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Market Intelligence

TD SYNNEX Corporation NYSE:SNX

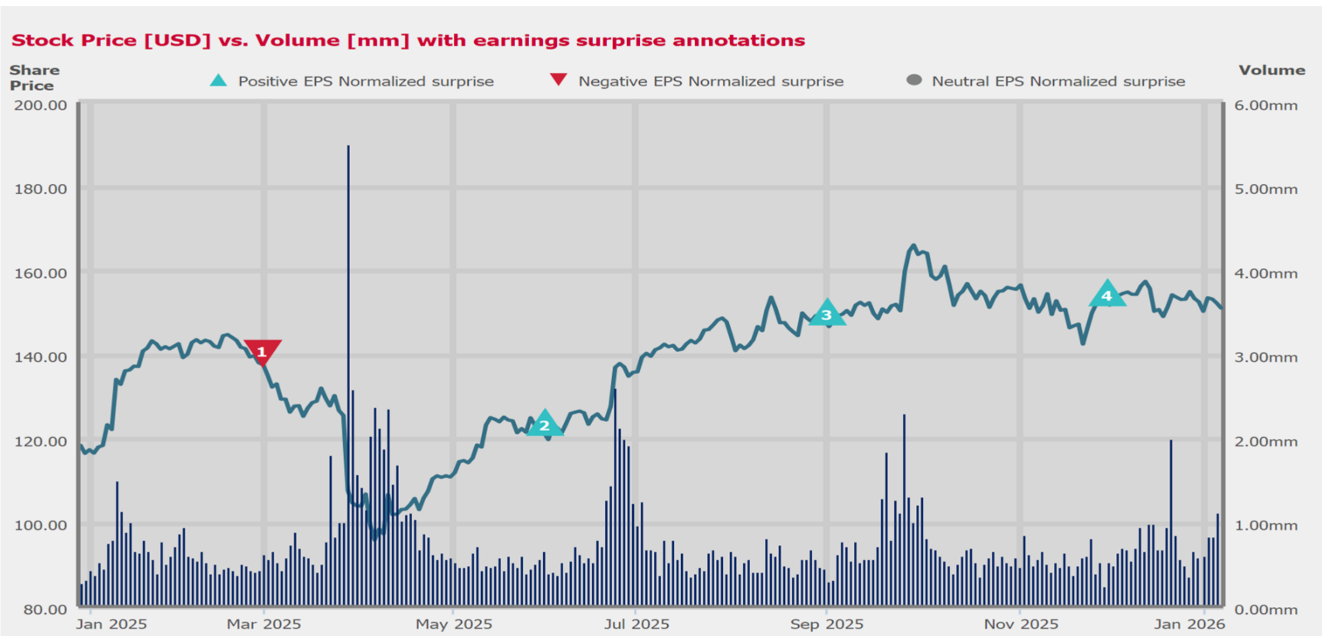
FY 2025 Earnings Call Transcripts

Thursday, January 8, 2026 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2025-			-FQ1 2026-	-FY 2025-			-FY 2026-
	CONSENSUS	**ACTUAL**	**SURPRISE**	**CONSENSUS**	**CONSENSUS**	**ACTUAL**	**SURPRISE**	**CONSENSUS**
EPS Normalized	3.73	3.83	▲2.68	3.17	13.09	13.19	▲0.76	14.49
Revenue (mm)	16950.21	17379.14	▲2.53	15349.30	62070.17	62508.09	▲0.71	64602.93

Currency: USD
Consensus as of Jan-08-2026 12:54 PM GMT



	- EPS NORMALIZED -		
	CONSENSUS	**ACTUAL**	**SURPRISE**
FY 2025	13.09	13.19	▲1 0.76 %

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Call Participants

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BofA Securities, Research Division

Unknown Analyst

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Presentation

Operator

Good morning. My name is Jeannie, and I will be your conference operator today. I would like to welcome everyone to the TD SYNNEX Fourth Quarter and Full Year Fiscal 2025 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

Thank you. Good morning, everyone, and thank you for joining us for today's call. With me today is Patrick Zammit, our CEO; and David Jordan, our CFO. 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?

