

# TD SYNEX Corporation NYSE:SNX

## FQ2 2026 Earnings Call Transcripts

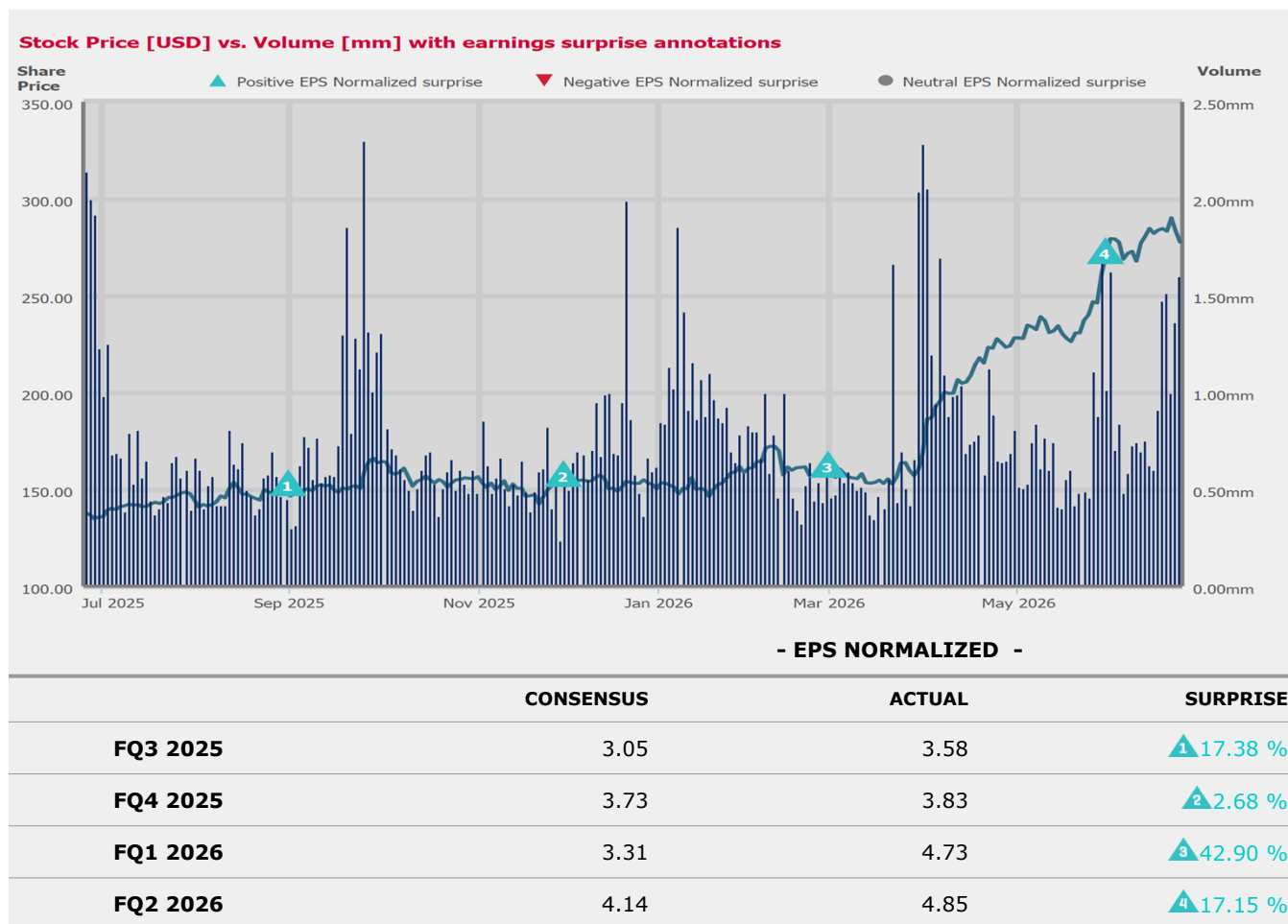
Thursday, June 25, 2026 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2026-			-FQ3 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
<b>EPS Normalized</b>	4.14	4.85	▲17.15	4.13	17.35	19.25
<b>Revenue (mm)</b>	16803.54	19574.81	▲16.49	16891.62	68786.63	73196.91

Currency: USD

Consensus as of Jun-25-2026 12:57 PM GMT



# Table of Contents

Call Participants	.....	3
Presentation	.....	4
Question and Answer	.....	8

# Call Participants

## EXECUTIVES

**David Jordan**  
*CFO & EVP*

**Nate Friedel**  
*Head of Investor Relations*

**Patrick Zammit**  
*CEO, President & Director*

## ANALYSTS

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

**Alek Oleg Valero**  
*Loop Capital Markets LLC,  
Research Division*

**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**  
*Barclays Bank PLC, Research  
Division*

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

**Keith Michael Housum**  
*Northcoast Research Partners, LLC*

**Manmohanpreet Singh**  
*JPMorgan Chase & Co, Research  
Division*

**Ruplu Bhattacharya**  
*BofA Securities, Research Division*

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

# Presentation

## Operator

Good morning. My name is Tracy, and I will be your conference operator today. I'd like to welcome everyone to the TD SYNnex Second 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 Second 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](http://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 a record quarter with broad-based strength across Distribution and Hyve, building on the momentum we have carried out of recent quarters. Our results reflect consistent execution against our strategy and deepening relationships within the macro environment that is becoming increasingly complex. Rising component costs, supply constraints, geopolitical uncertainty and the once-in-a-generation AI build-out are challenging businesses to move faster and with more precision. That complexity is exactly where TD SYNnex adds the most value. And you can see it in the demand across our business. AI is becoming a growing portion of our mix and is driving demand across both businesses from hyperscale infrastructure build outs to enterprise data center modernization to AI-capable devices in our endpoint mix. And we are capturing that growth across technologies, regions and customers.

