

**DISCOUNT CASH FLOW MODEL OF SYNEX (THAILAND)  
PUBLIC COMPANY LIMITED**



**A THEMATIC PAPER SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR  
THE DEGREE OF MASTER OF MANAGEMENT  
COLLEGE OF MANAGEMENT  
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Thematic paper  
entitled  
**DISCOUNT CASH FLOW MODEL OF SYNEX (THAILAND)  
PUBLIC COMPANY LIMITED**

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## **DISCOUNT CASH FLOW MODEL OF SYNEX (THAILAND) PUBLIC COMPANY LIMITED**

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### **ABSTRACT**

This thematic paper demonstrated how to value the stock price of Synnex (Thailand) Public Company Limited (SYNNEX) which applied the concept of the discount cash-flow models. It reflected the company's ability whether they can be survive and grow without equity or long term debt. I applied discount cash-flow model to express the valuation of the company's stock price. the valuation from discounted cash flow method is the most appropriate because it takes into account the fundamental component of the firm such as net operating profit after-tax, net capital expenditure, and working capital, and computes these factors to obtain free cash flow to firm, the free cash flow available to both creditors and shareholders if the firm have no debt then discounts the value of free cash flow to firm and terminal value to the current period. The result is the enterprise value of the company. After subtracting EV from the value of interest bearing debts, non-operating assets, non-controlling interests, and value of equity, the result will be the value of equity of the firm. Therefore, our calculation of the stock price by using the discounted cash flow method, we concluded that the current appropriate price should be around 6.43 baht per share. So the recommendation is to buy the stock in the market since it is undervalue.

**KEY WORDS:** SYNEX / Valuation / Discount cash flow model / Technology

56 pages

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# CHAPTER I

## INTRODUCTION

### 1.1 Highlights

1. BUY recommendation under expanding of ICT industry in Thailand: ICT industry is expected to grow by 3.8 at ending of 2015 and up to 4.5% in 2016 while GDP growth rate was estimated up to 4% in 2016. Current actual revenue for 9 months in Q3/2015 is Baht 16,184 million (source: [www.set.co.th](http://www.set.co.th)) which above proportion of forecast revenue for 9 months ending September 30, 2015 at Baht 15,092 million.

2. SYNEX's business model enables reliable performance: As efficient as the firm is, SYNEX delivers market price with high service standard and on-time delivery product, which competes on par in the market of ICT industry. The firm can gain high amount by smartphone, server, flash memory and network equipment via developed distribution channels. Smartphone is the best section that can make strong growth in sales although there is fast changing world of information and communications technology. Besides, the firm also developed distribution channels in the countries of Indochina region and its double growth rate from export sales to these countries at 118% in 2014.

3. Network Evolution: Thailand is in network evolution to next generation. 4G is the fourth generation of mobile telecommunications technology. Network Providers tried to convince the customer to upgrade network from 3G to 4G. The people have to use the high performance smartphone to support this network.

4. Dividend Policy: Policy of paying a minimum of 40% of net profit after tax, after reserve required by laws and other reserves.

**Table 1.1 Overall share summary**

Share Summary	
Market	SET
Industry	Technology
Sector	ICT
Issued shares (Paid-up)	THB 770.3m
Par value	THB 1.0
Market Capitalization	THB3,466.5 m
52 Weeks price range	THB 2.7/5.45
Major shareholder	
- TKS. Technologies Plc.	38.51%
- King's Eye Investments Ltd.	34.99%
% Free float	25.48%
Book value per share	THB 2.68

**Table 1.2 Financial Highlight**

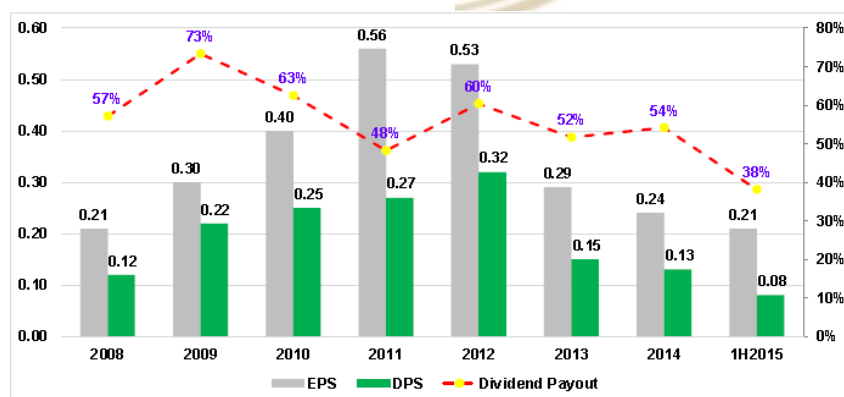
Ticker: SET: SYNEX

Recommendation: BUY

Price: THB 4.50

Target Price: THB 6.43

Financial Highlight						
	2012A	2013A	2014A	2015E	2016E	2017E
Total Revenue (Bt,m)	20,650	18,779	19,164	20,123	21,129	22,185
EBITDA (Bt,m)	403	254	250	480	518	545
Net Profit (Bt,m)	362	213	210	326	344	363
EPS (Bt)	0.52	0.28	0.27	0.42	0.45	0.47
EPS Growth (%)	-5.5%	-46.2%	-3.6%	56.9%	5.4%	5.4%
DPS (Bt)	0.32	0.15	0.13	0.17	0.18	0.19
ROA (%)	11.4%	6.1%	5.4%	5.9%	6.2%	6.2%
ROE (%)	20.4%	10.8%	10.1%	14.9%	14.8%	14.7%
D/E (%)	1.55	1.29	1.65	1.39	1.39	1.37

**Dividends and Share Information****Figure 1.1 Dividends and Share Information**

## 1.2 Business Description

Synnex was established in 1988 in name Compex to import and distribute computers, computer peripherals, software, and IT system. Its products are distributed in both Thailand and overseas. In 2002, Compex (Thailand) Company Limited changed its name to Synnex (Thailand) Company Limited as well as relocating the Company's Head Office to Sukontasawat where the Company's transport and distribution terminal was established and managed applying the distribution technology transferred from the Taiwan's Synnex Group. The company listed on the Stock Exchange of Thailand in 2008..

Synnex (Thailand) Public Company Limited distributes computers, computer peripherals, software, IT system, computer consumables and Communication Device of over 50 world-recognized brands whereas the Company's customer base includes countrywide computer retailers and wholesalers, major software solutions providers, local-branded computer manufacturers, department stores, giant superstores, and stationary shops, and etc.

Owing to the wide and comprehensive assortment of products and credibility of the Company, partners and customers have confidence in placing orders for products thanks to the Company's convenient process in product ordering, after-sale service, and timely product shipment. Products distributed by the Company can be categorized into 9 groups with details as follows:

1. Component Product Group: CPG

CPG incorporates computer components comprising of main products namely Motherboard, Hard Disk Drive, CPU, DRAM, CD-ROM, and Optical Drive. In responding to the DIY PC market, consumers could selectively buy components to configure own PCs with specifications answering their needs the most or to replace certain parts of existing PCs to accelerate the computer performance

2. Consumables & Supply Group: CSG

CSG covers consumables and supplies which constantly need to be purchased for replacement. Main products include, for example, Ink Cartridge, Toner, Ribbon, and Office Paper.

### 3. Image & Printing Product Group: IPG

IPG comprises of printing products with major product lines as Inkjet Printer and Laser Printer categorized by function as all-in-one kind (printer, fax, copier, and scanner) and single kind (printer only).

### 4. Network Product Group: NPG

NPG products encompasses network components comprising of major products such as Switch, Hub, Router, Wireless LAN, UPS, Server, Storage, Network Cabling System, and Internet Security.

### 5. Display Product Group: DPG

DPG includes such main products as Display Screen and Projector with the Company being the authorized distributor of DPG products of several leading brands with large to largest shares in the market. In addition, the Company is the sole authorized importer and distributor of the high-quality, EIZO-brand display screens in Thailand.

### 6. System Product Group: SPG

SPG includes complete computer sets with such focal products as Portable Computer (Notebook, UltraBook, Netbook), Desktop Computer, Server, and Configure-to-Order (CTO) Computer of Lemel, Taiwan's Synnex Group's brand. Lemel's CTO Computer has been certified by Thai Industrial Standards Institute, Ministry of Industry, for its standards on safety and radio frequency and by National Electronics and Computer Technology Center, NECTEC, on its durability towards the environmental heat that meets the standard.

### 7. Multimedia Product Group: MPG

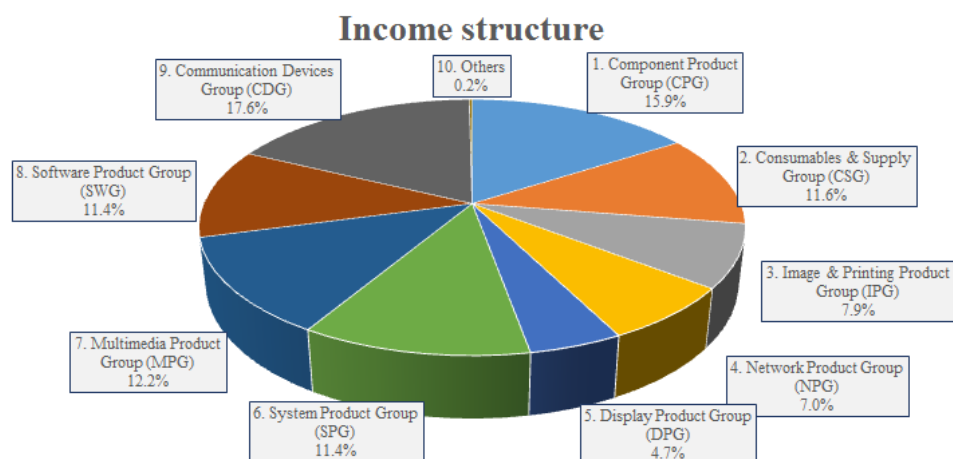
MPG covers electronic devices used with applications on computers or with computers or Smartphones. Main products are, for instance, External Hard Drive, Media Player, USB Flash Drive, Flash Card, Digital Camera, and Accessories such as Earphone/Headphone used with computers and Smartphone as well as Input Devices namely Computer Mouse and Keyboard.

### 8. Software Product Group: SWG

SWG consists of software products featuring Operating System Software for PCs, Application Software, Operating System for Server, and Safety Software for Network, 2D and 3D Program for instance.

### 9. Communication Devices Group: CDG

CDG encompasses communication devices and other gadgets and accessories namely Smartphone and Tablet PC operated on a variety of systems such as Android OS, Windows OS, and etc.,



**Figure 1.2 Income structure**

### 1.3 Business Strategies

Synnex has strategies to support the Company's core business and maintain the position of market leadership of total technology solutions, and to manage the business with practices in compliance with good corporate governance together with social and environmental responsibilities as follows.

1. People: To define systematic human resource planning to support the expansion of business clusters and personnel potential development planning, body of knowledge transfer, career advancement planning, fair and appropriate compensation structuring in order to promote and motivate capable personnel to move up to important positions and earn their loyalty with the organization.

2. Portfolio Restructure: To concentrate on the integrated adjustment of product selection process to assure that products chosen are of excellent quality with popular market demand to best respond to potential customers' needs and to consistently generate great profit to the organization.

3. Productivity: To utilize the information technology system to achieve speed in competition and to develop innovation for the work process to be modern, swift, concise, and efficient and to lower organizational costs in different aspects.

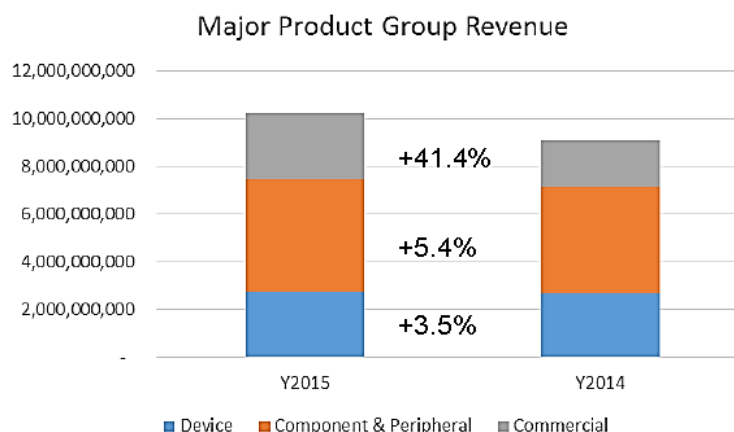
4. M&A: To introduce mergers and acquisitions to create business opportunities with supporting business partners in a step towards the expansion of business clusters and to maintain the position of market leadership of total technology solutions.

5. Oversea Investment: To invest in overseas countries to support the growth of the upcoming ASEAN Economic Community with the focus on nations in the Indochinese region as priorities for thorough business expansion covering both domestic and foreign investments to be added to the Company's portfolio and generate returns for shareholders.

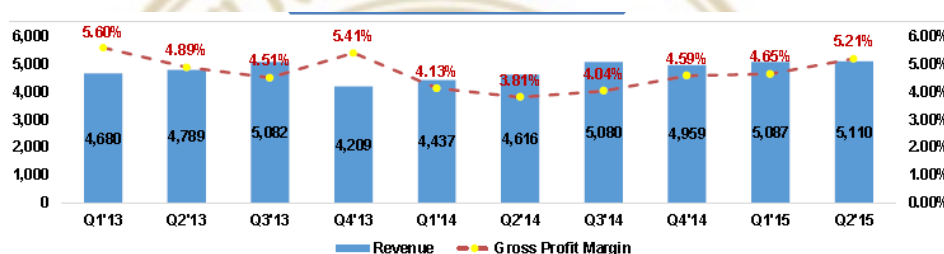
#### **1.4 Business Goals**

The Company has established business goals and set up business-to-business network to support the steady and sustainable growth of the organization while having successfully maintained as the market leader of information and technology products through the extensive experience and expertise over the long course of business operations. The Company's comprehensive range of products distributed are manufactured by vendors of world-class standards which have trusted and appointed the Company as their authorized product distributor over 50 product brands.

