

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended August 31, 2021

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-39494



**CONCENTRIX CORPORATION**

(Exact name of Registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**44111 Nobel Drive, Fremont, California**

(Address of Principal Executive Offices)

**27-1605762**

(I.R.S. Employer Identification No.)

**94538**

(Zip Code)

**(800) 747-0583**

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	CNXC	The Nasdaq Stock Market LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

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

Class	Outstanding as of September 30, 2021
Common Stock, \$0.0001 par value	52,319,658

Concentrix Corporation

Form 10-Q  
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**PART I—FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**CONCENTRIX CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(currency and share amounts in thousands, except par value)

	August 31, 2021 (unaudited)	November 30, 2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 154,193	\$ 152,656
Accounts receivable, net	1,131,416	1,081,481
Other current assets	175,217	189,239
Total current assets	1,460,826	1,423,376
Property and equipment, net	397,841	451,649
Goodwill	1,822,642	1,836,050
Intangible assets, net	695,285	798,959
Deferred tax assets	43,007	47,423
Other assets	589,839	620,099
Total assets	<u>\$ 5,009,440</u>	<u>\$ 5,177,556</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 78,618	\$ 140,575
Current portion of long-term debt	—	33,750
Payable to former parent	—	22,825
Accrued compensation and benefits	418,329	419,715
Other accrued liabilities	342,908	371,072
Income taxes payable	48,937	20,725
Total current liabilities	888,792	1,008,662
Long-term debt, net	865,837	1,111,362
Other long-term liabilities	579,746	601,887
Deferred tax liabilities	109,310	153,560
Total liabilities	2,443,685	2,875,471
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value, 10,000 shares authorized as of August 31, 2021; no shares issued and outstanding as of August 31, 2021	—	—
Common stock, \$0.0001 par value, 250,000 shares authorized as of August 31, 2021; 51,448 shares issued and outstanding as of August 31, 2021	5	—
Additional paid-in capital	2,338,108	—
Treasury stock, 93 shares as of August 31, 2021	(13,964)	—
Retained earnings	281,469	—
Former parent company investment	—	2,305,899
Accumulated other comprehensive loss	(39,863)	(3,814)
Total stockholders' equity	2,565,755	2,302,085
Total liabilities and stockholders' equity	<u>\$ 5,009,440</u>	<u>\$ 5,177,556</u>

(Amounts may not add due to rounding)

The accompanying notes are an integral part of these consolidated financial statements.

**CONCENTRIX CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(currency and share amounts in thousands, except per share amounts)  
(unaudited)

	Three Months Ended		Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Revenue	\$ 1,397,251	\$ 1,163,694	\$ 4,120,407	\$ 3,418,676
Cost of revenue	915,910	751,161	2,670,287	2,215,783
Gross profit	481,341	412,533	1,450,120	1,202,893
Selling, general and administrative expenses	329,962	335,770	1,035,628	1,014,339
Operating income	151,379	76,763	414,492	188,554
Interest expense and finance charges, net	4,868	9,002	19,316	39,515
Other expense (income), net	(5,858)	593	(5,601)	(4,283)
Income before income taxes	152,369	67,168	400,777	153,322
Provision for income taxes	42,615	21,771	119,308	53,138
Net income	\$ 109,754	\$ 45,397	\$ 281,469	\$ 100,184
Earnings per common share:				
Basic	\$ 2.10	\$ 0.88	\$ 5.41	\$ 1.94
Diluted	\$ 2.08	\$ 0.88	\$ 5.35	\$ 1.94
Weighted-average common shares outstanding				
Basic	51,432	51,602	51,288	51,602
Diluted	52,061	51,602	51,914	51,602

(Amounts may not add due to rounding)

The accompanying notes are an integral part of these consolidated financial statements.

**CONCENTRIX CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(currency in thousands)  
(unaudited)

	Three Months Ended		Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Net income	\$ 109,754	\$ 45,397	\$ 281,469	\$ 100,184
Other comprehensive income (loss):				
Unrealized gains (losses) of defined benefit plans, net of taxes of \$0 and \$98 for the three and nine months ended August 31, 2021, respectively, and \$3,114 for the three and nine months ended August 31, 2020, respectively	2	(8,881)	(446)	(8,879)
Unrealized gains (losses) on cash flow hedges during the period, net of taxes of \$3,840 and \$47 for the three and nine months ended August 31, 2021, respectively, and \$(8,677) and \$(8,934) for the three and nine months ended August 31, 2020, respectively	(11,219)	26,086	(620)	26,860
Reclassification of net gains on cash flow hedges to net income, net of taxes of \$1,400 and \$6,940 for the three and nine months ended August 31, 2021, respectively, and \$1,976 and \$4,774 for the three and nine months ended August 31, 2020, respectively	(4,091)	(5,942)	(20,617)	(14,354)
Total change in unrealized gains (losses) on cash flow hedges, net of taxes	(15,310)	20,144	(21,237)	12,506
Foreign currency translation gains (losses), net of taxes of \$0 for the three and nine months ended August 31, 2021 and 2020, respectively	(56,105)	74,383	(14,366)	35,893
Other comprehensive income (loss)	(71,413)	85,646	(36,049)	39,520
Comprehensive income	<u>\$ 38,341</u>	<u>\$ 131,043</u>	<u>\$ 245,420</u>	<u>\$ 139,704</u>

(Amounts may not add due to rounding)

The accompanying notes are an integral part of these consolidated financial statements.

**CONCENTRIX CORPORATION**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(currency in thousands)  
(unaudited)

Three and Nine Months Ended August 31, 2021

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings	Former parent company investment	Accumulated other comprehensive income (loss)	Total
Balances, May 31, 2021	\$ 5	\$ 2,327,025	\$ (527)	\$ 171,715	\$ —	\$ 31,550	\$ 2,529,768
Other comprehensive loss	—	—	—	—	—	(71,413)	(71,413)
Share-based compensation activity	—	11,083	—	—	—	—	11,083
Repurchase of common stock for tax withholdings on equity awards	—	—	(13,437)	—	—	—	(13,437)
Net income	—	—	—	109,754	—	—	109,754
Balances, August 31, 2021	\$ 5	\$ 2,338,108	\$ (13,964)	\$ 281,469	\$ —	\$ (39,863)	\$ 2,565,755
Balances, November 30, 2020	\$ —	\$ —	\$ —	\$ —	\$ 2,305,899	\$ (3,814)	\$ 2,302,085
Other comprehensive loss	—	—	—	—	—	(36,049)	(36,049)
Reclassification of net former parent investment in Concentrix	—	2,305,899	—	—	(2,305,899)	—	—
Issuance of common stock at separation and spin-off	5	(5)	—	—	—	—	—
Share-based compensation activity	—	32,214	—	—	—	—	32,214
Repurchase of common stock for tax withholdings on equity awards	—	—	(13,964)	—	—	—	(13,964)
Net income	—	—	—	281,469	—	—	281,469
Balances, August 31, 2021	\$ 5	\$ 2,338,108	\$ (13,964)	\$ 281,469	\$ —	\$ (39,863)	\$ 2,565,755

(Amounts may not add due to rounding)

The accompanying notes are an integral part of these consolidated financial statements.

**CONCENTRIX CORPORATION**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(currency in thousands)  
(unaudited)

Three and Nine Months Ended August 31, 2020

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings	Former parent company investment	Accumulated other comprehensive (loss) income	Total
Balances, May 31, 2020	\$ —	\$ —	\$ —	\$ —	\$ 1,588,748	\$ (96,208)	\$ 1,492,540
Share-based compensation	—	—	—	—	3,834	—	3,834
Transfers from former parent	—	—	—	—	(2,986)	—	(2,986)
Other comprehensive income	—	—	—	—	—	85,646	85,646
Hypothetical current tax expense recorded for separate return basis presentation	—	—	—	—	3,536	—	3,536
Net income	—	—	—	—	45,397	—	45,397
Balances, August 31, 2020	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,638,529</u>	<u>\$ (10,562)</u>	<u>\$ 1,627,967</u>
Balances, November 30, 2019	\$ —	\$ —	\$ —	\$ —	\$ 1,519,923	\$ (50,082)	\$ 1,469,841
Share-based compensation	—	—	—	—	11,821	—	11,821
Transfers from former parent	—	—	—	—	(2,986)	—	(2,986)
Other comprehensive income	—	—	—	—	—	39,520	39,520
Hypothetical current tax expense recorded for separate return basis presentation	—	—	—	—	9,587	—	9,587
Net income	—	—	—	—	100,184	—	100,184
Balances, August 31, 2020	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,638,529</u>	<u>\$ (10,562)</u>	<u>\$ 1,627,967</u>

(Amounts may not add due to rounding)

The accompanying notes are an integral part of these consolidated financial statements.



**CONCENTRIX CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(currency in thousands)  
(unaudited)

	Nine Months Ended	
	August 31, 2021	August 31, 2020
<b>Cash flows from operating activities:</b>		
Net income	\$ 281,469	\$ 100,184
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	105,371	93,488
Amortization	103,194	110,190
Non-cash share-based compensation expense	25,344	11,821
Provision for doubtful accounts	(763)	5,477
Deferred income taxes	(21,270)	(25,721)
Hypothetical current tax expense recorded for separate return basis presentation	—	9,587
Unrealized foreign exchange (gain) loss	(446)	12,666
Gain on divestitures and related transaction costs	(13,197)	—
Other	66	(1,136)
Changes in operating assets and liabilities:		
Accounts receivable, net	(58,584)	(11,592)
Payable to former parent	(22,825)	1,118
Accounts payable	(42,290)	7,414
Other operating assets and liabilities	(23,944)	75,081
Net cash provided by operating activities	332,125	388,577
<b>Cash flows from investing activities:</b>		
Repayments of loan to non-Concentrix subsidiary of former parent as part of its centralized treasury operations	—	(5,749)
Purchases of property and equipment	(112,869)	(106,249)
Acquisitions of business, net of cash acquired and refunds	(3,279)	(4,941)
Proceeds from divestitures, net of cash sold	73,708	—
Net cash used in investing activities	(42,440)	(116,939)
<b>Cash flows from financing activities:</b>		
Repayments of the Credit Facility - Term Loan	(200,000)	—
Proceeds from the Securitization Facility	1,042,000	—
Repayments of the Securitization Facility	(1,123,000)	—
Repayments of borrowings from former parent	—	(260,178)
Proceeds from exercise of stock options	6,870	—
Repurchase of common stock for tax withholdings on equity awards	(13,964)	—
Net cash used in financing activities	(288,094)	(260,178)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,348)	2,121
Net (decrease) increase in cash, cash equivalents and restricted cash	(757)	13,581
Cash, cash equivalents and restricted cash at beginning of year	156,351	83,514
Cash, cash equivalents and restricted cash at end of period	\$ 155,594	\$ 97,095
<b>Supplemental disclosure of non-cash investing activities:</b>		
Accrued costs for property and equipment purchases	\$ 1,846	\$ 12,659

(Amounts may not add due to rounding)

The accompanying notes are an integral part of these consolidated financial statements.

## CONCENTRIX CORPORATION

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (currency and share amounts in thousands, except per share amounts)

#### NOTE 1—BACKGROUND AND BASIS OF PRESENTATION:

##### Background

Concentrix Corporation (“Concentrix,” the “CX business” or the “Company”) is a leading global provider of technology-infused Customer Experience (“CX”) solutions that help iconic and disruptive brands drive deep understanding, full lifecycle engagement, and differentiated experiences for their end-customers around the world. The Company provides end-to-end capabilities, including CX process optimization, technology innovation, front- and back-office automation, analytics and business transformation services to clients in five primary industry verticals.

On December 1, 2020, the separation of the CX business (the “separation”) from SYNnex Corporation (“SYNNEX” or the “former parent”) was completed through a tax-free distribution of all of the issued and outstanding shares of the Company’s common stock to SYNnex stockholders (the “distribution” and, together with the separation, the “spin-off”). SYNnex stockholders received one share of the Company’s common stock for each share of SYNnex common stock held as of the close of business on November 17, 2020. As a result of the spin-off, the Company became an independent public company and the Company’s common stock commenced trading on the Nasdaq Stock Market (“Nasdaq”) under the symbol “CNXC” on December 1, 2020.

In connection with the spin-off, on November 30, 2020, the Company entered into a separation and distribution agreement, an employee matters agreement, a tax matters agreement and a commercial agreement with SYNnex to set forth the principal actions to be taken in connection with the spin-off and define the Company’s ongoing relationship with SYNnex after the spin-off.

##### Basis of presentation

The accompanying interim unaudited consolidated financial statements have been prepared by the Company in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). The amounts as of November 30, 2020 have been derived from the Company’s annual audited financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended November 30, 2020. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States have been condensed or omitted in accordance with such rules and regulations. In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to state fairly the financial position of the Company and its results of operations and cash flows as of and for the periods presented. These interim consolidated financial statements should be read in conjunction with the annual audited financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended November 30, 2020.