With that context, I start with our Distribution performance. Distribution had an excellent quarter. Non-GAAP gross billings of \$23.4 billion, up 22% year-over-year. Strength was broad-based across every region and the portfolio, with international growth and operating margin expansion as a real bright spot. We believe the combination of our global reach, end-to-end portfolio and specialized go-to-market is very difficult to replicate. This differentiated value proposition, coupled with strong execution against our strategy has driven new customer wins, new expanded vendor partnerships and a large share of wallet with our more strategic relationships, all of which have proven to be incremental growth drivers.

Three pillars of our strategy are driving our growth. First, we meet our customers however they want to engage in a true omnichannel motion. Digital, when they want self-serve speed, human when they want expertise and enablement, and we move seamlessly between the 2 in real time. Our digital capabilities are

enabled by PartnerFirst, which we've built for depth and speed at scale to deliver a connected experience for our partners. As one of the world's largest distributors, we have the data and intelligence to support our partners in identifying demand opportunities. We're applying machine learning, generative and agentic AI to the data we gather across our ecosystem to personalize each partner's experience, the navigation, the dashboards and customized recommendations and opportunities we surface. This reduces friction and drives higher conversion, stronger attachment and faster cycle times.

Second, we segment our commercial teams in groups of specialists. We break our customer base into strategic tiers and in some cases, we reallocate resources monthly based on what each tier needs. We use the same discipline on the technology and vendor side. The impact shows up in the data. SMB customers are growing well above market and some of our most strategic accounts have surfaced billions of dollars of untapped opportunity.

Third, we invest in enablement. We accelerate our customers' time to market by equipping them with advanced training, certifications and technical expertise tailored to each customer's technologies and segments. We provide labs to test the solutions. We believe that our partnership sharpens their capabilities and drives faster adoption of solutions where we can help customers become more successful, they stay with us and grow with us.

Europe is a clear proof point. Our EMEA team competes head-to-head against pure-play specialists who runs digital and high-touch motions in parallel and is weighted towards high-growth technologies and segments. The share gains there are structural and it's the same model we've extended across our entire distribution business globally. These are the reasons why earlier this quarter, HPE selected TD SYNnex as 1 of just 2 global distribution partners across its full networking, cloud and AI portfolio, including the assets from the Juniper acquisition. It unifies our reach and meaningfully expands our relationship with one of the most strategic vendors in the industry. These are the kinds of outcomes our model produces.

Hyve also had an excellent quarter. Non-GAAP gross billings of \$5.5 billion, up 117% year-over-year, driven by new programs with existing customers. We have built a suite of services to support hyperscalers digital infrastructure deployments, which is key to our success, coupled with strong execution against core pillars of our strategy, we've earned expanded program opportunities with some of our most strategic relationships, which has driven the triple-digit growth we have experienced year-to-date. Hyve's North Star is simple: to be the partner of choice that hyperscalers trust to design, build and deploy their data center infrastructure globally. That starts with design and codesign from board manufacturing to full rack integration and other key components, helping customers accelerate time to deployment.

Beyond the build, we offer supply chain services that are designed to support our customers across the full data center life cycle. Ahead of demand, we aim to secure key components to give our customers supply assurance in a complex environment. And throughout the life cycle, we manage the spare parts and final components to help ensure our customers have what they need when they need it.

As we mentioned last quarter, we have secured at least 1 program with each of the top 5 U.S.-based hyperscalers. We have begun the early stages of the ramp with our third and the programs with the additional 2 hyperscalers are on track with ramp expected in late fiscal year '26 or early fiscal year '27. We also issued an equity warrant to Amazon, a long-standing customer of ours, structured to grow in value as our programs together expand. Across these partnerships, we are being selected as a manufacturing and supply chain partner for multiple aspects of our customers' digital infrastructure build-outs.

To support the future growth and needs of our customers, we are in the process of expanding our manufacturing facilities by more than 1 million square feet in several locations throughout the U.S. with current plans to add more. Hyve is quickly becoming the go-to partner for U.S. hyperscalers seeking a consolidated approach to the design and build of their digital infrastructure that is paired with full life cycle supply chain services. This full set of capabilities is key to winning new programs and onboarding new customers, ultimately enabling Hyve to grow at a premium to market.

In closing, there are 3 key things I'm focused on as we move through the year. First, partnering with vendors and our customers through the current demand environment. The macro backdrop creates complexity and challenges that we aim to solve, but the underlying demand signals currently remain solid.

We believe the shift to AI-capable devices is just beginning. Enterprises are prioritizing the modernization of their data centers, and AI is driving incremental investment across the stack. We are watching unit elasticity carefully, but the net revenue impact from higher ASPs has been positive.