Patrick Zammit
CEO, President & Director

Thank you, Nate. Good morning, everyone, and thank you for joining us today. We are pleased to report another set of record results that complete an outstanding year for our organization. Over the full year, our business, excluding Hyve, increased its gross billings in the high single digits year-over-year, while improving both its gross margin and operating margin profile. Additionally, Hyve grew its gross billings double digits and well above our expectations and has made further progress expanding its set of offerings and diversifying its customer base.

Turning to the fourth quarter. Our non-GAAP gross billings of $24.3 billion represented an increase of 15% year-over-year or 13% in constant currency and non-GAAP diluted earnings per share of $3.83 represented an increase of 24% year-over-year. Both of these established new records for our company, demonstrating the value of our diversified business model and the successful execution of our long-term strategy.

Within TD SYNNEX, excluding Hyve, our momentum continued with gross billings increasing 10% year-over-year and gross profit and operating income each also increasing by double digits. Hyve experienced another strong quarter with gross billings increasing by more than 50% year-over-year and ODM/CM gross billings increasing 39% year-over-year, driven by sustained broad-based demand in cloud data center infrastructure from our hyperscaler customers. Hyve's operating income also grew meaningfully year-over-year and continues to become a larger portion of our overall mix.

Our results reflected strength across all regions and key technologies. North America continued to grow steadily, supported by demand across each of our key customer segments, prioritization of increased security requirements and ongoing shift towards complex multi-cloud architectures. Europe grew faster than we anticipated as customers prioritized infrastructure software, PC device upgrades and modernization of aging infrastructure despite the slower macroeconomic backdrop.

As we've seen over the last few quarters, Asia Pacific and Japan remain a key growth engine, driven by rapid cloud expansion, PC device upgrades, accelerating AI development and strong demand from fast digitizing economies across the region. Lastly, our growth story in Latin America remains encouraging, delivering double-digit top line momentum with strong engagement across our portfolio and customer base.

Our performance is a direct outcome of executing on the strategy we outlined at Investor Day. As we enter 2026, we are sharpening execution around 4 focus areas that will define what we want to be known for. We will start with omnichannel engagement. Through disciplined investments in our PartnerFirst digital portal, we've built a frictionless interface that meets customers wherever they transact and simplifies the experience end-to-end. By pairing seamless digital engagement with our personalized relationship-driven support, our highly skilled teams help customers navigate complexity and move beyond transactions, earning the role of trusted adviser and forging long-term partnerships.

In Q4, we enhanced our PartnerFirst digital bridge functionality with a new AI assistant that enables customers to transact in a self-service mode 24/7 in their working environment. This enhancement transforms how our customer sales teams access and act on information to support their end customers in real time. Our customers have already attested that the new capability has saved employees in sales and product procurement operations multiple hours per day.

The industry is also recognizing our strength in this area. During the quarter, we were awarded U.K. Cloud Marketplace of the Year by CRN. We received this honor due to the differentiated quality of our platform, along with our leadership in customer enablement and technical training, helping our customers navigate what has been a transformative year in this space and ultimately accelerating growth throughout our cloud portfolio.

The next strategic pillar is specialized go-to-market. Our collection of specialist approach combines deep technical expertise with a deep understanding of our customers' go-to-market strategy and needs. This dual competency accelerates technology adoption and positions us as a growth catalyst for our vendors and customers. It's a differentiated capability that strengthens stickiness and expands our wallet share in high-growth segments.

Our Q4 accomplishments within this pillar include winning a global security RFP that will enable us to expand our portfolio in existing geographies with large enterprise customers, which is a segment that has not historically purchased through TD SYNNEX. We were chosen due to our global presence and deep security specialization as well as for our ability to unlock substantial cost savings for the vendor while simultaneously improving customer experience. We expect these customers will increasingly leverage our broader product and service portfolio over time, enabling them to consolidate spend and capture additional growth in the market.

Our emphasis on specialization has been recognized by our vendors as well. In Q4, Cisco named TD SYNNEX as Distributor of the Year globally as well as regionally in the Americas and EMEA. These awards reflect how our specialization, deep alignment with Cisco and innovation across markets consistently deliver real business outcomes for our customers.

Our next pillar is focused on delivering best-in-class enablement. We accelerate time to market by equipping our customers with advanced training, certification programs, enablement tools and precise resources and expertise tailored by technology and customer segments. This approach reduces ramp-up time, strengthens customer capabilities and drives faster adoption of high-value solutions, which ultimately improves productivity and expands our share of wallet.

