

# FISCAL Q1 2022 RESULTS

November 2, 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 second quarter of fiscal year 2022 and full year fiscal 2022 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, 2021.

## **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 table 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 from gross margin to non-GAAP gross margin, from operating expenses to non-GAAP operating expenses, from diluted net income per common share to non-GAAP net income and diluted net income per common share, and various other non-GAAP financial measures are included in the tables at the back of this presentation.

# CEO TAKEAWAYS

## Record Revenue

- F1Q revenue: \$1.03B, +35% YoY and -3% QoQ
- Revenue growth was driven by large enterprise, cloud, AI, and Telco markets

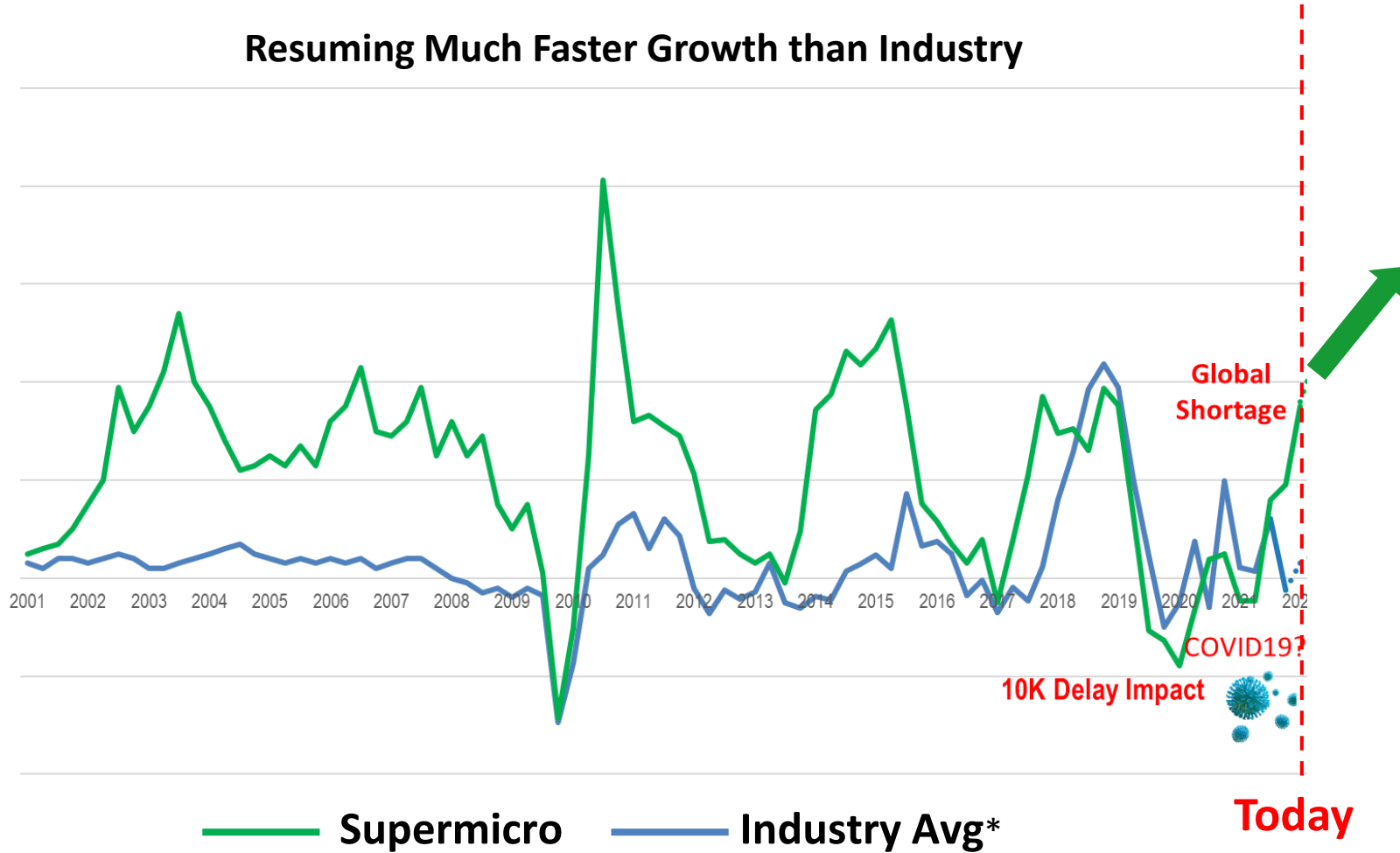
## Executing on our Strategy

- Transforming from a server hardware company into a total IT solutions company
- Taiwan expansion complete (near 3M sq ft) – doubles capacity and lowers cost
- B2B/B2C programs, auto-configurator tools are servicing many select customers now
- **F2Q revenue guidance range midpoint: \$1.15B, 39%+ YoY growth**
- **FY22 revenue guidance range midpoint: \$4.4B (up from \$4.3B), 24%+ YoY growth (up from 21%)**



