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Market Intelligence

TD SYNNEX Corporation NYSE:SNX

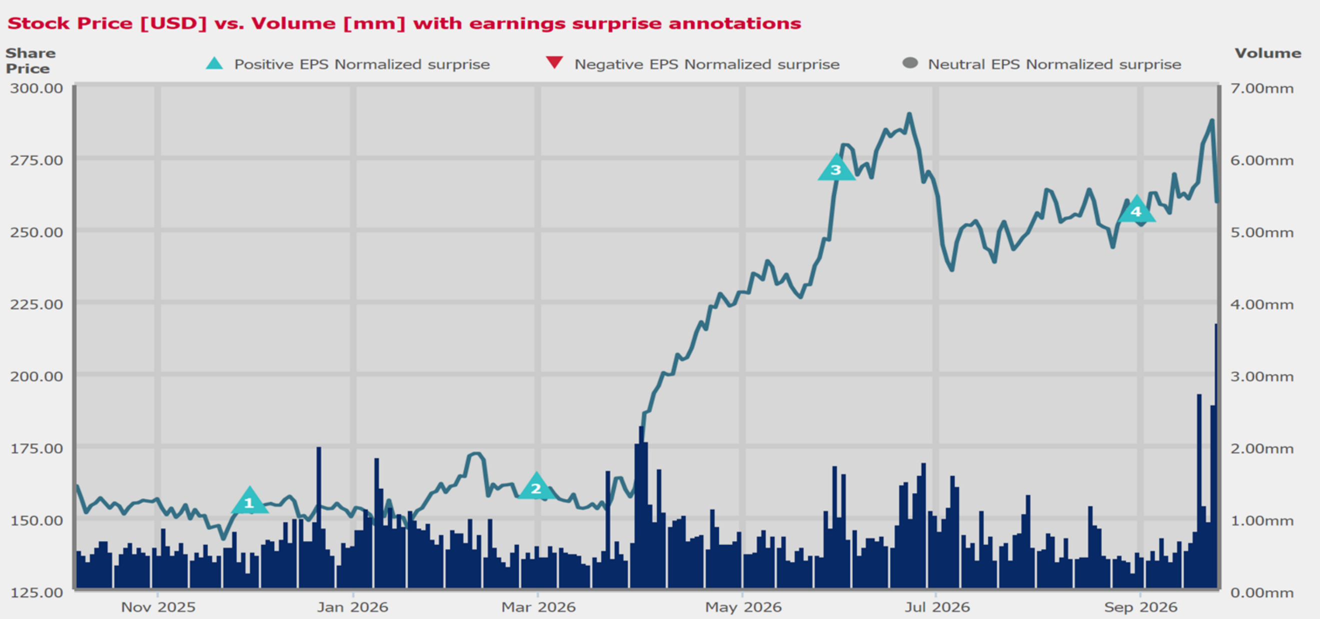
FQ3 2026 Earnings Call Transcripts

Thursday, September 24, 2026 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2026-			-FQ4 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	4.70	5.68	▲20.85	5.11	19.55	21.89
Revenue (mm)	18910.87	21558.41	▲14.00	20278.00	76436.60	80871.93

Currency: USD
Consensus as of Sep-24-2026 1:23 PM GMT



- EPS NORMALIZED -			
	CONSENSUS	ACTUAL	SURPRISE
FQ4 2025	3.73	3.83	▲ 2.68 %
FQ1 2026	3.31	4.73	▲ 42.90 %
FQ2 2026	4.14	4.85	▲ 17.15 %
FQ3 2026	4.70	5.68	▲ 20.85 %

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EXECUTIVES

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CFO & EVP

Nate Friedel
Head of Investor Relations

Patrick Zammit
CEO, President & Director

ANALYSTS

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David Paige Papadogonas
RBC Capital Markets, Research Division

David Vogt
UBS Investment Bank, Research Division

Erik William Richard Woodring
Morgan Stanley, Research Division

Guy Drummond Hardwick
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Katherine A. Campagna
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Ruplu Bhattacharya
BofA Securities, Research Division

Unknown Analyst

Vincent Alexander Colicchio
Barrington Research Associates, Inc., Research Division

Presentation

Operator

Good morning. My name is Rebecca, and I will be your conference operator today. I would like to welcome everyone to the TD SYNNEX Third Quarter Fiscal 2026 Earnings Call. Today's call is being recorded. [Operator Instructions]

At this time, for opening remarks, I would like to pass the call over to Nate Friedel, Head of Investor Relations at TD SYNNEX. Nate, you may begin.