##### *Prior to the spin-off on December 1, 2020*

Prior to the spin-off, the CX business was held entirely within certain wholly-owned subsidiaries of SYNnex dedicated to the CX business. As the separate legal entities that made up the CX business were not historically held by a single legal entity, the financial statements of the Company were prepared in connection with the expected separation and were derived from the SYNnex consolidated financial statements and accounting records as if the Company had been operated on a stand-alone basis during the periods presented. Accordingly, for periods prior to December 1, 2020, the Company’s financial statements are presented on a combined basis, and for the periods subsequent to December 1, 2020, they are presented on a consolidated basis (all periods hereinafter are referred to as “consolidated financial statements”). All direct revenue and expenses attributable to the CX business, including

certain allocations of former parent costs and expenses, were separately maintained in a separate ledger in the legal entities that made up the CX business. As the separate legal entities that made up the CX business were not historically held by a single legal entity, former parent company investment was shown in lieu of stockholders' equity in the prior year periods. All significant intercompany balances and transactions between the legal entities that comprised the CX business were eliminated.

Management of the Company and the former parent considered allocations of former parent costs to be a reasonable reflection of the utilization of services by, or the benefits provided to, the Company. The allocations may not, however, have reflected the expense the Company would have incurred as a stand-alone company for those periods presented. Actual costs that may have been incurred if the Company had been a stand-alone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and other strategic decisions.

Prior to the spin-off, certain Concentrix legal entities in the United States jointly and severally guaranteed certain of SYNnex' borrowing arrangements and substantially all of the assets of these Concentrix legal entities secured SYNnex' obligations under the borrowing arrangements. Historically, Concentrix received or provided funding for acquisitions or ongoing operations as part of SYNnex' centralized treasury program. Accordingly, only cash amounts specifically recorded in the separate Concentrix ledger were reflected in the balance sheets. The Company reflected transfers of the cash from the former parent's cash management system as loans or other accounts payable to the former parent or a reduction of accounts or loans receivable in the balance sheets based on the purpose for which the cash was provided by the former parent. Similarly, cash transfers to the former parent were reflected as reductions of loans or other accounts payable to the former parent or as loans receivable from the former parent. The cash payments and receipts were recorded in the statements of cash flows as operating or financing activities based on the nature of the transactions for which the funds were transferred between the Company and the former parent.

Prior to the spin-off, operations of Concentrix were included in the consolidated U.S. federal, and certain state and local income tax returns filed by SYNnex, where applicable. Concentrix also filed certain separate state, local and foreign tax returns. Income tax expense and other income tax related information contained in the financial statements prior to the spin-off were presented on a separate return basis, which required the Company to estimate tax expense as if the Company filed a separate return apart from SYNnex. The income taxes of Concentrix as presented in the financial statements for these periods may not be indicative of the income taxes that Concentrix has incurred or will incur following the spin-off.

#### *Reclassifications*

Certain amounts in the consolidated financial statements related to the prior periods have been reclassified to conform to the current period's presentation.

#### *Risks and uncertainties related to the COVID-19 pandemic*

In December 2019, there was an outbreak of a new strain of coronavirus ("COVID-19"), which was declared a pandemic by the World Health Organization in March 2020. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and labor force participation, and created significant volatility and disruption of financial markets. The Company successfully transitioned a significant portion of its workforce to a remote working environment throughout the second quarter of 2020 and implemented a number of safety and social distancing measures in our sites to protect the health and safety of employees. During the nine months ended August 31, 2021, almost all of the Company's workforce was productive.

The Company is unable to predict how long the pandemic conditions will persist in regions in which the Company operates, if or when countries or localities may experience an increase in COVID-19 cases, what additional measures may be introduced by governments or the Company's clients in response to the pandemic generally or to an increase in COVID-19 cases in a particular country or locality, and the effect of any such additional measures on the Company's business. As a result, many of the estimates and assumptions used in

preparation of these consolidated financial statements required increased judgment and carry a higher degree of variability and volatility. As events continue to evolve with respect to the pandemic and the global recovery from the pandemic, the Company's estimates may materially change in future periods.

#### **NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

For a discussion of the Company's significant accounting policies, refer to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2020. Accounting pronouncements adopted during the nine months ended August 31, 2021 are discussed below.

##### **Concentration of credit risk**

For the three and nine months ended August 31, 2021, one client accounted for 11.9% and 11.7% of the Company's consolidated revenue, respectively. For the three and nine months ended August 31, 2020, one client accounted for 11.8% and 10.8% of the Company's consolidated revenue, respectively.

As of August 31, 2021 and November 30, 2020, one client comprised 14.9% and 16.2%, respectively, of the Company's total accounts receivable balance.

##### **Recently adopted accounting pronouncements**

In June 2016, the Financial Accounting Standards Board (the "FASB") issued a new credit loss standard that replaces the current incurred loss impairment model with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. This standard became effective for the Company's fiscal year beginning December 1, 2020. The adoption did not have a material impact on the consolidated financial statements.

##### **Recently issued accounting pronouncements**

In March 2020, the FASB issued optional guidance for a limited time to ease the potential burden in accounting for or recognizing the effects of reference rate reform, particularly, the risk of cessation of the London Interbank Offered Rate ("LIBOR") on financial reporting. The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments are elective and are effective upon issuance for all entities through December 31, 2022. The Company is currently evaluating the impact of the new guidance.

In December 2019, the FASB issued new guidance that simplifies the accounting for income taxes. The guidance is effective for annual reporting periods beginning after December 15, 2020, and interim periods within those reporting periods. Certain amendments should be applied prospectively, while other amendments should be applied retrospectively to all periods presented. The Company is currently evaluating the impact of the new guidance.

In August 2018, the FASB issued new guidance to add, remove, and clarify disclosure requirements related to defined benefit pension and other postretirement plans. The guidance requires the Company to disclose the weighted-average interest crediting rates used in cash balance pension plans. It also requires the Company to disclose the reasons for significant changes in the benefit obligation or plan assets, including significant gains and losses affecting the benefit obligation for the period. This standard is effective for fiscal years ending after December 15, 2020, and early adoption is permitted. The adoption is not expected to have a material impact on the Company's consolidated financial statements.

**NOTE 3—DIVESTITURES:**

In July 2021, the Company completed the sales of its insurance third-party administration operations and software platform, Concentrix Insurance Solutions (“CIS”), and another non-CX solutions business in separate transactions for total cash consideration of approximately \$73,708, both subject to customary post-closing adjustments. The divestitures generated a pre-tax gain of approximately \$13,197, net of related transaction costs. The gain on divestitures and related transaction costs are included in selling, general and administrative expenses in the consolidated statements of operations.

The Company determined that the sales of the businesses did not qualify as discontinued operations. The results of the sold businesses’ operations are included within the Company’s statements of operations for fiscal year 2021 through the sales dates in July 2021.

**NOTE 4—SHARE-BASED COMPENSATION:**

In November 2020, in connection with the spin-off, SYNNECX, as sole stockholder of Concentrix, approved the Concentrix Corporation 2020 Stock Incentive Plan (the “Concentrix Stock Incentive Plan”) and the Concentrix Corporation 2020 Employee Stock Purchase Plan (the “Concentrix ESPP”), each to be effective upon completion of the spin-off. 4,000 shares of Concentrix common stock were reserved for issuance under the Concentrix Stock Incentive Plan, and 1,000 shares of Concentrix common stock were authorized for issuance under the Concentrix ESPP.

Prior to the spin-off, certain of the Company’s employees participated in a long-term incentive plan sponsored by SYNNECX. In connection with the completion of the spin-off and pursuant to the employee matters agreement with SYNNECX, each outstanding SYNNECX share-based award as of the distribution date was converted into either (a) SYNNECX and Concentrix share-based awards, each with the same number of shares as the original SYNNECX award, or (b) a share-based award of only SYNNECX common stock or only Concentrix common stock, with an adjustment to the number of shares to preserve the value of the award. As a result of the conversion of awards, on December 1, 2020, 827 restricted stock awards and restricted stock units and 684 stock options were issued under the Concentrix Stock Incentive Plan. Following the conversion, it was determined that the share-based awards were modified in accordance with the applicable accounting guidance. As a result, the fair values of the share-based awards immediately before and after the modification were assessed in order to determine if the modification resulted in any incremental compensation cost related to the awards. Based on the analysis performed, including consideration of the anti-dilution feature contained in the SYNNECX stock incentive plan, it was determined that the conversion resulted in an immaterial amount of incremental compensation cost for the outstanding awards.

On January 20, 2021, the Company granted 431 restricted stock awards and restricted stock units and 26 stock options under the Concentrix Stock Incentive Plan, representing annual employee stock awards for fiscal year 2020 and pro-rated non-employee director stock awards for the 2020-2021 service year. The employee grants were delayed from October 2020 to January 2021 due to the previously pending spin-off.

On July 1, 2021, the Company granted 109 performance-based restricted stock units under the Concentrix Stock Incentive Plan. The performance-based restricted stock units will vest, if at all, upon the achievement of certain annual financial targets during the three-year period ending November 30, 2023.

The Company recognizes share-based compensation expense for all share-based awards made to employees, including employee stock options, restricted stock awards, restricted stock units, performance-based restricted stock units and employee stock purchases, based on estimated fair values.

The Company recorded share-based compensation expense in the consolidated statements of operations for the three and nine months ended August 31, 2021 and 2020 as follows:

	Three Months Ended		Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Total share-based compensation	\$ 9,457	\$ 3,929	\$ 25,858	\$ 12,031
Tax benefit recorded in the provision for income taxes	(2,364)	(982)	(6,464)	(3,008)
Effect on net income	\$ 7,093	\$ 2,947	\$ 19,394	\$ 9,023

Share-based compensation expense is included in selling, general and administrative expenses in the consolidated statements of operations.

**NOTE 5—BALANCE SHEET COMPONENTS:**

**Cash, cash equivalents and restricted cash:**

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same amounts shown in the consolidated statements of cash flows:

	As of	
	August 31, 2021	November 30, 2020
Cash and cash equivalents	\$ 154,193	\$ 152,656
Restricted cash included in other current assets	1,401	3,695
Cash, cash equivalents and restricted cash	\$ 155,594	\$ 156,351

Restricted cash balances relate primarily to restrictions placed by banks on cash collateral for the issuance of bank guarantees and the terms of a government grant.

**Accounts receivable, net:**

Accounts receivable, net is comprised of the following:

	As of	
	August 31, 2021	November 30, 2020
Billed accounts receivable	\$ 657,873	\$ 644,789
Unbilled accounts receivable	479,494	445,655
Less: Allowance for doubtful accounts	(5,951)	(8,963)
Accounts receivable, net	\$ 1,131,416	\$ 1,081,481

**Allowance for doubtful trade receivables:**

Presented below is a progression of the allowance for doubtful trade receivables:

	Three Months Ended		Nine Months Ended	
	August 31,		August 31,	
	2021	2020	2021	2020
Balance at beginning of period	\$ 5,513	\$ 10,873	\$ 8,963	\$ 6,055
Net additions (reductions)	1,369	(641)	(763)	5,477
Write-offs and reclassifications	(931)	(2,435)	(2,249)	(3,735)
Balance at end of period	\$ 5,951	\$ 7,797	\$ 5,951	\$ 7,797

**Property and equipment, net:**

The following tables summarize the carrying amounts and related accumulated depreciation for property and equipment as of August 31, 2021 and November 30, 2020:

	As of	
	August 31, 2021	November 30, 2020
Land	\$ 27,759	\$ 29,000
Equipment, computers and software	469,329	476,243
Furniture and fixtures	90,850	90,944
Buildings, building improvements and leasehold improvements	354,738	336,194
Construction-in-progress	7,577	10,115
Total property and equipment, gross	\$ 950,253	\$ 942,496
Less: Accumulated depreciation	(552,412)	(490,847)
Property and equipment, net	\$ 397,841	\$ 451,649

Shown below are the countries where 10% or more of the Company's property and equipment, net are located:

	As of	
	August 31, 2021	November 30, 2020
<b>Property and equipment, net:</b>		
United States	\$ 99,528	\$ 149,903
Philippines	82,184	87,686
India	46,718	46,642
Others	169,411	167,418
Total	\$ 397,841	\$ 451,649

**Goodwill:**

The following table summarizes the changes in the Company's goodwill for the nine months ended August 31, 2021:

Balance as of November 30, 2020	\$ 1,836,050
Acquisition	3,502
Divestitures	(14,690)
Foreign exchange translation	(2,220)
Balance as of August 31, 2021	\$ 1,822,642

**Intangible assets, net:**

The following tables summarize the carrying amounts and related accumulated amortization for intangible assets as of August 31, 2021 and November 30, 2020:

