

# FISCAL Q3 2021 RESULTS

May 4, 2021



# DISCLOSURES

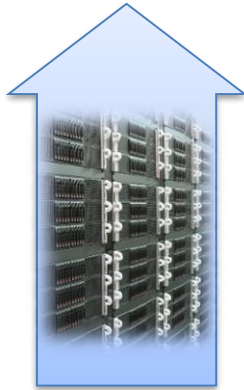
## **Cautionary Statement Regarding Forward Looking Statements**

Statements contained in this presentation that are not historical fact may be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements may relate to, among other things, the fourth quarter of fiscal year 2021 guidance and the ability to execute on the company strategy during the global COVID-19 pandemic. Such forward-looking statements do not constitute guarantees of future performance and are subject to a variety of risks and uncertainties that could cause our actual results to differ materially from those anticipated, including: (i) the global COVID-19 pandemic continues to present significant uncertainties for all parts of our business including our supply chain, our production operations and customer demand, (ii) our quarterly operating results may fluctuate, which could cause rapid declines in our stock price, (iii) as we increasingly target larger customers and larger sales opportunities, our customer base may become more concentrated, our cost of sales may increase, our margins may be lower and our sales may be less predictable, (iv) if we fail to meet publicly announced financial guidance or other expectations about our business, our stock could decline in value, (v) the average sales prices for our server solutions could decline if customers do not continue to purchase our latest generation products or additional components, and (vi) adverse economic conditions may harm our business. Additional factors that could cause actual results to differ materially from those projected or suggested in any forward-looking statements are contained in our filings with the Securities and Exchange Commission, including those factors discussed under the caption "Risk Factors" in such filings, particularly in our Annual Report on Form 10-K for our fiscal year ended June 30, 2020.

## **Use of Non-GAAP Financial Measures**

Each of non-GAAP gross margin, non-GAAP operating expenses, and non-GAAP diluted net income per common share adds back and excludes various items that are discussed in the accompanying reconciliation tables herein. Management presents non-GAAP financial measures because it considers them to be important supplemental measures of performance. Management uses the non-GAAP financial measures for planning purposes, including analysis of the Company's performance against prior periods, the preparation of operating budgets and to determine appropriate levels of operating and capital investments. Management also believes that the non-GAAP financial measures provide additional insight for analysts and investors in evaluating the Company's financial and operational performance. However, these non-GAAP financial measures have limitations as an analytical tool, and are not intended to be an alternative to financial measures prepared in accordance with GAAP. A reconciliation of gross margin to non-GAAP gross margin, from operating expenses to non-GAAP operating expenses, and from diluted net income per common share to non-GAAP net income and diluted net income per common share are included in the tables at the back of this presentation.

# CEO MESSAGES



**Organic (Enterprise & Channel), AI / ML**



**5G, Telco & Edge/IoT**



**OEM & Large DC**



- Demand improving, bucking seasonality
- High profile customer engagements
- Robust portfolio of innovative products with AMD, Intel, NVIDIA
- Aim to accelerate our growth