Nate Friedel
Head of Investor Relations

Good morning, everyone, and welcome to TD SYNNEX's Fiscal 2026 Third Quarter Earnings Call. Joining me on today's call are Chief Executive Officer, Patrick Zammit; and Chief Financial Officer, David Jordan.

Before we continue, let me remind you that today's discussion contains forward-looking statements within the meaning of the federal securities laws, including predictions, estimates, projections or other statements about future events, including statements about our strategy, demand, plans and positioning, growth, cash flow, capital allocation and stockholder return as well as our financial expectations for future fiscal periods.

Actual results may differ materially from those mentioned in these forward-looking statements as a result of risks and uncertainties discussed in today's earnings release, in the Form 8-K we filed today, in the Risk Factors section of our Form 10-K, and our other reports and filings with the SEC. We do not intend to update any forward-looking statements.

Also, during this call, we will reference certain non-GAAP financial information. Reconciliations of GAAP to non-GAAP results are included in our earnings press release and the related Form 8-K available on our Investor Relations website, ir.tdsynnex.com. This conference call is the property of TD SYNNEX and may not be recorded or rebroadcast without our permission.

I will now turn the call over to Patrick.

Patrick Zammit
CEO, President & Director

Thank you, Nate, and good morning, everyone. We delivered another record quarter with Distribution and Hyve both performing above our expectations and growing above market within the quarter. Results were broad-based across geographies, technologies, customers and programs with notable strength in data center infrastructure. Our success securing opportunities with new and existing customers, particularly within Hyve, required working capital investment to support these ramps. As David will discuss in more detail, both investments affected near-term cash flow during the quarter, but position us to support committed customer demand and future growth.

Looking beyond the quarter, we continue to see encouraging developments across the technology landscape. Enterprise AI adoption is progressing toward broader production deployments. Data center modernization remains a priority as organizations prepare for next-generation infrastructure requirements, while AI is driving new security, governance and compliance requirements across technology environments. We believe these trends expand our opportunities across both Distribution and Hyve and reinforce our confidence in the long-term growth opportunity ahead.

I will now begin with Distribution. Distribution delivered strong growth during the quarter with non-GAAP gross billings reaching $24.8 billion, up 27% year-over-year, exceeding our expectations and growing above market across each of our regions. Our performance reflects a broader trend across the technology ecosystem. As technology environments become more complex, customers increasingly need help integrating, deploying, securing and managing solutions across multiple vendors and technologies.

Vendors are looking for partners that can not only efficiently reach customers, but enable customer capabilities, activate demand and execute consistently around the world. This is increasing the strategic importance of Distribution.

One area we are particularly encouraged by is the growing number of enterprises moving from AI experimentation towards production scale centralized AI factory deployments. This quarter, TD SYNNEX and Mark III Systems signed an agreement to support an NVIDIA AI factory powered by Vera Rubin NVL72 systems. This is one of the largest Enterprise AI factory infrastructure deployments expected to be delivered through the channel bringing together the design, integration, deployment, Day 2 co-admin operations, financing and supply chain capabilities needed to operationalize a sophisticated NVIDIA-based AI factory platform for a large enterprise.

As enterprises evaluate next-generation platforms, we are seeing growing demand for partners that can simplify complexity and accelerate implementation through their enablement capabilities. AI factories have the potential to power transformative new products and services, but realizing that potential requires far more than access to compute. Organizations ensure AI investments are secure, governed, cost-effective, and aligned with measurable business outcomes. Similar to the evolution of cloud computing, we believe disciplines such as financial operations and security operations will become increasingly important as AI becomes embedded in business-critical processes.

Organizations will need support selecting the right models for the right workloads, deploying them on the right infrastructure and balancing performance, security and governance across edge, private, hybrid, and public cloud environments. While still early in the adoption curve, deployments of this scale signal a market that is moving towards broader deployment. As AI becomes embedded across more users, workloads and business processes, we believe the requirements to secure, govern, optimize and support these environments will continue to expand.