	As of August 31, 2021			As of November 30, 2020		
	Gross amounts	Accumulated amortization	Net amounts	Gross amounts	Accumulated amortization	Net amounts
Customer relationships	\$ 1,362,259	\$ (669,651)	\$ 692,608	\$ 1,389,341	\$ (595,024)	\$ 794,317
Technology	10,892	(8,683)	2,209	14,830	(11,045)	3,785
Trade names	6,817	(6,349)	468	6,846	(5,989)	857
	\$ 1,379,968	\$ (684,683)	\$ 695,285	\$ 1,411,017	\$ (612,058)	\$ 798,959

Estimated future amortization expense of the Company's intangible assets is as follows:

**Fiscal years ending November 30,**

2021 (remaining three months)	\$	33,824
2022		115,664
2023		101,531
2024		85,020
2025		74,978
Thereafter		284,268
<b>Total</b>	<b>\$</b>	<b>695,285</b>

**Accumulated other comprehensive income (loss):**

The components of accumulated other comprehensive income (loss) ("AOCI"), net of taxes, were as follows:

	Three Months Ended August 31, 2021 and 2020			
	Unrecognized gains (losses) on defined benefit plan, net of taxes	Unrealized gains (losses) on cash flow hedges, net of taxes	Foreign currency translation gain (losses), net of taxes	Total
Balance, May 31, 2020	\$ (29,938)	\$ 9,885	\$ (76,155)	\$ (96,208)
Other comprehensive income (loss) before reclassification	(8,881)	26,086	74,383	91,588
Reclassification of gains from other comprehensive income (loss)	—	(5,942)	—	(5,942)
Balances at August 31, 2020	<u>\$ (38,819)</u>	<u>\$ 30,029</u>	<u>\$ (1,772)</u>	<u>\$ (10,562)</u>
Balance, May 31, 2021	\$ (39,032)	\$ 23,312	\$ 47,270	\$ 31,550
Other comprehensive income (loss) before reclassification	2	(11,219)	(56,105)	(67,322)
Reclassification of gains from other comprehensive income (loss)	—	(4,091)	—	(4,091)
Balances at August 31, 2021	<u>\$ (39,030)</u>	<u>\$ 8,002</u>	<u>\$ (8,835)</u>	<u>\$ (39,863)</u>



	Nine Months Ended August 31, 2021 and 2020			
	Unrecognized gains (losses) on defined benefit plan, net of taxes	Unrealized gains (losses) on cash flow hedges, net of taxes	Foreign currency translation gains (losses), net of taxes	Total
Balance, November 30, 2019	\$ (29,940)	\$ 17,523	\$ (37,665)	\$ (50,082)
Other comprehensive income (loss) before reclassification	(8,879)	26,860	35,893	53,874
Reclassification of gains from other comprehensive income (loss)	—	(14,354)	—	(14,354)
Balances at August 31, 2020	<u>\$ (38,819)</u>	<u>\$ 30,029</u>	<u>\$ (1,772)</u>	<u>\$ (10,562)</u>
Balance, November 30, 2020	\$ (38,584)	\$ 29,239	\$ 5,531	\$ (3,814)
Other comprehensive income (loss) before reclassification	(446)	(620)	(14,366)	(15,432)
Reclassification of gains from other comprehensive income (loss)	—	(20,617)	—	(20,617)
Balances at August 31, 2021	<u>\$ (39,030)</u>	<u>\$ 8,002</u>	<u>\$ (8,835)</u>	<u>\$ (39,863)</u>

Refer to Note 6 for the location of gains and losses on cash flow hedges reclassified from other comprehensive income (loss) to the consolidated statements of operations. Reclassifications of amortization of actuarial (gains) losses of defined benefits plans is recorded in “Other expense (income), net” in the consolidated statement of operations.

#### Restructuring:

The following table presents the activity related to liabilities for restructuring charges of previous acquisitions for the three and nine months ended August 31, 2021 and 2020:

Restructuring costs	Three Months Ended August 31, 2021 and 2020		
	Severance and benefits	Facility and exit costs	Total
Accrued balance as of May 31, 2020	\$ 526	\$ 10,548	\$ 11,074
Additional (release of) accrual during the period	(214)	336	122
Cash payments	(219)	(2,362)	(2,581)
Accrued balance as of August 31, 2020	<u>\$ 93</u>	<u>\$ 8,522</u>	<u>\$ 8,615</u>
Accrued balance as of May 31, 2021	\$ —	\$ 14,194	\$ 14,194
Additional accrual during the period	—	62	62
Cash payments	—	(990)	(990)
Accrued balance as of August 31, 2021	<u>\$ —</u>	<u>\$ 13,266</u>	<u>\$ 13,266</u>

Restructuring costs	Nine Months Ended August 31, 2021 and 2020		
	Severance and benefits	Facility and exit costs	Total
Accrued balance as of November 30, 2019	\$ 2,828	\$ 14,164	\$ 16,992
Additional (release of) accrual during the period	(535)	451	(84)
Cash payments	(2,200)	(6,093)	(8,293)
Accrued balance as of August 31, 2020	\$ 93	\$ 8,522	\$ 8,615
Accrued balance as of November 30, 2020	\$ —	\$ 17,810	\$ 17,810
Release of accrual during the period	—	(348)	(348)
Cash payments	—	(4,196)	(4,196)
Accrued balance as of August 31, 2021	\$ —	\$ 13,266	\$ 13,266

#### NOTE 6—DERIVATIVE INSTRUMENTS:

In the ordinary course of business, the Company is exposed to foreign currency risk and credit risk. The Company enters into transactions, and owns monetary assets and liabilities, that are denominated in currencies other than the legal entity's functional currency. The Company may enter into forward contracts, option contracts, or other derivative instruments to offset a portion of the risk on expected future cash flows, earnings, net investments in certain non-U.S. legal entities and certain existing assets and liabilities. However, the Company may choose not to hedge certain exposures for a variety of reasons including, but not limited to, accounting considerations and the prohibitive economic cost of hedging particular exposures. There can be no assurance the hedges will offset more than a portion of the financial impact resulting from movements in foreign currency exchange or interest rates. Generally, the Company does not use derivative instruments to cover equity risk and credit risk. The Company's hedging program is not used for trading or speculative purposes.

All derivatives are recognized on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded in the consolidated statements of operations, or as a component of AOCI in the consolidated balance sheets, as discussed below.

#### Cash Flow Hedges

To protect gross margins from fluctuations in foreign currency exchange rates, certain of the Company's legal entities with functional currencies that are not U.S. dollars may hedge a portion of forecasted revenue or costs not denominated in the entities' functional currencies. These instruments mature at various dates through August 2023. Gains and losses on cash flow hedges are recorded in AOCI until the hedged item is recognized in earnings. Deferred gains and losses associated with cash flow hedges of foreign currency revenue are recognized as a component of "Revenue" in the same period as the related revenue is recognized, and deferred gains and losses related to cash flow hedges of costs are recognized as a component of "Cost of revenue" or "Selling, general and administrative expenses" in the same period as the related costs are recognized. Derivative instruments designated as cash flow hedges must be de-designated as hedges when it is probable the forecasted hedged transaction will not occur in the initially identified time period or within a subsequent two-month time period. Deferred gains and losses in AOCI associated with such derivative instruments are reclassified into earnings in the period of de-designation. Any subsequent changes in fair value of such derivative instruments are recorded in earnings unless they are re-designated as hedges of other transactions.

#### Non-Designated Derivatives

The Company uses short-term forward contracts to offset the foreign exchange risk of assets and liabilities denominated in currencies other than the functional currency of the respective entities. These contracts, which are not designated as hedging instruments, mature or settle within twelve months. Derivatives that are not designated as

hedging instruments are adjusted to fair value through earnings in the financial statement line item to which the derivative relates.

#### Fair Values of Derivative Instruments in the Consolidated Balance Sheets

The fair values of the Company's derivative instruments are disclosed in Note 7 and summarized in the table below:

Balance Sheet Line Item	As of	
	August 31, 2021	November 30, 2020
<b>Derivative instruments not designated as hedging instruments:</b>		
Foreign exchange forward contracts (notional value)	\$ 1,232,201	\$ 1,153,352
Other current assets	11,392	15,666
Other accrued liabilities	8,673	6,215
<b>Derivative instruments designated as cash flow hedges:</b>		
Foreign exchange forward contracts (notional value)	\$ 870,844	\$ 814,731
Other current assets and other assets	18,033	38,212
Other accrued liabilities and other long-term liabilities	7,292	309

#### Volume of activity

The notional amounts of foreign exchange forward contracts represent the gross amounts of foreign currency, including, principally, the Philippine Peso, the Indian Rupee, the Euro, the British Pound, the Canadian Dollar and the Japanese Yen, that will be bought or sold at maturity. The notional amounts for outstanding derivative instruments provide one measure of the transaction volume outstanding and do not represent the amount of the Company's exposure to credit or market loss. The Company's exposure to credit loss and market risk will vary over time as currency rates change.

## The Effect of Derivative Instruments on AOCI and the Consolidated Statements of Operations

The following table shows the gains and losses, before taxes, of the Company's derivative instruments designated as cash flow hedges and not designated as hedging instruments in other comprehensive income ("OCI"), and the consolidated statements of operations for the periods presented:

Locations of gain (loss) in income	Three Months Ended		Nine Months Ended		
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020	
<b>Derivative instruments designated as cash flow hedges</b>					
<u>(Losses) gains recognized in OCI:</u>					
Foreign exchange forward contracts	\$ (15,059)	\$ 34,764	\$ (666)	\$ 35,795	
<u>Gains reclassified from AOCI into income:</u>					
Foreign exchange forward contracts					
Gain reclassified from AOCI into income	Cost of revenue for services	\$ 3,839	\$ 5,567	\$ 19,801	\$ 13,322
Gain reclassified from AOCI into income	Selling, general and administrative expenses	1,652	2,351	7,756	5,806
Total		\$ 5,491	\$ 7,918	\$ 27,557	\$ 19,128
<b>Derivative instruments not designated as hedging instruments:</b>					
(Loss) gain recognized from foreign exchange forward contracts, net <sup>(1)</sup>	Other income (expense), net	\$ (13,388)	\$ 24,783	\$ 4,653	\$ 26,963

<sup>(1)</sup> The gains and losses largely offset the currency gains and losses that resulted from changes in the assets and liabilities denominated in nonfunctional currencies.

There were no material gain or loss amounts excluded from the assessment of effectiveness. Existing net gains in AOCI that are expected to be reclassified into earnings in the normal course of business within the next twelve months are \$10,306.

### Offsetting of Derivatives

In the consolidated balance sheets, the Company does not offset derivative assets against liabilities in master netting arrangements.

Credit exposure for derivative financial instruments is limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed the Company's obligations to the counterparties. The Company manages the potential risk of credit losses through careful evaluation of counterparty credit standing and selection of counterparties from a limited group of financial institutions.

**NOTE 7—FAIR VALUE MEASUREMENTS:**

The Company's fair value measurements are classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The following table summarizes the valuation of the Company's investments and financial instruments that are measured at fair value on a recurring basis:

	As of August 31, 2021				As of November 30, 2020			
	Total	Fair value measurement category			Total	Fair value measurement category		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Assets:</b>								
Cash equivalents	\$ 99,719	\$ 99,719	\$ —	\$ —	\$ 60,242	\$ 60,242	\$ —	\$ —
Foreign government bond	1,476	1,476	—	—	1,355	1,355	—	—
Forward foreign currency exchange contracts	29,425	—	29,425	—	53,878	—	53,878	—
<b>Liabilities:</b>								
Forward foreign currency exchange contracts	\$ 15,965	\$ —	\$ 15,965	\$ —	\$ 6,524	\$ —	\$ 6,524	\$ —

The Company's cash equivalents consist primarily of highly liquid investments in money market funds and term deposits with maturity periods of three months or less. The carrying values of cash equivalents approximate fair value since they are near their maturity. Investment in foreign government bond classified as available-for-sale debt security is recorded at fair value based on quoted market prices. The fair values of forward exchange contracts are measured based on the foreign currency spot and forward rates quoted by the banks or foreign currency dealers. Fair values of long-term foreign currency exchange contracts are measured using valuations based upon quoted prices for similar assets and liabilities in active markets and are valued by reference to similar financial instruments, adjusted for terms specific to the contracts. The effect of nonperformance risk on the fair value of derivative instruments was not material as of August 31, 2021 and November 30, 2020.

The carrying values of term deposits with maturities less than one year, accounts receivable and accounts payable approximate fair value due to their short maturities and interest rates that are variable in nature. The carrying values of the outstanding balance on the Term Loan under the Company's Credit Facility and the outstanding balance on the Securitization Facility approximate their fair values since they bear interest rates that are similar to existing market rates.

During the three and nine months ended August 31, 2021 and 2020, there were no transfers between the fair value measurement category levels.