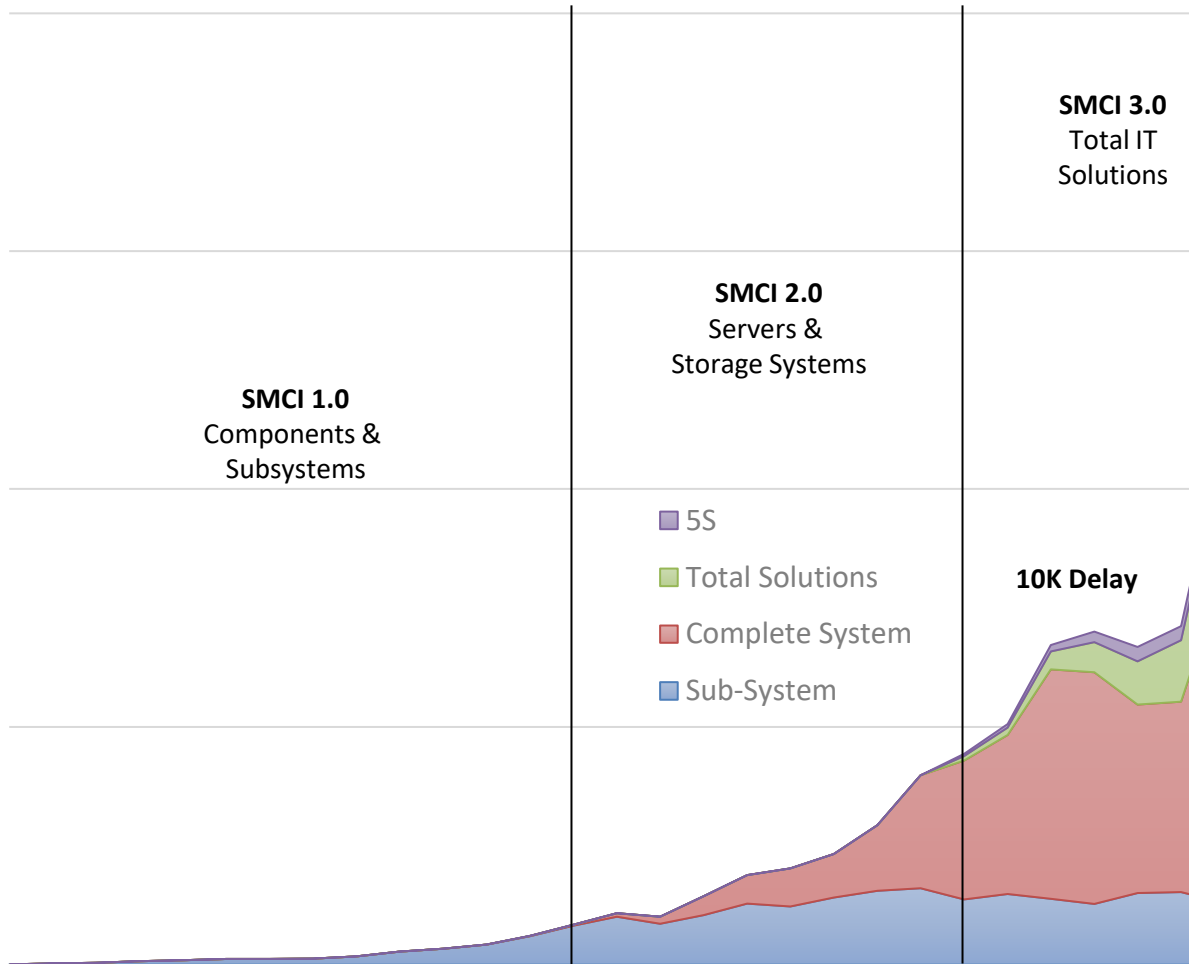
# SMCI vs INDUSTRY GROWTH

Resuming Much Faster Growth than Industry



\*Industry Avg based on Gartner & IDC estimates

# TRANSFORMING TO TOTAL IT SOLUTION



- 5S: Software, Services, Switch and more
- Total Solution Enterprise, OEM Appliance / Cloud
- Complete Systems
- Sub-systems and Components

**Today**

# CAMPUS EXPANSIONS



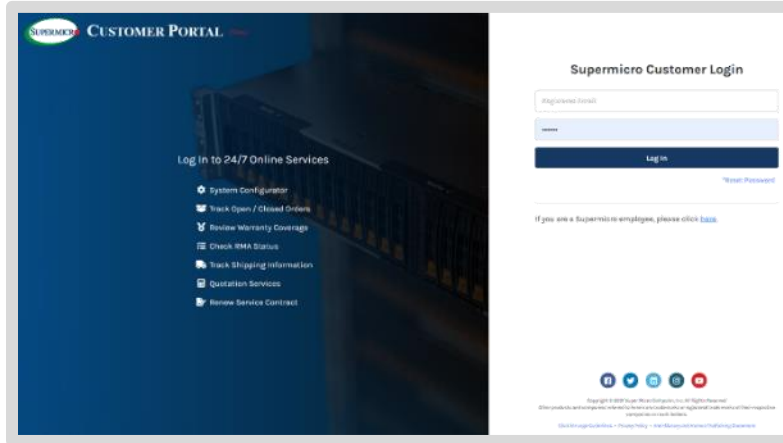