Second, our execution at Hyve. We are bringing new capacity online, investing in engineering capabilities ahead of the ramp and standing up new programs alongside expansion at existing customers. The bar I'm holding the team to is best-in-class service. That's what's gotten us here, and it's what wins the next program. Third, growing operating profit faster than billings. David will cover the details, but this is the metric that matters most to me. We aim to convert top line growth into margin expansion and shareholder value.

I'll now pass it to David to go over the financial performance and outlook.

**David Jordan**

*CFO & EVP*

Thanks, Patrick, and good morning, everyone. This was a record quarter for TD SYNnex. What's encouraging is that both of our businesses continue to perform extremely well, extending the growth trajectory that we've been on.

Starting with the top line. Our non-GAAP gross billings for the second quarter was \$28.9 billion, increasing 33% year-over-year or 32% year-over-year in constant currency and exceeding the high end of our guidance range. Non-GAAP operating income was \$615 million, an increase of 49% year-over-year or 48% year-over-year in constant currency. Non-GAAP earnings per share was \$4.85, an increase of 62% year-over-year and above the high end of our guidance range. GAAP operating income was \$519 million, an increase of 58% year-over-year. GAAP earnings per share was \$4.15, an increase of 88% year-over-year and above the high end of our guidance range. As we grow, we're focused on creating operating leverage so that earnings consistently grows faster than the top line. Driving that conversion is central to our strategy, how we allocate resources and manage costs.

Turning to quarterly performance for each business. Distribution delivered non-GAAP gross billings of \$23.4 billion, increasing 22% year-over-year and well ahead of plan. Our end-to-end portfolio is indexed towards faster-growing technologies which is positioning us to grow at a premium to market. Endpoint Solutions gross billings increased 13% year-over-year, supported by strong growth in PCs, driven by higher ASPs, coupled with mid-single-digit growth in units. Advanced Solutions gross billings increased 31% year-over-year, driven by continued strength in infrastructure and security. Distribution non-GAAP operating income was \$434 million, increasing 36% year-over-year and non-GAAP operating margin as a percentage of gross billings was 1.9%, an improvement of 19 basis points year-over-year. We estimate the distribution gross margins benefited by approximately 5 to 10 basis points during the quarter, driven by incremental profit from strategic inventory purchasing.

Turning to Hyve. Hyve generated non-GAAP gross billings of \$5.5 billion, increasing 117% year-over-year and ahead of expectations, with both manufacturing and supply chain services contributing. Manufacturing represented approximately 2/3 of Hyve in the quarter, and gross billings growth increased more than the total business, primarily driven by increased volumes with our existing customer base.

Supply Chain Services represented approximately 1/3 of Hyve in the quarter, and growth was driven by component demand, supporting our customers' infrastructure deployments. Margins and overall mix of supply chain services can vary quarter-to-quarter. Hyve non-GAAP operating income was \$181 million, increasing 89% year-over-year and non-GAAP operating margin as a percentage of gross billings was 3.3%, decreasing 50 basis points year-over-year, primarily driven by mix. We're laser-focused on continuing to make investments in both businesses that will position them to continue to grow at a premium to market over time.

Shifting to cash flow and capital allocation. Free cash flow consumption for the quarter was approximately \$330 million, given the accelerated growth in Hyve, we're continuing to invest in working capital to support the growth of both new customers and new programs with existing customers. We're prioritizing

making incremental investments where we can generate the healthiest returns, and this is showing up directly in our improving return on equity.

Net working capital closed at \$4.9 billion with a gross cash conversion cycle of 17 days, an increase of 1 day sequentially and flat year-over-year, reflecting an increased mix of Hyve. Both businesses improved their cash days year-over-year, but we do expect additional efficiencies from Hyve as new programs mature. We ended with \$1.1 billion of cash and cash equivalents and net leverage of 1.6x, modestly below our medium-term framework, which gives us ample capacity to continue to invest in the business while returning capital to shareholders.

During the second quarter, we returned \$112 million to shareholders through repurchases and an additional \$39 million through dividends. Our Board of Directors approved a cash dividend of \$0.48 per common share payable on July 31, 2026, to shareholders of record as of the close of business on July 17, 2026.

Turning to our outlook. For the third quarter of fiscal 2026, we expect non-GAAP gross billings of approximately \$27.7 billion, plus or minus \$500 million, up approximately 22% at the midpoint, a gross-to-net adjustment of approximately 33% revenue of approximately \$18.6 billion, plus or minus \$400 million. Non-GAAP net income of approximately \$361 million, plus or minus \$20 million. Non-GAAP diluted earnings per share of approximately \$4.50, plus or minus \$0.25, up approximately 26% at the midpoint based on approximately 79.4 million diluted shares outstanding. Our Q3 guidance assumes no material contribution from Hyve's newly onboarded customers, which we are still expecting to ramp in late fiscal 2026 or early fiscal 2027.

To close, we're extremely proud of our teams for the results they continue to deliver. We're entering the second half with forward momentum in both Distribution and Hyve. With our global reach, differentiated capabilities and broadening portfolio, we believe we're positioning ourselves to grow at a premium to market through time.

With that, we'll open the call for questions. Operator?

# Question and Answer

## Operator

[Operator Instructions] Your first question comes from Ruplu Bhattacharya with Bank of America.