**NOTE 8—BORROWINGS:**

Borrowings consist of the following:

	As of	
	August 31, 2021	November 30, 2020
Credit Facility - current portion of Term Loan component	\$ —	\$ 33,750
Credit Facility - Term Loan component	\$ 700,000	\$ 866,250
Securitization Facility	169,000	250,000
Long-term debt, before unamortized debt discount and issuance costs	869,000	1,116,250
Less: unamortized debt discount and issuance costs	(3,163)	(4,888)
Long-term debt, net	<u>\$ 865,837</u>	<u>\$ 1,111,362</u>

**Credit Facility**

On October 16, 2020, Concentrix entered into a senior secured credit facility, which provides for the extension of revolving loans of up to \$600,000 (the “Revolver”) and term loan borrowings of up to \$900,000 (the “Term Loan” and, together with the Revolver, the “Credit Facility”). On November 30, 2020, in connection with the spin-off, the Company incurred \$900,000 of initial Term Loan borrowings under the Credit Facility. Substantially all of the proceeds from such indebtedness, net of debt issuance costs, were transferred to SYNEX on November 30, 2020 to eliminate debt owed by Concentrix to SYNEX and in exchange for the contribution of certain Concentrix trademarks from SYNEX to Concentrix.

The Credit Facility matures on November 30, 2025. Beginning May 31, 2021, the outstanding principal amount of the Term Loan was payable in quarterly installments of \$11,250 with the unpaid balance due in full on the maturity date. Concentrix may prepay the loans under the Credit Facility at any time without penalty, other than breakage fees. During the nine months ended August 31, 2021, the Company paid \$200,000 of the principal balance on the Term Loan.

Concentrix may request, subject to obtaining commitments from any participating lenders and certain other conditions, incremental commitments to increase the amount of the Revolver or the Term Loan available under the Credit Facility in an aggregate principal amount of up to \$450,000, plus an additional amount, so long as after giving effect to the incurrence of such additional amount, the Company’s pro forma first lien leverage ratio (as defined in the Credit Facility) would not exceed 3.00 to 1.00.

Obligations under the Credit Facility are secured by substantially all of the assets of Concentrix and certain of its U.S. subsidiaries and are guaranteed by certain of its U.S. subsidiaries.

Borrowings under the Revolver and the Term Loan bear interest, in the case of LIBOR rate loans, at a per annum rate equal to the applicable LIBOR rate (but not less than 0.25%), plus an applicable margin, which ranges from 1.25% to 2.25%, based on Concentrix’ consolidated leverage ratio. Borrowings under the Credit Facility that are not LIBOR rate loans bear interest at a per annum rate equal to (i) the greatest of (a) the Federal Funds Rate in effect on such day plus 1/2 of 1.0%, (b) the rate of interest last publicly announced by Bank of America as its “prime rate” and (c) the LIBOR rate plus 1.0%, plus (ii) an applicable margin, which ranges from 0.25% to 1.25%, based on Concentrix’ consolidated leverage ratio. Commitments under the Revolver are subject to a commitment fee on the unused portion of the Revolver, which fee ranges from 25 to 45 basis points, based on Concentrix’ consolidated leverage ratio.

The Credit Facility contains various loan covenants that restrict the ability of Concentrix and its subsidiaries to take certain actions, including, incurrence of indebtedness, creation of liens, mergers or consolidations, dispositions of assets, repurchase or redemption of capital stock, making certain investments, entering into certain transactions

with affiliates or changing the nature of their business. In addition, the Credit Facility contains financial covenants that require Concentrix to maintain at the end of each fiscal quarter, (i) a consolidated leverage ratio (as defined in the Credit Facility) not to exceed 3.75 to 1.0 and (ii) a consolidated interest coverage ratio (as defined in the Credit Facility) equal to or greater than 3.00 to 1.0. The Credit Facility also contains various customary events of default, including payment defaults, defaults under certain other indebtedness, and a change of control of Concentrix.

At August 31, 2021 and November 30, 2020, no amounts were outstanding under the Revolver.

### **Securitization Facility**

On October 30, 2020, Concentrix entered into a \$350,000 accounts receivable securitization facility (the “Securitization Facility”) pursuant to certain agreements, including a Receivables Financing Agreement and a Receivables Purchase Agreement. On November 30, 2020, in connection with the spin-off, the Company incurred \$250,000 of borrowings under the Securitization Facility. Substantially all of the proceeds from such indebtedness were transferred to SYNEX on November 30, 2020 to eliminate debt owed by Concentrix to SYNEX and in exchange for the contribution of certain Concentrix trademarks from SYNEX to Concentrix.

Under the Securitization Facility, Concentrix and certain of its subsidiaries (the “Originators”) sell or otherwise transfer all of their accounts receivable to a special purpose bankruptcy-remote subsidiary of Concentrix (the “Borrower”) that grants a security interest in the receivables to the lenders in exchange for available borrowings of up to \$350,000. The amount received under the Securitization Facility is recorded as debt on the Company’s consolidated balance sheets. Borrowing availability under the Securitization Facility may be limited by our accounts receivables balances, changes in the credit ratings of the clients comprising the receivables, client concentration levels in the receivables, and certain characteristics of the accounts receivable being transferred (including factors tracking performance of the accounts receivable over time). In May 2021, the Company entered into an amendment of the Securitization Facility to remove CIS as an Originator. The Securitization Facility has a termination date of October 28, 2022.

Borrowings under the Securitization Facility bear interest with respect to loans that are funded through the issuance of commercial paper at the applicable commercial paper rate plus a spread of 1.05% and, otherwise, at a per annum rate equal to the applicable LIBOR rate plus a spread of 1.15%. Concentrix is also obligated to pay a monthly undrawn fee that ranges from 30 to 37.5 basis points based on the portion of the Securitization Facility that is undrawn.

The Securitization Facility contains various affirmative and negative covenants, including a consolidated leverage ratio covenant that is consistent with the Credit Facility and customary events of default, including payment defaults, defaults under certain other indebtedness, a change in control of Concentrix, and certain events negatively affecting the overall credit quality of the transferred accounts receivable.

The Borrower’s sole business consists of the purchase or acceptance through capital contributions of the receivables and related security from the Originators and the subsequent retransfer of or granting of a security interest in such receivables and related security to the administrative agent under the Securitization Facility for the benefit of the lenders. The Borrower is a separate legal entity with its own separate creditors who will be entitled, upon its liquidation, to be satisfied out of the Borrower’s assets prior to any assets or value in the Borrower becoming available to the Borrower’s equity holders, and the assets of the Borrower are not available to pay creditors of Concentrix and its subsidiaries.

### **Covenant compliance**

As of August 31, 2021, Concentrix was in compliance with all covenants for the above arrangements.

**NOTE 9—EARNINGS PER SHARE:**

Basic and diluted earnings per common share (“EPS”) are computed using the two-class method, which is an earnings allocation formula that determines EPS for each class of common stock and participating securities, according to dividends declared and participation rights in undistributed earnings. The Company’s restricted stock awards are considered participating securities because they are legally issued at the grant date and holders have a non-forfeitable right to receive dividends.

Basic EPS is generally computed by dividing net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per common share is generally computed by dividing net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, increased to include the number of shares of common stock that would have been outstanding had potential dilutive shares of common stock been issued. The dilutive effect of restricted stock units and stock options are reflected in diluted net income per share by applying the treasury stock method. There were no Concentrix equity awards outstanding prior to the spin-off, thus the computation of basic and diluted earnings per common share for all prior year periods disclosed is calculated using the shares issued in connection with the spin-off of 51.6 million shares.

	Three Months Ended		Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
<b>Basic earnings per common share:</b>				
Net income	\$ 109,754	\$ 45,397	\$ 281,469	\$ 100,184
Less: net income allocated to participating securities <sup>(1)</sup>	(1,669)	—	(3,992)	—
Net income attributable to common stockholders	\$ 108,085	\$ 45,397	\$ 277,477	\$ 100,184
Weighted-average number of common shares - basic	51,432	51,602	51,288	51,602
Basic earnings per common share	\$ 2.10	\$ 0.88	\$ 5.41	\$ 1.94
<b>Diluted earnings per common share:</b>				
Net income	\$ 109,754	\$ 45,397	\$ 281,469	\$ 100,184
Less: net income allocated to participating securities <sup>(1)</sup>	(1,649)	—	(3,945)	—
Net income attributable to common stockholders	\$ 108,105	\$ 45,397	\$ 277,524	\$ 100,184
Weighted-average number of common shares - basic	51,432	51,602	51,288	51,602
<b>Effect of dilutive securities:</b>				
Stock options and restricted stock units	629	—	626	—
Weighted-average number of common shares - diluted	52,061	51,602	51,914	51,602
Diluted earnings per common share	\$ 2.08	\$ 0.88	\$ 5.35	\$ 1.94

(1) Restricted stock awards granted to employees by the Company are considered participating securities.



**NOTE 10—REVENUE:****Disaggregated revenue**

In the following table, the Company's revenue is disaggregated by primary industry verticals:

	Three Months Ended		Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
<b>Industry vertical:</b>				
Technology and consumer electronics	\$ 448,104	\$ 360,365	\$ 1,278,199	\$ 1,012,275
Communications and media	256,461	240,718	760,111	714,966
Retail, travel and ecommerce	241,662	191,118	712,629	558,412
Banking, financial services and insurance	210,730	165,961	648,630	526,948
Healthcare	113,749	91,838	354,391	274,128
Other	126,545	113,693	366,447	331,947
Total	\$ 1,397,251	\$ 1,163,694	\$ 4,120,407	\$ 3,418,676

Deferred revenue contract liabilities and deferred costs to obtain or fulfill a contract are not material.

**NOTE 11—TRANSACTIONS WITH FORMER PARENT:**

The Company provides certain services related to its core business to SYNnex, its former parent. Revenue from customer experience services to former parent is included within revenue in the statements of operations. The cost associated with such services is reported as cost of revenue in the statements of operations. The Company purchases certain products from SYNnex and, through November 30, 2020, recorded compensation expense for share-based awards granted by SYNnex to Concentrix employees. Prior to November 30, 2020, the Company received allocations of corporate expenses by way of a monthly management fee and received financing for acquisition and operations under the terms of intra-SYNnex group borrowing arrangements.

Prior to December 1, 2020, the Company consisted of the CX business of SYNnex and thus, transactions with SYNnex were considered related party transactions. On December 1, 2020, in connection with the spin-off, the Company became an independent publicly-traded company. The following table presents the Company's related party transactions with SYNnex for the three and nine months ended August 31, 2020:

	August 31, 2020	
	Three Months Ended	Nine Months Ended
Revenue from customer experience services to former parent	\$ 5,273	\$ 15,371
Interest expense on borrowings from former parent	9,654	41,513
Interest income on borrowings made to former parent	723	1,705
Corporate allocations	394	1,181
Share-based compensation	3,929	12,031

As of November 30, 2020, the payable to former parent and its non-Concentrix subsidiaries was primarily trade in nature.

Prior to the spin-off, SYNnex had issued guarantees to certain of the Company's clients to guarantee the performance obligations of the Company's legal entities. These SYNnex guarantees were released or replaced by Concentrix guarantees on or prior to the spin-off.

In connection with the spin-off, on November 30, 2020, the Company entered into a separation and distribution agreement, an employee matters agreement, a tax matters agreement and a commercial agreement with SYNnex to set forth the principal actions to be taken in connection with the spin-off and define the Company's ongoing relationship with SYNnex after the spin-off.

**NOTE 12—PENSION AND EMPLOYEE BENEFITS PLANS:**

The Company has a 401(k) plan in the United States under which eligible employees may contribute up to the maximum amount as provided by law. Employees become eligible to participate in the 401(k) plan on the first day of the month after their employment date. The Company may make discretionary contributions under the plan. Employees in most of the Company's non-U.S. legal entities are covered by government mandated defined contribution plans. During the three and nine months ended August 31, 2021, the Company contributed \$27,503 and \$66,644, respectively, to defined contribution plans. During the three and nine months ended August 31, 2020, the Company contributed \$17,927 and \$48,365, respectively, to defined contribution plans.

**Defined Benefit Plans**

The Company has defined benefit pension or retirement plans for eligible employees in certain non-U.S. legal entities. Benefits under these plans are primarily based on years of service and compensation during the years immediately preceding retirement or termination of participation in the plans. In addition, the Company has a frozen defined benefit pension plan, which includes both a qualified and non-qualified portion, for all eligible employees in the U.S. ("the cash balance plan") and unfunded defined benefit plans for certain eligible employees in the Philippines, Malaysia and France. The pension benefit formula for the cash balance plan is determined by a combination of compensation, age-based credits and annual guaranteed interest credits. The qualified portion of the cash balance plan has been funded through contributions made to a trust fund. The plan valuation assumptions are evaluated annually and are updated as deemed necessary.

Net benefit costs related to defined benefit plans were \$6,288 and \$12,971, during the three and nine months ended August 31, 2021, respectively. Net benefit costs related to defined benefit plans were \$3,875 and \$9,816, during the three and nine months ended August 31, 2020, respectively. On an aggregate basis, the plans were underfunded by \$127,173 and \$134,399 at August 31, 2021 and November 30, 2020, respectively.