- Taiwan Building 62 complete and 500+ employees moved in – 2X-3X our APAC capacity in FY22



- US Building 23 complete with move-in plan in process (Command Center, B2B/C, and Cloud)



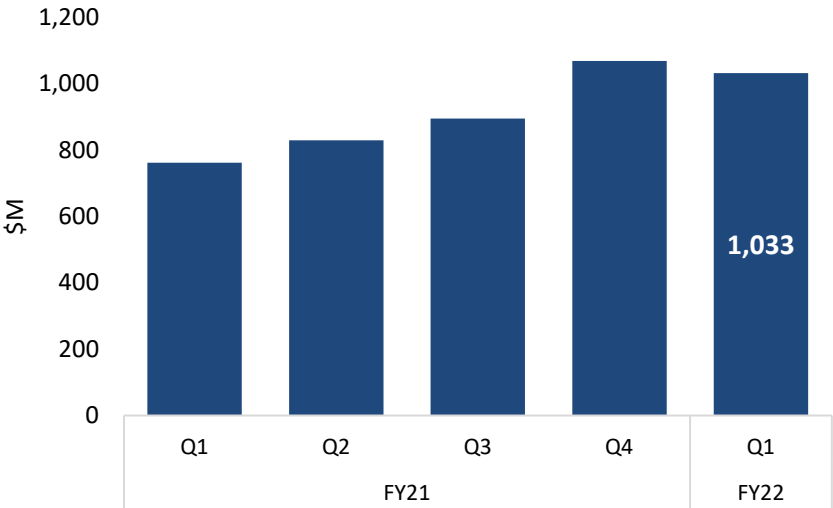
# BUSINESS AUTOMATION PROGRAM



- ❖ **Auto-configurator** servicing select customers
- ❖ Enhance business and operational efficiency
- ❖ Improve customer interaction and satisfaction
- ❖ **Command Center** to streamline service

