

First Quarter FY25 Financial Results

Nasdaq: PENG
January 8, 2025

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Statement Regarding Use of Non-GAAP Financial Measures:

This presentation contains the following non-GAAP financial measures: non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP effective tax rate, non-GAAP net income, non-GAAP weighted-average shares outstanding, non-GAAP diluted earnings per share and Adjusted EBITDA. Penguin Solutions' management uses non-GAAP measures to supplement Penguin Solutions' financial results under GAAP. Management uses these measures to analyze its operations and make decisions as to future operational plans and believes that this supplemental non-GAAP information is useful to investors in analyzing and assessing Penguin Solutions' past and future operating performance. These non-GAAP measures exclude certain items, such as share-based compensation expense, amortization of acquisition-related intangible assets (consisting of amortization of developed technology, customer relationships and trademarks/trade names acquired in connection with business combinations), cost of sales-related restructuring, diligence, acquisition and integration expense, restructuring charges, impairment of goodwill, changes in the fair value of contingent consideration, (gains) losses from changes in foreign currency exchange rates, amortization of debt issuance costs, gain (loss) on extinguishment or prepayment of debt, other infrequent or unusual items and related tax effects and other tax adjustments. While amortization of acquisition-related intangible assets is excluded, the revenues from acquired companies is reflected in Penguin Solutions' non-GAAP measures and these intangible assets contribute to revenue generation. Management believes the presentation of operating results that exclude certain items provides useful supplemental information to investors and facilitates the analysis of Penguin Solutions' core operating results and comparison of operating results across reporting periods. Management also uses adjusted EBITDA, which represents GAAP net income (loss), adjusted for net interest expense, income tax provision (benefit), depreciation and amortization expense, share-based compensation expense, cost of sales-related restructuring, diligence, acquisition and integration expense, restructuring charges, loss on extinguishment of debt and other infrequent or unusual items.

Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP, as they exclude important information about Penguin Solutions' financial results, as noted above. The presentation of these adjusted amounts varies from amounts presented in accordance with GAAP and therefore may not be comparable to amounts reported by other companies. In addition, adjusted EBITDA does not purport to represent cash flow provided by, or used for, operating activities in accordance with GAAP and should not be used as a measure of liquidity. Investors are encouraged to review the "GAAP to Non-GAAP Reconciliations" in the appendix at the end of this presentation.

Penguin Solutions' fiscal year is the 52- or 53-week period ending on the last Friday in August.

Speakers



Mark Adams
President and CEO



Nate Olmstead
SVP and CFO

Q1 FY25 Financial Highlights



Revenue

Revenue of \$341M, up 24% vs. Q1 FY24; fourth consecutive quarter of sequential quarterly revenue growth



Gross Margin

Non-GAAP gross margin of 30.8%; down vs. year-ago quarter, primarily due to higher mix of hardware vs. services



EPS

Non-GAAP Diluted EPS of \$0.49; up 108% vs. year-ago quarter; reflects strong revenue growth and operational discipline



Balance Sheet

Strong balance sheet with cash, cash equivalents and short-term investments of \$394M