In the year 2015, the Company's corporate strategies focus on diversifying the business, growing market share, increasing the distribution ratio of products with great profitability, adding up distribution channels of products through e-commerce, networking with business partners more extensively, expanding distribution channels overseas in Indochina in response to the launch of the ASEAN Economic Community (AEC), empowering personnel to increase efficiency in job performance, reviewing employee compensation and remuneration structure for fair practice to sustainably retain quality employees with the organization, preparing the annual budget and cost and expense control measures to ensure that all activities of the Company are implemented in most effective manners.



**Figure 1.3 Major product group revenue**



**Figure 1.4 Total Revenue based on quarterly period**

## 1.5 Macro-Economic Analysis

### Evaluation of Thailand GDP growth rate

The Gross Domestic Product (GDP) in Thailand was worth 373.80 billion US dollars in 2014. The GDP value of Thailand represents 0.60 percent of the world economy. On the 16th of November 2015, NESDB projected that the Thai economy in 2015 will expand by 2.9 percent, improving from 0.9 percent growth in 2014. Private consumption and total investment is expected to grow by 2.0 and 4.6 percent respectively. Thai economy in 2016 is forecasted to grow by 3.0 – 4.0 percent. It is expected that export value will grow by 3.0 percent, private consumption and total investment will grow by 2.6 and 9.5 percent respectively. Headline inflation is expected to lie between 1.0 – 2.0 percent and the current account balance will be in a surplus of 5.7 percent of GDP.

Although the country's political future appeared uncertain in the latter part of 2013 and into 2014, Thailand has remained vibrant and many of its economic sectors

remained unaffected by recent tensions. On the cusp of ASEAN Economic Community (AEC) integration, due to be completed by the end of 2015, Thailand is in a strategic position to benefit from increased regional competition and cooperation, and so are foreign investors. Thailand has competitive strengths to draw on, including a central geographic location, a regional manufacturing centre for a broad array of goods and a relatively solid infrastructure base.

Economic Projection for 2015 - 2016					
(%YoY)	2014	2015		Projection	
	Year	Q2	Q3	2015	2016
GDP (CVM)	0.9	2.8	2.9	2.9	3.0-4.0
Total Investment	-2.6	2.7	-1.2	4.6	9.5
Private	-2.0	-3.2	-6.6	-1.3	4.7
Public	-4.9	24.7	15.9	22.6	11.2
Private Consumption	0.6	1.6	1.7	2.0	2.6
Government Consumption	1.7	3.8	1.0	2.7	3.2
Export of Goods	-0.3	-5.5	-4.7	-5.0	3.0
Volume	0.7	-3.8	-1.8	-3.0	2.0
Import of Goods	-8.5	-10.1	-14.5	-9.8	5.4
Volume	-6.8	-0.4	-3.1	-0.1	3.9
Current Account to GDP (%)	3.8	6.3	6.8	6.3	5.7
Inflation	1.9	-1.1	-1.1	-0.8	1.0-2.0

Figure 1.5 Economic projection (2015-2016)

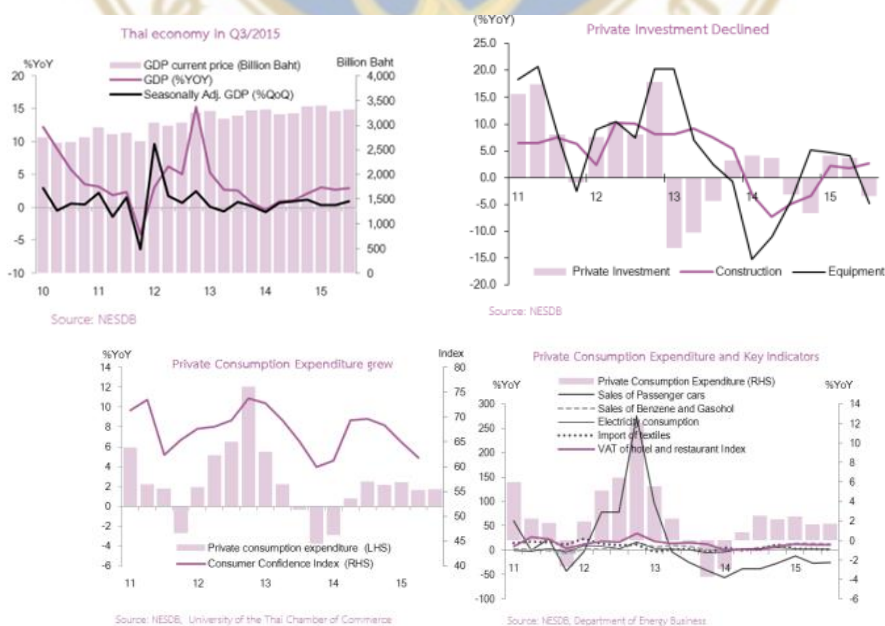


Figure 1.6 Thailand Economy Outlook in Q3/2015 (Source: NESDB)



## 1.6 Industry Analysis

### 1.6.1 IT & Telecoms

With the country continuing its telecoms development, Thailand's internet connectivity is about to improve exponentially. Wireless speeds are on their way up and wireless access is expanding rapidly. In 2001 the passing of the Telecommunications Business Act established three types of licenses: one for internet service providers without a network, one for those with infrastructure, and one for private networks. In the second quarter of 2013 Thailand's broadband adoption rate was up 191% quarter-on-quarter. In addition, the country ranked 39th in the world in terms of broadband adoption and 22nd in terms of connection speed. The local data centre business is forecast to expand by 21% in 2013 to around \$56m, due to the adoption of cloud computing, the need for disaster recovery and the increasing connectivity within the ASEAN region. The outlook for the telecoms sector is more positive than it has been in years. Given the 3G auction and the bright prospects for 4G, companies are set to see their business improve, and customers will likely benefit from better performance.

Interbrand's 2014 ranking of best global brands saw the top 20 companies involving with communication and interface technology businesses namely Apple, Google, IBM, Microsoft, Samsung, Intel, CISCO, Oracle and HP. During the volatile period of the economy, globally and domestically, the IT industry also experienced fluctuations resulting in swift adjustments and changes, including the consumer behavior that readily changed in response to changing technology trends. Results of the survey by International Data Corporation (IDC) found that the total market value of personal computers worldwide in 2014 had a declining growth rate when compared to the preceding year. Number of PCs delivered had a decrease of 6.50 million units, or equal to 2.1%. Most of consumers switched to using such portable devices as tablets and smart phones, reflecting changing technology trends, due to the product versatility, portability, and usage practicality. This was consistent with the market conditions and consumer behavior that occurred in Thailand.

Worldwide PC shipments totaled nearly 71.0 million units in the third quarter of 2015 (3Q15), according to the International Data Corporation (IDC) Worldwide

Quarterly PC Tracker. This volume represented a year-on-year decline of -10.8% – slightly worse than projections for a decline of -9.2%.

Although the overall market continued to see double-digit declines, and even the top vendors saw shipments decline from a year ago, the top 4 vendors performed much better than the rest of the market. Collectively, the top 4 vendors saw shipments fall by -4.5% from a year ago compared to a decline of almost -20% for the rest of the market. The advantages of scale, concentration on portable PCs, deeper penetration of distribution channels in emerging regions, as well as smaller vendors exiting the market are all aiding the largest vendors.

### **1.6.2 Thailand ICT Market**

THE ICT (information and communications technology) industry in Thailand is expected to grow by only 3.8 per cent to Bt677.8 billion this year, while innovation development will drive the industry in 2016, according to International Data Corporation. IDC expects that ICT spending next year in 2016 will grow by 4.5 per cent to Bt708.4 billion. The factors driving the IT industry will come with the government, which plans to lay down hard and soft infrastructure to support its "digital economy" scheme. Meanwhile small and medium-sized enterprises will utilize new IT solutions and platforms to make their business more competitive by improving their productivity and efficiency.

Thailand's telecom spending, driven by the high usage of mobile data, is forecast to grow by 6.2 and 6.5 per cent in 2015 and 2016 respectively. The commercial launch of 4G networks will be crucial to the growth of not only Thailand's telecommunications sector but also the overall economy. The sheer speed of 4G can improve productivity, drive innovation, facilitate new services and eventually create new businesses.

*Regional Highlights:* Asia/Pacific (excluding Japan) – Volume was close to expectations this quarter. The market was softer compared to the previous year due to currency impact on the region and clearing of channel inventory as the main priority for many countries. Some big projects were postponed, including an education project in India. The commercial market was soft and was generally supported by government projects in many countries.

In the global market, concerning brands in the personal computer product group, Lenovo was ranked number 1, followed by HP, Dell, ACER, and Apple respectively.

### 1.6.3 Smartphone Vendor Market Share, 2015 Q3

Growth of the smart phones in Q3, 2015 was reflected from a rise in delivery of more than 355.2 million units, up 6.8% from the 332.6 million units in 3Q14. The market leaders of smart phones continued to be Samsung, Apple, and Huawei respectively. Therefore, the market value of the operating systems of smart phones in 2015 was dominated by Android which maintained market share at most 83 % in Q2, 2015, followed by iOS, and Windows Phone



Figure 1.7 Declining in market share of PC in 2014

## 1.7 Competition Analysis

The Company's business operations concern products related to communication and interface technology with the TOP 20 world-class brands' appointing the Company as the authorized distributor, resulting in the Company's distributing of products with high market share and a wide assortment of products such as component product group, network product group, software product group, communication device product group, and printing and supplies product group, for instance. The Company employs the strategies

of having a broad customer base to extensively cover sales areas and operating branch offices across all regions to promptly answer the needs of upcountry customers.

In Technology/ Information & Communication Technology industry, there are more than 10 manufacturers in the country to be related companies. The SYNEX (Thailand) PCL (“The Company”) is a biggest of distribution for various IT product manufacturers cause from the market cap in current position as Baht 3.71 billion. There are 4 companies that operate in the same business as the Company and they are considered as the large companies which directly compete with the Company, namely as follows:

1. MSC: Metro Systems Corporation Public Company Limited

The Company is a distribution agency for computer hardware and software solutions, including full IT services. The Company operates four business segments, including computers and equipment, computer software, supplies and office equipment, rental and other services. The Company divides its product and service lines into categories, namely enterprise system group (ESG), which distributes hardware products; solutions integration group (SIG), which delivers software solutions and provides system installation services, and office supplies group (OSG), which distributes office supplies products, such as personal printers, cameras and projectors through telemarketing.

2. SIS: SiS Distribution (Thailand) Public Company Limited

The Company is a distributor for various IT product manufacturers, including Acer, Apple, HP, IBM, Lenovo, Asus, Gateway, MSI, Samsung, Toshiba, Garmin, Asus, HTC, Xerox, OKI, Ricoh, Nikon, Philips, Panasonic, Sanyo, EMC, Iomega, Black Berry, Promise, QNAP, Western Digital and Fuji-Xerox. The Company operates four main business segments based on the products, which are commercial product segment, consumer product segment, value added product segment and phone segment. Its subsidiaries include SiS Venture Company Limited, which invests in businesses connected to the Company’s core business, and Qool Distribution (Thailand) Company Limited, which is involved in smart phone distribution.

3. SVOA: SVOA Public Company Limited

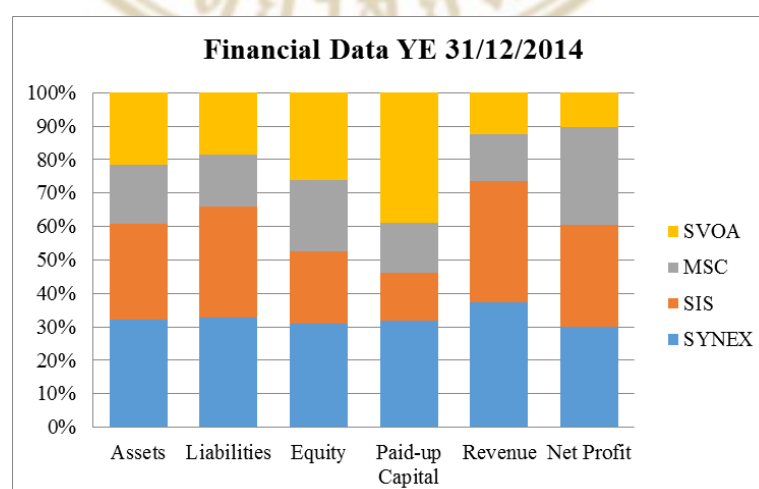
The Company’s principal business is sales of IT products, consulting and system integration, as well as maintenance of computer systems. It operates four business segments: IT terminal products strategic business unit, system integration strategic

business unit, IT project strategic business unit, and financial services in forms of factoring, leasing and hire purchase. The products include projectors, desktops and workstations, scanners, cutting machines, multimedia products, tablets, keyboards and software products, among others. The Company's subsidiaries comprise Asys Computer Co., Ltd. and DataOne Asia (Thailand) Co., Ltd.

**Table 1.3** Their total revenue and their market share are presented in the table below

Symbol	Valuation YTD 31/12/2014					
	Price 4-Dec-15	Earnings per share	P/E ratio	Price-to-book ratio	Price-to-sales ratio	Mkt Cap
MSC	5.25	0.61	8.59	1.29	0.27	1.89B
SYNEX	4.82	0.41	11.62	1.75	0.19	3.71B
SIS	4.66	0.5	9.3	1.1	0.09	1.63B
SVOA	1.54	0.12	12.47	0.7	0.18	1.09B

Overall, SIS is a major direct competitor with the Company. They manage similar electronics and devices, distribution to the same target group, and providing business services to expand their business (i.e., software development, after service center). Besides, SIS have same common size in total asset, total liabilities, total equity, total revenue, and net profit , thus, SIS and SYNEX have little flexibility in their business models and have adapted to competing for the same suppliers and customers.



