

Penguin Solutions Fourth-Quarter and Full-Year Fiscal 2026 Earnings Call October 6, 2026

Thanks, everyone, for joining us. With me today are Kash Shaikh, Stephen Cumming, and Aaron Johnson.

Our earnings materials are available on the Investor Relations section of our website, and I encourage you to review these materials. Also, please take some time to review the presentation, which includes additional content to complement our discussion today.

During this call, unless otherwise indicated, all references to financial measures refer to non-GAAP financial measures. Non-GAAP measures should not be considered in isolation from, as a substitute for, or superior to our GAAP results. A reconciliation of these measures to their most directly comparable GAAP measures can be found in our press release and accompanying slide presentation.

Statements made during this call that relate to future results and events are forward-looking statements based on current beliefs and assumptions and are not guarantees of future performance. Actual results and events could differ materially from those projected due to a number of risks and uncertainties which are discussed in our press release, our earnings call presentation, and our SEC filings. Except as required by applicable law, we assume no obligation to update our forward-looking statements.

Now I'll turn it over to Kash.

Record Results Across Key Metrics and Strong Momentum Entering FY2027

Good afternoon, everyone, and thank you for joining Penguin Solutions' fiscal 2026 fourth-quarter and year-end earnings call.

Before we get into our results, I want to start with an important addition to our leadership team.

Earlier today, we announced that Stephen Cumming has joined Penguin Solutions as our new Chief Financial Officer. Stephen is an experienced public company executive with a strong track record in financial leadership, operational scaling, and investor relations.

We are pleased to welcome Stephen at an exciting time for Penguin, and investors will have the opportunity to get to know him in the coming months.

For today's call, Aaron Johnson, who has served as our Interim CFO since July, will walk you through our financial results and fiscal 2027 outlook as planned. I want to thank Aaron for his leadership during the transition, and I look forward to continuing to work with him as he returns to his role as Vice President of Finance and Accounting.

Now let's turn to our results.

Our team delivered an exceptional quarter, capping off a very strong fiscal year. In Q4, we set company records for net sales, gross profit dollars, operating income, operating margin, net income, and adjusted EBITDA.

Net sales were \$567 million, up 68% year over year, and EPS was \$1.00, up 133%, reflecting strong operating leverage that enabled EPS to grow faster than net sales.

I would also like to thank our customers for their continued confidence in Penguin.

Our AI-driven businesses continued to scale. In Q4, non-hyperscale AI Infrastructure and Integrated Memory represented 78% of company net sales and grew 141% year over year.

Our overall company performance accelerated meaningfully in the second half of fiscal 2026, following the launch of our AI Factory Platform strategy and increased focus on the data center market.

We aligned the business more closely with strong AI-driven demand, increased investments in product innovation and accelerated go-to-market execution with a focus on neocloud and enterprise customers.

The proof is in the results. After relatively flat year-over-year net sales in the first half, growth accelerated to 48% in Q3 and 68% in Q4, driving second-half growth of 58%.

Full-year net sales were approximately \$1.73 billion, up approximately 26% year over year.

We also achieved record full-year operating income.

In AI Infrastructure and Integrated Memory, bookings grew faster than net sales in the fourth quarter, and we ended fiscal 2026 with record company backlog and strong momentum heading into fiscal 2027.

Based on our second-half performance, bookings growth, continued strength of our memory business and more importantly accelerating demand from neocloud customers for our data center AI infrastructure solutions, we are increasing our fiscal 2027 growth outlook from the preliminary view we shared last quarter.

We expect record fiscal 2027 net sales, with EPS growth expected to outpace net sales growth as we continue to scale and drive operating leverage.

I'll walk through what we are seeing in the market before turning to the outlook.

AI Market Changes and Why They Matter for Penguin Solutions

AI is becoming super intelligence (SI) as it continues to move from chatbot adviser to agentic operator, executing tasks and workflows with increasing autonomy. This shift is driving inference at scale and creating increasingly memory-intensive workloads.