## Ruplu Bhattacharya

*BofA Securities, Research Division*

Patrick, you've seen strong revenue growth and billings growth across all of your segments this quarter. The question I have is, have you seen any evidence of demand destruction or any weakening of demand given component cost increases? Are customers showing any hesitancy to purchase either Endpoint Solutions and/or Advanced Solutions? And likewise, if units are going to be down year-on-year, have you seen any change in channel incentives from the vendors? And I have a follow-up for David.

## Patrick Zammit

*CEO, President & Director*

Okay. So Ruplu, thanks a lot for the question. Yes. So I mean, focusing on Q2, I mean, very strong quarter both on Distribution and Hyve. And very transparently, we haven't seen, for the moment, any destruction of demand because of the price increases. The price increases are really starting to kick in, and it's probably going to accelerate in Q3.

On the other hand, I mean, we see underlying demand, which continues to be healthier across the portfolio. I'm anticipating a question on maybe what happened on PCs. I mean, even on PCs, we saw unique growth. So for the moment, we don't see that phenomenon. And I'll just add, and that has been one of our assumptions for the guidance that on most of the categories, companies need to continue to invest, especially in infrastructure, and combined with the ASP increase, I think, yes, the demand will continue to remain healthy at least for what we can see for Q3.

## Ruplu Bhattacharya

*BofA Securities, Research Division*

And any change in channel incentives from the vendors?

## Patrick Zammit

*CEO, President & Director*

No, not yet.

## Ruplu Bhattacharya

*BofA Securities, Research Division*

Okay. A quick follow-up for David.

## Patrick Zammit

*CEO, President & Director*

Sorry, Ruplu. Just to add. No, we don't see changes or material changes from our vendors. I add that our margin quality for Distribution stayed very healthy in the quarter, as you can see. So, yes.

## Ruplu Bhattacharya

*BofA Securities, Research Division*

Okay. Great. David, just quickly, inventory was up 30% almost sequentially. Can you talk about working capital and free cash flow? And what is driving that inventory? And are you using the strength of your balance sheet to buy any components?

## David Jordan

*CFO & EVP*

Thanks, Ruplu. So we've got a couple of pieces to cover here. So when you think about cash flow and cash days. So cash days were flat year-over-year. I think the important point to make, though, is both of our businesses improved their cash days year-over-year, and you've got the mix of Hyve that caused the totality to be flat. Hyve continues to experience a period of accelerated growth in that business given the cash conversion cycle takes capital to run. And so we continue to make those investments.

When you start looking at inventory, I think ballpark, the days are up, call it, 8 days or so year-over-year, and it's largely driven by some additional inventory that we've taken in Hyve to help fund new programs, existing programs and help make sure that our customers have adequate supply given the broader macro.

**Patrick Zammit**

*CEO, President & Director*

Ruplu, sorry. I just want to add one thing, which is I mean, we've been, for the last quarters, a little bit more aggressive on inventory levels because we've anticipated on the price increases. I mean, that gave us several advantages. One, it helped us smooth the impact of the price increase for our customers, and that's very important. It also helped our vendors by having -- by adding inventory. And again, it positions us well in the market. Demand is strong. We are probably one of the best inventory profile in the industry. And again, that has helped us grow faster than the market overall.

**Operator**

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

**David Vogt**

*UBS Investment Bank, Research Division*

So Patrick, one for you and one for David. So Patrick, can you help us unpack how the incremental manufacturing facility square footage plays out this year and next? And is it basically designed to support the incremental programs that you laid out with your current and future programs with your hyperscalers? And is there kind of a rule of thumb to think about what that incremental capacity could mean for whether it's billings or revenue? And then I have one for David as well.

**Patrick Zammit**

*CEO, President & Director*

Yes. Thanks a lot for the question. So I mean, as we mentioned, so we have now won programs with all 5 U.S.-based hyperscalers. We have now 3 hyperscalers where we have won more than 1 program. So what we see is a very nice pipeline of opportunities, which are going to ramp up probably end of Q4, beginning of Q1 fiscal year '27. And basically, we have to invest. We have to invest in footprint. We are going to invest in additional equipment in liquid cooling to be able to support the various programs we have won.

We haven't yet established a correlation between investment and revenue. What I can tell you is that we are very comfortable with that expansion of capabilities and capacity that we are going to meet the demand we are seeing and be in a position to deliver the products with the right quality, which is the most important for us at the moment.

**David Vogt**

*UBS Investment Bank, Research Division*

Okay. Great. That's helpful. And David, I know this might be a tough question to answer, and I know there's some confidential kind of data here. But can you help us understand sort of the gross margin differentials within Hyve, whether it's by -- is it better to think about it relative to like ODM/CM margins versus supply chain margins? Or is there a lot of variability between programs with existing hyperscalers or between actual hyperscalers themselves? Can you help us understand how to think about the margin profile of these programs, particularly as you start to ramp, obviously, new programs later this fiscal year into fiscal '27?

**David Jordan**

*CFO & EVP*

It's a good question. So when you take a huge step back, Hyve has 2 businesses, manufacturing and assembly and supply chain. On average, historically, the margin profiles have been relatively similar. I will tell you, as you start looking at things by program, there can be differences. So I'll give you a couple of examples. If you're building AI servers, that tends to have a slightly lower margin profile. If you are building complex networking racks, we -- that tends to have a slightly higher margin profile, so on and so forth. Same thing on the supply chain side, depending on what we're buying, how long we're holding it and how complex it is, it does dictate the margin profile.

