



Super Micro Computer, Inc. – Fourth Quarter Fiscal 2025 Earnings Call, August 5, 2025

Michael Staiger, Senior Vice President Corporate Development

Good afternoon and thank you for attending Supermicro's call to discuss financial results for the fourth quarter and full year fiscal 2025, which ended June 30, 2025.

With me today are Charles Liang, Founder, Chairman and Chief Executive Officer, and David Weigand, Chief Financial Officer.

By now, you should have received a copy of the press release from the Company that was distributed at the close of regular trading and is available on the Company's website.

As a reminder, during today's call, the Company will refer to a presentation that is available to participants in the Investor Relations section of the Company's website under the Events & Presentations tab. We have also published management's scripted commentary on our website.

Please note that some of the information you'll hear during our discussion today will consist of forward-looking statements, including without limitation those regarding revenue, gross margin, operating expenses, other income and expenses, taxes, capital allocation, and future business outlook, including guidance for the first quarter of fiscal year 2026 and the full fiscal year 2026. These statements and other comments are based on management's current expectations and assumptions and involve material risks and uncertainties that could cause actual results or events to materially differ from those anticipated and you should not place undue reliance on forward-looking statements.

You can learn more about these risks and uncertainties in the press release we issued earlier this afternoon, our most recent 10-K filing for fiscal 2024, and other SEC filings.

All of these documents are available on the Investor Relations page of Supermicro's website. We assume no obligation to update any forward-looking statements. Most of today's presentation will refer to non-GAAP financial results and business outlook. For an explanation of our non-GAAP financial measures, please refer to the accompanying presentation or to our press release published earlier today. The non-GAAP measures are presented as we believe that they provide investors with a means of evaluating and understanding how the Company's management evaluates the Company's operating performance. These non-GAAP measures



should not be considered in isolation from, as substitutes for, or superior to financial measures prepared in accordance with US GAAP.

In addition, a reconciliation of GAAP to non-GAAP results is contained in today's press release and in the supplemental information attached to today's presentation. At the end of today's prepared remarks, we will have a Q&A session for sell-side analysts to ask questions.

Our first quarter fiscal 2026 quiet period begins at the close of business, Friday, September 12th, 2025.

I will now turn the call over to Charles.

Charles Liang, Founder, President, & Chief Executive Officer

Thank you, Michael. I will be covering our performance for fiscal 2025 and providing insights into our strategic direction for fiscal 2026.

Our fiscal 2025 results represented 47% year on year revenue growth at \$22 billion. This growth reflects continued strong demand for our AI and green computing solutions, despite a 6-month cashflow impact from the delayed filing of our FY24 10-K and delayed revenue recognition from a major new large partner. Non-GAAP earnings per share were \$0.41, down year-over-year from \$0.54, primarily due to the tariff impact (although we have taken measures to reduce the impact, and we'll see their results soon).

Allow me to go a little deeper at the June revenue shortfall in what was otherwise a strong quarter. The shortfall stemmed from two key factors: capital constraints that limited our ability to rapidly scale production, and specification changes from a major new customer that delayed revenue recognition because of new added features. The capital constraints were no longer an issue after we filed the FY24 10-K, and the large customer orders are now slated for recognition in September and December quarters, following close collaboration to align with the customer's updated feature requirements. Despite these circumstances, we remain focused on our strategic priorities — optimizing our solutions and capturing market share. Notably, the number of large-scale PnP rack customers grew from two in FY24 to four in FY25, signaling strong



momentum and continued growth potential across our customer base. We're also on track to add a few more in FY26.

We continue our leadership in AI platforms and infrastructure with a comprehensive portfolio optimized for the latest GPU technologies, including NVIDIA's B300 and GB300 platforms, and AMD's MI350 and MI355X GPUs. Our X14 and H14 GPU systems deliver breakthrough performance, supporting large-scale AI training and inference workloads and Enterprise computing demands with exceptional efficiency. Notably, we were able to deliver our B200 systems with an industry-leading TTM to our customers. We're confident our B300 and GB300 solutions will deliver a similar, if not even better, time-to-market and time-to-online (TTM & TTO) advantage for customers — helping them accelerate their AI deployments faster than others.

To further simplify our customers' AI datacenter infrastructure deployment, and time-to-online, we officially introduced our Datacenter Building Block Solutions (DCBBS) to the market last quarter. With our DCBBS, customers can harness our proven system-building block advantages to adapt quickly to evolving market demands, especially in response to increasingly compressed AI product cycles. Our modular architecture enables faster customization, streamlined production, and reduced TTD and TTO, while also optimizing quality, efficiency, and ease of maintenance. In most cases, customers who use our DCBBS can finish building a liquid-cooled AI datacenter in just 18 months instead of 2 to 3 years. When converting an existing datacenter or a warehouse, to a high-density direct liquid cooled (DLC) datacenter, customers can complete the transformation in only 3 to 6 months instead of 12 or even 18 months.