Inference is increasing demand across the entire data center stack. GPUs remain critical, but CPUs and conventional memory, including DRAM, must also scale. We believe Penguin is well positioned to lead in this market opportunity at the intersection of data center AI infrastructure and memory solutions.

We are seeing enterprise and AI-native companies address these AI compute infrastructure needs in a variety of ways, primarily consuming AI infrastructure from neocloud providers and, in some cases, building their own on-premises AI factories.

For persistent, high-utilization AI workloads such as inference, large enterprises are increasingly considering on-premises AI infrastructure, which can offer better token economics, data control, and performance.

Our Full-Stack AI Factory Platform combines five core elements with our partner ecosystem:

- **First**, ClusterWareAI™ operating system software for AI factories;
- **Second**, MemoryAI™ and Integrated Memory solutions;
- **Third**, GPU and CPU systems under our ComputeAI™ brand;
- **Fourth**, OriginAI® factory architectures; and
- **Fifth**, end-to-end design, build, deploy, and managed services.

What sets our Platform apart is its rare combination of OEM-like differentiated product innovations and end-to-end AI infrastructure systems integration capabilities. This allows us to serve as the single builder and operator of AI Factories across the entire lifecycle for our customers.

Customers need more than hardware and assembly.

This is particularly important for neocloud providers, where we have seen a recent surge in interest that we believe reflects strong product-market fit for our full-stack platform.

For neoclouds, we can serve as a single operating partner across the entire lifecycle, helping customers meet service-level agreements and generate revenue faster while they focus on securing additional off-takers and scaling their businesses.

Advanced Computing: Data Center AI Infrastructure Demand and Bookings Surge

Let me now turn to our business results, starting with Advanced Computing.

In Q4, Advanced Computing net sales totaled \$154 million, representing 27% of company net sales and growing 11% year over year.

Data center AI Infrastructure growth within Advanced Computing, driven by our AI Factory Platform, was significantly stronger. Non-hyperscale AI Infrastructure net sales grew 99% year over year and represented 66% of Advanced Computing net sales, up from 60% in the prior-year quarter. This growth more than offset continued runoff from other traditional businesses and reflects the ongoing shift in Advanced Computing toward data center AI infrastructure.

During the quarter, we added six new AI Infrastructure customers, including four neoclouds, a large quantitative trading firm, and an enterprise customer.

We exited fiscal 2026 with strong momentum, and bookings have accelerated further entering fiscal 2027.

Our land-and-expand model remains central to our go-to-market strategy. Successful initial deployments create opportunities to expand across our Platform, including ClusterWareAI and multi-year managed services engagements that typically span three to five years.

Across fiscal 2026, we added seventeen new AI Infrastructure customers, while twelve customers expanded their business with Penguin.

We are seeing strong momentum with neocloud customers, including:

- A neocloud backed by a leading South Korean technology company selected us to design, build, deploy, and manage an NVIDIA GB300 NVL72-based platform, with the initial deployment expected to support a broader GPU-as-a-Service expansion.
- A publicly traded neocloud provider that has more than \$3 billion in signed, multi-year AI infrastructure contracts selected Penguin for a multi-year engagement to provide AI infrastructure deployment and 24x7 operations services, supported by ClusterWareAI, our AI factory operating system software.

- Lektra, a neocloud, selected our Full-Stack AI Factory Platform to deploy and optimize distributed AI micro data centers powered by existing carbon-free energy. We provide validated reference designs, NVIDIA-based AI GPUs, and expert services with ClusterWareAI and support.
- And for another neocloud provider with \$10 billion in contracted compute from a leading AI lab, we were selected to deploy and operate a 36,000-GPU AI factory in Norway. This multi-year engagement demonstrates the scale of our Platform and our ability to bring large-scale AI infrastructure into production.

These engagements demonstrate an important evolution in our business: customers are increasingly selecting Penguin as an end-to-end partner to design, deploy, optimize, and operate AI infrastructure.

We also continued to advance ClusterWareAI with new agentic AI capabilities that automate AI factory operations, remediation, and infrastructure monitoring. Our AI Factory Operations Agent provides administrators with a natural-language interface for operational insights; put simply, administrators can now talk to their AI factory.