During Q4, we announced AI game plan, a new customer-led workshop experience designed to help their sales teams translate AI opportunities into real-world business outcomes for their end customers. We are just at the beginning and we'll continue turning our vast data lake and algorithms into industry-leading scalable digital services that enhance experiences, lower costs and unlock new revenue and efficiency opportunities for our existing customers.

These strategies work in concert to support and substantiate our 5 strategic pillar, expanding our brand visibility. Our brand promise, making IT personal describes our role as an indispensable partner in the technology channel. We aim to be visible, personal and influential at every stage of the customer journey, reinforcing trust and driving loyalty. This sustained presence amplifies our market relevance and underpins long-term growth. By bringing our strategy to life every day across these 4 pillars, we are continuing to strengthen our competitive position as the strategic business partner that our partners can rely on to create more opportunities that deliver sustainable long-term growth.

Moving to Hyve. We continue to experience sizable growth benefiting from broad-based demand for cloud data center infrastructure across our hyperscaler customers. And we believe that we are very well positioned to continue to get more opportunities that showcase our ability to support a wide breadth of programs for our customers. Our customers are turning to us for, among other things, our production flexibility, favorable U.S. footprint, ability to co-develop complex solutions and secure supply chain. These differentiators position us to continue to be a trusted partner in the assembly and deployment of complete rack-level systems across all market environments through time.

Looking ahead, I am bullish on the long-term value proposition of Hyve and IT distribution. We believe the untapped market opportunities in front of us in both businesses remain substantial as we aim to service a greater portion of the overall IT market through time.

Now I'll pass it to David to go over the financial performance and outlook in more detail. David?

David Jordan
CFO & EVP

Thanks, Patrick, and good morning, everyone. We're pleased to report a strong close to our fiscal year with fourth quarter results that exceeded the midpoint of our guidance across all key metrics. Gross billings increased 15% year-over-year, reflecting broad-based strength across both distribution and Hyve. Our gross operating margins expanded year-over-year, driven by a combination of operational efficiencies, favorable mix and disciplined margin management. Non-GAAP earnings per share increased 24% year-over-year, delivering meaningful value for shareholders and underscoring the strength and value of our business model.

Moving into the details. Our Endpoint Solutions portfolio increased gross billings 12% year-over-year due to continued demand for PCs driven by the ongoing Windows 11 refresh and sustained demand for premium devices, which has continued to be a tailwind. Globally, PCs have now increased double digits for 4 consecutive quarters, and we expect continued momentum heading into the initial months of 2026.

Our Advanced Solutions portfolio increased gross billings by 17% year-over-year and 8% year-over-year when excluding the impact of Hyve, driven by meaningful growth in cloud, security, software and other strategic technologies. Hyve, which is reported within the Advanced Solutions portfolio, increased more than 50% year-over-year, primarily due to strength in programs associated with server and networking rack builds.

In the quarter, there was approximately 29% reduction from gross billings to net revenue, which was in line with expectations. Our net treatment as a percentage of billings continues to remain elevated versus the prior year, primarily driven by a higher mix of software within distribution and increases in certain Hyve programs. As a result, net revenue was $17.4 billion, up 10% year-over-year and above the high end of our guidance range. Gross profit increased 15% year-over-year to $1.2 billion. Gross margin as a percentage of gross billings was 5%, which was flat year-over-year.

Non-GAAP SG&A expense was $698 million or 3% of gross billings. Our cost to gross profit percentage, which we define as the ratio of non-GAAP SG&A expense to gross profit was 58% in Q4, an improvement of approximately 100 basis points year-over-year, demonstrating our progress toward managing costs as a percentage of gross profit down over time.

Non-GAAP operating income increased 18% year-over-year to $497 million. Non-GAAP operating margin as a percentage of gross billings was 2.04%, representing a 5 basis point improvement year-over-year. Interest expense and finance charges was $88 million, an increase of $1 million year-over-year. Our non-GAAP effective tax rate was approximately 24% compared to 21% in the prior year. Total non-GAAP net income was $313 million and non-GAAP diluted earnings per share was $3.83, an increase of 24% year-over-year and another all-time high for TD SYNNEX.