**Figure 1.8** Financial data of SVOA, MSC, SIS and Synnex in 2014

## 1.8 Investment Summary

### 1. Manage warehouse and distribution center

The Company's warehouse and distribution center started implementing a new warehouse management system called Automatic Storage and Retrieval System (ASRS) to store and retrieve products in the warehouse using robotic arms and the conveyor controlled by a computerized system for effective product storage and retrieval, linking ASRS with the management system effectively. The Company runs a system on the Company's website and mobile application for product warranty checking and product repair and exchange status checking, which can be accessed on one's own all the time

### 2. Expanded distribution channel to E-Commerce & Digital Market

The Company expanded distribution channel to E-Commerce & Digital Market, for Online and Digital market to increase market share and quick responsiveness on customer requirement to access products information for purchasing. Besides, the Company publishes a digital magazine via the Company's website [www.synnex.co.th](http://www.synnex.co.th), called "Synnex (Thailand) Pricelist" on a monthly basis with dealers and IT shops as target readers to promote products, inform product details, and provide updates on technologies of new products. In addition, dealers can ascertain wholesale prices and price adjustments of products from the magazine. The Company distributes free copies of magazine, Synnextra, every 45 days to dealers across the country to reach to consumers patronizing dealers' shops. Details of various IT technology products together with retail prices of products are included in the magazine. Consumers and website viewers can also download the online version of Synnextra.

### 3. Expand distribution channels oversea in Indochina

The Company has planned and researched on the expansion of distribution channels to foreign countries in Indochina since the year 2013, targeting to acquire the market share in three countries namely the Republic of the Union of Myanmar (Myanmar), the Kingdom of Cambodia. (Cambodia), and the Lao's People's Democratic Republic (Lao PDR), as these three countries have been maintaining diplomatic relations with Thailand for a long time. Additionally, the market value of Thailand's border trades with these countries with neighboring territories is statistically significant with the

consumer awareness target from exports to foreign countries targeted at THB 1,000 Million in 2016.

#### 4. Invest in marketing network of AEC country

The Company has collaborated with partners in each country for business marketing. For instance, in Myanmar, the marketing plan currently lays an emphasis on product distribution through a single dealer with staff from Thailand sent over to station at the office in Rangoon to support the dealer with marketing and to transfer the management knowledge to the dealer in Myanmar. In the meantime, for Cambodia, the Company has begun penetrating the market since the fourth quarter of 2014 by selling network devices to a number of system integrators (SIs). For the year 2015, the Company plans to enter the IT consumer product market and seek more business partners to be authorized representatives for marketing and distributing products in Cambodia. For Lao PDR, the Company's major customers are successful distributors of communication devices and smart phones in the country which have formed business partnership with the Company at present. The market expansion plan in 2015 aims at increasing sales from network devices and system products to partnering system integrators, empowered by the business capacity of Synnex (Thailand) and benefiting from the geographical advantage that reduces costs of transportation in order to win the market share from such trading countries as the Republic of Singapore or the Republic of Vietnam.

#### 5. Social Responsibility Project

The Company continues to focus on giving back to the society by continuously patronizing several projects to provide access for the youth of the nation to learning resources together with news and information such as "Library IT by Synnex"; delivered a series of computers installed with the learning software of electronic books to schools across the country including Bangkok and 76 upcountry provinces, and the second project "Chang Nork Krob" (Creative Technician Development) with the purposes to promote skills of repairing IT equipment among local vocational students nationwide to help them generating earnings with the Company's supporting of IT replacement parts and equipment.

## **CHAPTER II**

### **MATERIALS AND METHODS**

#### **2.1 Valuation**

In order to find the reasonable value of SYNEX's stock price, we applied two valuation methods. The first method is the discounted cash flow model which is the type of valuation where appropriate for evaluating the value of the firm that has a good fundamental. Moreover, the second is the multiples method which reflects the market perception and interpretation toward the company stock. Therefore, those methods will combine the firm's intrinsic value and market attitude, reflected by the market understanding toward the company's stock price, together.

##### **2.1.1 Discounted Cash Flow Model: FCF**

From our calculation, the valuation from discounted cash flow method is the most appropriate because it takes into account the fundamental component of the firm such as net operating profit after-tax, net capital expenditure, and working capital, and computes these factors to obtain free cash flow to firm, the free cash flow available to both creditors and shareholders if the firm have no debt then discounts the value of free cash flow to firm and terminal value to the current period. The result is the enterprise value of the company. After subtracting EV from the value of interest bearing debts, non-operating assets, non-controlling interests, and value of equity, the result will be the value of equity of the firm. Therefore, our calculation of the stock price by using the discounted cash flow method, we concluded that the current appropriate price should be around 6.43 baht per share. So the recommendation is to buy the stock in the market since it is undervalued.

In calculation, the discounted cash flow approach, as shown in the formula below



$$EV + \text{Cash} = \text{value of debt} + \text{value of equity}$$

$$\text{Cost of Capital : WACC} = (E/V) * [Rf * \text{Beta} * (Rm - Rf)] + (D/V) * R_d * (1 - T_c)$$

### 2.1.2 Projected Cash Flow and Assumptions

The key assumptions in cash flow projection and terminal value are as follows:

**Table 2.1 Key assumption for WACC calculation**

Key Assumption	Amount
Cost of Debt (Rd)	0
Risk Free Rate (Rf)*	2.79%
Beta**	1.054
Risk Premium (Rm-Rf)***	8.15%
Ke	11.38%
WACC	11.38%

\*Thai BMA Zero coupon bond 10 years

\*\* Current Beta from bloomberg (5 Years)

\*\*\* Moody's rating Source : Damodaran

**Table 2.2 The key assumptions in cash flow projection and terminal value**

Key Assumption	Year 2015 -1019and going forward.
Sale growth in Y1-Y5(%)	5.00%
Terminal growth (%)	3.50%
Cost of goods sold (%)	94.90% of sale in each year
Selling and Administrative expenses (%)	2.90% of sale in each year
Depreciation in Y1 (Baht)	41,865.26
Depreciation in Y2-Y5 (Baht)	DP in Prior Year+(20%*change in PPE)
Tax rate (%)	20.00%

**Table 2.3 Percentage of revenue**

Source: Annual Report Synnex 2014

Product	Baht Million					Trade- Sparklinglines	%
	2010 Income	2011 Income	2012 Income	2013 Income	2014 Income		
1. Component Product Group (CPG)	3228	3176	4,039	3,065	3,030		15.87%
2. Consumables & Supply Group (CSG)	2597	2674	2,609	2,236	2,212		11.61%
3. Image & Printing Product Group (IPG)	1698	1802	1,819	1,369	1,513		7.97%
4. Network Product Group (NPG)	1220	1447	2,018	1,635	1,338		7.01%
5. Display Product Group (DPG)	1217	1377	1,054	973	893		4.68%
6. System Product Group (SPG)	3741	4759	3,601	2,525	2,179		11.41%
7. Multimedia Product Group (MPG)	1369	1416	1,789	2,041	2,327		12.19%
8. Software Product Group (SWG)	490	813	959	2,186	2,168		11.35%
9. Communication Devices Group (CDG)	32	2762	2,663	2,678	3,359		17.59%
10. Others	0	2	4	11	37		0.19%
<b>Total income from Sale</b>	<b>15,592</b>	<b>20,228</b>	<b>20,555</b>	<b>18,719</b>	<b>19,056</b>		<b>99.88%</b>
Income from rendering of services	15	16	18	16	23		0.12%
<b>Total income</b>	<b>15,607</b>	<b>20,244</b>	<b>20,573</b>	<b>18,735</b>	<b>19,079</b>		<b>100.00%</b>

**2.1.3 Summary growth rate****Table 2.4 Summary growth rate**

GROWTH FOR SYNEX THAILAND PCL		
	3 Year	5 Year
<b>Sales %</b>	-1.92	7.29
<b>EPS (TTM) %</b>	-22.22	-3.1
<b>Dividend %</b>	-19.1	-8.25

**Note: Units in Millions of US Dollars**

Source: Router

**2.1.4 Revenue growth rate****Table 2.5 Growth rate of Synnex, industry and sector**

GROWTH RATES	SYNEX	IT	ICT
		industry	sector
<b>Sales (MRQ) vs Qtr. 1 Yr. Ago</b>	15.98	12.27	0.01
<b>Sales (TTM) vs TTM 1 Yr. Ago</b>	14.76	10.36	1.14
<b>Sales - 5 Yr. Growth Rate</b>	7.29	1.14	13.2
<b>EPS (MRQ) vs Qtr. 1 Yr. Ago</b>	52.05	123.64	-22.76
<b>EPS (TTM) vs TTM 1 Yr. Ago</b>	208.7	-	-
<b>EPS - 5 Yr. Growth Rate</b>	-3.1	-0.35	19.42
<b>Capital Spending - 5 Yr. Growth Rate</b>	-2.92	-4.35	15.11

Source: <http://www.reuters.com>

**Revenue growth rate:** As income structure and growth rates above, 59% of total product was declined in last 5 years (2010 to 2014), while trade of total product by 41% was raised based on market's demand. The growth rate of IT market is not as high; average sales 5 years growth rate in the global industry as 1.14%. However, we based the next 5 years sale growth rate on CAGR over the past 5 years, driving the Company to plan to expand the business overseas (AEC country) and to increase product variety, and to promote higher product recognition among customers via e-commerce. Thus, we assume that growth rate of SYNEX in next 5 years during 2015-2019 as 5% (stable rate) per year. Besides, the terminal growth rate since 2020 onwards as 3.5% effect from average in forecast Thailand GDP growth in 2016 at 3%-4% and ICT market industry at 4.5% in 2016 (See "Macro-Economic Analysis").

**Proportionated cost of sales and selling and administrative expense to sales:** The forecast figures of cost of sales and selling & administrative expense were calculated by averaging the percentage of these items to sales over the past 5 years at the rate around 94.90% and 2.90%, respectively.

**Change in net working capital and investment in net fixed assets:** Definitely, inventories, account receivables, bank overdraft and short term borrowing from financial institutions, and account payable are four main factors defining net working capital. The Company's working capital has been funded by the use of short-term loans from financial institutions for liquidity. Days in inventory are approximately controlled at 33 days while the average collection period takes 50 days as the Company supports well-rated customers by extending the payment period of their ARs under the circumstance that the IT industry has faced a smaller growth when compared to the previous year. As in the historical information, the company has lower in PPE in every year so we implied there is additional invest in lone term asset like fixed asset within the next 5 years at 2% of net revenue in each year based on 5 years average growth in historical data.

**Weighted average cost of capital:** We use the weighted average of the market value of equity to calculate WACC for Synnex. There is no cost of debt to determine in cost of capital structure since its long term debt was performed only 1% of total interest-bearing. In part of the cost of equity, we obtained the risk-free rate at 2.79% from 10 year government bond of Thai BMA as at 31 December 2014, the risk

premium at 8.15% based on Moody's rating and adjusted by the relative equity market volatility from Damodaran and the adjusted beta at 1.054 from Bloomberg in period 5 years. As a result, we calculate cost of equity equal to 11.38% by using CAPM model. As all data, WACC is estimated at 11.38% and it will be used to be the discount rate of FCFF in DCF model below;

**Table 2.6 FCFF valuation of Synnex**

FCFF estimation		Million Baht				
(MB)	2015	2016	2017	2018	2019	
Sales	20,122,629	21,128,760	22,185,198	23,294,458	24,459,181	
Less : COGS	19,099,953	20,054,950	21,057,698	22,110,583	23,216,112	
Less : SGA	584,446	613,668	644,351	676,569	710,398	
EBIT	438,231	460,142	483,149	507,307	532,672	
Less: Taxes on EBIT	87,646	92,028	96,630	101,461	106,534	
NOPAT	350,584	368,114	386,519	405,845	426,138	
Add: Depreciation	41,865	58,006	61,599	65,372	73,492	
Less: Changes in NWC	(122,058)	(44,295)	(99,331)	(162,534)	(112,425)	
Less: Capital expenditure	-	-	-	-	-	
FCFF	514,508	470,415	547,450	633,751	612,054	
Terminal Value					8,038,931	
net FCFF	514,508	470,415	547,450	633,751	8,650,985	
EV	<b>6,696,078</b>					
(+) Cash	<b>42,951</b>					
(-) value of debt	<b>1,785,409</b>					
value of equity	<b>4,953,620</b>					
Number of Shares	<b>770,329</b>					
FCFF Value per Share	<b>6.43</b>					

**Conclusion:** Assigned 100% weight on FCFF valuation, THB 6.43 target price.

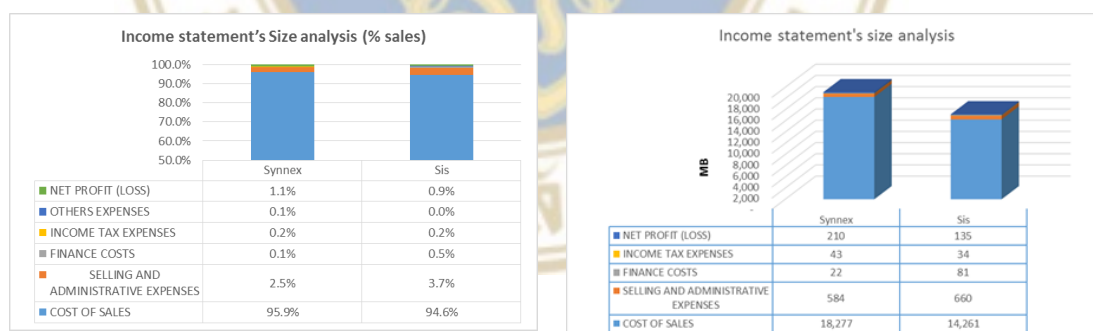
Being on a consistent growth, we believe FCFF will better reflect the intrinsic value of SYNEX and its price in a longer time span of 5 years. Already a close projection, target price difference of THB 1.93 is regarded as market bias in the short present. Thence, we issue a call to BUY with the target price at 6.43, a 43% upside gain from the quote of THB 4.50, as at December 9, 2015.

