



Michael Staiger, Vice President Corporate Development

Good afternoon and thank you for attending Supermicro's First Quarter Fiscal 2025 Business Update Conference Call for the first quarter, which ended September 30th, 2024.

With me today are Charles Liang, Founder, Chairman and Chief Executive Officer, and David Weigand, Chief Financial Officer. At the end of today's prepared remarks, we will have a Q&A session for sell-side analysts. I will make additional remarks prior to beginning Q&A, but the Company will not address any questions regarding the recent decision of our independent auditor to resign and the delay in the filing of the Company's 10-K.

During today's conference call, Supermicro will address business and market trends from the first quarter of fiscal 2025, including our financial outlook and operations, our strategy, technology and its advantages, our current and new product offerings, and competitive industry and economic trends

We will discuss estimated financial results, but reference to any financial results are preliminary and subject to change based on finalized results contained in future filings with the SEC.

By now, you should have received a copy of today's news release that was issued after close of market and is posted on our website, where this call is being simultaneously webcast

Any forward-looking statements that we make are based on facts and assumptions as of today, and we undertake no obligation to update them.



Our actual results may differ materially from the results forecasted, and reported results should not be considered as an indication of future performance.

A discussion of some of the risks and uncertainties relating to our business is contained in our filings with the SEC, and we refer you to those public filings, including our most recent annual report on Form 10K. During this call, all financial metrics and associated growth rates are non-GAAP measures other than revenue, and cash and investments.

This call is being broadcast live on the Supermicro Investor Relations website and is being recorded for playback purposes. An archive of the webcast will be available on the IR website and is the property of Supermicro.

Our second quarter fiscal 2025 quiet period begins at the close of business, Friday, December 13th, 2024.

With that, I will turn it over to Charles.

Charles Liang, Founder, President & Chief Executive Officer

Before we dive into the first quarter details, I'd like to share some thoughts on the recent challenges that the company has experienced.

As we have emphasized in our filings since these challenges emerged, we remain confident in our previous financial reports. And as previously announced, we are actively in the process of engaging a new auditor. We are working with urgency to become current again with our financial reporting.

I am pleased to report that the Special Committee has today provided the following statement to Super Micro, which is also included in our press release: "I Quote"
"The Special Committee has completed its investigation based on a set of initial concerns raised by EY. Following a three-month investigation led by Independent Counsel, the Committee's investigation to date has found that the Audit Committee has



acted independently and that there is no evidence of fraud or misconduct on the part of management or the Board of Directors. The Committee is recommending a series of remedial measures for the Company to strengthen its internal governance and oversight functions, and the Committee expects to deliver the full report on the completed work this week or next. The Special Committee has other work that is ongoing but expects it to be completed soon." End of Quote

The Special Committee has not otherwise provided any additional details or information. We look forward to receiving the committee's full report in the near future.

We do not believe the current challenges affect Supermicro's ability to serve our customers and partners as we continue to grow rapidly and strongly with the AI revolution, and my confidence in Supermicro and its staff remains stronger than ever.

Here are some key quarterly highlights:

- The preliminary fiscal Q1 net revenue was in the range of \$5.9 to \$6.0 billion, at mid-point this is up 181% year-on-year, driven by strong AI demand from our old and new customers. It was one of our strongest first quarters in history, despite many customers are waiting for the coming soon new generation GPU chips.
- The preliminary fiscal Q1 non-GAAP earnings in the range of \$0.75 to \$0.76 per share vs \$0.34 last year, approximately a 122% year-on-year growth rate.
- The preliminary non-GAAP gross margin is approximately 13.3% and non-GAAP operating margin is approximately 9.9%. Both were higher than the previous quarter as customer mix improved, and supply chain costs and expedited shipment eased for DLC components.
- We have deployed the world's largest DLC AI supercluster with 100,000 NVIDIA GPUs in a record Time-To-Deployment (TTD) as well as Time-To-Online (TTO).

This milestone achievement reflects our engineering expertise and complex logistics capabilities for large scale AI infrastructure deployment. Leveraging our Datacenter Building Block Solutions (DCBBS), we are now building full-scale liquid-cooled datacenters with our rack-scale plug-and-play solutions featuring our latest DLC



technology at a leading pace. DCBBS can reduce the time required for customers to build new datacenters from roughly 2 years to a few quarters, significantly improving datacenter TTD, TTO and cost for customers' AI IT infrastructure.

DCBBS is also helping to accelerate the adoption of DLC, driving efficiency and performance while reducing customers' OPEX, achieving greener computing. We expect 15-30% of new datacenters will adopt liquid-cooled infrastructure in the next twelve months (the DLC volume is at least 10X more than last year) due to the DLC product maturity and the rapid growth of AI.

To keep the DLC solutions performing at their best, our new Super Cloud Composer (SCC) is capable of end-to-end management from chip level all the way to rack-level and datacenter cooling towers, making it the most powerful DLC datacenter management software on the market today. SCC further simplifies provisioning of a highly automated, software-defined infrastructure, supporting customers with rapidly changing workload requirements. With the addition of SCC, Supermicro is well prepared to service many more customers and grow DLC datacenter market share.