Free cash flow was $1.4 billion, driven by strong earnings growth and meaningful improvements in our cash conversion cycle quarter-over-quarter. This also brings our annual free cash flow to $1.4 billion, which was well ahead of our expectations. FY '25 marks the third consecutive year that we have generated annual free cash flow of over $1 billion, demonstrating our commitment to sustainable cash generation.

Within the quarter, we returned $209 million to shareholders with $173 million in share repurchases and $36 million in dividend payments. In total, we returned $742 million to shareholders this fiscal year, bringing our cumulative return to shareholders over the last 3 years to over $2.2 billion. This is approximately 61% of our free cash flow during that same time period within the medium-term range of 50% to 75% outlined at our Investor Day, underscoring our belief in the strength of our business and the commitment to creating long-term shareholder value. As of November 30, we have $1.2 billion remaining on our share repurchase authorization.

Net working capital was $2.9 billion, down approximately $300 million from the prior year. Our gross cash days were 12 days, a 2-day improvement from the prior year, which I'll talk more about shortly. We ended the quarter with $2.4 billion in cash and cash equivalents and debt of $4.6 billion. Our gross leverage ratio was 2.4x and our net leverage ratio was 1.1x.

You'll note that our cash position was elevated at year-end. This is the result of 2 primary factors. First, we successfully completed a new debt issuance during the quarter, which will be used to pay off $700 million of debt that matures in August of 2026. Additionally, as you'll see in our working capital, our teams across both distribution and Hyve did an outstanding job driving cash flow and made meaningful improvements toward optimizing the return on capital for both businesses. At the same time, it's important to remember that the balance sheet is a snapshot at a single point in time. At year-end, we had a few large receipts come in just before period end that would have normally fallen into the next quarter. We estimate Q4 benefited a few hundred million dollars, which will normalize in FY '26.

Going forward, we continue to be laser-focused on generating sustainable free cash flow and improving our return on invested capital.

For the current quarter, our Board of Directors has approved a cash dividend of $0.48 per common share that will be payable on January 30, 2026, to shareholders of record as of the close of business on January 16, 2026.

Moving on to our outlook. For the first quarter of fiscal '26, we expect non-GAAP gross billings in the range of $22.7 billion to $23.7 billion, representing an increase of approximately 12% at the midpoint. Our outlook is based on a euro to dollar exchange rate of $1.16. Net revenue in the range of $15.1 billion to $15.9 billion, which translates to an anticipated gross to net adjustment of 33%. Non-GAAP net income in the range of $243 million to $283 million. Non-GAAP diluted earnings per share in the range of $3 to $3.50 per diluted share based on a weighted average shares outstanding of approximately 80.1 million.

We are anticipating a cash outflow in Q1, in part due to typical seasonality of the business and due to the timing impacts that benefited Q4, which we described earlier. We expect that our cumulative free cash flow over fiscal '25 and fiscal '26 will be in line with our medium-term framework of 95% non-GAAP net income to free cash flow conversion.

While we are not providing full year guidance today, our long-term outlook remains consistent with the multiyear compounded annual growth rates that we outlined at our Investor Day earlier this year. We'll remain focused on delivering against that financial framework we've shared with you, which includes stable growth, margin expansion over time, consistent cash generation and deploying capital where it maximizes long-term value creation within our capital allocation framework.

To close, we're proud of what we've achieved this year, strong financial performance, disciplined execution and continued progress against our strategy. We're entering fiscal '26 with solid momentum, a healthy balance sheet and a clear set of priorities that support durable growth. We'll remain focused on operational excellence and delivering long-term value to shareholders.
With that, we'll open up the call for questions. Operator?

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Keith Housum with Northcoast Research.

Keith Michael Housum
Northcoast Research Partners, LLC

Obviously, outstanding growth in Europe and Asia Pacific, especially Asia Pacific and Japan there. As we think about that growth here that's happening, I guess, can you talk about perhaps how much of it is market growth versus your ability to take market share? And then second, how sustainable are some of these growth rates that we're seeing going forward?

Patrick Zammit
CEO, President & Director

Okay. So in APJ, we -- for sure, we've experienced very nice high double-digit growth -- as you know, our share in the region is relatively low. So we are investing significantly in the region to gain share and grow our market. So when you look at the results, for sure, we gained significant share. We are also positioned in countries, especially India, where, as you know, the growth of the market is significantly above the average of the region. And the team is focused on product segments, vendors and customer segments, which should make the growth sustainable for the long run. So very, very pleased, very proud of the team and very confident for the future.