Business Review

Advanced Computing

Revenue of \$177M; up 49% vs. year-ago quarter

- 52% of total company revenue
-

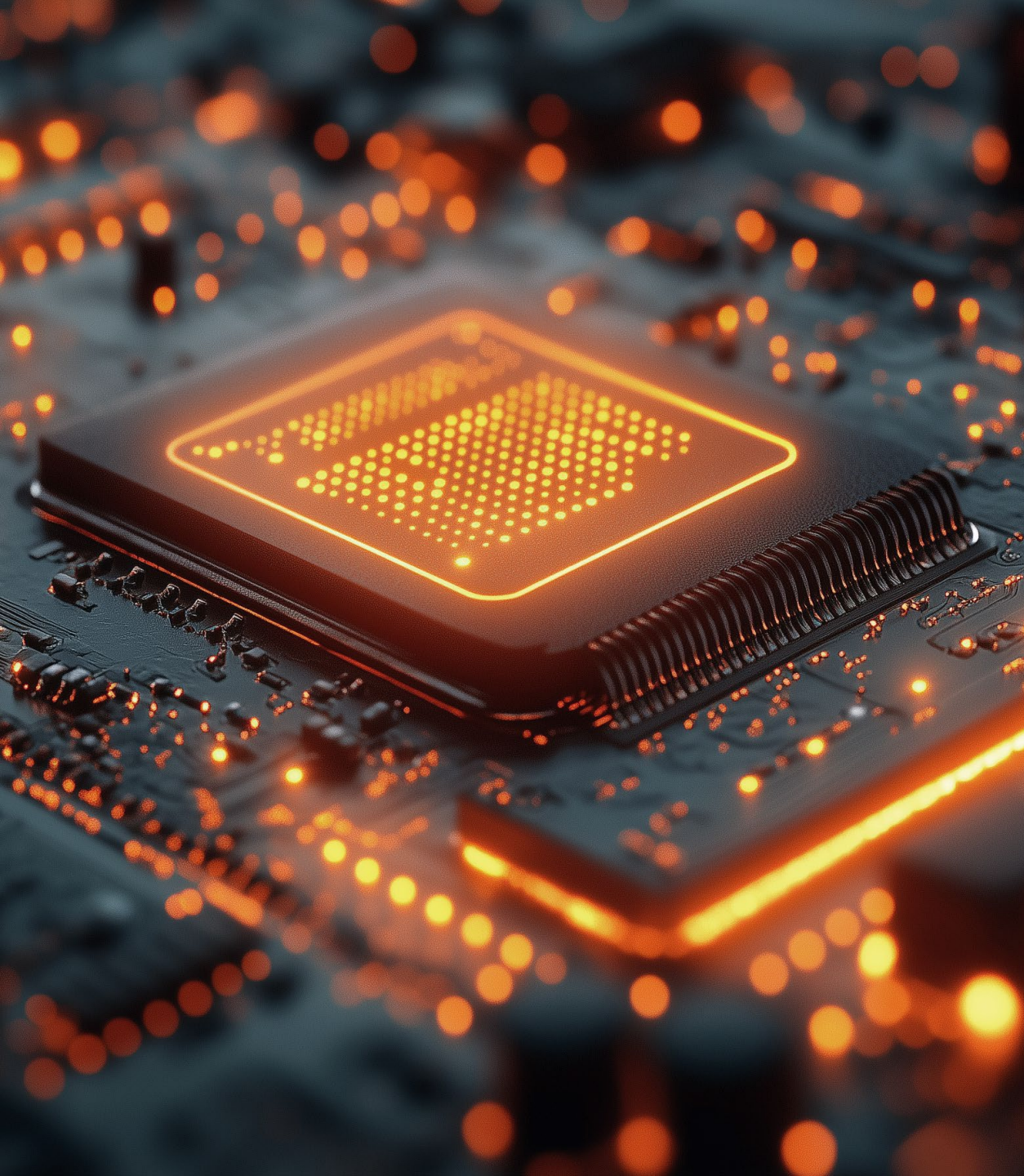
Continuing to expand customer engagements

- Across end markets such as hyper-scalers, cloud service providers, financial, energy, federal integrators, media/entertainment, and education
-

Seeing market shift from early AI pilot systems to full scale production

- Penguin Solutions' expertise in managing large-scale deployments positions the company well to meet this increasing demand





Integrated Memory

Revenue of \$97M; up 13% vs. year-ago quarter

- 28% of total company revenue
-

Growth from new and existing customers across a range of end markets

- Networking, telecom, servers, defense, hyper-scalers, cloud service providers, and large enterprises interested in CXL and higher reliability memory solutions
-

Improving backlog due to stronger demand

- Customers continue to work through higher levels of inventory accumulated in first half of 2024

Optimized LED

Revenue of \$67M; down 4% vs. year-ago quarter

- 20% of total company revenue
 - Operating margins improved vs. year-ago quarter
-