# STRONG PORTFOLIO OF INNOVATION

## SuperServers



Twin Architecture



Ultra Server



SuperBlade®



Delta Solution



SuperStorage



CloudDC



## A+ Solutions



Twin Architecture



Ultra Server



Delta Solution



Redstone Solution



CloudDC



UP Server



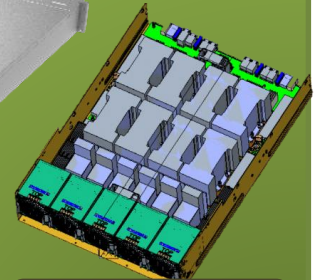
## GPU Solutions



HGX Solution



2U2N



Upcoming Universal GPU Architectures



# CAPACITY EXPANSION ON TRACK



## Taiwan Science & Technology Park B62

Online July 2021

1M+ sq ft. area

2.5X current Taiwan capacity & capability



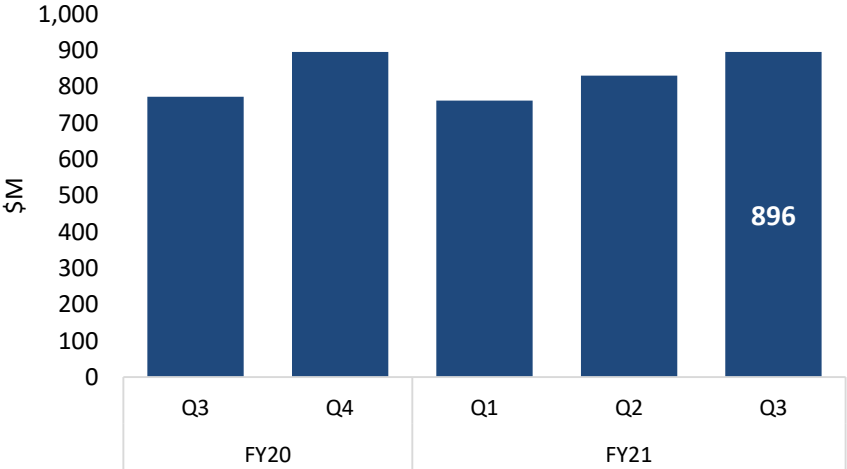
## US Green Computing Park B23

Online August 2021

230K+ sq ft. area

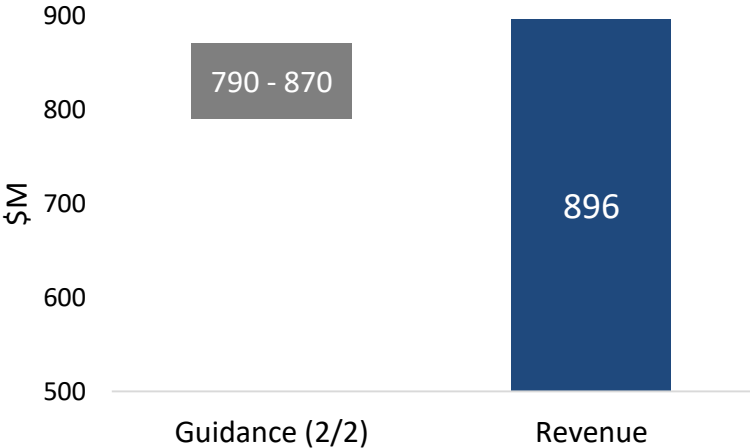
# REVENUE

Revenue

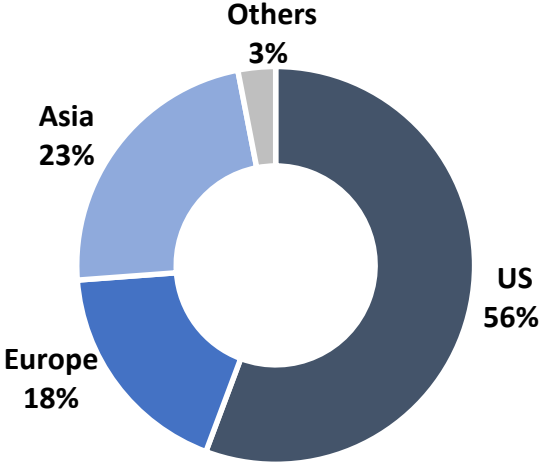


Sales above High End of Guidance Range

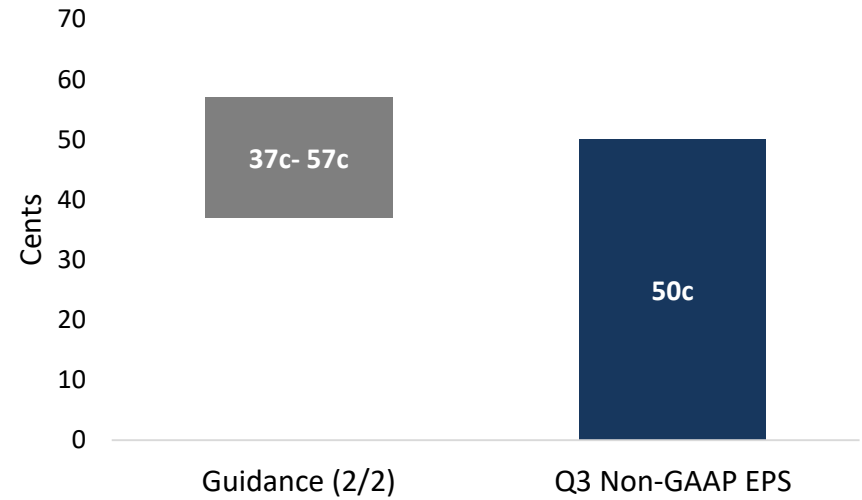
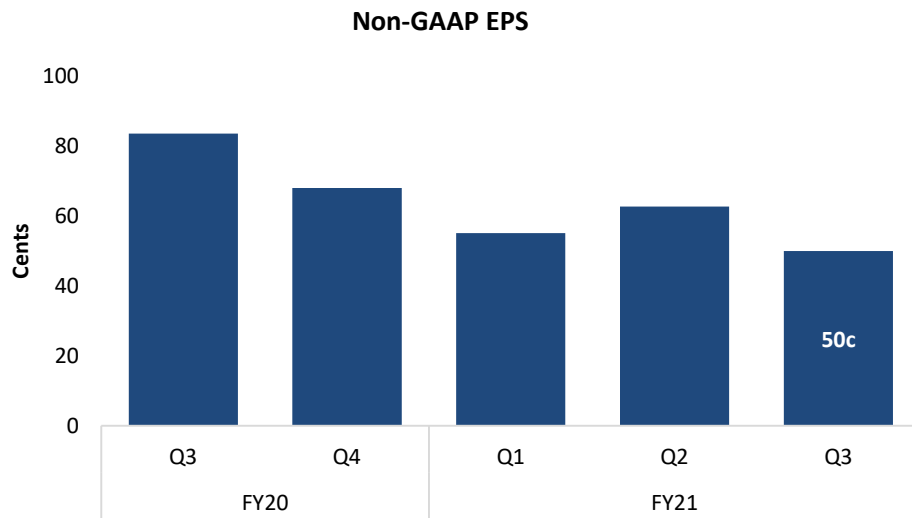
- +16% YoY, +8% QoQ
- US +18% YoY; Asia +29% YoY, Europe +3% YoY, Rest of World - 12% YoY