Customers are also seeking greater flexibility in how they engage with us and have seen benefits from our digital strategy. Customers regularly engaging across our digital offerings have grown their spend with TD SYNNEX at nearly twice the pace of similar customers with us. Through solutions such as PartnerFirst and Digital Bridge, enhanced with AI agents embedded throughout the customer experience, we help customers identify opportunities, simplify purchasing decisions and engage efficiently across a broad range of technologies and vendors. We view digital engagement as an extension of our broader enablement strategy. Whether customers engage through digital platforms, technical specialists, enablement programs or a combination of all 3, our objective remains the same; helping our customers build capabilities, grow their business and better serve their end users.

The same capabilities creating value for customers are also important for vendors. As technology portfolios expand and customer requirements become more specialized, vendors are seeking partners that can combine global execution with expertise across technologies, customer segments and geographies. This is expanding the addressable market served through Distribution. Earlier this quarter, IBM expanded its relationship with TD SYNNEX into 20 additional countries across Europe, Asia Pacific and Latin America. We believe this expansion reflects the strength of our go-to-market model and the confidence our vendors place in our ability to activate demand, execute consistently across end markets around the world and accelerate growth.

Collectively, over the last year, we've added multiple billion dollars of incremental gross billings into the portfolio through new customer wins and an expanded vendor line card. More importantly, we believe these relationships deepen our role in the technology ecosystem and create additional opportunities for long-term profitable growth and potential earnings expansion.

Turning to Hyve. Hyve delivered a strong quarter with non-GAAP gross billings of $7 billion, up 117% year-over-year, exceeding our expectations as we saw continued increased demand from existing customers and programs. Our previously announced programs with new customers have progressed as planned, with shipments expected to begin in our fiscal fourth quarter. These programs improve visibility into future growth, including maintaining a healthy pipeline of opportunities and support a broader customer and program mix over time.

We believe increasingly sophisticated infrastructure requirements are elevating the importance of expertise in engineering, validation, manufacturing and supply chain execution. As a result, customers are engaging Hyve earlier in the development process, creating additional opportunities to expand our relationship with our current customer base and potential new customers. One example is our work with multiple customers on the design of advanced liquid-cooled networking racks that are expected to enter into production in the first half of fiscal year '27.

At the same time, we remain focused on ensuring growth translates into attractive long-term returns. While customer demand and revenue growth remained robust during the quarter, profitability remains an important area of focus. The business is working through a period of significant customer ramps, manufacturing expansion and elevated investment activity, including engineering talent, technical expertise and operating capabilities as we support multiple large growth initiatives at the same time. Several opportunities in our pipeline are being awarded at margin profiles that are neutral to accretive relative to our current operating performance.

As previously awarded programs mature and newer programs ramp, we expect modest margin improvement over time even as we continue investing to support future growth. Our manufacturing investments remain aligned with awarded customer programs and our focus remains on deploying capital in ways that strengthen our competitive position and are expected to generate attractive returns over time.

In closing, we believe both Distribution and Hyve continue to benefit from durable technology trends and expanding customer relationships. Within Distribution, Enterprise AI adoption, digitally enabled experiences paired with human expertise and growing technology complexity are increasing the value we provide to customers and vendors. Within Hyve, sophisticated infrastructure architectures are driving deeper customer engagement and expanding opportunities across a broader set of customers and programs.

While we have deployed significant capital to support customer growth initiatives, particularly within Hyve, we believe those investments strengthen our competitive position, support future growth and increase the long-term earnings power of the company. As these programs mature, we expect free cash flow generation and conversion to improve, and we remain focused on demonstrating progress as we close fiscal year '26 and enter fiscal '27.

With that, I'll turn it over to David to discuss our financial performance and outlook in greater detail. David?