We are also an NVIDIA AI Factory Specialized Partner, an invitation-only designation that reflects the depth of our partnership with NVIDIA, which continues to strengthen, and more than a decade of experience building and managing NVIDIA-based AI Factories. Finally, we established a relationship with another AI hardware supplier to help expand supply availability and support growing demand.

Integrated Memory: Data Center Demand and AI Memory Innovation

Now turning to Integrated Memory. Fourth-quarter net sales reached a record \$341 million, representing 60% of company net sales, up 158% year over year and 24% sequentially.

In Q4'26, we added 2 new memory customer logos. Our land-and-expand strategy also continues to produce results. Across fiscal 2026, we added fifteen new customers, while twenty-nine existing customers expanded their business with us.

We are seeing an increase in both volume and pricing. Our growth reflects strong data center demand driven by agentic AI, including increasing memory requirements from AI and inference workloads. While memory is a cyclical market, we believe AI is adding a structural demand driver, particularly for memory solutions in the data center.

Penguin operates differently from a traditional commodity memory manufacturer. Our focus is primarily on data center solutions. Our engineering design, firmware development, advanced validation, negotiated pricing and asset-light model are designed to deliver more resilient economics across memory cycles.

We continue to see strengthening bookings and pipeline for our CXL memory expansion products.

A couple of proof points:

- In Q4, we secured business with a leading global AI server manufacturer whose platforms support large-scale AI training and inference. This win reinforces the strength of our memory portfolio for data center AI infrastructure.
- We also expanded our relationship with a leading next-generation AI infrastructure inference provider rapidly scaling AI inference deployments with our CXL memory expansion cards.

Beyond our core memory business, we are developing new solutions designed to address the growing memory bottleneck in data center AI infrastructure.

Our CXL-based large-memory expansion cards and MemoryAI KV Cache solution are designed to increase memory capacity and improve the economics of agentic AI and real-time inference.

Our MemoryAI roadmap also extends to future memory appliances, including photonic high-bandwidth memory solutions designed to expand GPU memory capacity and bandwidth.

We are also developing a CXL AIC product line designed to repurpose installed DDR4 memory for AI infrastructure, helping customers extend asset life and lower the cost of scaling memory-intensive workloads.

Finally, we established a new supply arrangement with a leading memory supplier to support the growth of our data center AI infrastructure portfolio and strengthen our supply position.

Together, these developments reinforce our long-term focus on data center memory and AI infrastructure.

Optimized LED

Turning briefly to Optimized LED. Our LED business also performed well in the quarter, with Q4 net sales totaling \$72 million, up 7% year over year.

Our strategic investment priorities remain focused on data center AI Infrastructure and Memory, while we continue to manage our LED business with discipline.

Looking Ahead

As we enter fiscal 2027, our focus is not simply on capturing demand. It is on building a more repeatable and scalable operating model around that demand, while keeping customer success at the center of everything we do.

As part of that, we are deploying agentic AI across our operations with a focus on measurable business outcomes. Our engineering teams are using agentic AI coding workflows to accelerate ClusterWareAI development, while AI-driven tools are helping compress product cycles and improve supply chain responsiveness.

Fiscal 2027 Outlook

With that, let me share our updated fiscal 2027 outlook.

During our Q3 earnings call, we provided preliminary fiscal 2027 expectations for net sales and diluted EPS growth of approximately 30% year over year from the midpoint of our fiscal 2026 outlook.

Based on our fourth-quarter results and continued strong AI-driven demand, we are providing a fiscal 2027 outlook that exceeds that preliminary view for both net sales and diluted EPS.

We expect our diluted EPS to grow faster than net sales due to our strong operating leverage. Aaron will provide the details in a moment.

Closing

Let me close with three observations.

First, our strategy is working and growth is broadening. Our AI-driven businesses represented 78% of Q4 net sales and grew 141% year over year, with Integrated Memory remaining strong and AI Infrastructure now accelerating significantly.

Second, strong operating leverage is driving profitable growth while enabling continued investment in innovation. EPS is growing faster than net sales while we continue investing in differentiated products and capabilities.