The only thing I would add is that it's not only the growth in sales, we are also experiencing an overproportional growth in operating income in the region as the team is investing, but also keeping a good cost discipline.

Keith Michael Housum
Northcoast Research Partners, LLC

Great. And how about for Europe? Because Europe obviously was better than we would expect considering the macro conditions we have there.

Patrick Zammit
CEO, President & Director

So just -- so we got some market data. Europe, the European market grew, let's say, mid-single digit, so slightly better even than North America. But for sure, we had outstanding performance. We continue to gain significant share in the region. We have a strategy which is very well executed. Again, we are going after technologies, vendors and customer segments where we can enjoy higher growth than the market, and that's what you are seeing in the results.

Operator

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

Ruplu Bhattacharya
BofA Securities, Research Division

Patrick, you reported strong 15% growth in billings for 4Q and are guiding 12% billings growth for 1Q. How are you handicapping any end market destruction -- demand destruction from higher component costs like DRAM and NAND? And one for David. Can you just update us on the CapEx spend for this year as well as any investments planned for Hyve for 2026?

Patrick Zammit
CEO, President & Director

Yes. So thanks a lot for the question. So again, the guidance for Q1 reflects what we see from the regions, from the BUs. So I can confirm that the memory price have increased dramatically. And what we are seeing already is an increase in ASP on a series of product families, especially PCs, servers, storage. So the ASP increase is, on one hand, a tailwind in the short term. What will be interesting to see is what will be the impact on the volume going forward. But again, specifically for Q1, the guidance reflects the result of the bottom-up exercise with the regions and the forecast is done by technology, by country. So...

David Jordan
CFO & EVP

And Ruplu, the only thing I would add is when you think about total CapEx for TD SYNNEX, we're probably planning for a similar level of CapEx in '26 relative to '25, and that would include the investments needed to support Hyve's continued growth.

Ruplu Bhattacharya
BofA Securities, Research Division

Can I just clarify, have you actually seen any demand destruction from higher component costs? Or -- and is that factored into your guidance?

Patrick Zammit
CEO, President & Director

So specifically, I haven't seen it. And again, what is reflected in the guidance is the outcome of our bottom-up exercise.

Operator

Your next question comes from the line of Erik Woodring with Morgan Stanley.

Erik William Richard Woodring
Morgan Stanley, Research Division

Patrick, I'm going to stay on the same line of questioning there is Ruplu, which is just can you maybe ask it a different way. Can you maybe help us understand what you're seeing in terms of any potential pull forward in either the November quarter or the January quarter just with customers wanting to get ahead of future pricing increases for any of those kind of memory-exposed products you just mentioned, PC, servers, storage, smartphones. And just how you might think more broadly, I know you're not guiding to fiscal '26, but just how you think that this dynamic could have an impact on either revenue or profitability seasonality for the year?

Patrick Zammit
CEO, President & Director

Okay. So -- so let me start with the brought forward. So it's difficult to assess, but I'm very pretty confident that we haven't had any, I would say, material brought forward in the last quarter. Now again, what's going -- so the Q1 guidance reflects what the countries are seeing in their region and again, for PCs, servers and storage. If I look at the overall year, so the tailwind for us is clearly the ASP increase, as you know, I mean, when the vendors increase their prices, we usually pass it through to the market. So no concerns on the margin quality.

On the demand tailwind related to the ASP increase. And then what's going to be interesting to watch is what will be the impact on the volume. And as you know, the elasticity will be different by product category. And probably the category which is going to be the most sensitive is PCs. But we have a very, very low position on consumer PCs. We primarily focus on commercial PC.

So I'm relatively confident that here, the elasticity should be relatively low. So I continue to be relatively optimistic about the prospects of the PC market. Let's not forget that the refresh is not over. There is -- I mean, it started a little bit later than expected. So we should continue to benefit from it, I mean, in the next quarter.

And then when you look at storage and server, I think here, again, the elasticity related to the price increase should be relatively low. So again, on the demand, I think the demand is going to be driven by other considerations, the need for customers to embrace AI, upgrade their servers. I mean there's a server refresh happening as we speak, and it's not over. So again, I think on the demand, relatively -- I should say, cautiously optimistic and then the ASP increase should help.