Geographic Mix



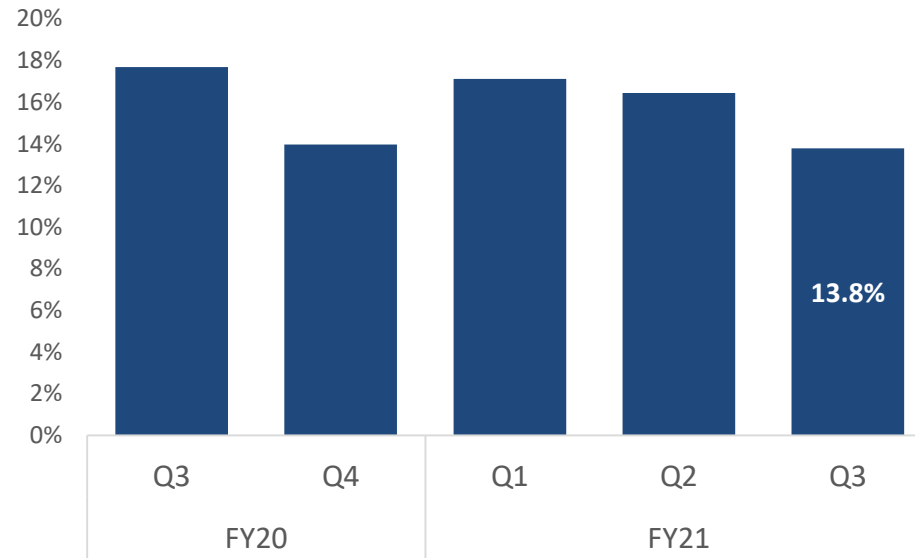
# NON-GAAP EPS



## EPS Above Midpoint of Guidance Range

- Revenue strength, expense discipline

# NON-GAAP GROSS MARGIN

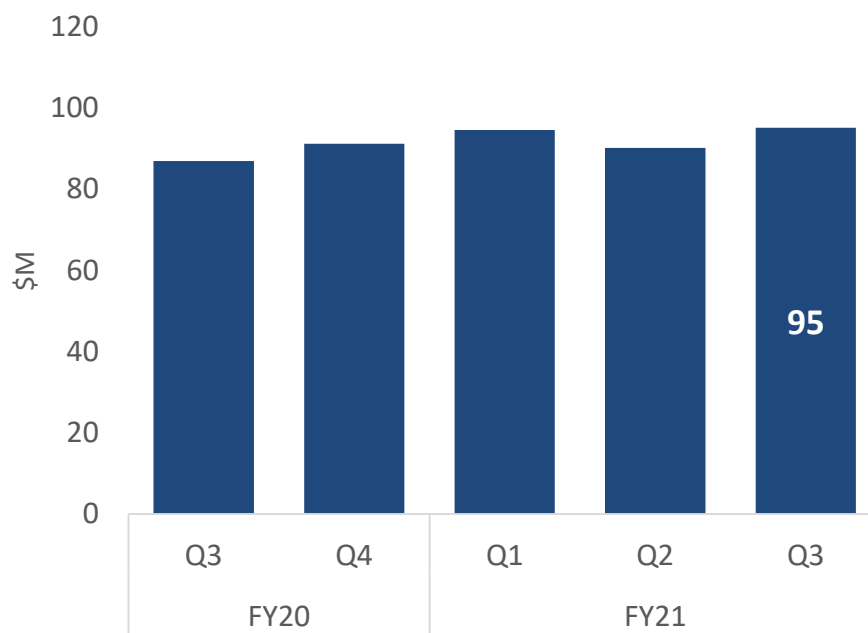


## Non-GAAP Gross Margin

- -260bp QoQ, -390bp YoY
- Discrete cost recovery event in Q2
- Higher transportation and additional costs



# NON-GAAP OPERATING EXPENSES

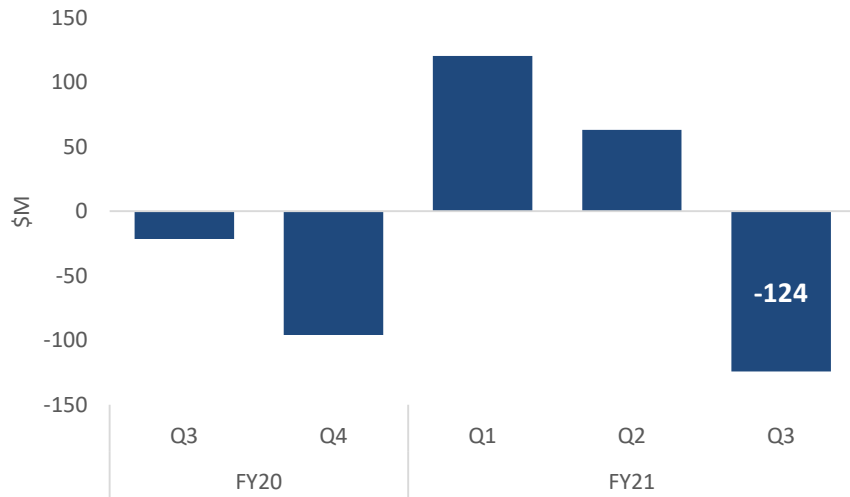


## Non-GAAP Operating Expenses

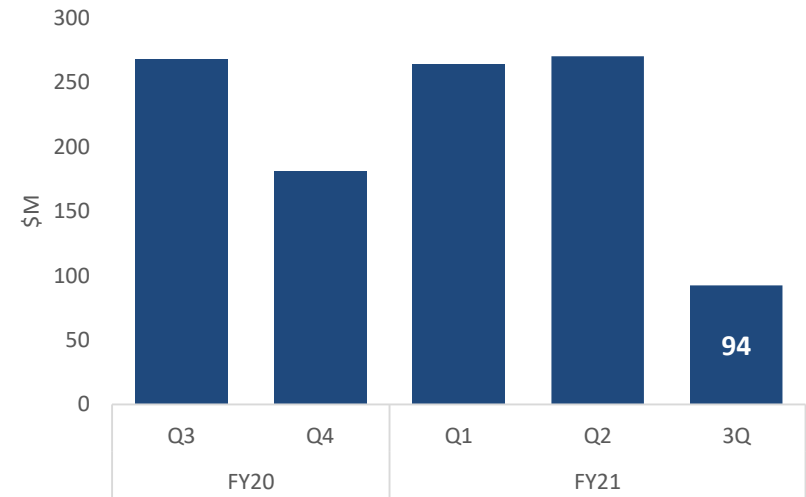
- +6% QoQ, +9% YoY
- QoQ increase driven by higher payroll taxes and R&D product development costs

# CASH FLOW AND NET CASH

## Cash Flow From Operations



## Net Cash



- **Cash Flow from Operations -**\$124M
- **Free Cash Flow -**\$144M
- **Net Cash and Cash Equivalents\*** \$94M
- **Share repurchases** \$43M

\*Includes \$1 million restricted cash.

