2016			
	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	$49,048	$49,048	$—	$ —	$43,043	$43,043	$—	$ —
Available-for-sale securities	2,699	2,699	—	—	1,883	1,883	—	—
Forward foreign currency exchange contracts	940	—	940	—	1,700	—	1,700	—
Liabilities:								
Forward foreign currency exchange contracts	$1,187	$—	$1,187	$ —	$979	$—	$979	$ —
Interest rate swaps	6,917	—	6,917	—	7,248	—	7,248	—

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

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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 the London Interbank Offered Rate ("LIBOR") spot and forward rates. The effect of nonperformance risk on the fair value of derivative instruments was not material as of August 31, 2017 and November 30, 2016.
The carrying values of held-to-maturity securities with maturities less than one year, 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 fair value of long-term held-to-maturity investments in foreign government bonds is based on quoted market prices. 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 the nine months ended August 31, 2017, there were no transfers between the fair value measurement category levels.

NOTE 9—ACCOUNTS RECEIVABLE ARRANGEMENTS:
The Company has an uncommitted supply-chain financing program with a global financial institution under which trade accounts receivable of a certain customer and its affiliates 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. As of August 31, 2017 and November 30, 2016, accounts receivable sold to and held by the financial institution under this program were $8,774 and $8,988, respectively. Discount fees 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. During the three and nine months ended August 31, 2017 and 2016, discount fees were not material to the Company's results of operations.
SYNNEX Infotec, the Company's Japanese 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 August 31, 2017 and November 30, 2016 were $2,414 and $3,564, respectively.
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, 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 16 for further information.
The following table summarizes the net sales financed through the flooring agreements and the flooring fees incurred:

	Three Months Ended		Nine Months Ended	
	August 31, 2017	August 31, 2016	August 31, 2017	August 31, 2016
Net sales financed	$313,058	$362,491	$869,478	$922,448
Flooring fees[1]	2,126	2,287	5,887	5,996

(1) Flooring fees are included within "Interest expense and finance charges, net."
As of August 31, 2017 and November 30, 2016, accounts receivable subject to flooring agreements were $63,665 and $65,099, respectively.

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NOTE 10—BORROWINGS:
Borrowings consist of the following:

	As of	
	August 31, 2017	November 30, 2016
SYNNEX U.S. AR arrangement	$353,000	$ 262,900
SYNNEX Canada AR arrangement	24,033	—
SYNNEX U.S. credit agreement	558,594	585,938
SYNNEX Infotec credit facility	95,472	81,251
India credit facilities	12,000	12,000
Other borrowings	13,099	24,877
Total borrowings	1,056,198	966,966
Less: unamortized debt discount and issuance costs	(2,209)	(2,982)
Total borrowings, net of unamortized debt discount and issuance costs	1,053,989	963,984
Less: current portion	(489,904)	(362,889)
Noncurrent portion	$564,085	$ 601,095

SYNNEX U.S. AR arrangement
The Company has an accounts receivable securitization program to provide additional capital for its operations (the “U.S. AR Arrangement”). The U.S. AR Arrangement expires on November 1, 2019. Under the terms of the U.S. AR Arrangement, the Company’s subsidiary that is the borrower under this facility can borrow up to a maximum of $600,000 based upon eligible trade accounts receivable denominated in United States dollars. The U.S. AR Arrangement includes an accordion feature to allow requests for an increase in the lenders' commitment by an additional $120,000. The effective borrowing cost under the U.S. AR 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 0.75% per annum based on the used portion of the commitment, and a facility fee of 0.35% per annum payable on the adjusted commitment of the lenders. As of August 31, 2017 and November 30, 2016, $353,000 and $262,900, respectively, was outstanding under the U.S. AR Arrangement.
Under the terms of the U.S. AR Arrangement, the Company and one of its 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. AR Arrangement are recorded as debt on the Company's Consolidated Balance Sheets.
SYNNEX Canada AR arrangement
In May 2017, SYNNEX Canada Limited (“SYNNEX Canada”) entered into an accounts receivable securitization program with a bank to transfer eligible trade accounts receivable, on an ongoing revolving basis, up to CAD65,000, or $52,071, through May 10, 2020. The program includes an accordion feature to allow a request to increase the lender's commitment by an additional CAD25,000, or $20,027. Any borrowings under this arrangement are recorded as debt on the Company's Consolidated Balance Sheets. The effective borrowing cost is based on the weighted average of the Canadian Dollar Offered Rate plus a margin of 2.00% per annum and the prevailing lender commercial paper rates. In addition, SYNNEX Canada is obligated to pay a program fee of 0.75% per annum based on the used portion of the commitment. It will pay a fee of 0.40% per annum for any unused portion of the commitment below CAD25,000 and an additional 0.55% per annum if the unused portion exceeds CAD25,000. As of August 31, 2017, borrowings outstanding under this arrangement were $24,033.
SYNNEX U.S. credit agreement

As of August 31, 2017, the Company's senior secured credit agreement (the "U.S. Credit Agreement") was comprised of a $275,000 revolving credit facility and a $625,000 term loan. The Company could request incremental commitments to increase the principal amount of the revolving line of credit or term loan available under the U.S. Credit Agreement up to $350,000.

Interest on borrowings under the U.S. Credit Agreement can be based on LIBOR or a base rate at the Company's option. Through August 31, 2017, loans borrowed under the U.S. Credit Agreement had interest, in the case of LIBOR loans, at a per annum rate equal to the applicable LIBOR, plus a margin which could 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 were not LIBOR loans, but were instead base rate loans, had 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 could 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 credit facility was subject to a commitment fee ranging from 0.20% to 0.35% per annum, based on the Company's consolidated leverage ratios.