Operator

Your next question comes from the line of David Vogt with UBS.

David Vogt
UBS Investment Bank, Research Division

Maybe 1.5 for David. So David, you mentioned in your prepared remarks, free cash flow cumulatively for '25 and '26 is going to be consistent with the long-term framework of 95% of net income. Given kind of the mix of business going into fiscal '26, it sounds like netted down is going to be a bigger portion of that based on the guide, at least for Q1. Can you talk through kind of the mix of the revenue that drives that netted down effect? And then what sounds like a decline in free cash flow, even adjusting for the $200 million of payments in Q4 that was pulled forward in '26 versus '25?

David Jordan
CFO & EVP

Sure. David, when we -- in our prepared remarks, we said we expect cumulative free cash flow across '25 and '26 to be within the 95% conversion rate. Here's the way to think about it. Historically, our business consumes cash in the first half and generates cash in the second half. What you saw in Q4 is we had a really, really strong cash flow quarter. And so some of that will normalize as we go into Q1. And so we still feel really good about generating cash for the full year, but we do expect an outflow in Q1 that will ultimately be recouped as we work through the balance of the year. And it's not as much mix driven per se as it's just the additional cash that we generated in Q1 that will be normalized -- or sorry, that we generated in Q4 that will be normalized in Q1.

Operator

Your next question comes from the line of Adam Tindle with Raymond James.

Adam Tyler Tindle
Raymond James & Associates, Inc., Research Division

I want to just acknowledge, Patrick, the strong return on capital, primarily great working capital management. But if I look at the margin side of things, it does look like some of that is being a little bit suppressed, and you talked about investments in Hyve. I wanted to ask about that. This has been an ongoing theme. I wonder if you could maybe just recap some of the prior investment decisions that you made in Hyve and the outcomes that lead you to invest further in Hyve, including any potential further new customers, for example? And for David, as we kind of look at this in the model, if you could maybe help us quantify or break out the investments in Hyve. Is it going to increase throughout the year? Are we sort of at the right run rate? What does this look like throughout fiscal '26?

David Jordan
CFO & EVP

So maybe I can start and Patrick, chime in. So in the prepared remarks, we talked about Hyve grew meaningfully both billings and profit. And so I wouldn't impute that there's a margin issue. In terms of investments in Hyve, we continue to invest in Hyve. And so Patrick talked about, we've invested in leadership. We've invested in the engineering team. We've invested in some additional capabilities within the sites. We have enough capacity to support our current demand, and we'll continue to make investments to ensure Hyve can truly be an end-to-end go-to-market player for Tier 1 hyperscalers and others. And so we feel very good about how the business is performing, the investments we've made and the prospects going forward.

Operator

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

David Paige Papadogonas
RBC Capital Markets, Research Division

Congrats on some really nice results here. Just a quick follow-up on Hyve, the 50% growth. Is that -- is that evenly split between ODM/CM or both the customers? Or maybe just a little bit more details around the growth there?

Patrick Zammit
CEO, President & Director

Yes. So we had -- so as you know, we have our ODM/CM business. That one grew very nicely in line, if not slightly better than the pace of the market. And then we had a very strong also quarter with, let's call it, supply chain [indiscernible] by division. As you know, this is a more lumpy opportunistic business as a service we render. So it's highly dependent on what the customers are asking for. And in Q4, we had a very strong quarter and better than expected. So that's how I would summarize the sales growth for the quarter for Hyve.

Operator

Your next question comes from the line of Joseph Cardoso with JPMorgan.

Joseph Lima Cardoso
JPMorgan Chase & Co, Research Division

Maybe another follow-up on the Hyve business. I just wanted to touch on like the progress that you're making with Hyve relative to capturing additional share with your existing large customers there and perhaps what you're seeing from a portfolio perspective or kind of the products that you're shipping there towards mix moving more towards AI servers, networking racks, storage racks and the opportunity to onboard potentially a new large customer beyond the two that you have today?