Third, we believe the value-creation opportunity is durable and still in the early innings, with our position at the intersection of AI infrastructure and memory, combined with ClusterWareAI and services, creating a differentiated long-term advantage.

I want to thank our team for their focus and execution throughout fiscal 2026 and for the strong momentum we carry into fiscal 2027.

With that, I'll turn it over to Aaron to walk through the financials and our outlook.

Thank you, Kash.

Opening: Record Growth and Strong Operating Leverage

I'll begin with our fourth quarter and full-year fiscal 2026 results, and then turn to our outlook for fiscal 2027.

In the fourth quarter, net sales and earnings per share exceeded our outlook, reflecting growing adoption of our AI Infrastructure solutions and continued AI-driven demand for data center Memory. Strong net sales growth, disciplined expense management, and improved profitability drove meaningful operating leverage. We set company records for net sales, gross profit dollars, operating income, operating margin, net income, and adjusted EBITDA. For the full year, we also set records for gross profit dollars, and operating income.

Starting with the fourth quarter, net sales were \$567 million, up 68% year over year and up 18% sequentially. Gross margin was 28.8%, operating margin was 15.8%, and diluted earnings per share was \$1.00, up 133% year over year. For the full year, net sales were \$1.73 billion, up 26% versus fiscal 2025, while diluted earnings per share increased 51% to \$2.87, roughly twice the rate of net sales growth, demonstrating the operating leverage in our model.

Fourth quarter product net sales were \$510 million, or 90% of total company net sales, up 86% year over year. Services net sales were \$57 million, or 10% of total net sales, down 11% year over year, reflecting lower hyperscale services volumes, partially offset by growth in multi-year AI Factory managed services.

Segment Results: Strong Growth in AI-Driven Businesses

Net sales by business segment were as follows:

- For Advanced Computing, fourth quarter net sales were \$154 million, up 11% year over year and 12% sequentially. For the full year, Advanced Computing net sales were \$559 million, down 14%, reflecting the wind-down of Penguin Edge and lower hyperscale hardware sales. Non-hyperscale AI Infrastructure business grew 99% in the fourth quarter and represented 66% of segment net sales, while growing 72% for the year and reinforcing its position as the segment's primary growth driver.

- For Integrated Memory, fourth quarter record net sales were \$341 million, representing 60% of total company net sales, up 158% year over year and 24% sequentially. For the full year, Integrated Memory net sales were \$924 million, up 99%, and represented 53% of total company net sales, up from 34% in fiscal 2025. The growth reflects strong demand for Memory supporting AI-driven data center applications, consistent with our strategic focus on this market.
- For Optimized LED, fourth quarter net sales were \$72 million, representing 13% of total company net sales, up 7% year over year. For the full year, net sales were \$249 million, down 3%. The business delivered improved profitability as we continued to execute with discipline and focus on profitable opportunities.

Profitability: Scale and Disciplined Expense Management

Fourth quarter gross margin was 28.8%, up 70 basis points sequentially, supported by improved profitability in Integrated Memory, partially offset by lower Advanced Computing margins. Together with strong net sales growth, this drove record gross profit of \$163 million, up 21% sequentially and 57% year over year. For the full year, gross profit reached a record \$508 million. Gross margin was 29.3%, down 1.7 percentage points primarily due to a greater contribution from AI Infrastructure hardware, even with stronger margins in Integrated Memory. The growth in gross profit dollars demonstrates the leverage generated by our increased scale.

Fourth quarter operating expenses were \$73 million, up 4% sequentially and 13% year over year. The sequential increase primarily reflects higher incentive compensation associated with our strong financial results. For the full year, operating expenses increased 4% to \$267 million, well below our 26% growth in net sales. As a result, operating expenses declined by 3.4 percentage points as a percentage of net sales, reflecting a structural improvement in the scalability of our operating model.