As of August 31, 2017 and November 30, 2016, balances outstanding under the term loan component of the U.S. Credit Agreement were $558,594 and $585,938, respectively. There were no borrowings outstanding under the revolving credit facility as of either August 31, 2017 or November 30, 2016.

Subsequent to the fiscal quarter ended August 31, 2017, on September 1, 2017, the U.S. Credit Agreement was amended to increase the revolving credit facility commitment to $600,000 and the term loan to $1,200,000. The incremental commitment amount to increase the principal amount of the revolving line of credit or term loan was increased to $400,000. The U.S. Credit Agreement was extended to mature in September 2022. The outstanding principal amount of the term loan is repayable in quarterly installments of $15,000 commencing on February 28, 2018, with the unpaid balance due in full on the September 2022 maturity date. Interest on the borrowings under the U.S. Credit Agreement was amended to change the margin for LIBOR loans to range from 1.25% to 2.00% and for base rate loans to range from 0.25% to 1.00%, provided that LIBOR shall not be less than zero. In addition, the commitment fee was modified to range from 0.175% to 0.30% per annum. The entire term loan of $1,200,000 was fully drawn in September 2017.

SYNNEX Infotec credit facility

SYNNEX Infotec has a credit agreement with a group of financial institutions for a maximum commitment of JPY14,000,000, or $127,296. The credit facility is comprised of a JPY6,000,000, or $54,555, term loan and a JPY8,000,000, or $72,741, short-term revolving credit facility. The interest rate for the term loan and revolving credit facility is based on the Tokyo Interbank Offered Rate 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 August 31, 2017 and November 30, 2016, the balances outstanding under the term loan component of the facility were $54,555 and $52,420, respectively. Balances outstanding under the revolving credit facility were $40,917 and $28,831 as of August 31, 2017 and November 30, 2016, respectively. The term loan can be repaid at any time prior to the expiration date without penalty. The Company has guaranteed the obligations of SYNNEX Infotec under this facility.

SYNNEX Canada revolving line of credit

In May 2017, SYNNEX Canada entered into an uncommitted revolving line of credit with a bank under which it can borrow up to CAD35,000, or $28,038. Borrowings under the facility are secured by eligible inventory and bear interest at a base rate plus a margin ranging from 0.50% to 2.25% depending on the base rate used. The base rate could be a Banker's Acceptance Rate, a Canadian Prime Rate, LIBOR or US Base Rate. As of August 31, 2017, there were no borrowings outstanding under the credit facility.

India credit facilities

The Company's Indian subsidiaries have credit facilities with a financial institution to borrow up to an aggregate amount of $22,000. The interest rate is the higher of the bank's minimum lending rate or LIBOR plus a margin of 0.9% per annum. These credit facilities can be terminated at any time by the Company's Indian subsidiaries or the

financial institution. As of both August 31, 2017 and November 30, 2016, $12,000 was outstanding under these facilities.

Other borrowings

As of August 31, 2017 and November 30, 2016, the Company recorded $8,683 and $8,657, respectively, on its Consolidated Balance Sheets in obligations attributable to SYNNEX Infotec for the sale and financing of this subsidiary’s approved accounts receivable and notes receivable with recourse provisions.

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The Company also maintains other lines of credit with financial institutions at certain locations outside the United States aggregating $21,907. Interest rates and other terms of borrowing under these lines of credit vary from country to country, depending on local market conditions. As of August 31, 2017 and November 30, 2016, $31 and $8,774, respectively, was outstanding under these facilities.

SYNNEX Canada had a term loan associated with the purchase of its logistics facility in Guelph, Canada. The interest rate for the unpaid principal amount was a fixed rate of 5.374% per annum. As of November 30, 2016, the balance outstanding on the term loan was $4,064. The loan was repaid in full upon maturity in April 2017.

As of August 31, 2017 and November 30, 2016, the Company had book overdrafts of $4,385 and $3,382, respectively. Book overdrafts represent 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. Under the terms of the Company's banking arrangements, the respective financial institutions are not legally obligated to honor the book overdraft balances.

The maximum commitment amounts for local currency credit facilities have been translated into United States Dollars at August 31, 2017 exchange rates.

Future principal payments

As of August 31, 2017, future principal payments under the above loans are as follows:

Fiscal Years Ending November 30,	
2017 (remaining three months)	$450,842
2018	105,349
2019	62,507
2020	437,500
	$1,056,198

Refer above for the increase in the Company’s term loan amount and extension of the maturity date under the U.S. credit agreement subsequent to August 31, 2017.

Interest expense and finance charges

The total interest expense and finance charges for the Company's borrowings were $10,224 and $28,186, respectively, for the three and nine months ended August 31, 2017, and $8,178 and $22,022, respectively, for the three and nine months ended August 31, 2016. The variable interest rates ranged between 0.71% and 4.50% during the three months ended August 31, 2017, and 0.58% and 4.50% during the nine months ended August 31, 2017, and between 0.73% and 4.00% during both the three and nine months ended August 31, 2016.

Covenant compliance

The Company's credit facilities have a number of covenants and restrictions that, among other things, require the Company to maintain specified financial ratios and satisfy certain financial condition tests. 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 August 31, 2017, the Company was in compliance with all material covenants for the above arrangements.

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NOTE 11—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		Nine Months Ended	
	August 31, 2017	August 31, 2016	August 31, 2017	August 31, 2016
Basic earnings per common share:				