## Q4 2021 OUTLOOK



### REVENUE

**\$980M to \$1.08B**



### NON-GAAP EPS

**70c to 90c**

**(GAAP: 56c to 77c)**

# APPENDIX

## Q3 2021 HIGHLIGHTS

	<u>Q3</u>	<u>QoQ</u>	<u>YoY</u>
<b>Revenue</b>	\$896M	+8%	+16%
<b>Gross Margin (non-GAAP)</b>	13.8%	-260bp	-390bp
<b>Earnings Per Share (non-GAAP)</b>	50c	-13c	-34c
<b>Cash Flow from Operations</b>	-\$124M	-\$188M	-\$103M
<b>Mix:</b>			
<b>Systems</b>	\$693M (77%)	+8%	+21%
<b>Subsystems &amp; Accessories</b>	\$203M (23%)	+8%	+1%

# GAAP TO NON-GAAP RECONCILIATION (1 OF 2)

in Thousands (except per share amounts)	FY20		FY21		
	Q3'20 Mar-20	Q4'20 Jun-20	Q1'21 Sep-20	Q2'21 Dec-20	Q3'21 Mar-21
<b>Consolidated Statement of Operations</b>					
Net Sales	\$ 772,408	\$ 896,126	\$762,250	\$830,306	\$895,881
GAAP GROSS PROFIT	\$ 133,360	\$123,517	\$129,915	\$136,095	\$123,017
Stock-based compensation	370	355	503	407	402
Special performance bonuses	2,871	1,201	-	-	-
Other expenses	-	39	20	-	-
NON-GAAP GROSS PROFIT	\$ 136,601	\$125,112	\$130,438	\$136,502	\$123,419
GAAP GROSS MARGIN	17.3%	13.8%	17.0%	16.4%	13.7%
Stock-based compensation	0.0%	0.0%	0.1%	0.0%	0.1%
Special performance bonuses	0.4%	0.2%	0.0%	0.0%	0.0%
Other expenses	-	0.0%	0.0%	0.0%	0.0%
NON-GAAP GROSS MARGIN	17.7%	14.0%	17.1%	16.4%	13.8%
<b>OPERATING EXPENSE</b>					
GAAP R&D	\$ 49,586	\$ 66,748	\$ 54,798	\$ 52,729	\$ 57,912
Stock-based compensation	(3,043)	(2,903)	(3,702)	(3,339)	(3,328)
Special performance bonuses	(5,345)	(11,968)	-	-	-
Other expenses	-	(217)	(161)	-	-
NON-GAAP R&D	\$ 41,198	\$ 51,660	\$ 50,935	\$ 49,390	\$ 54,584
GAAP S&M	\$ 21,886	\$ 21,080	\$ 20,292	\$ 20,740	\$ 21,826
Stock-based compensation	(417)	(405)	(517)	(497)	(503)
Special performance bonuses	(990)	(829)	-	-	-
Other expenses	-	(88)	(31)	-	-
NON-GAAP S&M	\$ 20,479	\$ 19,758	\$ 19,744	\$ 20,243	\$ 21,323
GAAP G&A	\$ 46,342	\$ 26,261	\$ 24,379	\$ 25,261	\$ 26,224
Stock-based compensation	(975)	(1,703)	(2,448)	(2,210)	(3,261)
Legal settlement costs	(17,500)	-	-	-	-
Executive SEC settlement	-	-	2,122	-	-
Special performance bonuses	(1,123)	(3,427)	(90)	(2,531)	(2,508)
Other expenses	-	(333)	(29)	-	-
Controls remediation	(1,440)	(1,004)	-	-	(1,239)
NON-GAAP G&A	\$ 25,304	\$ 19,794	\$ 23,934	\$ 20,520	\$ 19,216
GAAP OPERATING EXPENSE	\$ 117,814	\$114,089	\$ 99,469	\$ 98,730	\$105,962
Stock-based compensation	(4,435)	(5,011)	(6,667)	(6,046)	(7,092)
Legal settlement costs	(17,500)	-	-	-	-
Executive SEC settlement	-	-	2,122	-	-
Special performance bonuses	(7,458)	(16,224)	(90)	(2,531)	(2,508)
Other expenses	-	(638)	(221)	-	-
Controls remediation	(1,440)	(1,004)	-	-	(1,239)
NON-GAAP OPERATING EXPENSE	\$ 86,981	\$ 91,212	\$ 94,613	\$ 90,153	\$ 95,123