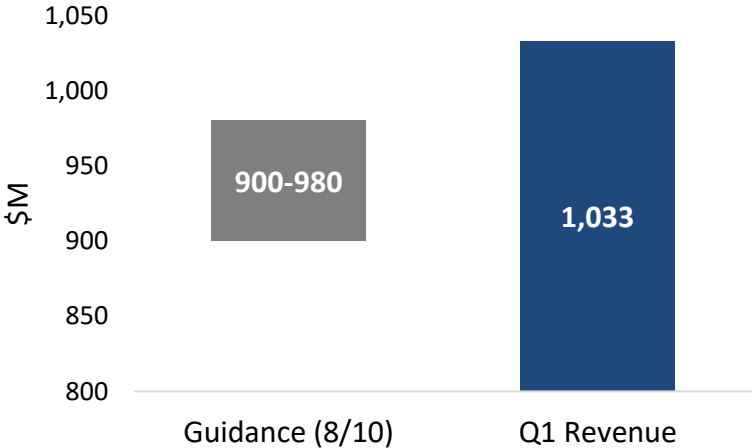


# REVENUE

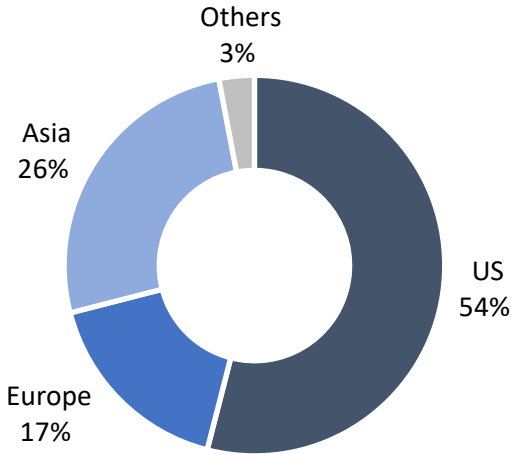


### Revenue Above the Midpoint of Guidance Range

- +35% YoY, -3% QoQ
- Strong performance from new and existing large multinational customers

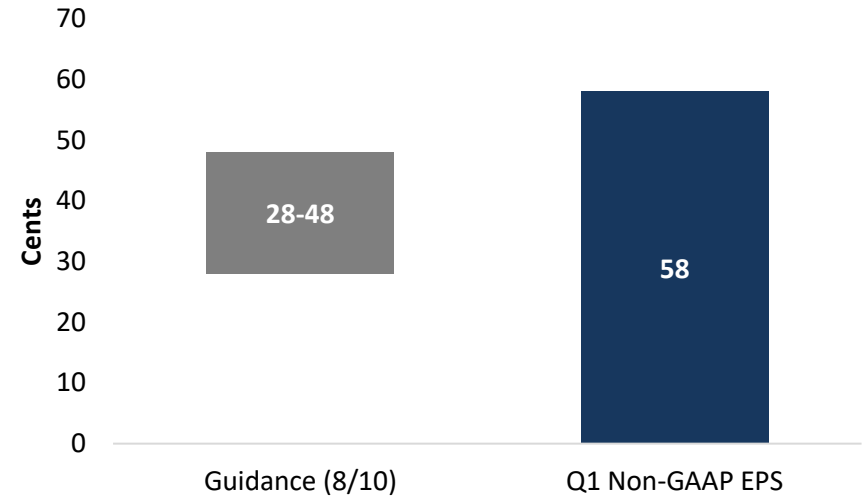
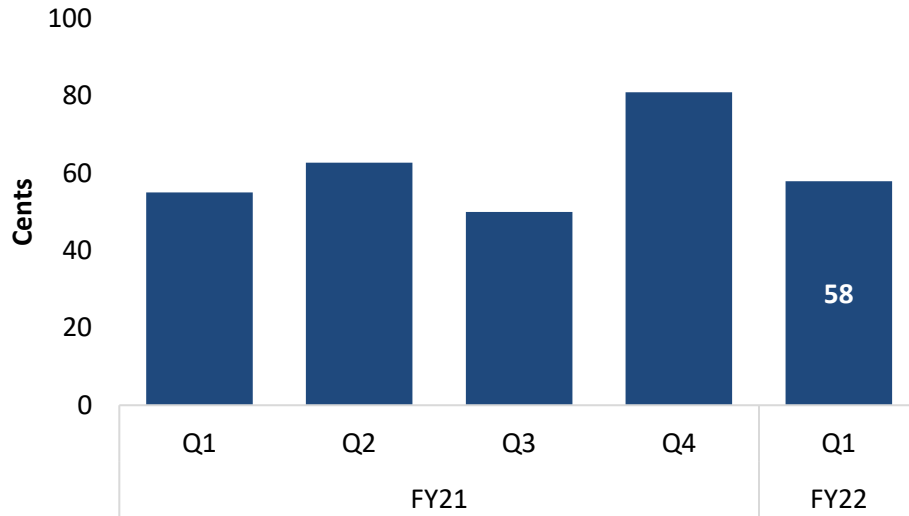