That combination of higher gross profit dollars and expense discipline drove record fourth quarter operating income of \$90 million, up 39% sequentially and 129% year over year. With net sales growth significantly outpacing operating expense growth, operating margin expanded 2.4 percentage points sequentially and 4.2 percentage points year over year to 15.8%. For the full year, operating income reached a record \$241 million, up 44%, with operating margin expanding 1.7 percentage points to 13.9%. These results demonstrate how scale and disciplined spending are translating growth into higher profitability.

Fourth quarter diluted earnings per share was \$1.00, up 19% sequentially and 133% year over year. The sequential EPS growth rate trails our 39% operating income growth, reflecting a higher share count following our convertible notes offering. For the full fiscal year, diluted earnings per share were \$2.87, up 51% and 22 cents above the high end of our July outlook.

Adjusted EBITDA was a record \$93 million in the fourth quarter, up 115% year over year, and 38% sequentially. Full year adjusted EBITDA was \$256 million, up 37%.

Working Capital

Before I walk through working capital, a reminder that we calculate days sales outstanding, days payables outstanding, and inventory days on a gross sales and gross cost of goods sold basis. Gross sales were \$1.57 billion and gross costs of goods sold was \$1.42 billion in the fourth quarter. The difference between gross and net sales relates primarily to our Memory business's logistics services, which are accounted for on an agent basis.

Turning to working capital, net accounts receivable increased to \$796 million from \$308 million a year ago, reflecting the growth in our Memory business and the associated gross billings. Despite the higher balance, days sales outstanding improved to 46 days, from 53 days last quarter and 51 days a year ago. We are managing these investments against customer deployment schedules and supply availability as we support growth.

Inventory increased to \$749 million from \$255 million a year ago, reflecting purchases to support record backlog and expected customer deployments across our Memory and AI Infrastructure businesses, as well as higher Memory costs. Inventory days were 48, up from 42 last quarter as we positioned inventory against a record backlog, and down from 51 a year ago.

Accounts payable increased to \$817 million from \$267 million a year ago, reflecting purchasing activity to support the growth of our Memory and AI Infrastructure businesses, as well as higher Memory costs. Days payable outstanding was 52, down from 62 last quarter and 54 a year ago, primarily reflecting the timing of purchases within the quarter. Our cash conversion cycle was 42 days, compared with 33 days last quarter and 49 days a year ago. Funding growth efficiently and maintaining disciplined working capital management remain important priorities.

Capital Structure, Liquidity and Financial Flexibility

Moving to our broader capital structure, during the quarter we completed a significantly oversubscribed \$750 million zero-percent convertible note offering due in 2031, which we believe reflects strong investor confidence in our business and long-term strategy. The notes have an initial conversion price of approximately \$116.70 per share, representing an approximately 50% premium to our share price at pricing. We also entered into capped call transactions designed to reduce potential dilution up to an initial cap price of approximately \$175.05 per share.

Concurrently, we exchanged approximately \$296 million principal amount of our 2029 and 2030 convertible notes for a combination of cash and shares of common stock, and used a portion of the proceeds to fully repay the \$100 million outstanding under our credit agreement. This disciplined and proactive approach extended our maturity profile and strengthened our capital structure, providing additional flexibility to invest behind our AI Factory Platform strategy and the growth opportunities ahead.

Following these actions, we ended the fourth quarter with cash and cash equivalents of \$647 million. That is up \$207 million from the third quarter and \$193 million from a year ago. We remain focused on managing liquidity and the working capital required to support our growth.

Cash used in operating activities was \$163 million in the fourth quarter and \$152 million for the full year, primarily reflecting working capital investments to support growth in our Memory and AI Infrastructure businesses. This compares with cash used of \$70 million in the prior-year quarter and cash provided of \$113 million in fiscal 2025. We believe our capital structure and liquidity provide flexibility to fund this growth while improving working capital efficiency remains an important priority for fiscal 2027.

Capital expenditures were \$4 million in the quarter and \$12 million for the year, well under one percent of net sales, with depreciation expense of \$5 million and \$20 million, respectively. Our asset-light model allows us to scale without significant capital spending, and we expect that to continue in fiscal 2027.

Fiscal 2027 Outlook

Now turning to our outlook.

