



Super Micro Computer, Inc. – First Quarter Fiscal 2026 Earnings Call, November 4th, 2025

Michael Staiger, Senior Vice President Corporate Development

Good afternoon and thank you for attending Supermicro's call to discuss financial results for the first quarter and full year fiscal 2026, which ended September 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 second 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 year 2025, 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 non-GAAP to the most directly comparable 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 second quarter fiscal 2026 quiet period begins at the close of business, Friday, December 12th, 2025.

I will now turn the call over to Charles.



Charles Liang, Founder, Chairman and Chief Executive Officer

Thank you, Michael, and thank you all for joining today's call.

Fiscal 2026 is off to a strong start as we continue the early phases of the dynamic AI growth trend. Demand for advanced AI compute and infrastructure solutions is evolving rapidly, and Supermicro is uniquely positioned to lead with innovative, high-quality, and value-driven solutions, including our Data Center Building Block Solutions (DCBBS).

The major highlight this quarter continues to be our industry-leading AI portfolio. Our NVIDIA Blackwell Ultra-based GB300 product line now has more than \$13 billion in orders, including the largest deal in our 32-year history, reflecting the tremendous growth potential in hyperscale and enterprise deployments. The B300 platforms are also gaining strong traction, following the success of our B200 products as we continue to serve as the leading supplier.

As noted in our preannouncement, approximately \$1.5 billion in revenue shifted from the September quarter to the December quarter due to last-minute configuration upgrades from our customer with expanded volume. These shifts were largely caused by the complexity of these new GPU racks, which require intricate integration, testing, and validation — making them more time-consuming to source and build. With production now quickly ramping up, these adjustments have eventually strengthened our growth trajectory and support an even higher full-year outlook.

Our product portfolio continues to lead the industry. In addition to Nvidia GB300 and B300, we are shipping RTX Pro 6000, B200 NVL4, and AMD MI350/355X platforms in volume to power generative AI, large language model inference, and HPC workloads. To continue technology leadership in AI platforms, we are preparing for the NVIDIA Vera Rubin and AMD Helios launches in calendar 2026. Edge AI solutions are also gaining more traction for real-time processing in manufacturing, telecom, retail, and autonomous environments. While deeply focused on training LLMs and generative AI, we also see rapid growth in industry-specific models, agentic AI, broad inferencing, and AI at the edge.

With that, we are seeing accelerating demand across clouds, enterprises, and sovereigns as they upgrade and expand data centers for AI. Our DCBBS helps customers accelerate and optimize customers' transformation. DCBBS is critical to our future success — enabling rapid planning, design, and deployment of AI-ready data centers and AI factories while optimizing performance and minimizing power consumption through our advanced DLC and DLC-2 technologies and high efficiency subsystems. Supermicro's building block approach now goes beyond server system and rack configuration — it's optimizing the entire data center!

With product life cycles compressing from 18–24 months to as short as 12 months, customers need rapid innovation, deployment, and time-to-online. DCBBS delivers rack-scale plug-and-play servers, storages, DLC systems, L2A heat exchangers, chilled doors, power shelves, battery backup, water towers, dry towers, network and cabling, management software, and services. We've begun shipping DCBBS orders to some key customers and expect many more data centers to follow soon. This solution is becoming a critical part of our business strategy, driving future growth and profitability. We are investing now, and over the next few quarters, we'll share more details on our expanding DCBBS portfolio and upcoming releases.



To meet this unprecedented demand, Supermicro is executing an aggressive global expansion. Our Silicon Valley facilities remain the foundation of U.S. operations, delivering time-to-market, quality, and security for customers. We've quickly expanded our footprint in San Jose recently and are soon adding new North America sites to support growing requirements from major CSPs and NCPs. These investments underscore our commitment to American innovation, job creation, and supply chain resilience.