David Jordan
CFO & EVP

Thank you, Patrick, and good morning, everyone. This was another strong quarter for TD SYNNEX. Both Distribution and Hyve grew above market and contributed meaningfully to earnings, while our operating income and earnings per share continue to grow faster than gross billings. Starting with the top line, our non-GAAP gross billings for the third quarter was $31.8 billion, increasing 40% year-over-year or 41% year-over-year in constant currency and exceeding the high end of our guidance range. Non-GAAP operating income was $736 million, an increase of 55% year-over-year or 56% year-over-year in constant currency. Non-GAAP earnings per share was $5.68, an increase of 59% year-over-year and above the high end of our guidance range. GAAP operating income was $643 million, an increase of 68% year-over-year. GAAP earnings per share was $5.18, an increase of 89% year-over-year and above the high end of our guidance range.

Turning to our quarterly performance for each business, Distribution non-GAAP gross billings increased 27% to $24.8 billion with double-digit growth across each region in most major technologies. Our end-to-end portfolio continues to position us well across technology cycles with healthy demand throughout the business and particular strength in data center infrastructure. Endpoint Solutions gross billings increased 16%, supported by continued strength in PCs, including higher average selling prices and a modest decline in units. Advanced Solutions gross billings increased 37%, driven by strength in infrastructure, software and AI-related technologies. Distribution gross profit increased 22% to $1.15 billion. Distribution gross margins were slightly impacted by customer and product mix, which was more than offset by disciplined expense management. Non-GAAP operating income increased 55% to $483 million and non-GAAP operating margin as a percentage of gross billings expanded 35 basis points year-over-year to 1.95%.

Turning to Hyve, Hyve's gross billings increased 117% to $7 billion, with growth across both manufacturing and supply chain services. Manufacturing grew in excess of 130% and represented approximately 2/3 of Hyve's gross billings, reflecting higher volumes and expanded programs with existing customers. Supply Chain Services grew in excess of 90%, supported by component demand associated with customer infrastructure deployments. Hyve's gross profit increased 47% to $276 million, and non-GAAP operating income increased 56% to $253 million. Non-GAAP operating margin as a percentage of gross billings was 3.61% compared with 5.04% in the prior year period.

As a reminder, our operating margins reflect the growing contribution from large AI rack programs that has been strategically important but dilutive to Hyve's operating margins, creating a mix headwind, which we believe has stabilized. Our objective is to build a broader, more diversified Hyve business that combines sustainable growth with improving profitability, stronger cash generation and attractive returns on invested capital.

Shifting to cash flow and capital allocation, free cash flow consumption for the quarter was approximately $1 billion, driven by increased inventory in Hyve's supply chain business in addition to new customers and new programs with existing customers. Net working capital closed at $6.5 billion with a gross cash conversion cycle of 22 days, an increase of 5 days sequentially and 6 days year-over-year, reflecting incremental mix of Hyve. Year-to-date, we have made substantial investments in Hyve's working capital and believe we now have a significant portion of the investments to support our expected growth now in place. Our focus is now on execution, cash conversion and realizing the expected returns on our investments.

We ended the quarter with $749 million of cash and cash equivalents and net leverage of 1.9x. During the quarter, we returned $100 million through share repurchases and $38 million through dividends. Our Board also approved a cash dividend of $0.48 per common share payable on October 30, 2026, to shareholders of record as of the close of business on October 16, 2026.

Turning to our fourth quarter outlook, we expect continued momentum across both businesses, translating to non-GAAP gross billings of approximately $31.9 billion, plus or minus $500 million, up approximately 31% year-over-year at the midpoint, a gross to net adjustment of approximately 30%, revenue of approximately $22.2 billion, plus or minus $400 million, non-GAAP net income of approximately $474 million, plus or minus $20 million; non-GAAP diluted earnings per share of approximately $5.90, plus or minus $0.25, up approximately 54% at the midpoint based on approximately 79.2 million diluted shares outstanding.

We expect Hyve's non-GAAP gross billings will increase sequentially quarter-over-quarter as we continue to see further benefit from ramping programs across multiple new customers. We expect we will generate cash in the quarter as recently deployed working capital begins to normalize. Looking ahead to fiscal 2027, we expect further improvements in Hyve's cash conversion as programs mature.

In summary, we're extremely proud of our teams for the results they continue to deliver. Distribution for multiple quarters has delivered above-market growth and broad-based growth, operating leverage and cash flow. Hyve continues to add new customers and new programs with existing customers. We expect each of our major programs to generate attractive returns, although some will not reach their full potential until the back half of fiscal 2027.
With that, we'll open the call for questions. Operator?