**NOTE 13—INCOME TAXES:**

Income taxes consist of current and deferred tax expense resulting from income earned in domestic and international jurisdictions. For the three and nine months ended August 31, 2020, although the Company was included in the consolidated tax returns of SYNnex in certain jurisdictions, the Company's tax provision was recorded as if Concentrix had filed its taxes on a stand-alone basis. As a result, Concentrix calculated a hypothetical tax as part of the SYNnex consolidated group, which resulted in an expense adjustment to increase the income tax provision by \$3,536 and \$9,587, respectively, for the three and nine months ended August 31, 2020. The offset to the hypothetical tax expense was reflected in parent company investment, a component of equity in the Company's consolidated balance sheet prior to the spin-off. The effective tax rates for the three and nine months ended August 31, 2021 and 2020 were impacted by the geographic mix of worldwide income and certain discrete items, which included an expense related to the sale of CIS of \$3,745 and \$12,991 for the three and nine months ended August 31, 2021.

The liability for unrecognized tax benefits was \$62,246 and \$62,315 at August 31, 2021 and November 30, 2020, respectively, and is included in other long-term liabilities in the consolidated balance sheets. As of August 31, 2021 and November 30, 2020, the total amount of unrecognized tax benefits that would affect income tax expense if recognized in the consolidated financial statements was \$54,752 and \$54,910, respectively. This amount includes net interest and penalties of \$14,556 and \$14,402 for the respective periods. It is reasonably possible that the total amount of unrecognized tax benefits will decrease between approximately \$11,000 and \$28,000 in the next twelve months; however, actual developments in this area could differ from those currently expected.

**NOTE 14— LEASES:**

The Company leases certain of its facilities and equipment under operating lease agreements, which expire in various periods through 2035. The Company's finance leases are not material.

The following table presents the various components of lease costs:

	Three Months Ended		Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Operating lease cost	\$ 50,340	\$ 55,682	\$ 152,903	\$ 165,884
Short-term lease cost	4,205	1,624	11,732	7,891
Variable lease cost	9,774	11,078	29,908	28,965
Sublease income	(368)	(52)	(1,259)	(186)
Total operating lease cost	\$ 63,951	\$ 68,332	\$ 193,284	\$ 202,554

The following table presents a maturity analysis of expected undiscounted cash flows for operating leases on an annual basis for the next five years and thereafter as of August 31, 2021:

**Fiscal Years Ending November 30,**

2021 (remaining three months)	\$ 49,030
2022	181,923
2023	142,800
2024	103,827
2025	65,578
Thereafter	45,573
Total payments	588,731
Less: imputed interest*	71,732
Total present value of lease payments	\$ 516,999

\*Imputed interest represents the difference between undiscounted cash flows and discounted cash flows.

The following amounts were recorded in the consolidated balance sheets related to the Company's operating leases:

		As of	
		August 31, 2021	November 30, 2020
Operating lease ROU assets	Other assets, net	\$ 499,111	\$ 506,368
Current operating lease liabilities	Other accrued liabilities	153,882	163,052
Non-current operating lease liabilities	Other long-term liabilities	363,117	373,644

The following table presents supplemental cash flow information related to the Company's operating leases. Cash payments related to variable lease costs and short-term leases are not included in the measurement of operating lease liabilities, and, as such, are excluded from the amounts below:

	Nine Months Ended	
	August 31, 2021	August 31, 2020
Cash paid for amounts included in the measurement of lease liabilities	\$ 157,920	\$ 152,094
Non-cash ROU assets obtained in exchange for lease liabilities	116,085	66,664

The weighted-average remaining lease term and discount rate as of August 31, 2021 and November 30, 2020 were as follows:

	As of	
	August 31, 2021	November 30, 2020
Weighted-average remaining lease term (years)	3.89	3.97
Weighted-average discount rate	5.62 %	6.97 %

**NOTE 15—COMMITMENTS AND CONTINGENCIES:**

From time to time, the Company receives notices from third parties, including customers and suppliers, seeking indemnification, payment of money or other actions in connection with claims made against them. Also, from time to time, the Company has been involved in various bankruptcy preference actions where the Company was a supplier to the companies now in bankruptcy. In addition, the Company is subject to various other claims, both asserted and unasserted, that arise in the ordinary course of business. The Company evaluates these claims and records the related liabilities. It is possible that the ultimate liabilities could differ from the amounts recorded.

Under the separation and distribution agreement with SYNEX, the Company agreed to indemnify SYNEX, each of its subsidiaries and each of their respective directors, officers and employees from and against all liabilities allocated to Concentrix under the separation and distribution agreement, which are generally those liabilities that relate to the CX business and the Company's business activities, whether incurred prior to or after the spin-off.

Under the tax matters agreement with SYNEX, if the spin-off fails to qualify for tax-free treatment, the Company is generally required to indemnify SYNEX for any taxes resulting from the spin-off (and related costs and other damages) to the extent such amounts result from (1) an acquisition of all or a portion of the Company's equity securities or assets by any means, (2) any action or failure to act by the Company after the distribution affecting the voting rights of the Company's stock, (3) other actions or failures to act by the Company, or (4) certain breaches of the Company's agreements and representations in the tax matters agreement. The Company's indemnification obligations to SYNEX and its subsidiaries, officers, directors and employees are not limited by any maximum amount.

The Company does not believe that the above commitments and contingencies will have a material adverse effect on the Company's results of operations, financial position or cash flows.

**NOTE 16—SUBSEQUENT EVENTS:**

In September 2021, the Company's Board of Directors (the "Board") declared a quarterly dividend of \$0.25 per share. The dividend will be payable in cash on November 2, 2021, to shareholders of record at the close of business on October 22, 2021. In addition, the Board has authorized the Company to purchase up to \$500 million of the Company's outstanding shares of common stock from time to time as market and business conditions warrant, including through open market purchases or Rule 10b5-1 trading plans. The repurchase program has no termination date and may be suspended or discontinued at any time.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the notes to those consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended November 30, 2020, as filed with the Securities and Exchange Commission on February 16, 2021. References to "we," "our," "us," "the Company" or "Concentrix" refer to Concentrix Corporation and its subsidiaries.*

*This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include, but are not limited to, statements regarding our expected future financial condition, results of operations, effective tax rate, cash flows, leverage, liquidity, business strategy, competitive position, demand for our services and seasonality of our business, international operations, acquisition opportunities, capital allocation and dividends, growth opportunities, spending and investments, competition and market forecasts, industry trends and statements that include words such as believe, expect, may, will, provide, could and should and other similar expressions. These forward-looking statements are inherently uncertain and involve substantial risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Risks and uncertainties include, among other things: risks related to general economic conditions, including uncertainty related to the COVID-19 pandemic and its impact on the global economy, on our business and on the business of our clients; the level of outsourced business services; the level of business activity of our clients and the market acceptance and performance of their products and services; consolidation of our competitors; competitive conditions in our industry; currency exchange rate fluctuations; variability in demand by our clients or the early termination of our client contracts; competition in the customer experience solutions industry; political and economic stability in the countries in which we operate; the outbreak of communicable disease or other public health crises; cyberattacks on our or our clients' networks and information technology systems; the inability to protect personal and proprietary information; increases in the cost of labor; the operability of our communication services and information technology systems and networks; changes in law, regulations or regulatory guidance; investigative or legal actions; the loss of key personnel; natural disasters, adverse weather conditions, terrorist attacks, work stoppages or other business disruptions; and other risks that are described under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended November 30, 2020. We do not intend to update forward-looking statements, which speak only as of the date hereof, unless otherwise required by law.*

*Concentrix, the Concentrix Logo, and all other Concentrix company, product and services names and slogans are trademarks or registered trademarks of Concentrix Corporation and its subsidiaries. Concentrix and the Concentrix Logo Reg. U.S. Pat. & Tm. Off. and applicable non-U.S. jurisdictions. Other names and marks are the property of their respective owners.*

### Overview and Basis of Presentation

Concentrix is a leading global provider of technology-infused Customer Experience ("CX") solutions that help iconic and disruptive brands drive deep understanding, full lifecycle engagement, and differentiated experiences for their end-customers. We provide end-to-end capabilities, including CX process optimization, technology innovation, front- and back-office automation, analytics and business transformation services to clients in five primary industry verticals. Our differentiated portfolio of solutions supports Fortune Global 500 as well as high-growth companies across the globe in their efforts to deliver an optimized, consistent brand experience across all channels of communication, such as voice, chat, email, social media, asynchronous messaging, and custom applications. We strive to deliver exceptional services globally supported by our deep industry knowledge, technology and security practices, talented people, and digital and analytics expertise.

We generate revenue from performing services that are generally tied to our clients' products and services. Any shift in business or the size of the market for our clients' products or services, or any failure of technology or failure of acceptance of our clients' products or services in the market may impact our business. The employee turnover rate in our business is high, as is the risk of losing experienced employees. High employee turnover rates may increase costs and decrease operating efficiencies and productivity.

On December 1, 2020, the previously announced separation (the "separation") of Concentrix and our technology-infused customer experience solutions business from SYNEX was completed through a tax-free distribution of all of the issued and

outstanding shares of our common stock to SYNEX stockholders (the distribution and, together with the separation, the “spin-off”). SYNEX stockholders received one share of our common stock for each share of SYNEX common stock held as of the close of business on November 17, 2020. As a result of the spin-off, we became an independent public company and our common stock commenced trading on the Nasdaq Stock Market (“Nasdaq”) under the symbol “CNXC” on December 1, 2020. In connection with the spin-off, on November 30, 2020, we entered into a separation and distribution agreement, an employee matters agreement, a tax matters agreement and a commercial agreement with SYNEX to set forth the principal actions to be taken in connection with the spin-off and define our ongoing relationship with SYNEX after the spin-off.

In December 2019, there was an outbreak of a new strain of coronavirus (“COVID-19”), which was declared a pandemic by the World Health Organization in March 2020. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and labor force participation, and created significant volatility and disruption of financial markets. We successfully transitioned a significant portion of our workforce to a remote working environment throughout the second quarter of 2020 and implemented a number of safety and social distancing measures in our sites to protect the health and safety of employees. During the nine months ended August 31, 2021, almost all of our workforce was productive. We incurred net costs of approximately \$6 million and \$26 million associated with COVID-19 during the three and nine months ended August 31, 2021, respectively, in comparison to approximately \$13 and \$65 million in the three and nine months ended August 31, 2020. The COVID-19 related costs consist of certain out-of-pocket costs and non-productive workforce costs.

The extent of the continued impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute our business strategies and initiatives in the expected time frame, will depend on future developments, including the duration, spread and severity of the pandemic, country and state restrictions regarding virus containment, the availability and effectiveness of vaccines and treatment options, accessibility to the Company’s delivery and operations locations, our continued utilization of remote work environments in response to future health and safety restrictions, and the impact to the Company’s clients’ businesses and the demand for their products and services, all of which are uncertain and cannot be predicted. We are unable to predict how long the pandemic conditions will persist in regions in which we operate, if or when countries or localities may experience an increase in COVID-19 cases, what additional measures may be introduced by governments or our clients in response to the pandemic generally or to an increase in COVID-19 cases in a particular country or locality, and the effect of any such additional measures on our business. As a result, many of the estimates and assumptions involved in preparation of the consolidated financial statements included in this Quarterly Report on Form 10-Q required increased judgment and carry a higher degree of variability and volatility. As events continue to evolve with respect to the pandemic and the global recovery from the pandemic, our estimates may materially change in future periods. Accordingly, current results and financial condition discussed herein may not be indicative of future operating results and trends.

## **Revenue and Cost of Revenue**

We generate revenue through the provision of customer experience solutions to our clients pursuant to client contracts. Our client contracts typically consist of a master services agreement, supported in most cases by multiple statements of work, which contain the terms and conditions of each contracted solution. Our agreements can range from less than one year to over five years in term and are subject to early termination by our clients for any reason, typically with 30 to 90 days’ notice.

Our technology-infused customer experience solutions are generally characterized by flat unit prices. Approximately 96% of our revenue is recognized as services are performed, based on staffing hours or the number of client customer interactions handled using contractual rates. Remaining revenue from the sale of these solutions are typically recognized as the services are provided over the duration of the contract using contractual rates.

Our cost of revenue consists primarily of personnel costs related to the delivery of our solutions. The costs of our revenue can be impacted by the mix of client contracts, where we deliver the customer experience solution, additional lead time for programs to be fully scalable, and transition and initial set-up costs. Our cost of revenue as a percentage of revenue has also fluctuated in the past, based primarily on our ability to achieve economies of scale, the management of our operating expenses, and the timing and costs incurred related to our acquisitions and investments.