## CHAPTER III DISCUSSION

### 3.1 Financial Statement Analysis

#### 3.1.1 Summary figures from financial statements (Size analysis)

Income statement: In 2014 and 2013, Synnex's revenue were 19,056 MB and 18,720 MB which is about 1.8% growth rate. Synnex had 95.9% proportion of COGs compared to total sales revenues, which was higher than SIS. Lower proportion of SG&A than SIS reflected to better in human resource utilization because the company invested in warehouse management system, Synnex used SG&A cost with only 2.5% of sales but SIS had to pay 3.7% of sales. Company paid 22 MB (0.1%) for finance cost while SIS paid 81 MB (0.5%) for business operation. By the end of 2014, Synnex earned 210 MB with 1.1% by revenue while SIS earned 135 MB with 0.9% by revenue.

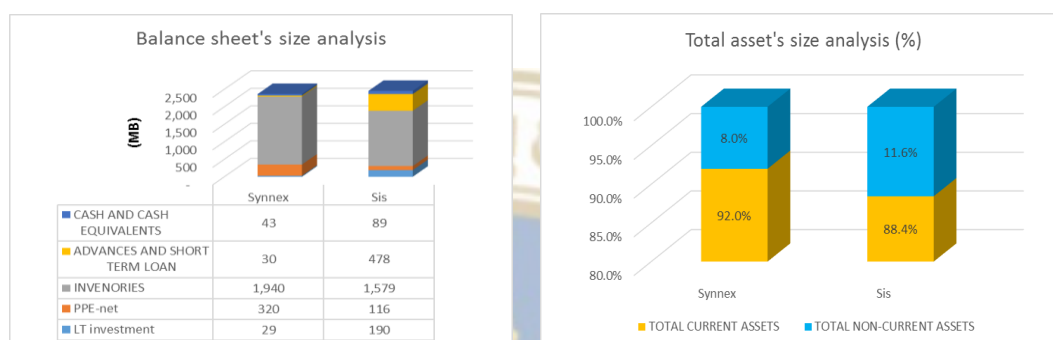


**Figure 3.1** Income statement's size analysis

Total assets of the company are around 5,633 MB. Main assets is in current assets portion for about 90% of the total assets. Total assets increased 21.6% from 2013 because increasing in trade account receivables and inventories. For total liabilities and equity side, Synnex increased the debt ratio with short-term liability to support cash flow for operation. Total liabilities composed of current liabilities 3,439 MB and non-current liabilities only 72 MB. The majority of liabilities are bank overdraft

and short-term borrowing from financial institution for about 47% of total liabilities. The company increased 5% in equity by additional retain earning.

**Shareholding and dividend:** Synnex is 38.5% owned by TKS. Technologies Plc., and 35.0% owned by King's Eye Investments Ltd. In 2014, the company paid a dividend of THB 0.13 per share, representing a 48% payout. The company has a policy to pay dividends at least 40% payout ratio.



**Figure 3.2 Balance sheet's size analysis**

### 3.1.2 Common Size analysis

#### 1. Income statement

Overall, Synnex and SIS have managed equally portion in each item of income statement such as sales, COGS and SG&A. Total revenues compose of sales income 99%. The remaining revenues from other income, accounted for 1% of total revenues. Cost of sales and selling and administrative expense represents around 95.9% and 3.1% of sales, respectively. The gross profit and net profit is about 4.1% and 1.1% of sales.

**Table 3.1 Income Statement**

	Synnex	Synnex	Sis	Sis
	2014	2014	2014	2014
	Thousand Baht	%	Thousand Baht	%
SALES	19,055,864	100.0%	15,077,372	100.0%
OTHER INCOME	108,544	0.6%	97,287	0.6%
<b>TOTAL REVENUES</b>	<b>19,164,409</b>	<b>100.6%</b>	<b>15,174,659</b>	<b>100.6%</b>
COST OF SALES	18,276,698	95.9%	14,260,747	94.6%
SELLING AND ADMINISTRATIVE EXPENSES	584,459	3.1%	660,092	4.4%
OTHER EXPENSES	28,216	0.1%	4,202	0.0%
<b>TOTAL EXPENSES</b>	<b>18,889,374</b>	<b>99.1%</b>	<b>14,925,041</b>	<b>99.0%</b>
PROFIT (LOSS) BEFORE FINANCE COST AND INCOME TAX EXPENSES	275,035	1.4%	249,618	1.7%
FINANCE COSTS	22,225	0.1%	80,682	0.5%
PROFIT (LOSS) BEFORE INCOME TAX EXPENSES	252,810	1.3%	168,936	1.1%
INCOME TAX EXPENSES	43,154	0.2%	34,435	0.2%
<b>NET PROFIT (LOSS)</b>	<b>209,656</b>	<b>1.1%</b>	<b>134,501</b>	<b>0.9%</b>

## 2. Balance sheet

Total assets compose of current assets 92% and non-current assets 8%. The major items in assets are inventory and trade accounts and other receivable, representing 34.4% and 50.2% respectively followed by property, plant and equipment at 5.7%.

Total liabilities and equities compose of total liabilities 62.3%, of which 61.0% is current liabilities and 1.3% is non-current liabilities, and total equities 37.7%, of which unappropriated retained earnings are 16.7% followed by issued and paid-up capital at 13.7% and share premium at 6.2%. The major items in current liabilities are short-term borrowing and account payable which represents 29.2% and 26.0%, respectively.

**Table 3.2 Balance Sheet**

	Synnex	Synnex	Sis	Sis
	2014	2014	2014	2014
	Thousand Baht	%	Thousand Baht	%
CASH AND CASH EQUIVALENTS	42,951	0.8%	89,275	1.8%
TRADE ACCOUNTS AND OTHER RECEIVABLE	2,829,513	50.2%	1,729,693	35.5%
ADVANCES AND SHORT TERM LOAN	30,000	0.5%	478,137	9.8%
INVENORIES	1,940,389	34.4%	1,579,484	32.4%
OTHER CURRENT ASSETS	338,938	6.0%	433,632	8.9%
<b>TOTAL CURRENT ASSETS</b>	<b>5,181,792</b>	<b>92.0%</b>	<b>4,310,221</b>	<b>88.4%</b>
LT investment	28,619	0.5%	190,329	3.9%
PPE-net	320,434	5.7%	115,925	2.4%
OTHER NON-CURRENTASSETS	101,814	1.8%	257,046	5.3%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>450,867</b>	<b>8.0%</b>	<b>563,300</b>	<b>11.6%</b>
<b>TOTAL ASSETS</b>	<b>5,632,659</b>	<b>100.0%</b>	<b>4,873,521</b>	<b>100.0%</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
SHORT TERM LOANS	1,646,909	29.2%	2,220,594	45.6%
ACCOUNT PAYABLES	1,466,587	26.0%	1,000,182	20.5%
OTHER CURRENT LIABILITIES	325,069	5.8%	20,976	0.4%
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,438,565</b>	<b>61.0%</b>	<b>3,241,752</b>	<b>66.5%</b>
LONG TERM LOANS	18,500	0.3%	-	0.0%
NET OF CURRENT PORTION OF POST EMPLOYEE BENEFIT OBLIGATIONS	31,685	0.6%	33,076	0.7%
OTHER NON-CURRENT LIABILITIES	21,380	0.4%	3,960	0.1%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>71,565</b>	<b>1.3%</b>	<b>37,036</b>	<b>0.8%</b>
<b>TOTAL LIABILITIES</b>	<b>3,510,130</b>	<b>62.3%</b>	<b>3,278,788</b>	<b>67.3%</b>
ISSUED AND PAID-UP	770,329	13.7%	350,199	7.2%
SHARE PREMIUM	350,873	6.2%	435,415	8.9%
RETAINED EARNING	941,772	16.7%	809,119	16.6%
OTHER	59,555	1.1%	-	0.0%
<b>TOTAL EQUITY</b>	<b>2,122,529</b>	<b>37.7%</b>	<b>1,594,733</b>	<b>32.7%</b>
<b>TOTAL LIABILITIES AND TOTAL EQUITY</b>	<b>5,632,659</b>	<b>100.0%</b>	<b>4,873,521</b>	<b>100.0%</b>

*Comparing with competitors:* For income statement, Synnex has higher percentage of cost of sales than SIS, it show that SIS might be more efficient than Synnex in terms of cost management or pricing strategy. On the other hand, SIS has more proportion of selling expense than Synnex which indicates that SIS spent more in selling expenses to generate the sales or Synnex can manage better human resource utilization.

On assets side, Synnex has more proportion of trade accounts and other receivable inventory, property plant and equipment while less proportion of Long-term investment than SIS. On liabilities and equities side, Synnex financed its assets with less proportion of debt than SIS, so it is less risky in terms of financial leverage.



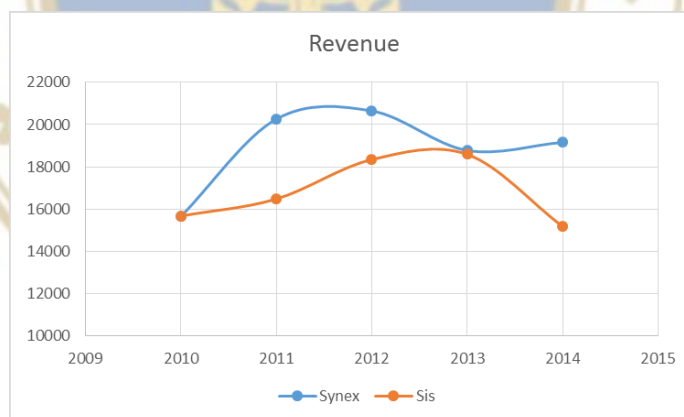
### 3.1.3 Trend analysis

#### 1. Revenue, COGS and SG&A

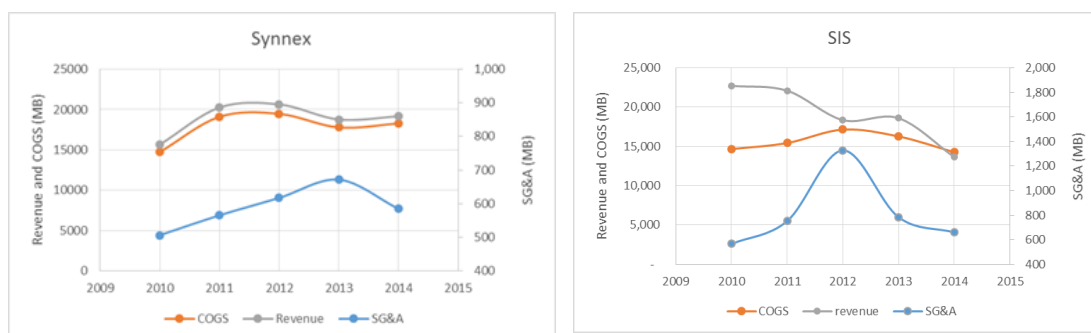
Synnex's revenue was increase from 2010 while SIS's revenue decreased significantly. In 2013-2014, Synnex had efficiency to control cost of finance debt and human resource utilization to reduced SG&A cost. But Synnex used low price strategy for volume of sales, it impacted to COGS. The gross profit margin trend result showed decreasing because COGS percentage was increased. The CAGR of sales was approximately at the rate of 5.18%. While SIS showed negative trend of revenue and percentage of SG&A even though they had better in COGS cost than Synnex.

#### 2. Earning

From 2010 to 2014, the trend of Synnex's profit margin was higher than SIS. In 2011 Synnex survived in big floods in Thailand with good performance. The Synnex's trend is expected to be higher in the future due to better cost control, human resource utilization and capability of management team to solve the problems in any situation.



**Figure 3.3 5 years trend of revenue**



**Figure 3.4 5 years trend of COGS and SG&A**

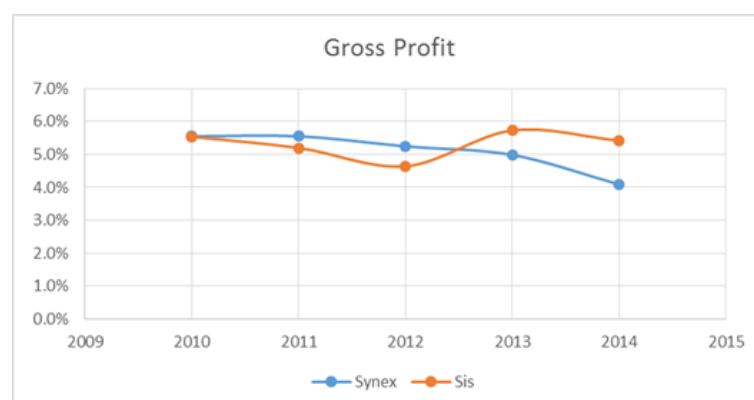
### 3.1.4 Financial ratios: Return

#### 1. Gross profit

Synnex had average gross profit 5.1% over last 5 years but trend to be reduce because they tried to sell high volume and low profit products to maintain the revenue of the company, Synnex had only 4.1% gross profit in 2014. SIS had average gross profit 5.3% over last 5 years and trend to be higher with 5.4 in 2014 but SIS lost the market share that impacted directly to the revenue.

#### 2. EBIT margin and Profit margin

Synnex had higher EBIT margin and Profit margin than SIS, Synnex had 2.2% EBIT margin on average over last 5 years and SIS had 1.3% on average. Although SIS had EBIT margin higer than Synnex in 2014 but they had to pay high debt. In 2014 Synnex lost only 0.3% for paying debt and tax but SIS loss 0.8%, so the profit margin of Synnex had higher than SIS. Average profit margin was 1.5% while SIS was 0.4% due to lost in 2012.