We've just begun deploying rack-scale total solutions with our DCBBS to a few key customers. Key components of DCBBS include DLC Solutions, the L2A sidecar (I mean liquid to air cooling), CDU, chilled door, power shelf, battery backup (BBU), water or dry tower solutions, and more are coming. Our advanced second-generation Direct Liquid Cooling (DLC2) systems reduce power and water consumption by up to 40%, while operating at near-library quiet levels—around 50 decibels. This enables superior performance with reduced total cost of ownership (TCO) and total cost to the environment (TCE) for modern data centers. Several DCBBS components are now shipping or entering production, supporting growing demand for high-performance, energy-efficient datacenter infrastructure.



Equally important, DCBBS meets the growing demand for a comprehensive one stop shop solution, including software-defined infrastructure, system management, AI workload optimization, networking, deployment, and all different levels of services. It allows cloud service providers to reduce both CAPEX and OPEX. Indeed, it delivers also great value to both AI-focused and traditional IT datacenters. By seamlessly integrating DCBBS capabilities with our system and rack solutions, we're not only enhancing customer value but also improving our profit margins. This shift toward higher-margin revenue streams is central to our long-term strategy.

We're also starting to strategically focus on the enterprise, IoT, and telco markets—an initiative we believe will improve both gross and net margins over time. In the last two quarters, we made significant investments to optimize our solutions for enterprise customers, introducing advanced server and storage systems tailored for hybrid cloud, AI, and edge computing workloads. This enterprise focused strategy will continue for many years to come. Supermicro has also launched an enhanced enterprise service program, delivering comprehensive 24/7 global support for high-density, performance-driven datacenter deployments based on optimized rack-scale architecture. Our IoT portfolio, including embedded systems and edge servers, is gaining momentum across industries like manufacturing, healthcare, telco, smart cities and AI edge applications. Additionally, we've announced strategic partnerships to accelerate innovation in AI-at-the-edge and telecom solutions. By expanding into these higher-margin segments, we're diversifying our revenue streams and driving long-term, sustainable profitability that will benefit our shareholders.

Our global footprint allows us to efficiently deploy optimized solutions worldwide with minimal tariff impact especially after September quarter. With large and versatile manufacturing campuses across the US, Taiwan, Malaysia, and the Netherlands, we can deliver comprehensive system, rack, and datacenter-level building blocks and total solutions to our customers directly and quickly. This robust global presence enables us to respond to dynamic regional demands, support cost-sensitive customers seeking greater value, mitigate tariff exposure, and maintain a resilient global supply chain that's both agile and responsive.

Looking ahead to Q1 FY26, I anticipate revenue between \$6B and \$7B, driven by continued momentum across our AI rack PnP, DCBBS, software, and services businesses, which are delivering exceptional customer value and strengthening our profitability. I am especially excited



about our DCBBS. For the full fiscal year 2026, I expect at least \$33B in total revenue, supported by our expanding large and enterprise customer base, upcoming product innovations, and robust DCBBS total solutions.

In closing, I want to thank our employees for their dedication, our customers for their trust, and our investors for their continued support. We are excited about the opportunities ahead and look forward to updating you on our progress in the next quarter.

David, please.

David Weigand, Senior Vice President & Chief Financial Officer

Thank you, Charles.

Q4 FY25 revenues were \$5.8 billion, up 8% year-over-year and up 25% quarter-over-quarter, compared to our guidance of \$5.6 to \$6.4 billion. Growth was led by demand for next-generation air-cooled and direct liquid-cooled (DLC) AI GPU platforms, which represented over 70% of Q4 revenues across both enterprise and cloud service provider markets. For the full year FY25, we reported revenues of \$22 billion, representing 47% growth over FY24 revenues of \$15 billion.

During Q4, we recorded \$2.1 billion in the enterprise/channel segment, representing 36% of revenues versus 42% in the last quarter, up 7% year-over-year and up 6% quarter-over-quarter. The OEM appliance and large data center segment revenues were \$3.7 billion, representing 63% of Q4 revenues versus 57% in the last quarter, up 2% year-over-year and up 40% quarter-over-quarter. The emerging 5G/Telco/Edge/IoT segment revenues were 1% of Q4 revenues.

For FY25, enterprise/channel revenues grew 38% to represent 39% of total revenues. The OEM appliance and large datacenter segment grew 50% and represented 60% of total revenues. The 5G/Telco/Edge/IOT segment represented 1% of total revenues. For FY25, we had four 10%+ large datacenter customers versus one in FY24. Server and Storage Systems comprised 98% of Q4 revenue and Subsystems and Accessories represented 2%.