But all in all, here's what I would anchor you to. We feel very good about the performance that Hyve's been able to generate. We continue to make investments in new capabilities, new programs, new products that will allow Hyve to continue to maintain, if not improve its margin profile through time, and we're super excited with what the team has been able to produce thus far.

**Patrick Zammit**

*CEO, President & Director*

I just would like to add. So 2 more things. The first one is, I mean, similar to Distribution, gross margin quality is very important. And I can tell you that the team is very focused on that. So that's point number one. Point number two is, obviously, as you ramp up a program, you have some inefficiencies, which will disappear over time as -- I mean, based on the learnings and the optimization.

So again, hyper growth, as we speak, lots of programs being launched, some impact on the GM quality because of that. But again, looking forward, it's a priority for us to optimize also the GM quality.

**Operator**

Your next question comes from the line of Keith Housum with Northcoast Research.

**Keith Michael Housum**

*Northcoast Research Partners, LLC*

Congratulations on a great quarter. As we think about the evolving business out there with memory, and we're hearing more and more about supply constraints coming into place here, are you guys seeing the supply constraints come into place right now? Or is there concerns that you'll see some perhaps limiting the amount of growth you can have for the rest of the year or maybe into FY '27? But how are you thinking about the supply availability right now?

**Patrick Zammit**

*CEO, President & Director*

So Keith, thanks for the question. So for Q2, we haven't felt it, really. But you're right, in our Q3 guidance, we took into account some risk with component availability. It's memory, obviously, is one of the categories, some CPUs could come also, some challenges on delivery of CPUs could come also. So we factored it into our guidance, and we will see.

But again, so far, it has been good. I would just add that when you look at Hyve, it's our customers primarily who secured the supply. And I mean, they have, I would say, some good arguments with the vendors. On the Distribution side, so far, we -- again, our key vendors have done a very good job with their supply chain. But yes, for Q3, we've been a little bit more cautious because of that in our guidance.

**Keith Michael Housum**

*Northcoast Research Partners, LLC*

Okay. And if I could follow up on that. In terms of the HPE win in terms of being 1 of 2 global distributors, have you seen that benefit completely in the quarter? Or is this still going to ramp up over time?

**Patrick Zammit**

*CEO, President & Director*

No, no. So we are going to see the ramp-up over time. So what's happening, just to put things in context, so HPE has decided to rationalize its go-to-market. They are going to focus on 2 global distributors in

certain areas. And the benefit takes some time, okay? So it's -- we are going to probably see the benefit, I would say, first half of next year. We won some new countries. We're going to see the rationalization of the distribution network in some other countries. So it takes a little bit of time.

But just to comment from a more strategic standpoint on the HPE win. It's very interesting that the fact that we are global has been one of the reason for the win. What we see more and more from the vendors is that being global is becoming the differentiator when they rationalize their go-to-markets. And so we think that -- so probably there's more to come. Other vendors are now looking at their global distribution landscape. And our strategy to expand in APJ, in Latin America, potentially 1 day in the Middle East is clearly positioning us well to benefit from that market trend.

### **Operator**

Your next question is from the line of Katherine Murphy with Goldman Sachs.

### **Katherine A. Campagna**

*Goldman Sachs Group, Inc., Research Division*

Maybe switching gears here a little bit. The margin profile of the Endpoint Solutions segment was -- seems like a record high from what I can see at 5%. Can you talk about what drove the strength in the quarter? And if there were any onetime benefits like the strategic inventory purchases you mentioned that benefited results in the quarter?

And then to just quickly ask my follow-up now. Are there any expectations for continued benefits from the strategic inventory build as we look into the back half of the year and into '27, so long as we continue to see increasing ASP environment?

### **David Jordan**

*CFO & EVP*

A couple of comments. One, we put in the prepared remarks that on the Distribution side, we had 5 to 10 basis points of additional margin from strategically purchasing inventory. A lot of that manifests itself in the Endpoint business. Here's the way I would think about it. Our goal is to secure the right amount of supply. And as Patrick said, to help our vendors smooth supply constraints, make sure there's proper availability. It is true when -- in a rising price world, we can benefit from that.

And so -- but what I would tell you is, yes, if prices continues to rise, there will be a benefit. But we're also not greedy as it relates to this, right? We want to be paid for the additional capital that we've got deployed, but we also share some of these benefits with our customers as well so we can build better long-term partnerships. And so I would anticipate, as we move forward, these types of benefits will be more onetime in nature and slowly dissipate. And that's why we tried to call them out in the script.

### **Operator**

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

### **Erik William Richard Woodring**

*Morgan Stanley, Research Division*

Congrats on the results. Patrick, I guess I'll combine my two questions because it's a 3-part question, so sorry. But they're all related. And I'd love if you could just take a big step back and help us understand 3 things. So first, just again, help us understand the sustainability of hardware spending as we look through the second half and into next year, just given what you know today and the pipeline that you see.

Second, just what products are showing to have greater inelasticity than others as you face these record price hikes? And then third, are there any products or segments as you look forward, where you don't believe you can fully pass through the higher device costs and potentially see some margin pressure just if there's any customer pushback? I'll combine those and make those my two questions even though it's a 3-parter.