In the third quarter of 2021 and 2020, approximately 85% and 83% of our revenue was generated from our non-U.S. operations, and approximately 61% and 66%, respectively, of our revenue was priced in U.S. dollars and we expect this to continue. As a result, we have certain client contracts that are priced in non-U.S. dollar currencies for which a substantial portion of the costs to deliver the

services are in other currencies. Accordingly, our revenue may be earned in currencies that are different from the currencies in which we incur corresponding expenses. Fluctuations in the value of currencies, such as the Philippine Peso, the Indian Rupee, and the Canadian Dollar, against the U.S. dollar or other currencies in which we bill our clients, and inflation in the local economies in which these delivery centers are located, can impact the operating and labor costs in these delivery centers, which can result in reduced profitability. As a result, our revenue growth, costs and profitability have been impacted, and we expect will continue to be impacted, by fluctuations in foreign currency exchange rates.

### **Margins**

Our gross margins fluctuate and can be impacted by the mix of client contracts, services provided, shifts in the geography from which our customer experience services are delivered, client volume trends, the amount of lead time that is required for programs to become fully scaled, and transition and set-up costs. Our operating margin fluctuates based on changes in gross margins as well as overall volume levels, as we are able to gain scale efficiencies in our selling, general and administrative costs in periods of larger volume.

### **Economic and Industry Trends**

The CX solutions industry in which we operate is competitive. Clients' performance measures are based on competitive pricing terms and quality of services. Accordingly, we could be subject to pricing pressure and may experience a decrease in revenue and operating income. Our business operates in over 40 countries across 6 continents. We have significant concentrations in the Philippines, India, the United States, the United Kingdom, Canada, throughout Europe, China and Japan. Accordingly, we would be impacted by economic strength or weakness in these geographies and by the strengthening or weakening of local currencies relative to the U.S. Dollar.

### **Seasonality**

Our revenue and margins fluctuate with the underlying trends in our clients' businesses and trends in the level of consumer activity. As a result, our revenue and margins are typically higher in the fourth quarter of the year than in any other quarter.

### **Critical Accounting Policies and Estimates**

During the three and nine months ended August 31, 2021, there were no material changes to our critical accounting policies and estimates previously disclosed in our Annual Report on Form 10-K for the fiscal year ended November 30, 2020.

## Results of Operations – Three and Nine Months Ended August 31, 2021 and 2020

	Three Months Ended		Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
	(\$ in thousands)			
Revenue	\$ 1,397,251	\$ 1,163,694	\$ 4,120,407	\$ 3,418,676
Cost of revenue	915,910	751,161	2,670,287	2,215,783
Gross profit	481,341	412,533	1,450,120	1,202,893
Selling, general and administrative expenses	329,962	335,770	1,035,628	1,014,339
Operating income	151,379	76,763	414,492	188,554
Interest expense and finance charges, net	4,868	9,002	19,316	39,515
Other expense (income), net	(5,858)	593	(5,601)	(4,283)
Income before income taxes	152,369	67,168	400,777	153,322
Provision for income taxes	42,615	21,771	119,308	53,138
Net income	\$ 109,754	\$ 45,397	\$ 281,469	\$ 100,184

### Revenue

	Three Months Ended		% Change 2021 to 2020	Nine Months Ended		% Change 2021 to 2020
	August 31, 2021	August 31, 2020		August 31, 2021	August 31, 2020	
	(\$ in thousands)			(\$ in thousands)		
<b>Industry vertical:</b>						
Technology and consumer electronics	\$ 448,104	\$ 360,365	24.3 %	\$ 1,278,199	\$ 1,012,275	26.3 %
Communications and media	256,461	240,718	6.5 %	760,111	714,966	6.3 %
Retail, travel and ecommerce	241,662	191,118	26.4 %	712,629	558,412	27.6 %
Banking, financial services and insurance	210,730	165,961	27.0 %	648,630	526,948	23.1 %
Healthcare	113,749	91,838	23.9 %	354,391	274,128	29.3 %
Other	126,545	113,693	11.3 %	366,447	331,947	10.4 %
Total	\$ 1,397,251	\$ 1,163,694	20.1 %	\$ 4,120,407	\$ 3,418,676	20.5 %

We generate revenue by delivering our CX solutions to our clients categorized in the above primary industry verticals. These solutions focus on customer engagement, process optimization, and back-office automation.

Our revenue increased 20.1% in the three months ended August 31, 2021, compared to the three months ended August 31, 2020, reflecting increased volumes across all verticals. Revenue in our technology and consumer electronics vertical increased in the three months ended August 31, 2021 as a result of larger volumes from several social media and internet-related product clients and a broad-based group of hardware and software clients. Revenue in our communications and media vertical increased due to larger volumes over the prior year period for several clients. Revenue in our retail, travel and ecommerce vertical increased due to larger volumes across the majority of our retail and ecommerce clients and larger volumes in several travel and tourism clients. Revenue in the banking, financial services and insurance vertical increased due to larger volumes from several banking and financial services clients. Revenue in our healthcare vertical increased due to larger volumes across the majority of our health insurance clients. Revenue from clients in our other vertical increased reflecting growth with several government clients. Also contributing to the increase in total revenue in the three months ended August 31, 2021 was a favorable translation effect of foreign currencies of \$22.5 million, or 2.0%. The positive foreign currency translation effect on revenue was primarily due to the strengthening of the euro, British pound and Australian dollar against the U.S. dollar.

Our revenue increased 20.5% in the nine months ended August 31, 2021, compared to the nine months ended August 31, 2020, reflecting increased volumes across all verticals and certain increases over the prior year period due to “shelter-in-place restrictions” in response to COVID-19 and COVID-19 impacts on our employees’ ability to work productively despite client demand during the nine months ended August 31, 2020. Revenue in our technology and consumer electronics vertical increased in the first nine months of fiscal 2021 as a result of larger volumes from several social media and internet-related service clients and a broad-based group of hardware and software clients. Revenue in our communications and media vertical increased in the first nine months of fiscal 2021 due to larger volumes over the prior year period, primarily as a result of prior year impacts from COVID-19 that did not recur in the current period, partially offset by our portfolio balancing efforts. Revenue in our retail, travel and ecommerce vertical increased due to



larger volumes across the majority of our retail and ecommerce clients and a slight increase in several travel and tourism clients over the prior year period. Revenue from clients in the banking, financial services and insurance vertical increased due to larger volumes from several banking and financial services clients. Revenue in our healthcare vertical increased due to larger volumes across the majority of our health insurance clients. Revenue in our other vertical increased reflecting growth with several government clients. Also contributing to the increase in total revenue in the nine months ended August 31, 2021 was a favorable translation effect of foreign currencies of \$93.0 million, or 2.7%. The positive foreign currency translation effect on revenue was primarily due to the strengthening of the euro, British pound and Australian dollar against the U.S. dollar.

### **Cost of Revenue, Gross Profit and Gross Margin Percentage**

	Three Months Ended		% Change 2021 to 2020	Nine Months Ended		% Change 2021 to 2020
	August 31, 2021	August 31, 2020		August 31, 2021	August 31, 2020	
	(\$ in thousands)			(\$ in thousands)		
Cost of revenue	\$ 915,910	\$ 751,161	21.9 %	\$ 2,670,287	\$ 2,215,783	20.5 %
Gross profit	481,341	412,533	16.7 %	1,450,120	1,202,893	20.6 %
Gross margin %	34.4 %	35.5 %		35.2 %	35.2 %	

Cost of revenue consists primarily of personnel costs. Gross margins can be impacted by resource location, client mix and pricing, additional lead time for programs to be fully scalable, and transition and initial set-up costs.

Our cost of revenue increased by 21.9% in the three months ended August 31, 2021 compared to the three months ended August 31, 2020, primarily due to the increase in revenue, wage increases, and foreign currency impacts of \$20.0 million on the cost of revenue. The increases were partially offset by a decrease in COVID-19 related costs of approximately \$2 million. The foreign currency impact on the cost of revenue was caused primarily by the strengthening of the Canadian dollar, euro, British pound and Philippine Peso against the U.S. dollar.

Our gross profit increased 16.7% compared to the three months ended August 31, 2020, primarily due to the increase in revenue, a net favorable foreign currency impact of \$2.5 million on gross profit and the decrease in COVID-19 related costs. Our gross margin percentage decreased to 34.4% from 35.5% in the three months ended August 31, 2021 due to changes in the mix of geographies where our services were delivered and wage increases.

Our cost of revenue increased by 20.5% in the nine months ended August 31, 2021 compared to the nine months ended August 31, 2020, primarily due to the increase in revenue, wage increases and foreign currency impacts of \$78.1 million on the cost of revenue. The increases were partially offset by a decrease in COVID-19 related costs of approximately \$28 million. The foreign currency impact on the cost of revenue was caused primarily by the strengthening of the Canadian dollar, euro, British pound and Philippine Peso against the U.S. dollar.

Our gross profit increased 20.6% in the nine months ended August 31, 2021, primarily due to the increase in revenue, a net favorable foreign currency impact of \$14.9 million on gross profit and the decrease in COVID-19 related costs. Our gross margin percentage remained consistent at 35.2% in the nine months ended August 31, 2021 compared to the prior year period and was impacted by the mix of geographies where our services were delivered.

### **Selling, General and Administrative Expenses**

	Three Months Ended		% Change 2021 to 2020	Nine Months Ended		% Change 2021 to 2020
	August 31, 2021	August 31, 2020		August 31, 2021	August 31, 2020	
	(\$ in thousands)			(\$ in thousands)		
Selling, general and administrative expenses	\$ 329,962	\$ 335,770	(1.7)%	\$ 1,035,628	\$ 1,014,339	2.1 %
Percentage of revenue	23.6 %	28.9 %		25.1 %	29.7 %	

Our selling, general and administrative expenses consist primarily of support personnel costs such as salaries, commissions, bonuses, employee benefits and share-based compensation costs. Selling, general and administrative expenses also include the cost of our global delivery facilities, utility expenses, hardware and software costs related to our technology infrastructure, legal and professional fees, depreciation on our technology and facility equipment, amortization of intangible assets resulting from acquisitions, marketing expenses, acquisition-related transaction and integration expenses and spin-off related expenses.

Our selling, general and administrative expenses decreased in the three months ended August 31, 2021, compared to the three months ended August 31, 2020, primarily due to the gain on divestitures and related transactions costs of \$13.2 million largely associated with the sale of Concentrix Insurance Solutions (“CIS”) and a decrease in COVID-19 related expenses of approximately \$5 million. These decreases were partially offset by increases in expenses to support our revenue growth, foreign currency impacts of \$5.9 million, and an increase in share-based compensation expense of \$5.6 million. These items and scale efficiencies resulted in a decrease in selling, general and administrative expenses as a percentage of revenue from 28.9% in the third fiscal quarter of 2020 to 23.6% in the third fiscal quarter of 2021.

Our selling, general and administrative expenses increased in the nine months ended August 31, 2021 compared to the nine months ended August 31, 2020 primarily due to increases in expenses to support our revenue growth, foreign currency impacts of \$23.0 million, and an increase in share-based compensation expense of \$13.9 million. These increases were partially offset by the gain on divestitures and related transactions costs of \$13.2 million, a decrease in acquisition-related and integration expenses of \$21.4 million, and a decrease in COVID-19 related expenses of approximately \$10 million. These items and scale efficiencies resulted in a decrease in selling, general and administrative expenses as a percentage of revenue from 29.7% in the nine months ended August 31, 2020 to 25.1% in the nine months ended August 31, 2021.

### Operating Income

	Three Months Ended		% Change 2021 to 2020	Nine Months Ended		% Change 2021 to 2020
	August 31, 2021	August 31, 2020		August 31, 2021	August 31, 2020	
	(\$ in thousands)			(\$ in thousands)		
Operating income	\$ 151,379	\$ 76,763	97.2 %	\$ 414,492	\$ 188,554	119.8 %
Operating margin	10.8 %	6.6 %		10.1 %	5.5 %	

Our operating income and operating margin increased during the three and nine months ended August 31, 2021 in comparison to the comparable prior year periods due to increases in gross profit and the reduction in selling, general and administrative expenses as a percentage of revenue.

### Interest Expense and Finance Charges, Net

	Three Months Ended		% Change 2021 to 2020	Nine Months Ended		% Change 2021 to 2020
	August 31, 2021	August 31, 2020		August 31, 2021	August 31, 2020	
	(\$ in thousands)			(\$ in thousands)		
Interest expense and finance charges, net	\$ 4,868	\$ 9,002	(45.9)%	\$ 19,316	\$ 39,515	(51.1)%
Percentage of revenue	0.3 %	0.8 %		0.5 %	1.2 %	

Amounts recorded in interest expense and finance charges, net, for the three and nine months ended August 31, 2021 consist primarily of interest on our Term Loan and Securitization Facility borrowings, while amounts recorded for the prior year periods related primarily to interest on borrowings from SYNEX. The reduction in interest expense for the three and nine months ended August 31, 2021 in comparison to the comparable prior year periods reflects the reduction of outstanding borrowings and more favorable interest rate terms on the borrowings in the current year periods.