Question and Answer

Operator

[Operator Instructions] Your first question comes from Joseph Cardoso with JPMorgan.

Unknown Analyst

This is NK on for Joseph Cardoso from JPMorgan. Great results. I think my question is, you stated several pipeline opportunities are being awarded at margins neutral to accretive relative to current performance. What is driving this improved margin discipline? And how sustainable is it as competition for AI infrastructure intensifies?

David Jordan
CFO & EVP

Thanks for your question. So just to provide -- this is David, a little more clarity on Hyve's operating margins and how the new customer programs are coming. What we put in the prepared remarks, and if you reflect on the commentary we provided on the call last quarter, Hyve is ramping 3 new hyperscalers and multiple programs within each of those customers. And so as we look forward, one of the comments that we made is the new programs that we've won, which are predominantly manufacturing, are neutral to accretive to Hyve. Additionally, some of the programs that we're ramping this year, as those programs mature, we continue to find ways to improve the margins within there. And so as we look forward, that's what gives us confidence that Hyve's margins have stabilized and should improve as we move forward.

Operator

Your next question comes from Keith Housum with Northcoast Research.

Keith Michael Housum
Northcoast Research Partners, LLC

Great quarter for you guys. We're kind of looking at the growth, obviously, servers and storage were phenomenal for you guys this quarter, but the strength was really broad-based. But I think there might be concern with some investors that you're getting more rumors about data centers perhaps peaking here. And I think there's rumors of Oracle even perhaps pulling back on data centers here. How are you guys thinking about the data center market for the next year or 2? Any concerns that you might have a pullback here in spending or any constraints out there, but how are you thinking about the broader market?

Patrick Zammit
CEO, President & Director

Yes, Keith, thanks a lot for the question. So I mean, one, as you said, we are very pleased because the growth in the quarter has been broad-based by geo, Distribution, and Hyve by technology. And by the way, our Q4 guidance reflects that. If you look at next year, so we're in the process of building our budget for next year and collecting all the data. We continue to be overall positive about the market prospects, and we expect to continue to grow a little bit faster than the market. Specifically to data center, when you look at what is driving the demand, you have, of course, I mean, with the hyperscalers, they continue to support the frontier models with capacity for training.

But I mean, what we see and that's confirmed by all the -- by our OEMs is that companies are now investing more and more, enterprises are investing more and more in agentic capabilities. And we know that Agentic AI is going to be a fantastic driver for productivity gains and improving customer experience. I mean we've mentioned one of the big wins this quarter from an enterprise. And we see that as clearly a trend accelerating. So we continue to be positive about the prospects for next year. And specifically to Hyve, as David just mentioned, we've won some new customers, and we are going to benefit for the ramp-up. So overall, we are cautiously optimistic.

Keith Michael Housum
Northcoast Research Partners, LLC

Great. And just as a follow-up to that, like the business you win with Hyve, is that cancelable if the market did go soft by those customers? Or are these non-cancelable agreements that you guys enter into?

David Jordan
CFO & EVP

The way the programs work are similar to Distribution, you could cancel contracts, but these are longer-term agreements. Both sides have potential cancellation rights if people don't perform. But when you go into one of these programs, it can take you a year to get up to speed. And what we're working on is we've won a category within a hyperscaler where we support kind of a multiyear piece of technology. So in many cases, these programs can last a few years, but there's always the potential that volumes can move around. But we feel really good about where Hyve sits within the customers that it supports the value that it adds and how we stack up relative to the competition. So all of those items will provide some level of insulation as we move ahead.

Patrick Zammit
CEO, President & Director

I just want to add 2 things. So one, when you look at the forecast we've received or the backlog we have, we don't see any sign of concern today, point number one. Point number two is it was interesting to watch the results of Q3. And clearly, everybody referring to the fact that there is not enough capacity today in the data center to meet the demand. And so again, the combination of the 2 makes me feel cautiously optimistic for next year.

Operator

Your next question comes from Ruplu Bhattacharya with Bank of America.

Ruplu Bhattacharya
BofA Securities, Research Division

You've reported good results and guidance. It looks like gross margin overall declined 60 bps year-on-year. Can you elaborate more on what was that mix that impacted margins? And was there anything unique about the Advanced Solutions side of the Americas Distribution business because it looks like that region had gross margins down the most, about 120 bps. So any further color on what impacted margins?