### Geographic Mix





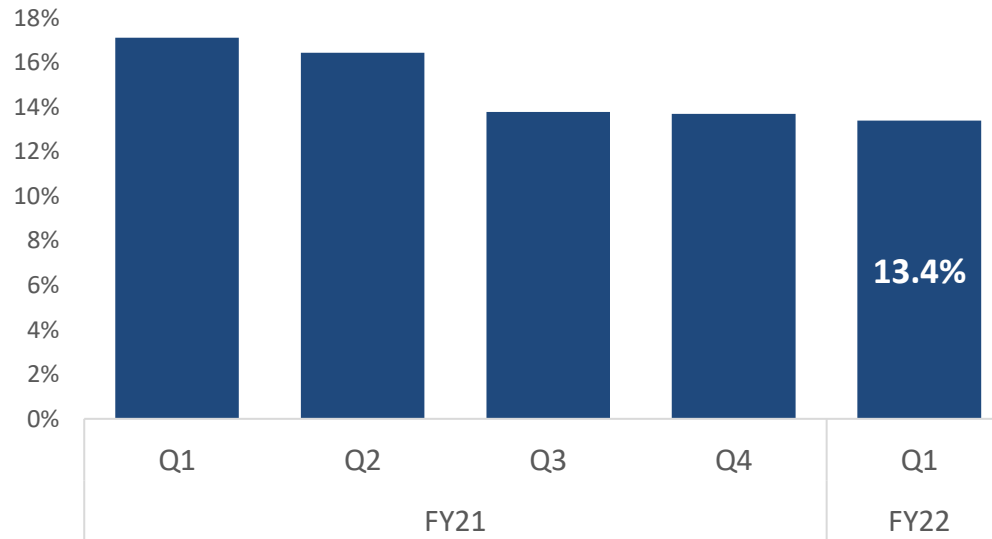
# NON-GAAP EPS



## Non-GAAP EPS above guidance range

- Higher revenues and lower operating expenses, offset by lower gross margins

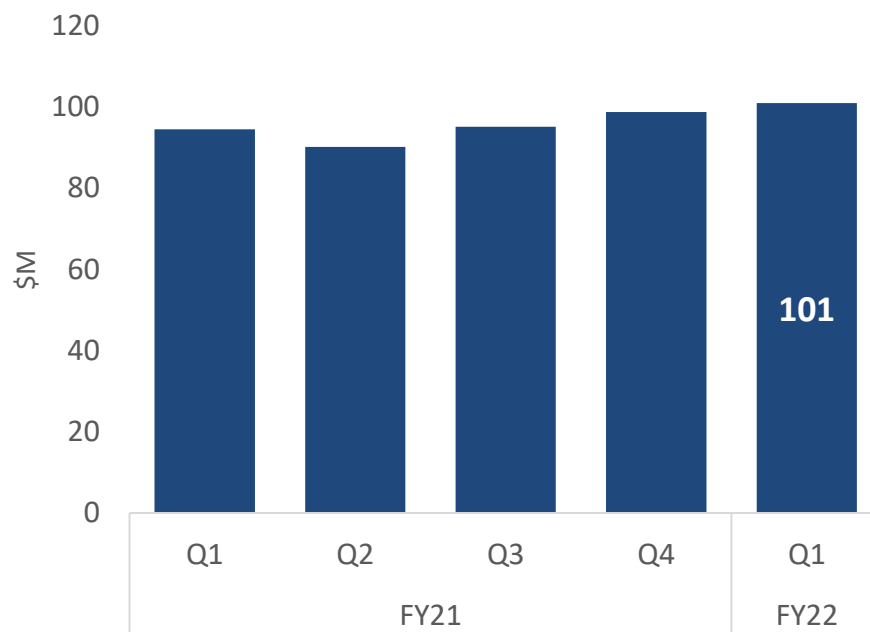
# NON-GAAP GROSS MARGIN



## Non-GAAP Gross Margin

- -30bps QoQ, -370bps YoY
- Higher freight and supply chain costs

# NON-GAAP OPERATING EXPENSES

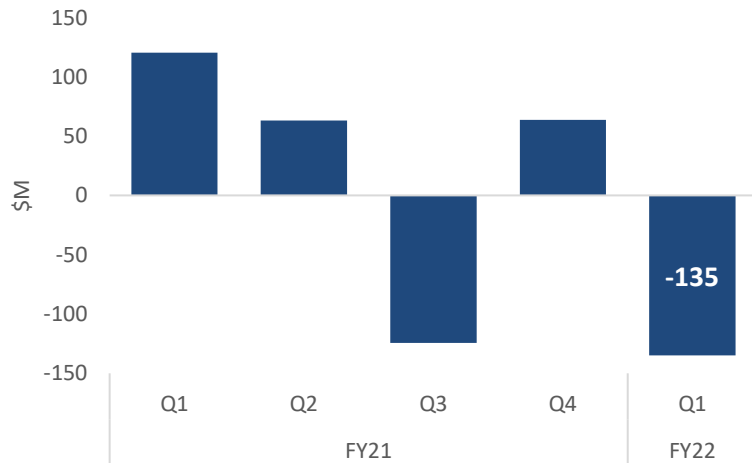