### Other Expense (Income), Net

	Three Months Ended		% Change 2021 to 2020	Nine Months Ended		% Change 2021 to 2020
	August 31, 2021	August 31, 2020		August 31, 2021	August 31, 2020	
	(\$ in thousands)			(\$ in thousands)		
Other expense (income), net	\$ (5,858)	\$ 593	(1087.9)%	\$ (5,601)	\$ (4,283)	30.8 %
Percentage of revenue	(0.4)%	0.1 %		(0.1)%	(0.1)%	

Amounts recorded as other expense (income), net include foreign currency transaction gains and losses, other than cash flow hedges, investment gains and losses, non-service component of pension costs, and other non-operating gains and losses.

Other expense (income), net in the three months ended August 31, 2021 was income of \$5.9 million in comparison to expense of \$0.6 million in the three months ended August 31, 2020. The change in other expense (income), net was primarily due to favorable foreign currency transaction changes compared to the prior year period.

Other expense (income), net in the nine months ended August 31, 2021 was income of \$5.6 million in comparison to income of \$4.3 million in the nine months ended August 31, 2020. The increase in income was primarily due to favorable foreign currency transaction changes of \$2.3 million compared to the prior year period partially offset by a favorable resolution of a previously-recognized tax indemnity obligation in the nine months ended August 31, 2020 that did not recur in the nine months ended August 31, 2021.

### **Provision for Income Taxes**

	Three Months Ended		% Change 2021 to 2020	Nine Months Ended		% Change 2021 to 2020
	August 31, 2021	August 31, 2020		August 31, 2021	August 31, 2020	
	(\$ in thousands)			(\$ in thousands)		
Provision for income taxes	\$ 42,615	\$ 21,771	95.7 %	\$ 119,308	\$ 53,138	124.5 %
Percentage of income before income taxes	28.0 %	32.4 %		29.8 %	34.7 %	

Income taxes consist of our current and deferred tax expense resulting from our income earned in domestic and international jurisdictions. For the three and nine months ended August 31, 2020, although we were included in the consolidated tax returns of SYNEX in certain jurisdictions, our tax provision was recorded as if we had filed our taxes on a stand-alone basis.

Our provision for income taxes increased in the three and nine months ended August 31, 2021 compared to the prior year periods, primarily due to the increase in income before taxes for both periods and an additional expense of \$3.7 million and \$13.0 million, respectively, during the three and nine months ended August 31, 2021 related to the divestiture of CIS. The effective tax rate for the three and nine months ended August 31, 2021 decreased compared to the prior year periods due to the change in mix of income earned in different tax jurisdictions between periods.

### **Certain Non-GAAP Financial Information**

In addition to disclosing financial results that are determined in accordance with GAAP, we also disclose certain non-GAAP financial information, including:

- Revenue in constant currency, which is revenue adjusted for the translation effect of foreign currencies so that certain financial results can be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons of our business performance. Revenue in constant currency is calculated by translating the revenue of each fiscal year in the billing currency using their comparable prior year's currency conversion rate. Generally, when the dollar either strengthens or weakens against other currencies, the growth at constant currency rates or adjusting for currency will be higher or lower than growth reported at actual exchange rates.
- Revenue in adjusted constant currency, which is constant currency revenue excluding revenue for businesses acquired or divested since the beginning of the prior year period so that revenue growth can be viewed without the impact of acquisitions or divestitures, thereby facilitating period-to-period comparisons of our business performance.
- Non-GAAP operating income, which is operating income, adjusted to exclude acquisition-related and integration expenses, including related restructuring costs, spin-off related expenses, amortization of intangible assets, share-based compensation and gain on divestitures and related transaction costs.
- Non-GAAP operating margin, which is non-GAAP operating income, as defined above, divided by revenue.
- Adjusted earnings before interest, taxes, depreciation, and amortization, or adjusted EBITDA, which is non-GAAP operating income, as defined above, plus depreciation.
- Adjusted EBITDA margin, which is adjusted EBITDA, as defined above, divided by revenue.
- Non-GAAP net income, which is net income excluding the tax effected impact of acquisition-related and integration expenses, including related restructuring costs, spin-off related expenses, amortization of intangible assets, share-based compensation and gain on divestitures and related transaction costs.
- Free cash flow, which is cash flows from operating activities less capital expenditures. We believe that free cash flow is a meaningful measure of cash flows since capital expenditures are a necessary component of ongoing operations. However,

free cash flow has limitations because it does not represent the residual cash flow available for discretionary expenditures. For example, free cash flow does not incorporate payments for business acquisitions.

- Non-GAAP diluted earnings per common share (“EPS”), which is diluted EPS excluding the per share, tax effected impact of acquisition-related and integration expenses, including related restructuring costs, spin-off related expenses, amortization of intangible assets, share-based compensation and gain on divestitures and related transaction costs.

We believe that providing this additional information is useful to the reader to better assess and understand our base operating performance, especially when comparing results with previous periods and for planning and forecasting in future periods, primarily because management typically monitors the business adjusted for these items in addition to GAAP results. Management also uses these non-GAAP measures to establish operational goals and, in some cases, for measuring performance for compensation purposes. These non-GAAP financial measures exclude amortization of intangible assets. Our acquisition activities have resulted in the recognition of intangible assets, which consist primarily of client relationships, technology and trade names. Finite-lived intangible assets are amortized over their estimated useful lives and are tested for impairment when events indicate that the carrying value may not be recoverable. The amortization of intangible assets is reflected in our statements of operations. Although intangible assets contribute to our revenue generation, the amortization of intangible assets does not directly relate to the services performed for our clients. Additionally, intangible asset amortization expense typically fluctuates based on the size and timing of our acquisition activity. Accordingly, we believe excluding the amortization of intangible assets, along with the other non-GAAP adjustments which neither relate to the ordinary course of our business nor reflect our underlying business performance, enhances our and our investors’ ability to compare our past financial performance with its current performance and to analyze underlying business performance and trends. Intangible asset amortization excluded from the related non-GAAP financial measure represents the entire amount recorded within our GAAP financial statements, and the revenue generated by the associated intangible assets has not been excluded from the related non-GAAP financial measure. Intangible asset amortization is excluded from the related non-GAAP financial measure because the amortization, unlike the related revenue, is not affected by operations of any particular period unless an intangible asset becomes impaired or the estimated useful life of an intangible asset is revised. These non-GAAP financial measures also exclude share-based compensation expense. Given the subjective assumptions and the variety of award types that companies can use when calculating share-based compensation expense, management believes this additional information allows investors to make additional comparisons between our operating results and those of our peers. As these non-GAAP financial measures are not calculated in accordance with GAAP, they may not necessarily be comparable to similarly titled measures employed by other companies. These non-GAAP financial measures should not be considered in isolation or as a substitute for the comparable GAAP measures and should be used as a complement to, and in conjunction with, data presented in accordance with GAAP.

	Three Months Ended		Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
	(\$ in thousands)			
Revenue	\$ 1,397,251	\$ 1,163,694	\$ 4,120,407	\$ 3,418,676
Foreign currency translation	(22,530)	—	(93,010)	—
Revenue in constant currency	\$ 1,374,721	\$ 1,163,694	\$ 4,027,397	\$ 3,418,676
Effect of excluding revenue of acquired and divested businesses	(5,335)	(15,274)	(37,911)	(51,649)
Revenue in adjusted constant currency	\$ 1,369,386	\$ 1,148,420	\$ 3,989,486	\$ 3,367,027

	Three Months Ended		Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
	(\$ in thousands except per share amounts)			
Operating income	\$ 151,379	\$ 76,763	\$ 414,492	\$ 188,554
Acquisition-related and integration expenses	—	3,880	—	21,430
Spin-off related expenses	—	283	—	1,789
Amortization of intangibles	33,997	36,833	103,195	110,190
Share-based compensation	9,457	3,929	25,858	12,031
Gain on divestitures and related transaction costs	(13,197)	—	(13,197)	—
Non-GAAP operating income	\$ 181,636	\$ 121,688	\$ 530,348	\$ 333,994
Net income	\$ 109,754	\$ 45,397	\$ 281,469	\$ 100,184
Interest expense and finance charges, net	4,868	9,002	19,316	39,515
Provision for income taxes	42,615	21,771	119,308	53,138
Other expense (income), net	(5,858)	593	(5,601)	(4,283)
Acquisition-related and integration expenses	—	3,880	—	21,430
Spin-off related expenses	—	283	—	1,789
Gain on divestitures and related transaction costs	(13,197)	—	(13,197)	—
Amortization of intangibles	33,997	36,833	103,195	110,190
Share-based compensation	9,457	3,929	25,858	12,031
Depreciation (excluding accelerated depreciation included in acquisition-related and integration expenses above)	33,146	31,509	105,371	93,331
Adjusted EBITDA	\$ 214,782	\$ 153,197	\$ 635,719	\$ 427,325
Operating margin	10.8 %	6.6 %	10.1 %	5.5 %
Non-GAAP operating margin	13.0 %	10.5 %	12.9 %	9.8 %
Adjusted EBITDA margin	15.4 %	13.2 %	15.4 %	12.5 %
Net income	\$ 109,754	\$ 45,397	\$ 281,469	\$ 100,184
Acquisition-related and integration expenses	—	3,880	—	21,430
Spin-off related expenses	—	283	—	1,789
Amortization of intangibles	33,997	36,833	103,195	110,190
Share-based compensation	9,457	3,929	25,858	12,031
Gain on divestitures and related transaction costs	(13,197)	—	(13,197)	—
Income taxes related to the above <sup>(1)</sup>	(8,315)	(11,379)	(20,742)	(35,973)
Non-GAAP net income	\$ 131,696	\$ 78,943	\$ 376,583	\$ 209,651
Diluted earnings per common share (“EPS”)	\$ 2.08	\$ 0.88	\$ 5.35	\$ 1.94
Acquisition-related and integration expenses	—	0.08	—	0.42
Spin-off related expenses	—	0.01	—	0.03
Amortization of intangibles	0.64	0.71	1.96	2.14
Share-based compensation	0.18	0.08	0.49	0.23
Gain on divestitures and related transaction costs	(0.25)	—	(0.25)	—
Income taxes related to the above <sup>(1)</sup>	(0.16)	(0.23)	(0.40)	(0.70)
Non-GAAP Diluted EPS	\$ 2.49	\$ 1.53	\$ 7.15	\$ 4.06

(1) The tax effect of taxable and deductible non-GAAP adjustments was calculated using the tax deductible portion of the expenses and applying the entity specific, statutory tax rates applicable to each item during the respective periods.

## Liquidity and Capital Resources

Our primary uses of cash are working capital, capital expenditures to expand our delivery footprint and enhance our technology solutions, and debt repayments. Our financing needs for these uses of cash have been a combination of operating cash flows, third-party debt arrangements entered into in connection with the spin-off and, prior to the spin-off, related party borrowings from SYNEX. Our working capital needs are primarily to finance accounts receivable. When our revenue is increasing, our net investment in working capital typically increases. Conversely, when revenue is decreasing, our net investment in working capital typically decreases. To increase our market share and better serve our clients, we may further expand our operations through investments or acquisitions. We expect that such expansion would require an initial investment in working capital, personnel, facilities, and operations. These investments or acquisitions would likely be funded primarily by our existing cash and cash equivalents, available liquidity, including capacity on our debt arrangements, or the issuance of securities.

In September 2021, considering our strong free cash flow, low leverage and adequate liquidity to support capital return to shareholders while maintaining flexibility to pursue acquisitions, the Company's Board of Directors (the "Board") declared a quarterly dividend of \$0.25 per share and authorized a share repurchase program. The dividend will be payable in cash on November 2, 2021, to shareholders of record at the close of business on October 22, 2021. Under the share repurchase program, the Board authorized the Company to purchase up to \$500 million of our common stock from time to time as market and business conditions warrant, including through open market purchases or Rule 10b5-1 trading plans. The repurchase program has no termination date and may be suspended or discontinued at any time.

## Debt Arrangements

In connection with the spin-off, we entered into two third-party debt arrangements. On October 16, 2020, we entered into a senior secured credit facility, which provides for the extension of revolving loans of up to \$600 million (the "Revolver") and term loan borrowings of up to \$900 million (the "Term Loan" and, together with the Revolver, the "Credit Facility"). On October 30, 2020, we entered into a \$350 million accounts receivable securitization facility (the "Securitization Facility") pursuant to certain agreements, including a receivables financing agreement and a receivables purchase agreement.

On November 30, 2020, in connection with the spin-off, we incurred \$900 million of initial Term Loan borrowings under the Credit Facility and \$250 million of borrowings under the Securitization Facility. Substantially all of the proceeds from such indebtedness, net of debt issuance costs, were transferred to SYNEX on November 30, 2020 to eliminate debt owed by the Company to SYNEX and in exchange for the contribution of certain Company trademarks from SYNEX to the Company. We had no outstanding borrowings on the Revolver as of August 31, 2021 or November 30, 2020.

The Credit Facility matures on November 30, 2025. Beginning May 31, 2021, the outstanding principal amount of the Term Loan was payable in quarterly installments of \$11.25 million, with the unpaid balance due in full on the maturity date. We may prepay the loans under the Credit Facility at any time without penalty, other than breakage fees. During the nine months ended August 31, 2021, we paid \$200 million of the principal balance on the Term Loan.