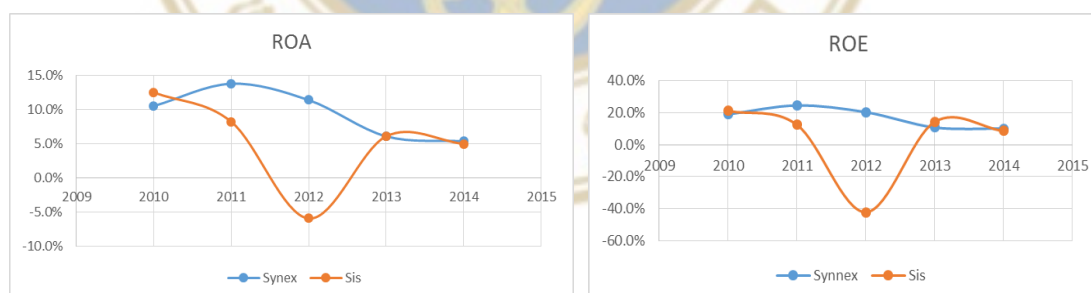
**Figure 3.5 5 years trend of Gross profit**



**Figure 3.6 5 years trend of Profit margin and EBIT margin**

### 3. ROA, ROE and Total Assets Turnover

Average ROA and ROE of Synnex was higher than SIS because over last 5 years Synnex's return was higher than SIS. Average ROA of Synnex was 9.4% but in 2014 the company had only 5.4% because increasing on assets with stable on return while SIS had average ROA only 5.2%. Trend of ROE was similar with ROA, Synnex had 24.6% on average while SIS's ROE was only 14.6% on average. Total assets turnover of Synnex was higher than SIS, it showed Synnex used total assets to generated revenue better than SIS. The average total assets of Synnex was 4.1 times while SIS was only 3.7 times.



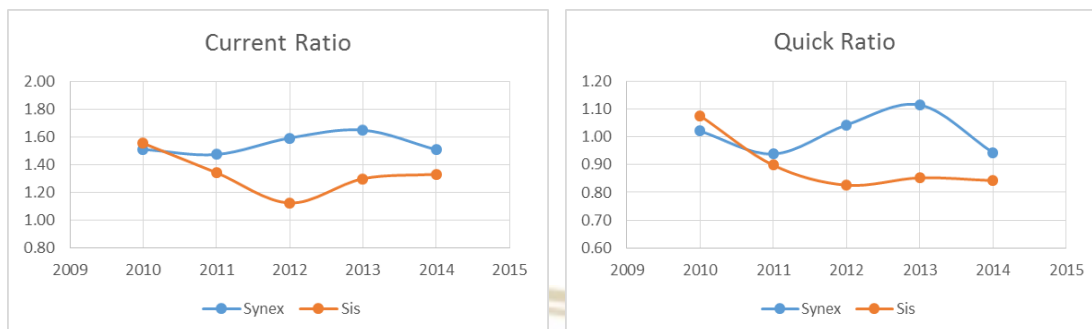
**Figure 3.7 5 years trend of ROA and ROE**

#### 3.1.5 Financial ratios: Risk

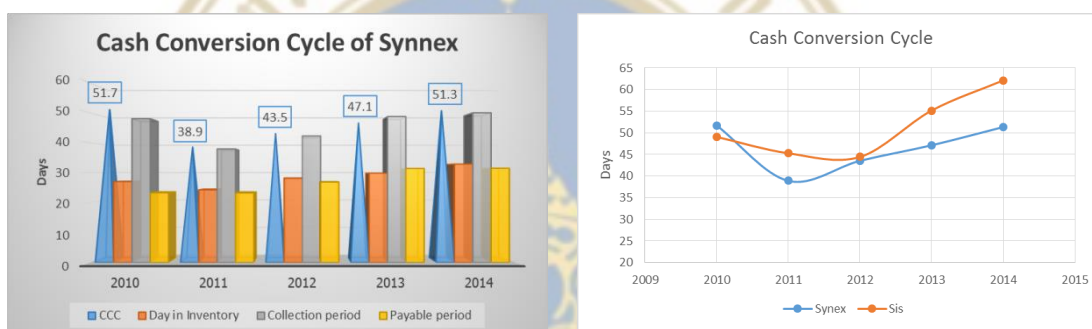
##### 1. Short-term liquidity risk

Current ratio and quick ratio of Synnex showed that the company does not have a liquidity problem. Average current ratio of synnex was 1.55 times while SIS was 1.33 times. Quick ratio of Synnex was higher than SIS, average quick ratio of Synnex was 1.01 times and SIS's average quick ratio was 0.90. The results show

Synnex was lower risk in liquidity than SIS. In 2014 Synnex's current ratio was dropped in liquidity ratio because increasing in inventory and receivable.



**Figure 3.8 5 years trend of Current ratio and Quick ratio**



**Figure 3.9 5 years trend of Cash Conversion Cycle**

## 2. Long-term solvency risk

Average D/E ratio of Synnex was 1.57 times while SIS was 2.66 times, it showed SIS had higher risk than Synnex. Average interest coverage ratio of Synnex (11.8 times) showed higher than SIS (4.1times), it showed capability to pay debt of Synnex was better than SIS.



**Figure 3.10 5 years trend of D/E ratio and Interest coverage ratio**

## Summary of Key Financial Ratio (SYNNEX&amp;SIS)

**Table 3.3 Key Financial Ratio in 2014**

Key Financial Ratio	Synnex	Sis
	2014	2014
<b>Growth (%)</b>		
sales	1.8%	-12.6%
EBIT	-4.9%	-16.3%
Net profit	-1.7%	-19.0%
<b>Profitability ratio (%)</b>		
gross profit margin	4.1%	5.4%
EBIT margin	1.4%	1.7%
Net Profit margin	1.1%	0.9%
<b>Efficiency ratios (%)</b>		
current ratio	1.51	1.33
quick ratio	0.94	0.84
ROA	5.4%	5.0%
ROE	10.1%	8.6%
<b>Solvency ratios (x)</b>		
D/E	1.65	2.06
Interest Coverage Ratio	12.37	3.09
Net debt/EBITDA	11.11	13.14
<b>Ratio</b>		
Inventory turnover	32.85	40.46
A/R turnover	49.96	47.45
A/P turnover	31.47	25.79
CCC	51.34	62.12

**3.2 Investment Risks and Downside Possibilities**

The Company focuses on the management of Company's risks from industrial conditions and competitions by systematically monitoring, planning, and managing risks in different aspects, which may affect the Company's operations in the future, to be at an acceptable level. The major risks that might affect the performance of the Company as well as the decision of investors are as followings:

1. Risk from Reliance on Majority Vendors

The Company's comprehensive range of products distributed are manufactured by vendors of world-class standards which have trusted and appointed the Company as their authorized product distributor over 50 product brands namely Intel, APC, ASUS, Bitdefender, Canon, EPSON, FujiXerox, Gigabyte, WD, Lemel, Rapoo, and Seagate which was the high risk of relying on majority vendors. However, SYNNEX is well-regarded as a major global distributor, particularly in the Asia Pacific region. The

“Trusted By SYNnex” trademark labeled on IT products for the Company’s marketing of after-sale service and product warranty is widely recognized by consumers in the market of border trades with neighboring countries.

## 2. Risk of Changes in Technology and Product Development

As the core business of the Company are distributor computers, computer peripherals, and IT products of which related technologies and innovations are quickly developed and their technologies are changed very fast. Inventory can be easily obsolete and cause business damaged. These reasons were required that the Company keeps a close watch on those changes and continuously studies trends of products desired in the market as well as appropriately monitors inventory control and purchasing, as inventory items become outdated easily as technologies evolve. However, the Company has been transferred the information and technology from the major stockholder, or Synnex Group from Taiwan, which runs a highly successful business of distributing computers, computer peripherals, and IT products and has the expertise in assessing the needs and trends of the market and owns an advanced, computerized inventory management system. Moreover, the Company’s Management’s members have accumulated long working experiences in fields related to the Company’s business. Owing to such reasons, the Company is able to handle technology changes efficiently. In addition, as being a giant distributor of computers and IT products in Thailand, the Company is offered favorable conditions such as special discounts when placing orders in great quantities, product rotation for obsolete models, and price protection on discounted models from a variety of giant vendors and manufacturers, relieving the Company off the inventory’s aging problem. Meanwhile, the Company sets the allowance of diminution in quality-deteriorating, obsolete, and slow-moving inventories too.

## 3. Risk from the Advent of AEC

The common goal for the ASEAN Economic Community (AEC) is to achieve the single market and production bases for the ASEAN community, thus allowing free movement in 5 areas including product, service, investment, skilled labor and capital. Such free trade will create both winners and losers, depending upon their business and competitive potentials relative to that of their competitors. With no tariffs and tax barriers, tax-free products and services from other countries could come into Thailand, thus putting Thai entrepreneurs in a more downward pressure, and vice

versa. The Company has planned and researched on the expansion of distribution channels to foreign countries in Indochina since the year 2013, targeting to acquire the market share in three countries namely the Republic of the Union of Myanmar (Myanmar), the Kingdom of Cambodia. (Cambodia), and the Lao's People's Democratic Republic (Lao PDR), as these three countries have been maintaining diplomatic relations with Thailand for a long time. Currently, the Company's revenue from export sales to the three neighboring countries is successfully achieved, as SYNEX is well-regarded as a major global distributor, particularly in the Asia Pacific region

#### 4. Risk from the Foreign Exchange Rates

The Company imports products from foreign countries with bids and payments principally calculated in the U.S. dollar currency. Oversea products represent 40% of the total product purchasing orders of the Company. However, the Company has a policy to prevent the risk from fluctuating foreign exchange rates by entering forward contracts of the foreign exchange market. Overall, the extent to which the Company's measures of controlling the exchange rates' risk vary based on situations. Yet, the Company does not have a policy over speculation in the foreign exchange market.

#### 5. Risk from the Working Capital

The Company has requiring the steadily increasing working capital to manage the accounts receivable and inventory as sales increase. The Company's working capital has been funded by the use of short-term loans from financial institutions for liquidity. Days in inventory are approximately controlled at 33 days while the average collection period takes 50 days as the Company supports well-rated customers by extending the payment period of their ARs under the circumstance that the IT industry has faced a smaller growth when compared to the previous year. Meanwhile, the Company's average payment period is at 30 days as the Company, in turn, has been offered the payment period's extension on accounts payable while the Company also makes payments in cash or early payments to get trade discounts. Currently, the Company has been approved loans from several commercial banks which are adequate to facilitate the business operations. Besides, owing to the good rapport between the Company and these commercial banks, there are constant chances for the Company to

negotiate and review the loan balance, interest rates, and banks' fees to achieve the appropriate level of the financial costs for the Company.

#### 6. Risk from Competition and Low Gross Margin

It Distribution is considered as competitive and its margin is low, in this industry, price may be used as a primary strategy in the competition. Consequently, such factors as the foreign currency exchange rates, quality of accounts receivable, depreciation cost from new investment, and inventory management may affect the Company's net profit and operating result. However, the Company pays attention to the risk on profit and prepares such measures as the management of risk from foreign exchange rates, strict inventory management, thoroughly planned budgeting, and cost controlling. These measures reduce effects of the aforementioned factors on the net gross profit. Moreover, the Company has been appointed as the exclusive distributor of several product brands, enabling the Company to control product pricing in order to achieve a higher level of the gross profit margin.

### 3.2.1 Risk Matrix

**Table 3.4 Risk Matrix**

LIKELIHOOD	RISK RANKING MATRIX		
<b>HIGH</b> (68%-100%)	- Competition and Low Gross Margin	- The Foreign Exchange Rates	- Changes in Technology and Product Development
<b>MODERATE</b> (34%-67%)	- The Advent of AEC	- The Working Capital	- Reliance on Majority Vendors
<b>NEGLIGIBLE</b> (1%-33%)			
<b>CONSEQUENCE</b>	<b>NEGLIGIBLE</b>	<b>MODERATE</b>	<b>Severe</b>



**Table 3.5 Sensitivity Analysis**

Sensitivity Analysis									
<i>Price per stock</i>		Cost of Capital (WACC)							
	6.43	9.00%	10.00%	11.00%	11.38%	12.00%	13.00%	14.00%	15.00%
Terminal Growth Rate	1.00%	7.03	5.98	5.13	4.85	4.44	3.87	3.38	2.96
	2.00%	8.04	6.73	5.71	5.38	4.90	4.23	3.68	3.21
	2.50%	8.66	7.18	6.05	5.69	5.17	4.45	3.85	3.35
	3.00%	9.38	7.70	6.44	6.04	5.46	4.68	4.04	3.50
	3.50%	10.23	8.29	6.88	6.43	5.79	4.93	4.24	3.67
	5.00%	14.07	10.80	8.62	7.97	7.06	5.90	4.99	4.26
	6.00%	18.76	13.51	10.36	9.48	8.27	6.77	5.64	4.77
	7.00%	28.14	18.04	12.98	11.67	9.95	7.93	6.48	5.40
	8.00%	56.28	27.08	17.34	15.15	12.47	9.55	7.60	6.21
	9.00%	N/A	54.21	26.07	21.57	16.68	11.99	9.17	7.29
10.00%	N/A	N/A	52.24	37.29	25.10	16.05	11.52	8.80	

As the DCF model method, terminal growth rate and cost of capital (WACC) are major variable items which effect to price of stock, thus, we varied terminal growth rate at 1%-10% and Cost of Capital at 9%-15%. It is possible that future price volatility may be declined/raised based on changing in terminal growth rate and cost of capital as table above.

### 3.2.2 Assumption for Investment Risks and Downside Possibilities

In case there are investment risks and downside possibilities which may affect the Company's operations, the finance performance of the firm will be changed based on these impacts. We assume that the constant growth and terminal growth of the firm as 3.0% from 5.0% and 3.5% in normal situation, respectively. Therefore, the current appropriate price will be around 4.92 baht per share as sensitivity table below.