Patrick Zammit
CEO, President & Director

So again, I mean, we mentioned it in the prior calls, we continue to invest to expand the capabilities and capacity of Hyve. And so we are very active in bidding on new programs with our existing customers and potential new customers. I would say that thanks to the investments we've made, especially in engineering and some of the differentiators of Hyve in the market, I mean, we are seeing -- we are making very good progress on winning some new programs and potentially new customers.

Now I would say that those programs take some time to ramp. So again, when you look back at our Q1 guidance, it reflects what we have as forecast for the next quarter. But going forward, yes, I would say we continue to make good progress and are confident about the prospects.

Operator

Your next question comes from the line of [Austin Baker] with Loop Capital.

Unknown Analyst

Just really quick, I guess, I would love to understand how margins -- you view margins for Hyve kind of going forward? Are they improving, normalizing as volume scales? And then lastly, how do you feel about the visibility for Hyve programs today versus maybe this time last year?

David Jordan
CFO & EVP

So I can take that one. We feel pretty good about the overall margin profile of TD SYNNEX. When you think about what we laid out at Investor Day was a couple of things. We want to grow operating profit faster than billings. And so we're constantly looking for ways, both within Hyve and within our distribution business to focus where we can make additional margin. And so again, we feel very good about that business. Patrick?

Patrick Zammit
CEO, President & Director

Yes, I would just add that when I look at the pipeline and I compare it to where we were last year, I think we are in a very healthy position. And again, that's what is reflected in our Q1 guidance.

Operator

Your next question comes from the line of Vincent Colicchio with Barrington Research.

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

Yes, Patrick, another good quarter on PCs. Just could you give us an update on your thinking in terms of what inning we're in here?

Patrick Zammit
CEO, President & Director

Yes. thanks a lot. Yes. So a solid again Q4 for PCs, broad-based, primarily driven from commercial. So going forward, as I mentioned, I think that the refresh is not over. So that tailwind should continue again in 2026. We have also the weight of AI PCs, we have a slightly higher ASP. That should continue to be -- so there's still a lot of potential for upgrading the PCs and make them AI compatible in the market. So that should be a tailwind. We talked about the memory price increase impacting the ASP of the PCs that should be, again, a tailwind. And then you have the uncertainty related to the price on the demand. But again, the fact that we are primarily focused on the commercial PCs, I mean, I think we are in a slightly better position than if we would have a high weight of consumer PCs.

So I would say for next year, I continue to be confident about the prospects of the PC market. And again, back to the guidance for Q1, I mean, the various assumptions have been taken into account and are reflected in the guidance.

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

And did AI PCs perform incrementally better this quarter?

Patrick Zammit
CEO, President & Director

Yes, it continues to -- the weight of AI PC continues to nicely increase. So that's a positive.

Operator

Your next question comes from the line of David Vogt with UBS.

David Vogt
UBS Investment Bank, Research Division

I just wanted to ask a follow-up, David, on the netted down impact, it looks like there's a big tick up in Q1. That's what I was trying to understand also. Is it mix driven? That's going to be a bigger headwind to your revenue conversion? Kind of can you talk about what's going on there from a netted down effect in the guide?

David Jordan
CFO & EVP

Yes. And sorry, I missed that part of your question. That's my fault. Gross to net increased in Q4, and we've got an increase into Q1. There's a couple of dynamics. One, strategic technologies continues to become a bigger portion of our business. A lot of that business is software, which, as you know, is netted. Additionally, within Hyve, there are a number of programs that are also net. And as the mix changes, that does influence that metric. And so if you think about how we set Q1, that's probably a realistic assumption of kind of the run rate gross to net that we expect for FY '26. Hopefully, that helps.

David Vogt
UBS Investment Bank, Research Division

And that would suggest that software and Hyve continues to grow as a portion of the overall billings pie. Is that a reasonable takeaway?

David Jordan
CFO & EVP

Exactly right. You're right.

Operator

There are no further questions at this time. I will now turn the call back over to Patrick for closing remarks.

Patrick Zammit
CEO, President & Director

So thank you, everyone, for joining us. I want to close by emphasizing that we remain committed to profitable growth and free cash flow generation. Our strategy is designed to ensure that every step forward strengthens our business and supports greater long-term value creation. With our reach, our people, our unique capabilities and our momentum, we are confident in our ability to continue to succeed. Thank you, and have a great day.

Operator
That concludes today's conference call. You may now disconnect. Have a nice day.