## Non-GAAP Operating Expenses

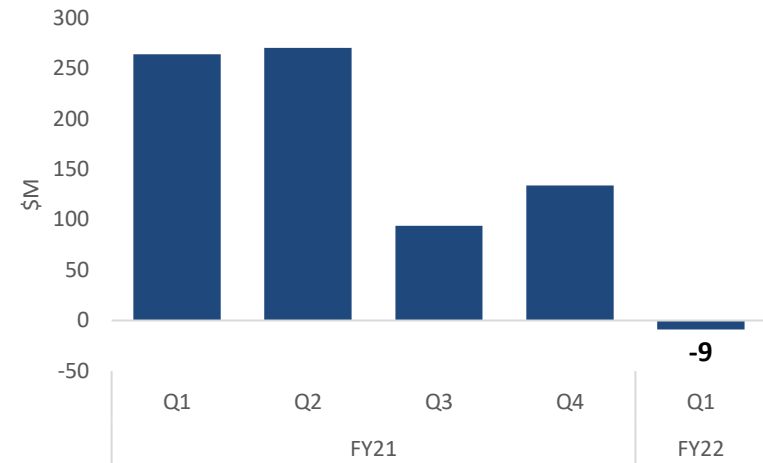
- 2% QoQ, 7% YoY
- QoQ and YoY increase driven by higher personnel expenses due to increased headcount, especially in Asia

# CASH FLOW AND NET CASH

## Cash Flow From Operations



## Net Cash



- Cash Flow from Operations -\$135M
- Free Cash Flow -\$147M
- Net Cash and Cash Equivalents -\$9M
- No Share Repurchases