**Table 3.6 Sensitivity Analysis of Downside Possibilities**

Sensitivity Analysis									
<i>Price per stock</i>		Cost of Capital (WACC)							
	<b>4.92</b>	9.00%	10.00%	11.00%	<b>11.38%</b>	12.00%	13.00%	14.00%	15.00%
Terminal Growth Rate	1.00%	5.77	4.86	4.14	3.90	3.55	3.06	2.64	2.28
	2.00%	6.63	5.51	4.64	4.36	3.94	3.37	2.90	2.50
	2.50%	7.16	5.89	4.93	4.62	4.17	3.55	3.04	2.62
	<b>3.00%</b>	7.77	6.34	5.26	<b>4.92</b>	4.42	3.75	3.20	2.75
	3.50%	8.50	6.85	5.63	5.25	4.70	3.97	3.38	2.89
	5.00%	11.78	8.99	7.12	6.57	5.79	4.79	4.02	3.39
	6.00%	15.79	11.30	8.61	7.85	6.82	5.54	4.57	3.83
	7.00%	23.81	15.17	10.85	9.73	8.26	6.53	5.29	4.36
	8.00%	47.85	22.90	14.58	12.71	10.41	7.92	6.25	5.06
	9.00%	N/A	46.09	22.03	18.19	14.01	10.00	7.59	5.98
10.00%	N/A	N/A	44.39	31.62	21.20	13.47	9.60	7.28	



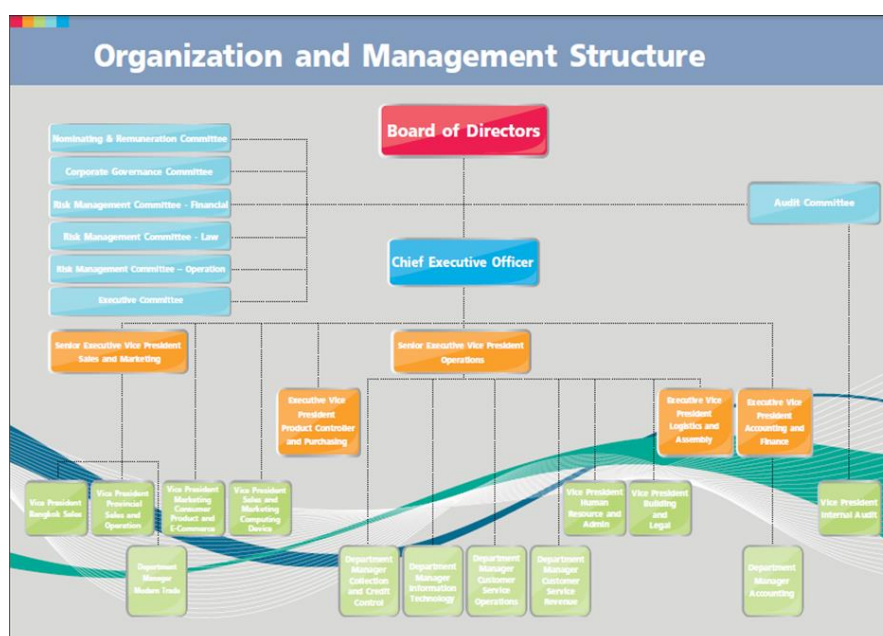
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## Appendix A: The Business Structure of the Company Group

Structure of SYNEX (Thailand) PCL (the Company) and its subsidiaries as at 31 December 2014.



Prism Solutions Company Limited was founded on 9 February 1996 with the initial registered capital of 2,000,000 Baht, with the Company's stockholding ratio of 99.99% of the registered and paid-up capital of Prism Solutions Company Limited, to operate support services on training, installation, and maintenance of advanced computer programs and IT system. On 22 June 1999, the Company increased the registered and paid-up capital of Prism Solutions Company Limited to 8,000,000 Baht.

## Shareholder Structure



## Appendix B: Major Shareholders and Free-Float

Free Float	2/4/2015		2/4/2014	
% / Shareholders	25.48%	2,012	25.43%	2,712
Foreign Shareholders	41.86%	@ 16/11/2015	Foreign Limit	49.00%

### Shareholders

As of 31 December 2014, Top 10 major shareholders are follows:

No.	Top 10 Major Shareholders	Number of Shares	Shareholding Percentage
1.	T.K.S. Technologies PCL.	296,687,160	38.51%
2.	King's Eye Investments Ltd.	269,500,000	34.99%
3.	BNP PARIBAS WEALTH MANAGEMENT HONG KONG BRANCH	38,626,830	5.01%
4.	AIA Company Limited-TIGER	12,000,000	1.56%
5.	Mr.Somchai Padphai	6,662,000	0.86%
6.	Mr.Anan Raweesangul	4,900,000	0.64%
7.	Mr.Phaosingh Nuengchamnong	4,375,000	0.57%
8.	Mr.Thawatchai Tantipoj	4,180,000	0.54%
9.	THAI NVDR Co., Ltd.	3,976,340	0.52%
10.	OCBC SECURITIES PRIVATE LIMITED	3,516,220	0.46%

### The Board of Directors

As of 31 December 2014, the Board of Directors comprised of the following 13 directors:

No.	Name-Surname	Position
1.	Mr.Supant Mongkolsuthree	President
2.	Mr.Tu, Shu-Wu	Director
3.	Mr.Wei, Hui	Director
4.	Mr.Tu, Shu-Chyuan	Director
5.	Mr.Lin, Tai-Yang	Director
6.	Mr.Su, Chih-Ching*	Director
7.	Ms.Sutida Mongkolsuthree **	Director
8.	Mr.Puttiapan Tayarachkul	Director and Corporate Secretary
9.	Mr.Somchai Apiwattanapron	Independent Director and Chairman of the Audit Committee
10.	Mrs.Maleeratna Plumchitchom	Independent Director and Audit Committee's Member
11.	Mr.Vissut Sethaput	Independent Director and Audit Committee's Member
12.	Mrs.Rawittha Pongnuchit	Independent Director and Audit Committee's Member
13.	Mr.Apisak Tantivorawong	Independent Director

\*Mr. Su, Chih-Ching has been appointed to the Company's director as resolution from the Board of Directors' Meeting no. 4/2014, as held on 8 August 2014

\*\*Ms. Sutida Mongkolsuthree has been appointed to the Company's director as resolution from the Board of Directors' Meeting no. 3/2014, as held on 23 June 2014

## **Appendix C: Corporate Governance (CG)**

The Board of Directors followed the Code of Best Practices for the Company's directors, which is in line with the Code of Best Practices for Directors of Listed Companies to comply with the procedure of the Stock Exchange of Thailand (SET) regarding good corporate governance that concerns five principles namely The Rights of Shareholder, Equitable Treatment of Shareholders, Roles of Stakeholders in Corporate Governance, Disclosure and Transparency, and Accountabilities of Directors, as presented below:

### **1. The Rights of Shareholders**

The Company recognizes the importance of shareholders by treating shareholders with methods and standards acceptable and dependable, encouraging shareholders to exercise the fundamental shareholder rights of buying, selling, and transferring securities held; allocating the share of Company's profits; and inviting to participate in the Annual General Meeting (AGM) of shareholders in which they can vote on the directors' election and appointment of Company's Auditor and fixing of their auditing remuneration; make inquiries or offer their opinions concerning matters reported by the Board of Directors; and use their individual voting right from the number of shares held.

### **2. The Equitable Treatment of Shareholders**

It is part of the Company's policies to treat shareholders of all groups, being major, minor, institutional, or foreign, with equality by setting regulations on preventing the abuse of data obtained as Company's directors and Management for personal gains and interests of other businesses as well as the misuse of internal data for personal trading of Company's shares. In this regard, Company's directors and Management members concerned are obliged to declare their initial obtaining of Company's shares and report any changes in number of shares held and to strictly follow related regulations set forth by Securities Exchange Commission (SEC) and Stock Exchange of Thailand. The Company discloses current information of the Company via the investor relations (IR)'s website in order to ensure shareholders receive news on significant changes of the Company. Company's news in Thai and



English languages that have been uploaded for public information in the SET's website are also uploaded to the Company's IR website.

### 3. The Role of Stakeholders in Corporate Governance

It is a commitment of the Company to operate the business with responsibility towards all stakeholders for sustainable, mutual benefits. The Board of Directors supervises the Company's procedure of ensuring the realization of the stakeholders' rights as specified in organization's code of ethics of the Company.

### 4. Disclosure and Transparency

The Company recognizes the importance of information disclosure, which is accurate, transparent, and completed in a timely manner to benefit investment decision making. The Company strictly adheres to regulations defined by SEC and other relevant governing agencies to ensure transparency, honesty, and accountability in information disclosure which comprises of such topics as the Company's shareholding structure, operating results by quarter, corporate governance, audit and control procedure, and a variety of channels on information disclosure for all shareholders to access the Company's information with equality.

### 5. Accountabilities of Directors

The Company recognizes the importance of duties and responsibilities of the Company's Board of Directors in protecting the interests of shareholders and stakeholders by developing a comprehensive internal control system on finance and business operations to be in compliance with laws and regulations stipulated by Stock Exchange of Thailand as well as setting up an adequate risk management system with internal audit mechanism to ensure transparency and good management in business operations as well as adequate risk management system with effective risk management monitoring that suits the business of the Company.

### **Policies against corruptions**

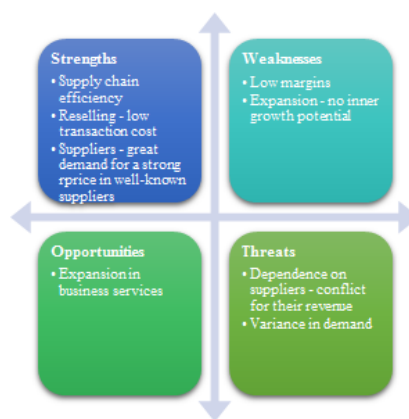
Synnex (Thailand) PCL. acknowledges the importance of conducting the business in compliance with the principles of good corporate governance, fair and transparent competition, strict obedience with laws, and commitment with countering corruptions. Therefore, the Company and its subsidiary including corporate personnel and related persons to participate in the campaign against corruptions. Thus, the Company

has established policies, regulations, guidelines, and requirements to prevent corruptions as the business ethics for everyone in the organization to follow under the same policies and to understand the anti-corruption intent of the Company for a good corporate image and sustainable development of the organization.



## Appendix D: SWOT analysis

### SYNNEX's SWOT analysis



### Strengths

**Supply chain efficiency:** The business model of Synnex (Thailand) PCL is a supply chain and logistics management. In the modern era, business is not determined successful just with an innovative idea and sales. It's measured through the efficiency of cost in transporting and manufacturing products and the effectiveness of reaching the customer as soon as possible. With that said, Synnex has come into a distribution market that has allowed corporations increase margins while managing higher demands without changing their business model. Synnex is supplemented as the "middle man" in business transactions and that allows them to profit off of the margins in reselling.

**Reselling:** Synnex does not have to develop products for selling purposes as the business simply buys products and resells them for a higher value. The margins are lower than a regular business but that is sheer profit through turning over products rather than spending on raw materials, labor and finished goods. This allows the costs to be solely focused on the supply chain business model and essentially cuts the costs that come along with research and development.

**Suppliers:** Another strength that Synnex possesses is the products that are manufactured by the suppliers. The dependence on other businesses can generally hurt

a corporation but when the suppliers are HP, Lenovo, Sumsung etc, then Synnex knows that the products that it is receiving will be in great demand for a strong price. The possibility of a "default" or no replenishment in Synnex's inventory is extremely unlikely as these technological corporations are multi-billion dollar companies.

### **Weaknesses**

**Margins:** Profit margins for Synnex (Thailand) PCL have been 0.95%, 1.18%, 1.77% and 1.86% over the past four years (31/12/2014-31/12/2011). The issue with reselling electronic devices and IT systems is the difficulty in price discrimination. The cost of research and development, manufacturing the product, and creating the product all are higher than numerous industries. Thus, the reselling of such products cannot come at too high of a premium, otherwise retailers and wholesalers will bypass the intermediary and go directly to the source. The efficiency that Synnex provides for suppliers and retailers cannot be undermined but pricing power cannot be overstated either. Synnex's capabilities of pricing are extremely limited which hinders expansion and growth.

**Expansion:** As previously stated, the pricing inflexibility causes constriction. Since Synnex does not create its own products (although they are pushing for global business services which do), they have no inner growth potential. Their dependence on suppliers and manufacturers forces them to only grow when the number of orders grow or when the demand for certain products increase. This hindrance really affects the growth potential of Synnex and can only be fixed internally

### **Opportunities**

**Business Services:** A segment that can be within Synnex is their business services. These services encompass customer management, renewal management, back office processing and information technology outsourcing. Synnex creates its own services in order to produce some independent revenue. However, it only accounts for about 1% of Synnex 's revenue. To grow on this segment of their business would be critical for their expansion. An issue with this project would be their margins and their incapability to fund development of business services. But with the growth in cloud computing demand alongside the importance of technology, Synnex could see

this opportunity to push forward with their global business services to capture a bigger portion of the market share. Ultimately, this allows Synnex to be more diversified and less reliant on other suppliers to fund their revenue stream.

### **Threats**

**Dependence on suppliers:** With Synnex 's supply chain business model, the dependence on suppliers is evidently noticeable. This leverages a high supplier power to dictate terms and measures for how products will be purchased. The restricted positioning for Synnex Corporation can create a conflict for their revenue and then lower its opportunity for growth.

**Variance in demand:** The method that Synnex sells their products and services to resellers is through purchase orders. This can create some hedging against higher order demand but it can also create a downside if demand diminishes. In addition, there are no contracts or long term agreements to establish a long term relationship with the client. If Synnex cannot anticipate proper demand, their business can be extremely damaged through excess inventory or lack of inventory. Variance in market demand and variance in supply can drastically affect operations and finances of Synnex.

## **Appendix E: Porter's Five Forces**

### **Threat of New Entry**

**Low:** Even though Synnex (Thailand) PCL only manages reselling and primarily distribution services, the threat of new entry is extremely high. In the distribution services sector, the contracts and negotiations of reselling products is extremely challenging for new competitors to come into. Synnex and other competitors have established themselves as corporations that can sufficiently buy products from top technology firms (i.e. HP, SAMSUNG) and resell those products in order to maintain solvency as a corporation. Coming into the market and proposing purchases of products from big technology firms requires a lot of initial capital and a strong basis of proving that the company can re-order from the technology corporations. In the global business services sector, producing new software and technologies to implement into global businesses requires a lot of capital for research and development. It also requires networking and connections created from previous business with distribution suppliers. These factors ultimately create too many barriers to entry for a new corporation in the distribution and global business services.