### **Patrick Zammit**

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

*CEO, President & Director*

Thank you, Erik. Let me start with the last one on the margin. So again, it's true for both businesses, Distribution and Hyve. We are a cost-plus business. So if cost increase, we pass it to the customers. We have no other choice. We have a very good track record as an industry and as TD SYNnex. You look at what happened last year with the tariffs. And you look at what has been happening in the last 2 quarters. I mean we had already some categories where we saw the price increases. And again, we were able to pass it. We had inventory to smooth the impact for our customers. But overall, I mean, no concerns there.

In terms of product elasticity, the category I'm watching is PCs with some caveats. So consumer PCs, I think the elasticity will be relatively high. But we focus on B2B. So I'm expecting some impact of the ASP increase on the PC consumption. If you look at our Q2 results, we were able to mitigate the impact by gaining share and also because we are positioned on B2B and the refresh is not over, and you still have many enterprises or companies who have to upgrade their PCs. But that's probably the category where I am the most cautious.

We are the most cautious in our outlook. If you look at infrastructure, if you look at networking, yes, for the moment, we see very solid demand. Networking, very rapidly. The 2 last years were tough. So networking is back on a lower base. You have the refresh driven by WiFi 7. And then you have the investments related to AI in that space. So I think that's sustainable. If you look at data centers, so server and storage, I mean, this quarter, I mentioned last quarter that storage was starting to come back, and I wanted a confirmation. We had a very strong storage quarter. And I think it's just going to last the AI. I mean, it drove first the compute upgrade. And I think now storage is -- and then switches and I think storage is next.

And then on compute, we see very, very solid demand. And it's driven by several things. So obviously, ASP increase is driving the value up. But even in volume, what's happening is that you have still the refresh of the general compute servers happening. It's not over. So that's an opportunity. You have an acceleration of the purchase of general compute servers because they have become critical when you speak about agentic AI. And then the cost of tokens is going to become a big topic. And if you want to mitigate the cost of tokens, I mean, running your workloads on-premise is going to be a good solution. So I think that's going to drive demand and remain a tailwind.

And then on accelerated compute, I mean companies are starting, enterprises in particular, but also you have the sovereign cloud, especially in Europe and APJ and the neoclouds in North America. They are investing heavily. We are a source of supply for them, and I see the demand remaining healthy.

So in summary, except on PCs where units could be impacted by the ASP increase. I think on the other categories, I think it's sustainable. Software was also a very strong quarter for us. So ASP increase is less of a topic. I think it's going to be sustainable. Security, especially now that you have to manage the risk related to agents, is going to drive additional demand. So I continue to be cautiously optimistic across most of the technologies.

### **Operator**

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

### **Adam Tyler Tindle**

*Raymond James & Associates, Inc., Research Division*

Patrick, I just wanted to start here taking a step back. If I look at the quarter, incredible growth and negative cash flow. I wonder if you might just talk about how to strike the right balance between pursuing growth versus generating cash. And more specifically, if I look at kind of where that cash is going, it's heavy investments into Hyve in particular. And I think what we're learning on a forward basis is some of that's going to be incrementally fixed investment with this capacity build-out. How do you protect against downside there where customers are right now kind of rationalizing AI spend, token spend, like you said, the fear that you might be building fixed investment into a peak AI market.

### **Patrick Zammit**

*CEO, President & Director*

So thanks, Adam, for the question. So let me distinguish between Distribution and Hyve very rapidly. Distribution continues to -- I mean, cash days are down on both businesses, but cash days are really low on Distribution. So the growth of Distribution is generating free cash flow, significant free cash flow, which is true today, we are investing in Hyve to fuel the Hyve growth, both working capital and of course, fixed assets. So one, Hyve continues to have a very nice return, okay? So if you look at our key ratios, it's not that we are financing a growth business at the expense of our key financial metrics. It's the other way around. It's accretive for our margin. It's accretive for our return on equity. So from that standpoint, we feel very comfortable.

In terms of building fixed costs in case the market is going to correct, so it's true that the working capital will adjust immediately if the market goes down. So we have no concern. It's like Distribution. It's -- if I can speak like that, the elasticity is high. So I mean, as soon as the market goes down, the working -- we are going to see the working capital going down very rapidly. And so it will generate free cash flow.

But from a fixed asset standpoint, yes, it's a business which requires significantly more investments than distribution relatively speaking. But again, it's not either a fixed cost, which we could not absorb. If you look at this year, we're going to invest for Hyve roughly \$100 million amortized over 5, 6 years. The cost base is absolutely variable in case that the market turns. And the other costs for Hyve are mostly variable.

So again, in case of downturn, I think it's going to be something similar to what we see in Distribution. And you have a lot of cash flow generated because working capital goes down. And then we are very good at reacting and adjusting our cost base to the new market reality. So I am not very concerned here.

I can just finish with, this continues to be top of mind for us. So we think about it all the time as we do the investments. But again, for the moment, I think we should be in a safe position.

**David Jordan**

*CFO & EVP*

The only other thing I'd add, Adam, if it helps is, one, we ladder leases. That obviously helps if there's a change in demand. Two, we don't speculate on demand. So we largely build and outfit facilities based on long-term programs once they're committed. And so I will tell you, the team is incredibly prudent at how they manage Hyve from a capacity perspective, and they've done a nice job.