David Jordan
CFO & EVP

Sure. Thanks, Ruplu. When you look at the overall margins, if you just focus on Distribution for a second, the mix that we're referring to is largely product related. So within North America, there was a few larger transactions, specifically around infrastructure build-outs. And some of those categories have slightly lower gross margins relative to the average. Within Hyve, it's the same impact that we had commented on last quarter, which was we ramped a large AI server program that's profitable, but at margins that are slightly below the average Hyve margin, and that's what's caused the year-over-year decline for Hyve.

But net-net, when you take a huge step back, our teams, both in Distribution and Hyve has done a really nice job margin, managing pricing and making sure that within Distribution when volume shifts between categories that they prudently manage their cost to continue to drive operating leverage. So we feel very good about the performance that the team has put out for the quarter.

Operator

Your next question comes from Erik Woodring with Morgan Stanley.

Erik William Richard Woodring
Morgan Stanley, Research Division

I'm going to ask something kind of similar to Ruplu there. And maybe try to be a little more specific, which is on that Advanced Solutions side, you're talking about mix. I just want to make sure and clarify for everyone here. I think there's probably some concern there could be pricing issues with the cost-plus model just because of where pricing is going. Can you just clarify for us that the Advanced Solutions margin -- gross margin pressure that you saw was really just a function of mix in those deals and that any like-for-like margins were not seeing pressure year-over-year this quarter?

David Jordan
CFO & EVP

Sure. Erik, thanks for the question. And you've read it correctly. When you look at the overall margins, if you really start to double-click them, they're relatively stable. And so as we've shared previously, our business, we make a percentage of the average selling price. And so -- what impacted the quarter is we had a couple of large transactions and larger orders tend to be slightly lower margin. And so the mix of that is what caused some of the margin impact in addition to us selling a decent amount of AI infrastructure. It's all profitable business. It's all good ROIC business, but that is what impacted the margin, specifically in Advanced Solutions year-over-year. Structurally, there's -- the margins remain highly resilient when you look at it from a category perspective. So we feel pretty good about that.

Patrick Zammit
CEO, President & Director

And Erik, I just want to add one thing. So talking a little bit about our management system. So every month, we are reviewing our margins, of course, by geography, but most important, by technology and by vendor and customer segment. And so we are monitoring that indeed, I mean, like-for-like, margins are stable or evolving and then we look for the why and take corrective measures. So it's a very disciplined approach. And that's the reason when we talk about mix, it's either customer segment who grew faster and has a lower margin or higher margin or a geo who grew faster and has a higher margin or lower margin. So it's really mix. Otherwise, very, very strong discipline on margin reviews, I mean, to anticipate any issues and take corrective actions very, very rapidly. But again, as David mentioned today, we have no issues.

And the other thing I would add just is -- and that's very important. I mean, we talked about I mean, taking to the bottom line at least 50% of the GP growth. And you can see that today, that ratio is significantly better than that. Again, the teams are doing a fabulous job managing cost. We are also obviously starting to leverage AI, which, I mean, basically is improving the productivity of the overall team. So I mean, operating margins have been consistently improving over the past quarters, and it was true again in Q3.

Operator

Your next question comes from David Vogt with UBS.

David Vogt
UBS Investment Bank, Research Division

I'll just squeeze in one and just a little bit multipart question for David. So David, you touched on seeing free cash flow getting better in Q4. And seasonally, Q4 is your better period of conversion, better conversion of working capital. Can you kind of help us think through kind of where you think the company's cash flow needs look like as we stretch out into '27? Because the business is structurally 50% bigger than it was effectively a year ago. Just trying to get a sense for where your cash needs are today, what you feel comfortable with, with cash on your balance sheet and how you're thinking about all the different vectors and permutations, particularly as Hyve should continue to grow pretty nicely next year?

David Jordan
CFO & EVP

That's a good question. So thanks, David. When you think about what we put in our prepared remarks is we expect to generate cash in Q4. You're right that seasonally, we tend to generate more cash in the back half of the year. Here's the way we think about it. So we would expect a couple of days of improvement in gross cash days quarter-over-quarter. That is largely driven by 2 things; continued momentum across both Distribution and Hyve. And knowing that a lot of the cash consumption year-to-date has come from Hyve, and we have to make investments in programs ahead of the ramp.