# GAAP TO NON-GAAP RECONCILIATION (2 OF 2)

In Thousands (except per share amounts)	FY20		FY21		
	Q3'20 Mar-20	Q4'20 Jun-20	Q1'21 Sep-20	Q2'21 Dec-20	Q3'21 Mar-21
<b>Consolidated Statement of Operations</b>					
Net Sales	\$ 772,408	\$896,126	\$762,250	\$830,306	\$895,881
GAAP INCOME FROM OPERATIONS	\$ 15,546	\$ 9,428	\$ 30,446	\$ 37,365	\$ 17,055
Stock-based compensation	4,805	5,366	7,170	6,453	7,494
Legal settlement costs	17,500	-	-	-	-
Executive SEC settlement	-	-	(2,122)	-	-
Special performance bonuses	10,329	17,425	90	2,531	2,508
Other expenses	-	677	241	-	-
Controls remediation	1,440	1,004	-	-	1,239
NON-GAAP INCOME FROM OPERATIONS	\$ 49,620	\$ 33,900	\$ 35,825	\$ 46,349	\$ 28,296
GAAP TAX EXPENSE	\$ (899)	\$ (6,860)	\$ 3,660	\$ 5,108	\$ (227)
Adjustment to tax provision	3,812	5,101	1,183	1,977	2,473
NON-GAAP Tax Expense	\$ 2,913	\$ (1,759)	\$ 4,843	\$ 7,085	\$ 2,246
GAAP NET INCOME	\$ 15,807	\$ 18,450	\$ 26,601	\$ 27,674	\$ 18,428
Stock-based compensation	4,805	5,366	7,170	6,453	7,494
Legal settlement costs	17,500	-	-	-	-
Executive SEC settlement	-	-	(2,122)	-	-
Special performance bonuses	10,329	17,425	90	2,531	2,508
Other expenses	-	677	241	-	-
Controls remediation	1,440	1,004	-	-	1,239
Adjustments to tax provision	(3,812)	(5,101)	(1,183)	(1,977)	(2,473)
NON-GAAP NET INCOME	\$ 46,069	\$ 37,821	\$ 30,797	\$ 34,681	\$ 27,196
GAAP NET INCOME PER COMMON SHARE – BASIC	\$ 0.31	\$ 0.35	\$ 0.51	\$ 0.54	\$ 0.36
Impact of Non-GAAP adjustments	0.58	0.37	0.08	0.13	0.18
NON-GAAP NET INCOME PER COMMON SHARE – BASIC	\$ 0.89	\$ 0.72	\$ 0.59	\$ 0.67	\$ 0.54
GAAP NET INCOME PER COMMON SHARE – DILUTED	\$ 0.29	\$ 0.34	\$ 0.49	\$ 0.52	\$ 0.35
Impact of Non-GAAP adjustments	0.55	0.34	0.06	0.11	0.15
NON-GAAP NET INCOME PER COMMON SHARE – DILUTED	\$ 0.84	\$ 0.68	\$ 0.55	\$ 0.63	\$ 0.50
WEIGHTED-AVERAGE SHARES USED IN COMPUTING NET INCOME PER COMMON SHARE					
BASIC – GAAP	51,526	52,240	52,329	51,499	50,553
BASIC - NON-GAAP	51,526	52,240	52,329	51,499	50,553
WEIGHTED-AVERAGE SHARES USED IN COMPUTING NET INCOME PER COMMON SHARE					
DILUTED – GAAP	53,693	54,218	54,426	53,584	53,218
DILUTED - NON-GAAP	55,050	55,595	55,883	55,133	54,525