As Patrick said, on the cash flow, there's -- as you're ramping a new program, there is more working capital inefficiencies that ultimately unlock as things mature. And so we are aware of the cash consumption. We are pleased with the reduction in cash days year-over-year. But we do believe, long term, there are additional efficiencies that we'll look to achieve as well.

**Adam Tyler Tindle**

*Raymond James & Associates, Inc., Research Division*

Great. And just a quick follow-up. And by the way, I know that question...

[Audio Gap]

**Operator**

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

**Manmohanpreet Singh**

*JPMorgan Chase & Co, Research Division*

This is MP on behalf of Joe Cardoso from JPMorgan. Can you please double-click on the mix of Hyve business between supply chain versus contract manufacturing during the quarter? And particularly, like how did it track relative to your expectations heading into the quarter? And also, how do you expect it to track into the second half? And any potential gross margin impacts from that? And I have a follow-up.

**David Jordan**

**CFO & EVP**

So good morning, and thanks for joining. So when you think about Hyve, we put in the prepared remarks, 2/3 of the business was manufacturing this quarter and about 1/3 of it was supply chain. When you think about performance versus expectations, both businesses exceeded expectations. We don't -- it's a little tricky to try and figure out what's long-term guidance split at kind of a subsegment level. But here's what I would tell you. Our teams have done an excellent job winning new programs. We're very focused on expanding our manufacturing business and expanding our manufacturing programs. But we also recognize that as we -- because we have an end-to-end offering, being able to tie it all together is hugely advantageous for both our customers and for TD SYNnex. And so they should grow together through time. But our hope is that long term, we continue to increase the manufacturing as a percentage of the total.

**Patrick Zammit**

*CEO, President & Director*

Yes. I just want to add that our Supply Chain Services is a service. So in today's environment, where you have this big ASP increase and shortages, I mean our customers have more needs than in environments which will normalize. So again, the team is first focused on winning programs to grow the manufacturing business. That's really the core of the activity. And the service part is a little bit more volatile because of the context I just explained.

**Manmohanpreet Singh**

*JPMorgan Chase & Co, Research Division*

And for my follow-up, I just wanted to talk -- ask about pricing. Can you please comment how is the pricing environment right now? How do you -- how should we -- how you think the pricing environment is right now versus 90 days ago? And any particular product categories which you want to call out where the pricing pressures are more pronounced relative to others?

**Patrick Zammit**

*CEO, President & Director*

Yes. So pricing is up, and you had this inventory in the channel and that inventory has been shipped. So we're going to see the impact more and more. The category where the price increase are the most significant are obviously storage and servers because they are the most impacted by the memory price increases, but we see it also in PCs. By the way, we're expecting some new price increases in those categories in July. So the price increases are not over.

**Operator**

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

**Adam Tyler Tindle**

*Raymond James & Associates, Inc., Research Division*

Okay. I was just going to continue on that thread, Patrick. I know the question that I asked earlier about cash flow versus growth sounded challenging. I actually think you're doing the right strategy because your balance sheet is clean. You don't necessarily need to be generating cash right now. But on that thread, I wanted to ask a follow-up to David. The timing and magnitude to cash flow reversing, I think previously, you had talked about 95% of non-GAAP net income for the combination of fiscal '25 and '26. But I think you need like \$2-plus billion of free cash flow over the next 2 quarters to do that. And I wonder if we should sort of recalibrate our thinking. I know this is a tough question in a dynamic environment. Just any help for our models.

**David Jordan**

*CFO & EVP*

No, it's a good question, Adam. And I think you're thinking about it the right way, which is Hyve is in a period of accelerated growth. And so what we've reflected in the Q3 outlook is continued momentum in

both businesses. And so the 95% net income to free cash flow conversion ratio is absolutely our North Star metric on a long-term basis, but in periods of accelerated growth, we will consume cash, but we believe it's a good use of capital and the incremental ROIC is good. So hopefully, that helps give you a little bit of color around our optimism in Hyve and some of the short-term cash impacts of making investments in that business. But we think it's a great investment to make.

**Operator**

And your next question is from the line of Guy Hardwick with Barclays.

**Guy Drummond Hardwick**

*Barclays Bank PLC, Research Division*

A question on the -- a follow-up question on the strategic inventory. Just wondering how much of the 13 days year-on-year increase related to strategic inventory purchases. And I assume in the Q3 guidance, you're also assuming further margin benefits from these purchases, maybe similar to what you had in the 5 to 10 basis points you had in the -- just the recent quarter?

**David Jordan**

*CFO & EVP*

So it's a -- this is a tough question to answer because it's very difficult to quantify. But what I would tell you is our teams are able to increase their days of supply around specific categories if they believe that we need to hold additional stock to kind of smooth out supply chains. They don't go after this as a business. They're not trying to capitalize on price changes and speculate. But in situations where, I'm just going to make it up, let's say lead times are going to extend by 3 or 4 weeks, they might hold an extra couple of weeks of stock in for certain categories and we'll get benefits from that if prices go up.

So what we do as a matter, of course, is we don't forecast a lot of these benefits. We call them out when they come. It tends to be fairly opportunistic in nature, not necessarily opportunistic. But the -- I would tell you, we don't forecast and plan for a lot of these things. But when we do realize them, we tend to call them out in the quarter. But it is part of the reason that inventory is up on a year-over-year basis. But I would tell you the predominance of that increase was largely driven by the investments we've made in Hyve due to new programs and expanded programs with existing customers.