We may request, subject to obtaining commitments from any participating lenders and certain other conditions, incremental commitments to increase the amount of the Revolver or Term Loan available under the Credit Facility in an aggregate principal amount of up to \$450 million, plus an additional amount, so long as after giving effect to the incurrence of such additional amount, our pro forma first lien leverage ratio (as defined in the Credit Facility) would not exceed 3.00 to 1.00.

Obligations under the Credit Facility are secured by substantially all of the assets of Concentrix and certain of its U.S. subsidiaries and are guaranteed by certain of its U.S. subsidiaries. Borrowings under the Revolver and the Term Loan bear interest, in the case of LIBOR rate loans, at a per annum rate equal to the applicable LIBOR rate (but not less than 0.25%), plus an applicable margin, which ranges from 1.25% to 2.25%, based on our consolidated leverage ratio. Borrowings under the Credit Facility that are not LIBOR rate loans bear interest at a per annum rate equal to (i) the greatest of (a) the Federal Funds Rate in effect on such day plus 1/2 of 1.0%, (b) the rate of interest last publicly announced by Bank of America as its "prime rate" and (c) the LIBOR rate plus 1.0%, plus (ii) an applicable margin, which ranges from 0.25% to 1.25%, based on our consolidated leverage ratio. Commitments under the Revolver are subject to a commitment fee on the unused portion of the Revolver, which fee ranges from 25 to 45 basis points, based on our consolidated leverage ratio.

The Credit Facility contains various loan covenants that restrict the ability of Concentrix and its subsidiaries to take certain actions, including incurrence of indebtedness, creation of liens, mergers or consolidations, dispositions of assets, repurchase or redemption of capital stock, making certain investments, entering into certain transactions with affiliates or changing the nature of our business. In addition, the Credit Facility contains financial covenants that require us to maintain at the end of each fiscal quarter, (i) a consolidated leverage ratio (as defined in the Credit Facility) not to exceed 3.75 to 1.0 and (ii) a consolidated interest coverage ratio (as defined in the Credit Facility) equal to or greater than 3.00 to 1.0. The Credit Facility also contains various customary events of default, including payment defaults, defaults under certain other indebtedness, and a change of control of Concentrix.

The Securitization Facility has a termination date of October 28, 2022. Under the Securitization Facility, Concentrix and certain of its U.S. based subsidiaries (the "Originators") sell or otherwise transfer all of their accounts receivable to a special purpose bankruptcy-remote subsidiary of Concentrix that grants a security interest in the receivables to the lenders in exchange for available borrowings of up to \$350 million. Borrowing availability under the Securitization Facility may be limited by our accounts receivables balances, changes in the credit ratings of our clients comprising the receivables, client concentration levels in the receivables, and certain characteristics of the accounts receivable being transferred (including factors tracking performance of the accounts receivable over time). In May 2021, we amended the Securitization Facility to remove CIS as an Originator.

Borrowings under the Securitization Facility bear interest with respect to loans that are funded through the issuance of commercial paper at the applicable commercial paper rate plus a spread of 1.05% and, otherwise, at a per annum rate equal to the applicable LIBOR rate plus a spread of 1.15%. We are also obligated to pay a monthly undrawn fee that ranges from 30 to 37.5 basis points based on the portion of the Securitization Facility that is undrawn. The Securitization Facility contains various affirmative and negative covenants, including a consolidated leverage ratio covenant that is consistent with the Credit Facility and customary events of default, including payment defaults, defaults under certain other indebtedness, a change in control of Concentrix, and certain events negatively affecting the overall credit quality of the transferred accounts receivable.

As of August 31, 2021, we were in compliance with the debt covenants related to our debt arrangements.

#### ***Cash Flows – Nine Months Ended August 31, 2021 and 2020***

The following summarizes our cash flows for the nine months ended August 31, 2021 and 2020, as reported in our consolidated statement of cash flows in the accompanying consolidated financial statements.

	Nine Months Ended	
	August 31, 2021	August 31, 2020
	(\$ in thousands)	
Net cash provided by operating activities	\$ 332,125	\$ 388,577
Net cash used in investing activities	(42,440)	(116,939)
Net cash used in financing activities	(288,094)	(260,178)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,348)	2,121
Net (decrease) increase in cash, cash equivalents and restricted cash	\$ (757)	\$ 13,581
Cash, cash equivalents and restricted cash at beginning of year	156,351	83,514
Cash, cash equivalents and restricted cash at the end of the period	\$ 155,594	\$ 97,095

#### ***Operating Activities***

Net cash provided by operating activities was \$332.1 million for the nine months ended August 31, 2021 in comparison to \$388.6 million for the nine months ended August 31, 2020. The decrease in net cash provided by operating activities over the prior year period primarily related to changes in working capital and operating assets and liabilities over the prior year period, including an increase in accounts receivable and a decrease in accounts payable. These decreases were partially offset by an increase in net income.

### *Investing Activities*

Net cash used in investing activities for the nine months ended August 31, 2021 was \$42.4 million in comparison to \$116.9 million for the nine months ended August 31, 2020. The decrease in net cash used in investing activities over the prior year period primarily related to \$73.7 million of proceeds from divestitures mainly attributable to the sale of CIS.

### *Financing Activities*

Net cash used by financing activities for the nine months ended August 31, 2021 was \$288.1 million in comparison to \$260.2 million for the nine months ended August 31, 2020. The net cash used for the nine months ended August 31, 2021 consisted primarily of principal payments of \$200.0 million under the Credit Facility and net payments of \$81.0 million under the Securitization Facility in comparison to the prior year period which consisted entirely of repayments on borrowings from SYNnex.

We believe our current cash balances and credit availability are enough to support our operating activities for at least the next twelve months.

### ***Free Cash Flow (a non-GAAP measure)***

	Nine Months Ended	
	August 31, 2021	August 31, 2020
	(\$ in thousands)	
Net cash provided by operating activities	\$ 332,125	\$ 388,577
Purchases of property and equipment	(112,869)	(106,249)
Free cash flow (a non-GAAP measure)	<u>\$ 219,256</u>	<u>\$ 282,328</u>

Our free cash flow was \$219.3 million for the nine months ended August 31, 2021 compared to \$282.3 million for the nine months ended August 31, 2020. The decrease in free cash flow for the nine months ended August 31, 2021 compared to the nine months ended August 31, 2020 was due to the decrease in cash provided by operating activities as explained above and an increase in purchases of property and equipment during the current year period.

### ***Capital Resources***

As of August 31, 2021, we had total liquidity of approximately \$935 million, which includes undrawn capacity of \$600 million on the Credit Facility, undrawn capacity of \$181 million on the Securitization Facility and cash and cash equivalents.

Our cash and cash equivalents totaled \$154.2 million and \$152.7 million as of August 31, 2021 and November 30, 2020, respectively. Of our total cash and cash equivalents, 99% and 89% were held by our non-U.S. legal entities as of August 31, 2021 and November 30, 2020, respectively. Our cash and cash equivalents held by our non-U.S. legal entities are no longer subject to U.S. federal tax on repatriation into the United States. Repatriation of some non-U.S. balances is restricted by local laws. Historically, we have fully utilized and reinvested all non-U.S. cash to fund our international operations and expansion; however, the Company has recorded deferred tax liabilities related to non-U.S. withholding taxes on the earnings of certain previously acquired non-U.S. entities that are likely to be repatriated in the future. If in the future our intentions change, and we repatriate the cash back to the United States, we will report in our consolidated financial statements the impact of the state and withholding taxes depending upon the planned timing and manner of such repatriation. Presently, we believe we have sufficient resources, cash flow and liquidity within the United States to fund current and expected future working capital, investment and other general corporate funding requirements.

We believe that our available cash and cash equivalents balances, the cash flows expected to be generated from operations, and our sources of liquidity will be sufficient to satisfy our current and planned working capital and investment needs for the next twelve months. We also believe that our longer-term working capital, planned capital expenditures and other general corporate funding requirements will be satisfied through cash flows from operations and, to the extent necessary, from our borrowing facilities and future financial market activities.



### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### **Market Risk**

We are and will be exposed to a variety of market risks, including the effects of changes in foreign currency exchange rates and interest rates. Market risk is the potential loss arising from changes in market rates and prices. Our risk management strategy includes managing these risks through our regular operating and financing activities and, when appropriate, through the use of derivative financial instruments. We utilize derivative financial instruments to hedge economic exposures, as well as reduce earnings and cash flow volatility resulting from shifts in market rates. In using derivative financial instruments to hedge our exposures to changes in exchange rates, we expose ourselves to counterparty credit risk. We manage our exposure to counterparty credit risk by entering into derivative financial instruments with investment grade-rated institutions that can be expected to perform fully under the terms of the agreements and by diversifying the financial institutions with which we enter into such agreements. There can be no guarantee that the risk management activities that we have entered into will be sufficient to fully offset market risk or reduce earnings and cash flow volatility resulting from shifts in market rates. See Note 6 of the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional discussion of our financial risk management.

#### **Foreign Currency Risk**

While approximately 61% of our revenue is priced in U.S. dollars, we recognize a substantial amount of revenue under contracts that are denominated in euros, British pounds, Australian dollars and Japanese yen, among other currencies. A significant increase in the value of the U.S. dollar relative to these currencies may have a material adverse effect on the value of those services when translated into U.S. dollars.

We serve many of our U.S.-based, European and British clients from our customer experience delivery centers located around the world. As a result, a substantial portion of the costs to deliver these services are denominated in the local currency of the country where the services are performed. This creates a foreign exchange exposure for us. As of August 31, 2021, we have hedged a portion of our exposure related to the anticipated cash flow requirements denominated in certain foreign currencies by entering into hedging contracts with institutions to acquire a total of PHP 32,330.0 million at a fixed price of \$638.6 million at various dates through August 2023; and INR 17,365.0 million at a fixed price of \$221.6 million at various dates through August 2023. The fair value of these derivative instruments as of August 31, 2021 is presented in Note 7 of the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. The potential loss in fair value at August 31, 2021 for such contracts resulting from a hypothetical 10% adverse change in the underlying foreign currency exchange rates is approximately \$87.1 million. This loss would be substantially mitigated by corresponding gains on the underlying foreign currency exposures.

Other foreign currency exposures arise from transactions denominated in a currency other than the functional currency. We periodically enter into hedging contracts that are not denominated as hedges. The purpose of these derivative instruments is to protect us against foreign currency exposure related receivables, payables and intercompany transactions that are denominated in currencies that are different from the functional currencies of the company or our respective legal entities. As of August 31, 2021, the fair value of these derivatives not designated as hedges was a net receivable of \$2.7 million.

#### **Interest Rate Risk**

At August 31, 2021, all of our outstanding debt under the Credit Facility and Securitization Facility is variable debt, which exposes the Company to changes in interest rates. Holding other variables constant, including the total amount of outstanding indebtedness, a one hundred basis point increase in interest rates on our variable-rate debt would cause an estimated increase in interest expense of approximately \$8.7 million per year.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of disclosure controls and procedures**

Based on the evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) required by Exchange Act Rules 13a-15(b) or 15d-15(b), our principal executive officer and principal financial officer

have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective at the reasonable assurance level to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to our management, including the principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

**Changes in internal control over financial reporting**

There were no changes in our internal control over financial reporting that occurred during our third fiscal quarter of fiscal year 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

From time to time, we are involved in legal proceedings in the ordinary course of business. We do not believe that these proceedings will have a material adverse effect on the results of our operations, our financial position or the cash flows of our business. During the three months ended August 31, 2021, there were no new material legal proceedings and no material developments in any legal proceedings reported in our Annual Report on Form 10-K for the fiscal year ended November 30, 2020.

### ITEM 1A. RISK FACTORS

You should carefully review and consider the information regarding certain factors that could materially affect our business, results of operations and financial condition set forth in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended November 30, 2020. There have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended November 30, 2020.

### ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description
3.1	<a href="#">Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 2, 2020).</a>
3.2	<a href="#">Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on December 2, 2020).</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.</a>
32.1	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)



**SECTION 302 CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Christopher Caldwell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Concentrix Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 8, 2021

/s/ Christopher Caldwell

Christopher Caldwell

Chief Executive Officer

## SECTION 302 CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Andre Valentine, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Concentrix Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 8, 2021

/s/ Andre Valentine

Andre Valentine  
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. § 1350**

We, Christopher Caldwell, the President and Chief Executive Officer of Concentrix Corporation (the “Company”), and Andre Valentine, the Chief Financial Officer of the Company, certify for the purposes of section 1350 of chapter 63 of title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

(1) The Quarterly Report on Form 10-Q for the period ended August 31, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 8, 2021

/s/ Christopher Caldwell

Christopher Caldwell  
President and Chief Executive Officer

Date: October 8, 2021

/s/ Andre Valentine

Andre Valentine  
Chief Financial Officer

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Report. A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.