### **Buyer Power**

**Low:** Synnex (Thailand) PCL is an intermediary to the products that consumers want (i.e. computer devices, IT systems). The computer and technology market has drastically increased the past two years after the economic recession. Consumer demand has exponentially increased as the technology market has advanced so efficiently and effectively. Synnex is simply reselling the products received by technology corporations and the demand of technological equipment has significantly gone up. Therefore, until the suppliers demand decreases, Synnex will have a proper price adjustment for the demand to maintain their margins.

### **Supplier Power**

**High:** Synnex (Thailand) PCL relies on their suppliers to create their profits. Without the suppliers, Synnex cannot sell any of the products they acquire. Their distribution services are their predominate business as it accounts for most of the revenue. Therefore, the business is vastly dependent on its suppliers to even sustain itself. Furthermore, technology companies have the capabilities of finding competitors to sell through if prices are not sufficient to their standards. Essentially, Synnex is at the whim of the suppliers that provide them with the capability of reselling, which allows them to maintain profits and grow as a business.

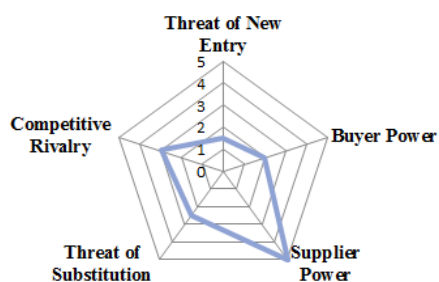
### **Threat of Substitution**

**Medium/Low:** The possibility of a substitution of Synnex, a supply chain based corporation, is simply to eliminate them as the intermediary to the retailers. The big technology corporations can create deals with the wholesalers and retailers and take Synnex out of the equation for the supply chain strategy. However, this seems to be an unlikely solution for the tech companies as that would increase their transportation costs and force them to shop around for stores that will offer a good price. It is easier and more efficient for the tech corporations to hire an intermediary who will purchase their products and sell them to the retailers without having issues of transporting goods to the wholesalers and retailers.

### **Competitive Rivalry**

**Medium:** Competition amongst technology supply chain distributors is battling for position to suppliers. However, competitors have their own contracted suppliers and gaining leverage is simply creating more efficient supply chain models. There are a few strong suitors in this specific industry which creates an oligopoly for the sector. Being able to bare with razor sharp margins and still find sufficient funding is an issue to all competitors, which remains the issue amongst these corporations. Thus, pricing schemes cannot fluctuate because of the low margins. However, if companies that are suppliers to Synnex are not happy with their supply chain service, substituting Synnex with a competitor is an easy change. Overall though, the rivalry stays within its restricted boundaries due to the business model's inflexibility in pricing.

### SYNNEX: Porter's Five Forces Model



### SYNNEX: Porter's Five Forces Model

Porter's Five Forces	Remark
Threat of New Entry	Low
Buyer Power	Low
Supplier Power	High
Threat of Substitution	Medium/Low
Competitive Rivalry	Medium



## Appendix F: Statement

### Statement of Comprehensive Income For the year ended 31 December 2010 to 2014 (Actual), and 2015 to 2019 (Projection)

Unit: '000 Baht

SYNNEX (THAILAND) PUBLIC COMPANY LIMITED	2010	2011	2012	2013	2014
SERVICES	15,592,154	20,228,285	20,555,367	18,719,927	19,055,864
REVENUES FROM SALES	15,580,006	20,214,131	20,541,062	18,707,689	19,039,911
REVENUES FROM RENDERING OF SERVICES	12,148	14,153	14,305	12,238	15,953
OTHER INCOME	63,960	32,717	94,625	58,891	108,544
DIVIDEND INCOME	-	-	-	-	31,415
GAIN ON FOREIGN CURRENCY EXCHANGE	48,895	16,818	77,016	42,739	54,076
OTHER INCOMES - OTHERS	15,064	15,900	17,609	16,152	23,054
<b>TOTAL REVENUES</b>	<b>15,656,113</b>	<b>20,261,002</b>	<b>20,649,992</b>	<b>18,778,818</b>	<b>19,164,409</b>
<b>COST OF SALE OF GOODS AND RENDERING OF SERVICES</b>	<b>14,727,170</b>	<b>19,105,605</b>	<b>19,477,661</b>	<b>17,787,355</b>	<b>18,276,698</b>
COST OF GOODS SOLD	14,725,236	19,101,996	19,474,480	17,781,870	18,271,741
COST OF RENDERING OF SERVICES	1,934	3,609	3,181	5,485	4,957
<b>SELLING AND ADMINISTRATIVE EXPENSES</b>	<b>505,964</b>	<b>565,138</b>	<b>616,915</b>	<b>671,452</b>	<b>584,459</b>
SELLING EXPENSES	285,943	317,563	326,168	290,366	297,290
ADMINISTRATIVE EXPENSES	220,021	247,574	290,748	381,086	287,170
MANAGEMENT AND DIRECTORS' REMUNERATION	24,811	27,187	28,404	30,863	28,216
<b>TOTAL EXPENSES</b>	<b>15,257,946</b>	<b>19,697,930</b>	<b>20,122,980</b>	<b>18,489,670</b>	<b>18,889,374</b>
PROFIT (LOSS) BEFORE FINANCE COSTS AND INCOME TAX EXPENSES	398,168	563,072	527,011	289,148	275,035
FINANCE COSTS	31,698	51,888	47,508	23,625	22,225
INCOME TAX EXPENSES	98,487	136,765	117,896	52,272	43,154
<b>NET PROFIT (LOSS)</b>	<b>267,982</b>	<b>374,418</b>	<b>361,606</b>	<b>213,251</b>	<b>209,656</b>
PROFIT (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	267,982	374,418	361,606	213,251	209,656
EARNINGS PER SHARE (UNIT : BAHT)	0.4	0.55	0.52	0.28	0.27
ordinaryshares (shares)	683,744.75	688,641.63	693,450.28	770,328.65	770,328.65

SYNNEX (THAILAND) PUBLIC COMPANY LIMITED	2015F	2016F	2017F	2018F	2019F
<b>TOTAL REVENUES</b>	<b>20,122,628.99</b>	<b>21,128,760.44</b>	<b>22,185,198.46</b>	<b>23,294,458.38</b>	<b>24,459,181.30</b>
COST OF SALE OF GOODS AND RENDERING OF SERVICES	19,099,952.69	20,054,950.32	21,057,697.84	22,110,582.73	23,216,111.87
SELLING AND ADMINISTRATIVE EXPENSES	584,445.79	613,668.08	644,351.48	676,569.06	710,397.51
<b>TOTAL EXPENSES</b>	<b>19,684,398.48</b>	<b>20,668,618.40</b>	<b>21,702,049.32</b>	<b>22,787,151.79</b>	<b>23,926,509.38</b>
PROFIT (LOSS) BEFORE FINANCE COSTS AND INCOME TAX EXPENSES	438,230.51	460,142.03	483,149.14	507,306.59	532,671.92
FINANCE COSTS	35,389.06	35,389.06	35,389.06	35,389.06	35,389.06
INCOME TAX EXPENSES**	76,539.87	80,703.06	85,074.41	89,664.33	94,483.74
<b>NET PROFIT (LOSS)</b>	<b>326,301.57</b>	<b>344,049.91</b>	<b>362,685.66</b>	<b>382,253.20</b>	<b>402,799.12</b>
PROFIT (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	326,301.57	344,049.91	362,685.66	382,253.20	402,799.12
EARNINGS PER SHARE (UNIT : BAHT)	0.4236	0.4466	0.4708	0.4962	0.5229
ordinaryshares (shares)	770,328.65	770,328.65	770,328.65	770,328.65	770,328.65

\*\* Assume income tax expenses as 19% of net profit after finance costs due to affect of deferred tax and exempted tax in the year.

**Statement of Financial Position**  
**As at 31 December 2010 to 2014 (Actual)**

Unit: '000 Baht

SYNNEX (THAILAND) PUBLIC COMPANY LIMITED	2010	2011	2012	2013	2014
CASH AND CASH EQUIVALENTS	108,220	86,647	23,483	85,263	42,951
TRADE ACCOUNTS AND OTHER RECEIVABLE	2,051,469	2,149,294	2,607,936	2,386,665	2,829,513
OTHER PARTIES	-	-	2,607,936	-	-
ADVANCES AND SHORT-TERM LOANS	-	-	-	-	30,000
RELATED PARTIES	-	-	-	-	30,000
INVENTORIES	1,088,491	1,447,622	1,554,986	1,349,726	1,940,389
OTHER CURRENT ASSETS	109,247	305,601	320,461	339,951	338,938
<b>TOTAL CURRENT ASSETS</b>	<b>3,357,427</b>	<b>3,989,164</b>	<b>4,506,867</b>	<b>4,161,605</b>	<b>5,181,792</b>
INVESTMENT ACCOUNTED FOR USING COST METHOD	49,400	42,748	26,401	25,474	28,619
SUBSIDIARIES	8,000	8,000	8,000	8,000	9,000
LONG-TERM INVESTMENTS	41,400	34,748	18,401	17,474	19,619
PROPERTY, PLANT AND EQUIPMENTS	368,469	332,122	309,143	350,841	320,434
DEFERRED TAX ASSETS	-	-	-	76,062	82,792
OTHER NON-CURRENT ASSETS	4,533	13,608	15,177	19,423	19,023
<b>TOTAL NON-CURRENT ASSETS</b>	<b>422,402</b>	<b>388,478</b>	<b>350,720</b>	<b>471,799</b>	<b>450,867</b>
<b>TOTAL ASSETS</b>	<b>3,779,829</b>	<b>4,377,641</b>	<b>4,857,587</b>	<b>4,633,404</b>	<b>5,632,659</b>
BANK OVERDRAFTS AND SHORT-TERM BORROWINGS FROM FINANCIAL INSTITUTIONS	1,074,646	837,118	1,101,287	532,082	1,646,909
TRADE ACCOUNTS AND OTHER PAYABLE	912,176	1,453,418	1,346,446	1,630,584	1,397,971
OTHER SHORT-TERM ACCOUNT PAYABLES - NET	26,558	38,257	26,064	54,226	68,616
ADVANCES AND SHORT-TERM LOANS	18,000	20,000	10,000	20,000	-
CURRENT PORTION OF LONG-TERM LIABILITIES	36,421	170,000	120,000	120,000	120,000
OTHER CURRENT LIABILITIES	155,837	190,092	228,468	167,743	205,069
CORPORATE INCOME TAX PAYABLE	36,369	44,995	44,597	2,915	5,940
ACCRUED EXPENSE	105,671	129,839	161,270	138,840	188,160
OTHER CURRENT LIABILITIES - OTHERS	13,797	15,257	22,600	25,988	10,970
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,223,638</b>	<b>2,708,885</b>	<b>2,832,265</b>	<b>2,524,635</b>	<b>3,438,566</b>
NET OF CURRENT PORTION OF LONG-TERM LIABILITIES	132,880	-	78,500	38,500	18,500
NET OF CURRENT PORTION OF POST EMPLOYEE BENEFIT OBLIGATIONS	-	20,013	23,588	27,014	31,685
OTHER NON-CURRENT LIABILITIES	16,072	15,101	15,620	16,261	21,380
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>148,952</b>	<b>35,114</b>	<b>117,708</b>	<b>81,775</b>	<b>71,565</b>
<b>TOTAL LIABILITIES</b>	<b>2,372,589</b>	<b>2,743,999</b>	<b>2,949,973</b>	<b>2,606,409</b>	<b>3,510,131</b>
AUTHORIZED SHARE CAPITAL	705,000	705,000	705,000	800,000	800,000
ISSUED AND FULLY PAID-UP SHARE CAPITAL	683,745	688,642	693,450	770,329	770,329
<b>TOTAL EQUITY</b>	<b>1,407,240</b>	<b>1,633,643</b>	<b>1,907,615</b>	<b>2,026,995</b>	<b>2,122,529</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,779,829</b>	<b>4,377,641</b>	<b>4,857,587</b>	<b>4,633,404</b>	<b>5,632,659</b>