## Q2 2022 OUTLOOK



### REVENUE

**\$1.1B to \$1.2B**



### NON-GAAP EPS

**70c to 90c**

**(GAAP: 60c to 80c)**

# FY 2022 OUTLOOK



**REVENUE**  
**\$4.2B to \$4.6B**



**NON-GAAP EPS**  
**at least \$3.20**  
**(GAAP: at least \$2.77)**

# APPENDIX

# Q1 2022 HIGHLIGHTS

	<u>Q1</u>	<u>QoQ</u>	<u>YoY</u>
<b>Revenue</b>	\$1,033M	-3%	+35%
<b>Gross Margin (non-GAAP)</b>	13.4%	-30bps	-370bps
<b>Earnings Per Share (non-GAAP)</b>	58c	-23c	+3c
<b>Cash Flow from Operations</b>	-\$135M	-\$198M	-\$255M
<b>Mix:</b>			
<b>Systems</b>	\$850M (82%)	+2%	+38%
<b>Subsystems &amp; Accessories</b>	\$183M (18%)	-21%	+27%



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

In Thousands (except per share amounts)	FY2021				FY2022
	Q1'21 Sep-20	Q2'21 Dec-20	Q3'21 Mar-21	Q4'21 Jun-21	Q1'22 Sep-21
<b>Consolidated Statement of Operations</b>					
Net Sales	\$ 762,250	\$ 830,306	\$ 895,881	\$ 1,068,985	\$ 1,032,730
GAAP GROSS PROFIT	\$ 129,915	\$ 136,095	\$ 123,017	\$ 145,511	\$ 138,139
Stock-based compensation	503	407	402	450	447
Special performance bonuses	-	-	-	-	295
Other expenses	20	-	-	-	-
NON-GAAP GROSS PROFIT	\$ 130,438	\$ 136,502	\$ 123,419	\$ 145,961	\$ 138,881
GAAP GROSS MARGIN	17.0%	16.4%	13.7%	13.6%	13.4%
Stock-based compensation	0.1%	0.0%	0.1%	0.1%	0.0%
Special performance bonuses	0.0%	0.0%	0.0%	0.0%	0.0%
Other expenses	0.0%	0.0%	0.0%	0.0%	0.0%
NON-GAAP GROSS MARGIN	17.1%	16.4%	13.8%	13.7%	13.4%
OPERATING EXPENSE					
GAAP R&D	\$ 54,798	\$ 52,729	\$ 57,912	\$ 58,930	\$ 65,143
Stock-based compensation	(3,702)	(3,339)	(3,328)	(3,660)	(3,880)
Special performance bonuses	-	-	-	-	(1,181)
Other expenses	(161)	-	-	-	-
NON-GAAP R&D	\$ 50,935	\$ 49,390	\$ 54,584	\$ 55,270	\$ 60,082
GAAP S&M	\$ 20,292	\$ 20,740	\$ 21,826	\$ 22,825	\$ 21,624
Stock-based compensation	(517)	(497)	(503)	(506)	(516)
Special performance bonuses	-	-	-	-	(113)
Other expenses	(31)	-	-	-	-
NON-GAAP S&M	\$ 19,744	\$ 20,243	\$ 21,323	\$ 22,319	\$ 20,995
GAAP G&A	\$ 24,379	\$ 25,261	\$ 26,224	\$ 24,675	\$ 22,244
Stock-based compensation	(2,448)	(2,210)	(3,261)	(2,816)	(2,172)
Executive SEC settlement	2,122	-	-	-	-
Special performance bonuses	(90)	(2,531)	(2,508)	(672)	1,136
Other expenses	(29)	-	-	-	-
Controls remediation and litigation expenses	-	-	(1,239)	163	(1,326)
NON-GAAP G&A	\$ 23,934	\$ 20,520	\$ 19,216	\$ 21,350	\$ 19,882
GAAP OPERATING EXPENSE	\$ 99,469	\$ 98,730	\$ 105,962	\$ 106,430	\$ 109,011
Stock-based compensation	(6,667)	(6,046)	(7,092)	(6,982)	(6,568)
Executive SEC settlement	2,122	-	-	-	-
Special performance bonuses	(90)	(2,531)	(2,508)	(672)	(158)
Other expenses	(221)	-	-	-	-
Controls remediation and litigation expenses	-	-	(1,239)	163	(1,326)
NON-GAAP OPERATING EXPENSE	\$ 94,613	\$ 90,153	\$ 95,123	\$ 98,939	\$ 100,959