By geography, US represented 38% of Q4 revenues, Asia 42%, Europe 15%, and Rest of World 5%. On a year-over-year basis, US revenues decreased 33%. Asia increased 91%, Europe



increased 66%, and Rest of World decreased 3%. On a quarter-over-quarter basis, US revenues decreased 21%, Asia increased 78%, Europe increased 196%, and Rest of World increased 53%.

The Q4 non-GAAP gross margin was 9.6% versus 9.7% in Q3 due to product and customer mix. For FY25, the non-GAAP gross margin was 11.2% versus 13.9% for FY24. Our long-term goal is to gradually improve gross margins through providing complete Datacenter Building Block Solutions and focusing on the enterprise, IoT, and telco markets. We also expect to benefit from economies of scale from higher revenues, cost-effective global facilities including the new Malaysia manufacturing plant, and customer diversification.

Q4 operating expenses on a GAAP basis increased by 8% quarter-over-quarter, and 23% year-over-year to \$316 million driven by higher compensation expenses and headcount. On a non-GAAP basis, operating expenses increased 11% quarter-over-quarter and 29% year-over-year to \$239 million. Q4 non-GAAP operating margin was 5.3% versus 5% in Q3.

Other Income and Expense for Q4 was a net expense of \$5.7 million, consisting of \$28.4 million in interest income, offset by \$22.3 million in interest expense, and FX and other losses of \$11.8 million.

The tax provision for Q4 was \$19 million on a GAAP basis and \$37 million on a non-GAAP basis. The GAAP tax rate for Q4 was 9% and the non-GAAP tax rate was 12%. The GAAP tax rate was 13% for FY25 versus 5% in FY24 and the non-GAAP tax rate was 15% in FY25 versus 11% in FY24.

Q4 GAAP diluted EPS was \$0.31 compared to guidance of \$0.30 to \$0.40 and non-GAAP diluted EPS of \$0.41 versus guidance of \$0.40 to \$0.50 due to lower gross margins and higher operating expenses in the quarter. For FY25, we reported GAAP diluted EPS of \$1.68 versus \$1.92 for FY24, and non-GAAP diluted EPS of \$2.06 versus \$2.12 in FY24. The GAAP fully diluted share count increased quarter-over-quarter from 622 million to 625 million in Q4 and the non-GAAP share count increased sequentially from 636 million to 638 million shares.

Q4 cash flow generated from operations was \$864 million compared to \$627 million in the previous quarter. For FY25, cash generated from operations was \$1.7 billion versus cash



consumed by operations of \$2.5 billion in FY24. Q4 closing inventory was \$4.7 billion versus \$3.9 billion in Q3. Capex and investments for Q4 were \$79 million resulting in positive free cash flow of \$841 million for the quarter. Capex and investments for FY25 were \$183 million versus \$194 million in FY24.

During the quarter, we completed a convertible bond offering, raising \$2.3 billion in gross proceeds before offering expenses and the costs associated with the simultaneous covered call spread and stock buyback. The Q4 closing balance sheet cash position was \$5.2 billion, while bank and convertible note debt was \$4.8 billion, resulting in a net cash position of \$412 million versus a net cash position of \$44 million last quarter. Additionally, in July, we executed a \$1.8 billion facility which allows for non-recourse sale of certain qualified Accounts Receivables to strengthen our working capital on a discretionary basis.

Turning to the balance sheet and working capital metrics compared to last quarter, the Q4 cash conversion cycle was 98 days versus 124 days in Q3. Days of Inventory decreased by 6 days to 75 days compared to the prior quarter of 81 days. Days Sales Outstanding were 40 days compared to 56 days in Q3. Days Payables Outstanding increased by 4 days to 17 days versus 13 days in Q3.

Now turning to the outlook for Q1 FY26, we expect net sales in the range of \$6 billion to \$7 billion, GAAP diluted net income per share of \$0.30 to \$0.42 and non-GAAP diluted net income per share of \$0.40 to \$0.52. We expect gross margins to be similar to Q4 FY25 levels. GAAP operating expenses are expected to be approximately \$329 million and include \$82 million in stock-based compensation expenses that are not included in non-GAAP operating expenses. The outlook for Q1 of fiscal year 2026 fully diluted GAAP EPS includes approximately \$69 million in expected stock-based compensation expenses, net of tax effects of \$20 million, which are excluded from non-GAAP diluted net income per common share.

We expect other income and expenses, including interest expense, to be a net expense of approximately \$24 million.

The company's projections for Q1 FY26 GAAP and non-GAAP diluted net income per common share assume a GAAP tax rate of 13.0%, a non-GAAP tax rate of 15.5%, and a fully diluted



share count of 631 million for GAAP and 644 million shares for non-GAAP. We expect capex for Q1 to be in the range of \$60 to \$80 million.

For fiscal year 2026, we expect net sales of at least \$33 billion.

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