Internationally, new production facilities in Taiwan, the Netherlands, Malaysia, and soon the Middle East are coming online to enlarge our production capacity, enhance cost competitiveness, and meet regional sovereign AI requirements. With 52MW of power capacity in place, we are on track to scale production to 6,000 racks per month—including 3,000 DLC racks—within this fiscal year. While these expansions require upfront investment, they are critical to sustain long-term growth and deliver performance, TTO, and cost-efficiency at scale.

In summary, Supermicro is evolving into a leading AI platform and data center infrastructure total solution company. While we continue to grow our server, storage, rack, and IoT systems, our DCBBS delivers unique advantages that set us apart, designed to reduce customer deployment complexity, accelerate time-to-market, time-to-online, and lower total cost of ownership. Combined with our broad supply chain, deep customer relationships, and expanding partner ecosystem, these capabilities position us to become the leading data center infrastructure company. Recent large-scale orders and continued investments in customers, products, people, and processes put us firmly on that path.

While competition remains intense, we are focused on capturing this tremendous AI infrastructure market share. Some large-scale builds may pressure margins in the near term, but our scale, innovation, and differentiated DCBBS offerings strengthen our market leadership and position us to deliver long-term profitability and shareholder value. Looking ahead, we expect to ship at least \$10.5 billion in the December quarter depending on supply and production capacity readiness. We anticipate sequential growth through fiscal 2026, giving us confidence in achieving at least \$36 billion in revenue for the year.

This is a truly unique time for Supermicro, and I'm super excited about the opportunities ahead. I look forward to sharing our progress with you next quarter. Thank you.

Now, I'll turn it over to David.



David Weigand, Senior Vice President and Chief Financial Officer

Thank you, Charles.

Q1 FY26 revenue was \$5.0 billion, down 15% year-over-year and down 13% quarter-over-quarter, compared to our guidance of \$6.0 to \$7.0 billion. We had a record level of new orders exceeding \$13 billion, but a customer's rack platform upgrade for recent large design win and customer logistics factors delayed some shipments to Q2. We expect customer demand to remain robust for the remainder of FY2026. AI GPU platforms, which represent over 75% of Q1 revenues, continue to be the key growth driver.

During Q1, the enterprise/channel revenues totaled \$1.5 billion, representing 31% of revenues versus 36% in the prior quarter, down 51% year-over-year and down 25% quarter-over-quarter. The OEM appliance and large data center segment revenues were \$3.4 billion, representing 68% of Q1 revenues versus 63% in the last quarter, up 25% year-over-year and down 6% quarter-over-quarter. The emerging 5G/Telco/Edge/IoT segment contributed the remaining 1% of Q1 revenues. For Q1 FY26, we had two 10%+ customers.

By geography, the U.S. represented 37% of Q1 revenues, Asia 46%, Europe 14%, and Rest of World 3%. On a year-over-year basis, U.S. revenues decreased 57%, while Asia grew 143%, Europe increased 11%, and Rest of World increased 56%. On a quarter-over-quarter basis, U.S. revenues declined 16%, Asia decreased 4%, Europe decreased 16%, and Rest of World declined 48%. Asia grew significantly on a year-over-year basis as an existing U.S.-based customer opened a large data center in Asia.

Q1 non-GAAP gross margin was 9.5% versus 9.6% in Q4. Q1 GAAP operating expenses were \$285 million, down 10% quarter-over-quarter and up 7% year-over-year. On a non-GAAP basis, operating expenses were \$203 million, down 15% quarter-over-quarter and down 2% year-over-year. Operating expenses were down quarter-over-quarter due to higher marketing expense reimbursements and lower discrete R&D expenses. Non-GAAP operating margin for Q1 was 5.4%, compared to 5.3% in Q4.

Other Income and Expense for Q1 totaled a net income of \$26.3 million, reflecting \$51.2 million in interest income on higher cash balance and FX-related gains, partially offset by \$24.9 million in interest expense primarily related to convertible notes.