And so as those programs ramp, we expect them to be cash generative. As you think about 2027 or more on the long or more beyond, we expect all of our businesses to be sustainable cash generators. And so we recognize that FY '26 was a period of hyper growth. But we also front-loaded a lot of working capital investments to enable that. And so as we move forward, we would expect those -- all of our businesses to become cash generative, and we feel pretty good about where we are.

Patrick Zammit
CEO, President & Director

And just to add one remark. When we look at our more mature programs at Hyve, I mean, indeed, we see that when they reach maturity, they are generating free cash flow, okay? So no concerns from that standpoint. But the reality is that the team has done a very good job winning some new programs, expanding the customer base. And yes, so we are in an investment phase to ramp up all those programs. But again, when the program matures, it generates free cash flow.

Operator

Your next question comes from Katherine Murphy with Goldman Sachs.

Katherine A. Campagna
Goldman Sachs Group, Inc., Research Division

Maybe to stick on the Hyve manufacturing piece. Can you talk more about the mix of programs in the quarter? You mentioned that the AI server business that you highlighted last quarter remains largely stable. And as these new programs layer in, mix should improve. But maybe talk more to the outlook for the traditional server networking storage programs and the new engagements as well as the timing of when some of these legacy engagements may start to roll off or be less significant?

Patrick Zammit
CEO, President & Director

Yes. So if you look at the quarter, Q3, so we had this large GPU program and networking continued to be very strong. If you look at the new programs we've won, they are primarily networking programs, okay? So again, at a good margin. We started seeing some of the ramp this quarter, and we're going to see an acceleration in Q4 and Q1.

Operator

Your next question comes from Guy Hardwick with Barclays.

Guy Drummond Hardwick
Barclays Bank PLC, Research Division

I'm wondering if you guys could update us on the agreement with Amazon, whether that's had an impact on revenues in the quarter and also whether it's also some of the revenues, the unvested portion or vested portion has been netted off the revenues? And then a follow-up question on Hyve. Given there's more manufacturing growth and supply chain growth, although I know you've kind of already answered the question, you would expect a positive mix on that, but you're saying within manufacturing, there's a negative mix. Is that -- am I understanding that correctly?

David Jordan
CFO & EVP

Thanks for the question. So we'll try to cover both of them. As you know, we announced a warrant agreement with Amazon. And what we shared at that time is we expect this to be mutually beneficial to both of us. And so this is an agreement that's 7 years long. And so we would expect over the course of the agreement that both sides to benefit. I think it's too soon to get into exact specifics on how things played out in the quarter. But what I can tell you is our relationships across all of our customers within Hyve are very good, and we continue to invest in capabilities that add value to all of our partners.

When you think about the mix, within margins as it relates to Hyve, you are correct that the AI server program that we've referenced, which has caused some of the margin decline year-over-year, is a manufacturing program. And then a lot of the new programs that we've won are also manufacturing. So this has been a year where we've had somewhat of a headwind to gross margins. But as we look forward and as these new programs ramp, we feel very good about the trajectory of the margins as a lot of these new programs are neutral to accretive to Hyve in total.

Operator

Your next question comes from David Paige with RBC Capital Markets.

David Paige Papadogonas
RBC Capital Markets, Research Division

I want to ask on Distribution and endpoint. One of your closest competitors noted that there's still $300 million to $400 million PCs un-refreshed Windows 11. So it looks like you had good growth in PC in the quarter. So I just wanted to get your thoughts on, I guess, the demand environment, the refresh cycle and what you see going forward?

Patrick Zammit
CEO, President & Director

Yes. Thanks a lot. So PC did overall well, grew double digit. Now if you peel the onion, units were down. I mean we had forecasted the PC units to go down mid- to high single digit, which is what happened this quarter and more than offset by price increases and mix. So let me just provide some color here. So indeed, component price increase has driven an increase of average selling prices. But another phenomenon, which is very interesting is the fact that the market is buying more the mid-range and higher range type PCs rather than the low range. Why? Because also when our manufacturers get their allocations, they allocate them to the mid-range and the higher range of their portfolio.