We enter fiscal 2027 with strong momentum, supported by our second-half performance, record backlog, bookings growth, continued Integrated Memory strength and further acceleration in demand for our AI Infrastructure business. We expect strong net sales growth to increase gross profit dollars, while operating expenses grow at a considerably slower rate. That combination is expected to expand operating margin and drive diluted EPS growth that outpaces net sales growth.

For fiscal year 2027, we expect net sales to grow approximately 40% at the midpoint, plus or minus 10 percentage points, or an increase of approximately \$700 million to approximately \$2.43 billion at the midpoint. Last quarter, we shared a preliminary view of approximately 30% growth from the midpoint of our then-current fiscal 2026 outlook. Using that same fiscal 2026 outlook midpoint as the starting point, our current fiscal 2027 midpoint represents growth of approximately 45%.

The range reflects different growth expectations across our businesses, as well as variability in customer deployment schedules and the availability, lead times and cost of certain products and components. Our record backlog, together with the demand we are seeing across the business, provides a strong foundation for our fiscal 2027 growth expectations. At the same time, customer deployment schedules, product availability and evolving memory market conditions could affect the mix and cadence of net sales throughout the year. We believe the range appropriately balances the opportunities ahead with these execution and market variables.

Looking at the net sales outlook by segment:

- For Advanced Computing, we expect full-year net sales to grow approximately 40% at the midpoint, plus or minus 10 percentage points, driven by continued momentum in non-

hyperscale AI Infrastructure, partially offset by the absence of Edge sales and lower expected hyperscale sales.

- For Integrated Memory, we expect full-year net sales to grow approximately 50% at the midpoint, plus or minus 10 percentage points, driven by continued strong demand for memory supporting AI-driven data center applications.
- And for Optimized LED, we expect full-year net sales to be relatively flat year over year as we continue to manage the business with discipline.

We expect full-year gross margin of approximately 28%, plus or minus 2 percentage points. Our outlook reflects the expected mix across our businesses, including the mix of hardware, software, and services, as well as our current assumptions for memory pricing and costs. While these factors influence the gross margin rate, we expect net sales growth and scale to drive higher gross profit dollars.

We expect full-year operating expenses of approximately \$275 million, plus or minus \$10 million. Within that range, we are reallocating resources toward our highest-return AI Infrastructure and Memory programs while holding total spending growth well below net sales growth. This disciplined investment approach, together with higher gross profit dollars, is expected to drive further operating margin expansion.

For the full year, we expect diluted earnings per share of approximately \$4.45, plus or minus \$0.70, representing growth of approximately 55% at the midpoint and exceeding our expected rate of net sales growth. The EPS outlook reflects higher gross profit dollars, disciplined operating expense growth, and further operating margin expansion. The range also allows for variability in the timing of large customer deployments as individual project schedules can shift between quarters.

Our EPS outlook assumes a diluted share count of approximately 63 million shares and an effective tax rate of approximately 20%. We anticipate using this normalized rate throughout fiscal 2027, though it may change with our geographic earnings mix and developments in the global and U.S. tax environment.

Our fiscal 2027 outlook is based on the current demand environment, backlog, customer deployment schedules, expected product mix, and our present assumptions regarding supply availability and costs. The timing of customer deployments and product availability may create variability between quarters, and certain components continue to have extended lead times that can affect project and shipment timing. Our outlook also incorporates current assumptions for memory supply and costs, which may evolve during the year, including the expected impact of new Memory and AI Infrastructure suppliers that strengthen our overall supply position and support growth. These factors may affect quarterly cadence and mix but are reflected in our full-year planning assumptions.

Overall, our outlook reflects the momentum in our AI-driven businesses and the benefits of a more scalable operating model. We plan to invest selectively behind our highest-return opportunities while

maintaining expense discipline. Our objective is clear: convert strong net sales growth into higher gross profit dollars, operating margin expansion, and earnings growth that outpaces net sales growth.

Closing

Please refer to the non-GAAP financial information section and the reconciliations of GAAP to non-GAAP measures in our earnings release and the investor materials available on our website for additional detail.

With that, Operator, we are ready for Q&A.