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

In Thousands (except per share amounts)	FY2021				FY2022
	Q1'21 Sep-20	Q2'21 Dec-20	Q3'21 Mar-21	Q4'21 Jun-21	Q1'22 Sep-21
GAAP INCOME FROM OPERATIONS	\$ 30,446	\$ 37,365	\$ 17,055	\$ 39,081	\$ 29,128
Stock-based compensation	7,170	6,453	7,494	7,432	7,015
Executive SEC settlement	(2,122)	-	-	-	-
Special performance bonuses	90	2,531	2,508	672	453
Other expenses	241	-	-	-	-
Controls remediation and litigation expenses	-	-	1,239	(163)	1,326
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 35,825</u>	<u>\$ 46,349</u>	<u>\$ 28,296</u>	<u>\$ 47,022</u>	<u>\$ 37,922</u>
GAAP TAX EXPENSE	\$ 3,660	\$ 5,108	\$ (227)	\$ (1,605)	\$ 3,325
Adjustment to tax provision	1,183	1,977	2,473	3,373	2,830
NON-GAAP TAX EXPENSE	<u>\$ 4,843</u>	<u>\$ 7,085</u>	<u>\$ 2,246</u>	<u>\$ 1,768</u>	<u>\$ 6,155</u>
GAAP NET INCOME	\$ 26,601	\$ 27,674	\$ 18,428	\$ 39,162	\$ 25,437
Stock-based compensation	7,170	6,453	7,494	7,432	7,015
Executive SEC settlement	(2,122)	-	-	-	-
Special performance bonuses	90	2,531	2,508	672	453
Other expenses	241	-	-	-	-
Controls remediation and litigation expenses	-	-	1,239	(163)	1,326
Adjustments to tax provision	(1,183)	(1,977)	(2,473)	(3,373)	(2,830)
NON-GAAP NET INCOME	<u>\$ 30,797</u>	<u>\$ 34,681</u>	<u>\$ 27,196</u>	<u>\$ 43,730</u>	<u>\$ 31,401</u>
GAAP NET INCOME PER COMMON SHARE – BASIC	\$ 0.51	\$ 0.54	\$ 0.36	\$ 0.78	\$ 0.50
Impact of Non-GAAP adjustments	0.08	0.13	0.18	0.09	0.12
NON-GAAP NET INCOME PER COMMON SHARE – BASIC	<u>\$ 0.59</u>	<u>\$ 0.67</u>	<u>\$ 0.54</u>	<u>\$ 0.87</u>	<u>\$ 0.62</u>
GAAP NET INCOME PER COMMON SHARE – DILUTED	\$ 0.49	\$ 0.52	\$ 0.35	\$ 0.74	\$ 0.48
Impact of Non-GAAP adjustments	0.06	0.11	0.15	0.07	0.10
NON-GAAP NET INCOME PER COMMON SHARE – DILUTED	<u>\$ 0.55</u>	<u>\$ 0.63</u>	<u>\$ 0.50</u>	<u>\$ 0.81</u>	<u>\$ 0.58</u>
WEIGHTED-AVERAGE SHARES USED IN COMPUTING NET INCOME PER COMMON SHARE BASIC – GAAP	52,329	51,499	50,553	50,230	50,796
BASIC - NON-GAAP	<u>52,329</u>	<u>51,499</u>	<u>50,553</u>	<u>50,230</u>	<u>50,796</u>
WEIGHTED-AVERAGE SHARES USED IN COMPUTING NET INCOME PER COMMON SHARE DILUTED – GAAP	54,426	53,584	53,218	52,782	52,916
DILUTED - NON-GAAP	<u>55,883</u>	<u>55,133</u>	<u>54,525</u>	<u>54,082</u>	<u>54,363</u>