The tax provision for Q1 was \$40 million on a GAAP basis and \$59 million on a non-GAAP basis, resulting in a GAAP tax rate of 19.3% and a non-GAAP tax rate of 20%.

Q1 GAAP diluted EPS was \$0.26 compared to guidance of \$0.30 to \$0.42, and non-GAAP diluted EPS was \$0.35 versus guidance of \$0.40 to \$0.52. The GAAP fully diluted share count increased sequentially from 625 million in Q4 to 663 million in Q1, and the non-GAAP share count increased from 638 million to 677 million over the same period.



Cash flow used in operations for Q1 was \$918 million, compared to cash flow generated from operations of \$864 million in the prior quarter. Q1 operating cash flow was impacted by lower net income and higher accounts receivables and inventory levels as we prepared for a strong Q2 with higher working capital needs. Q1 closing inventory was \$5.7 billion, up from \$4.7 billion in Q4. Capex for Q1 totaled \$32 million, resulting in negative free cash flow of \$950 million for the quarter.

During the quarter, we executed a \$1.8 billion AR facility that enables the non-recourse sale of certain qualified accounts receivable, providing flexibility to strengthen our working capital on a discretionary basis.

At quarter-end, our cash position totaled \$4.2 billion, while bank and convertible note debt was \$4.8 billion, resulting in a net debt position of \$579 million, compared to a net cash position of \$412 million in the prior quarter.

Turning to the balance sheet and working capital metrics, the Q1 cash conversion cycle was 123 days, compared to 96 days in Q4. Days of Inventory increased by 30 days to 105 days, versus 75 days in the prior quarter. Days Sales Outstanding increased by 5 days to 43 days versus 38 days in Q4, while Days Payables Outstanding increased by 9 days to 26 days versus 17 days in Q4.

Now turning to the outlook for Q2 FY26, we expect net sales in the range of \$10 billion to \$11 billion, GAAP diluted net income per share of \$0.37 to \$0.45, and non-GAAP diluted net income per share of \$0.46 to \$0.54. We expect gross margins to be down 300 bps relative to Q1 FY26 levels.

Given the fast-moving dynamics in the end markets, we wanted to provide the framework of the factors impacting our gross margins. First, customer and product mix, including a strategic, Q1 large design win which includes higher costs and a lower margin as we ramp a new mega-scale GB300 optimized rack platform, and second; we are making greater investments with new customers, to ensure their success, with additional AI engineering support and services. To drive future growth, we believe that our investment in supporting these customers is leading to other large global design wins. Our long-term goal is to expand revenues in higher margin segments such as Data Center Building Block Solutions, emerging global CSPs, sovereign mega projects, enterprise data centers, IoT and telco solutions, and software/services offerings. We do expect to benefit from some economies of scale driven by higher revenue levels, a cost-effective global manufacturing footprint, including our Malaysia facility, and continued customer diversification. As we complete this mega cluster, we expect to leverage these investments, and are establishing the most advanced AI service capabilities in the market. As we go through this transition, we expect our gross margins to improve.

GAAP operating expenses are expected to be around \$326 million, which includes approximately \$76 million in stock-based compensation expenses that are excluded from non-GAAP operating expenses. The outlook for Q2 of fiscal year 2026 fully diluted GAAP EPS includes approximately \$64 million in expected stock-based compensation expenses, net of tax effects of \$18 million, which are excluded from non-GAAP diluted net income per common share.

We expect other income and expenses, including interest expense, to result in a net expense of approximately \$27 million.



The company's projections for Q2 FY26 GAAP and non-GAAP diluted net income per common share assume a GAAP tax rate of 15.6%, a non-GAAP tax rate of 16.8%, and a fully diluted share count of 666 million for GAAP and 680 million shares for non-GAAP. Capital expenditure for Q2 is expected to be in the range of \$60 to \$80 million. For the full fiscal year 2026, we are raising our outlook to net sales of at least \$36 billion versus prior guidance of at least \$33 billion.

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