**Statement of Financial Position**  
**As at 31 December 2015 to 2019 (Projection)**

Unit: '000 Baht

	2015F	2016F	2017F	2018F	2019F
CASH AND CASH EQUIVALENTS	65,682.63	65,053.51	87,846.99	54,117.31	56,715.29
TRADE ACCOUNTS AND OTHER RECEIVABLE	2,570,026.90	2,698,528.25	2,833,454.66	2,975,127.39	3,123,883.76
INVENTORIES	2,027,792.20	2,129,181.81	2,235,640.90	2,347,422.94	2,464,794.09
OTHER CURRENT ASSETS	302,250.66	317,363.19	333,231.35	349,892.92	367,387.56
<b>TOTAL CURRENT ASSETS</b>	<b>4,965,752.39</b>	<b>5,210,126.75</b>	<b>5,490,173.90</b>	<b>5,726,560.56</b>	<b>6,012,780.70</b>
INVESTMENT ACCOUNTED FOR USING COST METHOD	36,897.96	38,742.86	40,680.00	42,714.00	44,849.70
PROPERTY, PLANT AND EQUIPMENTS	278,569.09	359,275.21	377,238.97	396,100.92	436,701.26
DEFERRED TAX ASSETS	84,877.57	89,121.45	93,577.52	98,256.39	103,169.21
OTHER NON-CURRENT ASSETS	15,337.52	16,104.40	16,909.62	17,755.10	18,642.85
<b>TOTAL NON-CURRENT ASSETS</b>	<b>415,682.14</b>	<b>503,243.91</b>	<b>528,406.11</b>	<b>554,826.41</b>	<b>603,363.03</b>
<b>TOTAL ASSETS</b>	<b>5,381,434.53</b>	<b>5,713,370.66</b>	<b>6,018,580.00</b>	<b>6,281,386.97</b>	<b>6,616,143.73</b>
BANK OVERDRAFTS AND SHORT-TERM BORROWINGS FROM FINANCIAL INSTITUTIONS	1,210,286.77	1,323,623.01	1,389,804.17	1,401,058.23	1,471,111.14
TRADE ACCOUNTS AND OTHER PAYABLE	1,440,512.36	1,512,537.98	1,588,164.88	1,667,573.12	1,750,951.78
OTHER SHORT-TERM ACCOUNT PAYABLES - NET	45,677.47	47,961.34	50,359.41	52,877.38	55,521.25
CURRENT PORTION OF LONG-TERM LIABILITIES	120,000.00	120,000.00	120,000.00	120,000.00	120,000.00
OTHER CURRENT LIABILITIES					
CORPORATE INCOME TAX PAYABLE	87,646.10	92,028.41	96,629.83	101,461.32	106,534.38
ACCRUED EXPENSE	154,676.80	162,410.64	170,531.17	179,057.73	188,010.61
OTHER CURRENT LIABILITIES - OTHERS	18,937.23	19,884.10	20,878.30	21,922.22	23,018.33
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,077,736.74</b>	<b>3,278,445.48</b>	<b>3,436,367.75</b>	<b>3,543,949.99</b>	<b>3,715,147.49</b>
NET OF CURRENT PORTION OF LONG-TERM LIABILITIES	8,500.00	-	-	-	-
NET OF CURRENT PORTION OF POST EMPLOYEE BENEFIT OBLIGATIONS	25,386.45	26,655.77	27,988.56	29,387.99	30,857.39
OTHER NON-CURRENT LIABILITIES	16,762.21	17,600.32	18,480.33	19,404.35	20,374.57
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>50,648.66</b>	<b>44,256.09</b>	<b>46,468.90</b>	<b>48,792.34</b>	<b>51,231.96</b>
<b>TOTAL LIABILITIES</b>	<b>3,128,385.40</b>	<b>3,322,701.57</b>	<b>3,482,836.65</b>	<b>3,592,742.33</b>	<b>3,766,379.45</b>
AUTHORIZED SHARE CAPITAL	800,000.00	800,000.00	800,000.00	800,000.00	800,000.00
ISSUED AND FULLY PAID-UP SHARE CAPITAL	770,328.65	770,328.65	770,328.65	770,328.65	770,328.65
<b>TOTAL EQUITY</b>	<b>2,253,049.13</b>	<b>2,390,669.09</b>	<b>2,535,743.36</b>	<b>2,688,644.64</b>	<b>2,849,764.28</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,381,434.53</b>	<b>5,713,370.66</b>	<b>6,018,580.00</b>	<b>6,281,386.97</b>	<b>6,616,143.73</b>

**Statement of Cash Flow**  
**As at 31 December 2010 to 2014 (Actual)**

Unit: '000 Baht

<b>SYNNEX (THAILAND) PUBLIC COMPANY LIMITED</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
PROFIT (LOSS) BEFORE FINANCIAL COSTS AND INCOME TAX EXPENSES	366,469	374,418	361,606	213,251	209,656
DEPRECIATION AND AMORTISATION	42,044	44,619	41,265	40,623	40,776
(REVERSAL)	30,562	1,075	8,860	140,900	45,577
LOSS ON OBSOLESCENCE (REVERSAL)	2,898	7,616	43,401	-	-
LOSS ON DIMINUTION IN VALUE OF INVENTORIES (REVERSAL)	-	-	-	(41,030)	(12,347)
UNREALISED (GAIN) LOSS ON FOREIGN CURRENCY EXCHANGE	(607)	13,683	(7,296)	22,935	1,173
(GAIN) LOSS ON DISPOSAL OF OTHER INVESTMENTS	(4,457)	(3,395)	(1,999)	-	-
(GAIN) LOSS ON DISPOSAL OF FIXED ASSETS	109	(7)	(348)	746	(864)
FINANCE COSTS	31,698	51,888	47,508	23,625	22,225
INCOME TAX EXPENSES	-	136,765	117,896	52,272	43,154
OTHER RECONCILIATION ITEMS	13,478	18,517	15,503	3,687	(16,461)
CASH FLOWS FROM (USED IN) OPERATIONS BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	482,193	645,179	626,398	457,009	332,887
(INCREASE) DECREASE IN OPERATING ASSETS	(423,943)	(687,518)	(647,316)	295,382	(1,078,479)
(INCREASE) DECREASE IN TRADE ACCOUNT AND OTHER RECEIVABLES - OTHER PARTIES	(398,280)	(98,900)	(467,503)	80,371	(488,206)
(INCREASE) DECREASE IN INVENTORIES	(24,111)	(383,189)	(163,383)	238,733	(589,367)
(INCREASE) DECREASE IN OTHER CURRENT ASSETS	(1,705)	(196,353)	(14,860)	(19,477)	1,000
(INCREASE) DECREASE IN OTHER NON-CURRENT ASSETS	153	(9,075)	(1,569)	(4,246)	(1,906)
INCREASE (DECREASE) IN OPERATING LIABILITIES	202,449	557,857	(75,475)	271,945	(181,787)
INCREASE (DECREASE) IN TRADE ACCOUNT AND OTHER PAYABLES - OTHER PARTIES	173,675	527,508	(103,855)	261,203	(234,006)
INCREASE (DECREASE) IN OTHER PAYABLES - OTHER PARTIES	2,258	11,699	(12,193)	28,162	14,390
INCREASE (DECREASE) IN OTHER PAYABLES - RELATED PARTIES	-	-	-	-	-
INCREASE (DECREASE) IN OTHER CURRENT LIABILITIES	24,925	23,581	40,054	(18,061)	32,709
INCREASE (DECREASE) IN OTHER NON-CURRENT LIABILITIES	1,591	(4,931)	519	641	5,119
CASH GENERATED FROM OPERATIONS	260,700	515,518	(96,393)	1,024,336	(927,379)
INTEREST PAID	(32,046)	-	-	-	-
INCOME TAX PAID	(91,744)	(128,139)	(118,294)	(114,295)	(47,216)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	136,909	387,379	(214,687)	910,041	(974,595)
INCREASE (DECREASE) IN SHORT-TERM BORROWINGS FROM FINANCIAL INSTITUTIONS	68,485	(237,477)	268,348	(569,205)	1,114,827
INCREASE (DECREASE) IN LONG-TERM BORROWINGS FROM FINANCIAL INSTITUTIONS	81,260	-	28,500	-	-
INCREASE (DECREASE) IN OTHER LOAN FROM FINANCIAL INSTITUTIONS	-	4,659	-	(40,000)	(20,000)
INCREASE (DECREASE) IN LONG-TERM BORROWINGS FROM RELATED PARTIES	-	-	(10,000)	-	-
INCREASE (DECREASE) IN OTHER LOANS FROM RELATED PARTIES	-	2,000	-	10,000	(20,000)
INCREASE (DECREASE) IN FINANCE LEASE CONTRACT LIABILITIES	(1,200)	-	-	-	-
PROCEEDS FROM ISSUANCE OF SHARE CAPITAL	8,164	10,675	10,483	15,738	-
PROCEEDS IN ADVANCE FROM SHARE SUBSCRIPTION	5,798	(1,043)	2,095	(6,850)	-
PURCHASE OF TREASURY SHARES	-	-	-	-	-
PROCEEDS FROM DISPOSAL OF TREASURY	-	-	65,015	-	-
DIVIDEND PAID	(160,934)	(135,193)	(149,560)	(153,250)	(115,549)
INTEREST PAID	-	(49,841)	(48,788)	(24,607)	(20,632)
OTHER ITEMS	(36)	-	-	-	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,536	(406,219)	166,093	(768,175)	938,645
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	87,213	(21,573)	(63,163)	61,780	(42,312)
CASH AND CASH EQUIVALENTS, BEGINNING BALANCE	21,008	108,220	86,647	23,483	85,263
CASH AND CASH EQUIVALENTS, ENDING BALANCE	108,220	86,647	23,483	85,263	42,951

**Statement of Cash Flow**  
**As at 31 December 2015 to 2019 (Projection)**

Unit: '000 Baht

SYNNEX (THAILAND) PUBLIC COMPANY LIMITED	2015	2016	2017	2018	2019
PROFIT (LOSS) BEFORE FINANCIAL COSTS AND INCOME TAX EXPENSES	438,230.51	460,142.03	483,149.14	507,306.59	532,671.92
DEPRECIATION AND AMORTISATION	41,865.26	58,006.48	61,599.24	65,371.63	73,491.69
BAD DEBT AND DOUBTFUL ACCOUNTS (REVERSAL)	22,961.80	24,109.89	25,315.39	26,581.16	27,910.21
FINANCE COSTS	35,389.06	35,389.06	35,389.06	35,389.06	35,389.06
INCOME TAX EXPENSES	76,539.87	80,703.06	85,074.41	89,664.33	94,483.74
OTHER RECONCILIATION ITEMS	- 317,292.40	- 292,327.56	19,764.79	- 312,057.74	18,493.78
CASH FLOWS FROM (USED IN) OPERATIONS BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	297,694.10	366,022.97	710,292.03	412,255.02	782,440.42
(INCREASE) DECREASE IN OPERATING ASSETS	243,956.10	- 332,565.26	- 599,779.03	- 296,536.65	- 682,051.70
(INCREASE) DECREASE IN TRADE ACCOUNT AND OTHER RECEIVABLES - OTHER PARTIES	259,486.51	- 128,501.35	- 134,926.41	- 141,672.73	- 148,756.37
(INCREASE) DECREASE IN INVENTORIES	- 87,402.76	- 101,389.61	- 106,459.09	- 111,782.04	- 117,371.15
(INCREASE) DECREASE IN OTHER CURRENT ASSETS	36,687.09	- 15,112.53	- 333,231.33	- 16,661.57	- 367,387.56
(INCREASE) DECREASE IN OTHER NON-CURRENT ASSETS	35,185.26	- 87,561.77	- 25,162.20	- 26,420.31	- 48,536.62
INCREASE (DECREASE) IN OPERATING LIABILITIES	75,793.23	87,372.50	91,741.12	96,328.18	101,144.59
INCREASE (DECREASE) IN TRADE ACCOUNT AND OTHER PAYABLES - OTHER PARTIES	19,602.39	74,309.49	78,024.97	81,926.21	86,022.53
INCREASE (DECREASE) IN OTHER CURRENT LIABILITIES	48,223.81	12,116.14	12,721.95	13,358.05	14,025.95
INCREASE (DECREASE) IN OTHER NON-CURRENT LIABILITIES	7,967.03	946.86	994.20	1,043.92	1,096.11
CASH GENERATED FROM OPERATIONS	617,443.44	120,830.22	202,254.12	212,046.55	201,533.31
INTEREST PAID	- 35,389.06	- 35,389.06	- 35,389.06	- 35,389.06	- 35,389.06
INCOME TAX PAID	- 38,838.45	- 68,885.89	- 72,632.76	- 76,566.97	- 80,697.90
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	543,215.93	16,555.27	94,232.30	100,090.52	85,446.35
INCREASE (DECREASE) IN SHORT-TERM BORROWINGS FROM FINANCIAL INSTITUTIONS	- 436,622.13	113,336.24	66,181.15	11,254.06	70,052.91
DIVIDEND PAID	- 83,862.34	- 130,520.63	- 137,619.96	- 145,074.26	- 152,901.28
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	- 520,484.46	- 17,184.39	- 71,438.81	- 133,820.20	- 82,848.37
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	22,731.47	- 629.12	22,793.48	- 33,729.68	2,597.98
CASH AND CASH EQUIVALENTS, BEGINNING BALANCE	42,951.16	65,682.63	65,053.51	87,846.99	54,117.31
CASH AND CASH EQUIVALENTS, ENDING BALANCE	65,682.63	65,053.51	87,846.99	54,117.31	56,715.29

## Appendix G: Stock and Price

### Performance: SYNEX

OVERALL IN CURRENT MARKET	
Beta:	1.21
Market Cap(Mil.):	฿3,466.48
Shares Outstanding(Mil.):	770.33
Dividend:	0.08
Yield (%):	2.96

FINANCIALS			
	SYNEX.BK	Industry	Sector
P/E (TTM):	10.84	0.5	18.67
EPS (TTM):	0.41	--	--
ROI:	14.03	6.29	11.45
ROE:	14.92	8.56	14.79

Source: <http://www.reuters.com/finance/stocks/overview?symbol=SYNEX.BK#KzpcwAErAQApSEoO.99>



## Related companies

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Company name	Price	Change	Chg %	d   m   y	Valuation					Mkt Cap	
					Earnings per share	P/E ratio	Price-to-book ratio	Price-to-sales ratio			
<b>SYNEX</b> Synnex (Thailand)...	4.50	-0.10	-2.17%		0.41	10.84	1.63	0.18	3.63B		
PT Premier Technolog...	9.30	-0.15	-1.59%		0.97	9.60	2.68	0.51	1.36B		
SIMAT Simat Technolog...	3.80	-0.10	-2.56%		-0.22		2.23	1.15	1.53B		
SVOA SVOA PCL	1.48	-0.03	-1.99%		0.12	11.98	0.68	0.17	1.07B		
CCN CCN TECH PCL	2.14	-0.06	-2.73%		0.06	35.09	2.57	2.16	523.52M		
ILINK Interlink Communi...	17.00	0.00	0.00%		0.91	18.61	3.72	2.12	5.82B		
SIS SiS Distribution ...	4.34	-0.10	-2.25%		0.50	8.66	1.02	0.08	1.60B		
IFEC Inter Far East En...	8.25	+0.05	0.61%		0.03	240.31	3.48	35.04	14.96B		
MSC Metro Systems Cor...	5.10	-0.05	-0.97%		0.64	8.01	1.26	0.26	1.87B		
MATCH Matching Maximize...	1.73	+0.02	1.17%		-0.01		0.70	1.34	935.86M		
IRCP Intl. Research Co...	5.00	0.00	0.00%		0.45	11.21	2.62	0.77	1.29B		