On the production front, we are in the process of completing our new Malaysia campus, where we expect to begin manufacturing later this quarter. Additionally, we have been nonstop expanding our facilities in Silicon Valley to increase DLC rack-scale production capacity. Now they are boasting 15 Megawatts of power and able to produce more than 1,500 DLC GPU racks per month, with plans to scale up further. Our Taiwan and Europe production facilities also are growing at a quick pace. Moreover, we are planning to expand to several other global manufacturing locations in the near future. By leveraging our strengths in technology innovation, product design, build quality, supply chain management, deployment and datacenter services, we are pursuing our goal to transform Supermicro into a leading USA as well as worldwide AI IT infrastructure company.



We are off to a strong start in fiscal 2025! Our Total IT solutions deployments are rapidly scaling, and our new product developments are progressing smoothly. Our NVIDIA GB200 NVL72 is ready, and the 10U air-cooled, and 4U liquid-cooled B200 rack PnP systems are fully production-ready. The brand new 200KW+ SuperRack architecture, co-developed with NVIDIA, which provides near 100% DLC (I mean almost no cooling fan required), is also on the right track. The new SuperRack architecture will be able to achieve Power Usage Effectiveness (PUE) close to 1.0! To complete our broadest AI portfolio, the AMD MI300 and MI325 platforms and Intel Gaudi 3 solutions are ready to go as well. Our DCBBS is attracting more new customers, and our long-term investment in DLC is paying off with world-class quality and volume capacity, giving us a sustainable competitive edge and economies of scale.

Before passing the call to David Weigand, our CFO, I want to thank our partners, customers, investors and Supermicro employees and express my appreciation for their patience and support until we can provide more information about our 10-K filing status. Our strong foundation, DCBBS solutions and DLC green computing leadership, not only reduce energy cost for our customers but also contribute to a healthier Mother Earth, I believe we are well positioned for strong future growth.

David Weigand, Senior Vice President & Chief Financial Officer

Thank you, Charles.

We remind investors that the unaudited interim financial information in this report is preliminary.

We expect unaudited Q1FY25 revenues in the range of \$5.9 billion to \$6 billion, up 181% year-over-year and up 12% quarter-over-quarter versus our guidance of \$6 billion to \$7 billion. Growth was driven by strong demand for direct liquid-cooled (DLC) rack-scale AI GPU platforms. AI contributed over 70% of revenues across enterprise and cloud service provider markets.



The expected Q1 non-GAAP gross margin is approximately 13.3% versus 11.3% last quarter due to product and customer mix and lower costs coupled with higher manufacturing efficiencies on DLC AI GPU clusters.

The Q1 non-GAAP operating margin is approximately 9.9% excluding \$67 million in stock-based compensation expenses versus 7.8% in Q4.

The Q1 estimate for Other Income and Expense is expected to be a net expense of approximately \$9 million, consisting of \$17 million in interest expense offset by \$8 million in interest and other income.

The Q1 tax rate is approximately 14% for GAAP and 16% for non-GAAP.

The Q1 estimate for GAAP net income is \$433 to \$443 million and non-GAAP net income is \$483 to \$493 million. Non-GAAP net income excludes \$50 million in stock-based compensation expenses, net of the related tax effects of \$17 million.

The split-adjusted Q1 GAAP diluted EPS range is approximately \$0.68 to \$0.70 versus prior guidance of \$0.60 to \$0.77. The Q1 non-GAAP diluted EPS range is approximately \$0.75 to \$0.76 versus guidance of \$0.67 to \$0.83.

We expect a Q1 GAAP diluted share count of 639 million and a non-GAAP diluted share count of 648 million.

Operating cash flow is approximately \$407 million, an improvement of \$1 billion quarter over quarter. Q1 closing inventory was approximately \$5 billion. Capex for Q1 was \$42 million. Positive free cash flow was \$365 million for the quarter.

The Q1 closing balance sheet cash position was \$2.1 billion and total debt was \$2.3 billion with bank debt of \$0.6 billion and convertible bond debt of \$1.7 billion, resulting in



an improved estimated Q1 net cash position of approximately negative \$0.2 billion versus a net cash position of negative \$0.5 billion last quarter.

Turning to the balance sheet and working capital metrics compared to last quarter, the Q1 cash conversion cycle was 97 days versus 94 days in Q4. Days of Inventory was 85 days compared to the prior quarter of 82 days. Days Sales Outstanding for Q1 was 41 days versus 37 days last quarter while Days Payables Outstanding was 29 days from 25 days last quarter.

For the second quarter of fiscal 2025, we expect net sales in the range of \$5.5 billion to \$6.1 billion. We expect GAAP and non-GAAP gross margin down 100bps sequentially due to customer and product mix. We expect GAAP and non-GAAP operating expenses up approximately \$34 million sequentially and GAAP and non-GAAP other income and expense to be a net expense of approximately \$7 million. We expect GAAP net income per diluted share of \$0.48 to \$0.58, and non-GAAP net income per diluted share of \$0.56 to \$0.65. The company's projections for GAAP and non-GAAP net income per diluted share assume a tax rate of 14.0% and 15.0% respectively, a diluted share count of 640 million shares for GAAP, and a diluted share count of 648 million shares for non-GAAP. The outlook for Q2 of fiscal year 2025 GAAP net income per diluted share includes approximately \$54 million in expected stock-based compensation expense and other expenses, net of related tax effects of \$14 million, which are excluded from non-GAAP net income per diluted share.

The final financial results reported for this period may differ from the results reported here, based on the review by the new independent registered public accounting firm to be appointed. We are working diligently to select a new independent registered public accounting firm and complete our FY24 audit.

Michael, we're now ready for Q&A.