**Guy Drummond Hardwick**

*Barclays Bank PLC, Research Division*

So just to be clear, so the guidance for Q3 does not include any margin benefit from strategic inventory?

**David Jordan**

*CFO & EVP*

It's hard to say. We don't have the teams break it down to that level of detail. What I would tell you is we do kind of a bottoms-up role based on our guidance, and the teams will factor a variety of risk and opportunities in there to quantify exactly whether it's in or out or what degree is a little difficult. To be candid with you, I would say there's probably a little, but as you've seen, based on the Q2 results, it's relatively small 5 to 10 basis points. And so -- and it does tend to dwindle down through time.

**Operator**

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

**David Paige Papadogonas**

*RBC Capital Markets, Research Division*

I want to start on the Amazon warrant. I was curious what was the strategic rationale for that and how that warrant came to be? And is it something that we should expect maybe with some of the other hyperscalers that you're ramping up?

**Patrick Zammit**

CEO, President & Director

David, so first thing, the warrant concerns Hyve, okay? And Hyve has had a long-term relationship, historical strong relationship with AWS. So the relationship has been very successful historically. The value proposition we delivered to Amazon has been very much valued. And so when they came to us to discuss the opportunity, we saw it as a big opportunity. And I mean, with the warrant in place now, we think we have an agreement, which is going to be mutually beneficial. And yes, let's see how it materializes in the future, but we are very pleased with that agreement.

**David Paige Papadogonas**

*RBC Capital Markets, Research Division*

Great. That's helpful. And just a quick follow-up. I think in the past, you have spoken about traditional compute versus accelerated compute. So if you could, could you provide some color on the mix of traditional versus accelerated that you had in the quarter or that you're expecting in late 4Q and early 2027?

**Patrick Zammit**

*CEO, President & Director*

I guess your question is for Hyve specifically?

**David Paige Papadogonas**

*RBC Capital Markets, Research Division*

Yes.

**Patrick Zammit**

*CEO, President & Director*

Yes. So this quarter, we had the ramp-up of an accelerated compute program at Hyve. Generally speaking, we think that -- so when you look at our mix of programs, we believe that we are going to see more of networking, general compute and storage going forward. But we want to continue to maintain and develop our expertise in accelerated compute. But in terms of mix, so we have this nice ramp-up. But when I look at the profile of the wins we are having, we will continue to see more of the other programs than the accelerated compute programs, I think, going forward.

**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, if hardware demand moderates, would you expect software, cloud and recurring revenue streams to offset some of that pressure?

**Patrick Zammit**

*CEO, President & Director*

So thanks for the question. So software, cloud, security continued to grow at double digits. And for sure that when you look at the underlying reason for that success, I think they're going to -- I'm quite positive and optimistic on those underlying trends to continue in the future. I would tell you that when I look at hardware, when I look at the impact of AI on -- or the potential impact of AI on the on-premise and even, I should say, on the edge computing, I think hardware is becoming a very interesting category again, could be poised for very interesting growth. And AI could be really a game changer. It's a little bit too early to call it out, but there are some indicators that, I mean, could speak well. As I said, I mentioned it before, the cost of the tokens is going to have an impact, I think, on some of the behaviors beyond the issue of latency, the issue of security and privacy. I think the cost of the tokens could have a very positive impact on on-premise hardware in both in the data center, but also at the edge.

**Operator**

Your next question comes from the line of Alek Valero with Loop Capital.

**Alek Oleg Valero**

*Loop Capital Markets LLC, Research Division*

My question to you is, I don't know if you mentioned this earlier, but on the 1 million square feet that you're adding, any color on when we can see this capacity start to contribute to revenue?

**Patrick Zammit**

*CEO, President & Director*

Yes. So thank you for the question. So again, we -- I mean, we have a strong pipeline, strong backlog. And what we -- so the -- we see the ramp-up of the programs we have won to start impacting our revenue in Q4 fiscal year '26 and most probably in Q1 fiscal year '27. So the capacity we are adding will convert into additional revenue potentially in Q4 and most probably in Q1 next year.

**Alek Oleg Valero**

*Loop Capital Markets LLC, Research Division*

Got it. Just a quick follow-up. On Hyve, obviously, you said manufacturing is now 2/3 of that. What can we expect that mix to look like throughout the year?

**David Jordan**

*CFO & EVP*

So Alek, we don't -- it's hard to give you an exact answer on that. Here's the way I would tell you to think about it. Over a long period of time, we expect manufacturing to increase as a mix of the total. But as Patrick said, in certain types of environments, our supply chain business becomes a very critical to helping support our customers. And so it will ebb and flow. It's hard to tell you exactly quarter-to-quarter, year-to-year, what that might look like. But over a longer period of time, we expect to increase the percentage of Hyve associated with manufacturing.

**Operator**

And we've reached the end of the Q&A session. I would now like to turn the call back over to Patrick for closing remarks.

**Patrick Zammit**

*CEO, President & Director*

So thank you all for joining us this morning. I want to close by thanking our coworkers across the globe whose commitment and dedication drive everything we accomplish and our partners for the continued confidence they place in us. To everyone on today's call, we appreciate your ongoing interest in TD SYNEX. Thank you, and wishing you a great day.

**Operator**

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

Copyright © 2026 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

© 2026 S&P Global Market Intelligence.