So some of the ASP increase is really due to components, but some of it is due to a change in mix. The refresh is not over. And so we should still see some tailwinds because of that. Now the price increase, as expected, is having some impact on the volume. It has less impact on B2B, where we play. It will have -- it has more impact on B2C where we don't place -- we have a very small play in the market. So PC continues to be overall in value, a very good category. And I just add that AI PCs continue to grow and represent now close to 50% of the total revenue for us. And AI PCs is potentially becoming an important part of the infrastructure to run AI workloads.

Operator

Your next question comes from Vincent Colicchio with Barrington Research.

Vincent Alexander Colicchio
Barrington Research Associates, Inc., Research Division

Yes. Are you seeing customers consolidate their Distribution relationships as technology becomes more complex? And is the company gaining wallet share as a result?

Patrick Zammit
CEO, President & Director

So thanks a lot for the question. I mean, as you have noticed that we grew faster than market, and we've done that now consistently for many quarters. I think it's due to 2 things. So one, from a customer side, indeed, I mean, we have this collection of specialists approach, which means that we have a very appealing value-added value proposition by technology. And that puts our teams in a very good position to support customers who have to deliver business outcomes, which are more and more complex to deliver.

So yes, I believe that our approach has -- makes us, I would say, probably very well differentiated to help our customers win the deals and grow. But we see, at the same time, in the vendor community, a trend accelerating in terms of rationalizing the go-to-market. So reducing the number of direct customers, direct resellers and number of distributors. And because of our value prop, because of the relationships we've built over the years, I think we are going to continue to benefit from that trend.

Operator

Your next question comes from Alek Valero with Loop Capital.

Alek Oleg Valero
Loop Capital Markets LLC, Research Division

My first question is on enterprise. So you've mentioned that you're seeing more growth in enterprise. It sounds like this is something that's going to continue. Can you talk to the kinds of things that enterprise customers are prioritizing? And where are you best positioned to capture that spend?

Patrick Zammit
CEO, President & Director

Okay. So I'm going to distinguish between compute and storage. On compute, 2 things. So you still have the refresh of the general compute server base. And as you know, the new generation has more cores and can replace several servers from the old generation. So what you see is a decline in units, but an average value which is significantly higher. So we see very nice growth in general compute. And we also see, obviously, I mean, an increased demand when it comes to AI compute, driven by the fact that companies are absolutely building their factories to take advantage of Agentic AI. And what we see is some very large deals coming from large enterprises, but we are starting to see also midsized companies investing in that space.

On storage, what we see is a modernization and acceleration of the modernization of the data center. I think AI will continue to play a key role. The important aspect, if you want to get the full benefit of your language models, you need to have the data in a good shape, and that means investing in storage. So I mean, that's something we are seeing, too. And here for storage, we see an increase in units and, of course, in value.

Alek Oleg Valero
Loop Capital Markets LLC, Research Division

Got it. That's super helpful. And just a quick follow-up on networking actually. So I see networking grew 19% year-over-year, although it was the slowest growing hardware category. What are the puts and takes there? Any color you can provide on networking?

Patrick Zammit
CEO, President & Director

Yes. So networking, again, I just want to put some context. If you just go back last year, was a little bit a challenged category. Things have completely changed now. I mean you have a need for massive refresh, I mean, Wi-Fi 7, switches to support AI. So you have a series of tailwinds in networking, which are driving a nice increase in units. And on top of it -- so the magnitude is not comparable to what we see in compute or PCs, but we start seeing some price increases also. And so the combination of the 2 makes the category very strong. And I think it's going to continue for some time. So it's another category where we are very optimistic for the coming quarters.

Operator

We have reached the end of the Q&A session. I will now turn the call back to Patrick for closing remarks.

Patrick Zammit
CEO, President & Director

Thank you all for joining us this morning. As we conclude, I'd like to express my gratitude to our coworkers around the world whose hard work, dedication and commitment make our success possible as well as to our partners for their continued trust and support. To everyone on today's call, thank you for your ongoing interest in TD SYNNEX, and I'm wishing you a great day.

Operator
This concludes today's conference call. You may now disconnect. Have a great day.