Entered into patent license agreement with Daktronics

- A US-based leader in large-scale LED displays
-

New design win activity with larger LED lighting customers

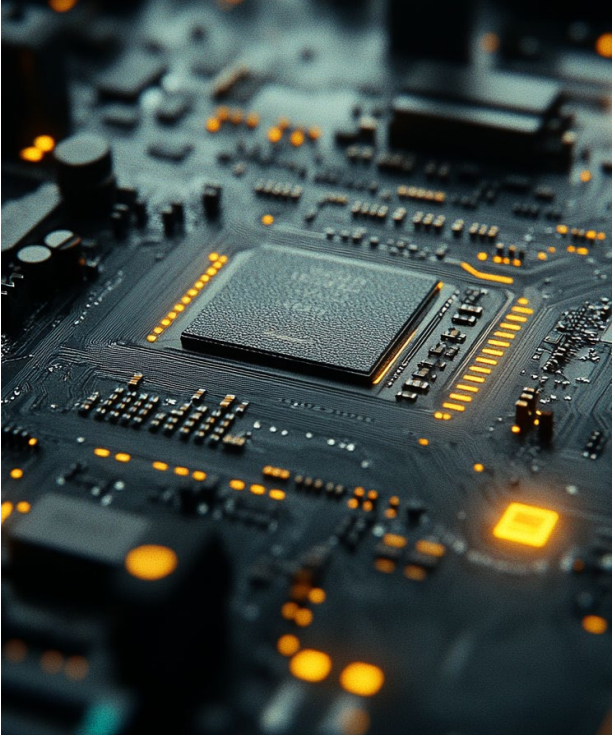
- Cree LED's strong IP coupled with a cost-effective operating model contributed to this new activity



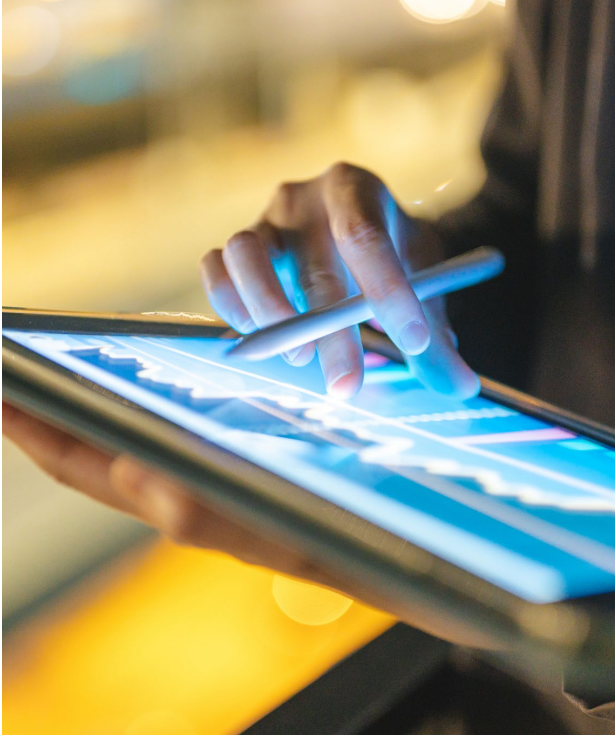
Strategic Priorities

Our Strategic Priorities

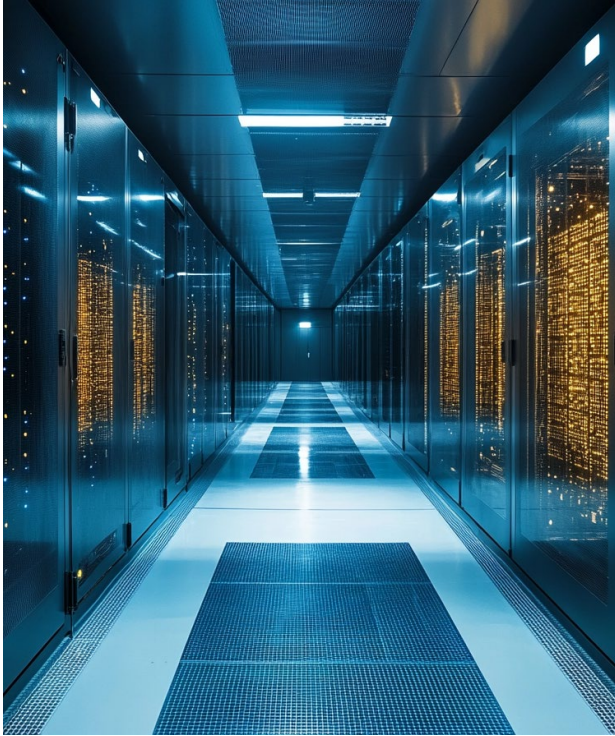
Innovate relentlessly on differentiated technology

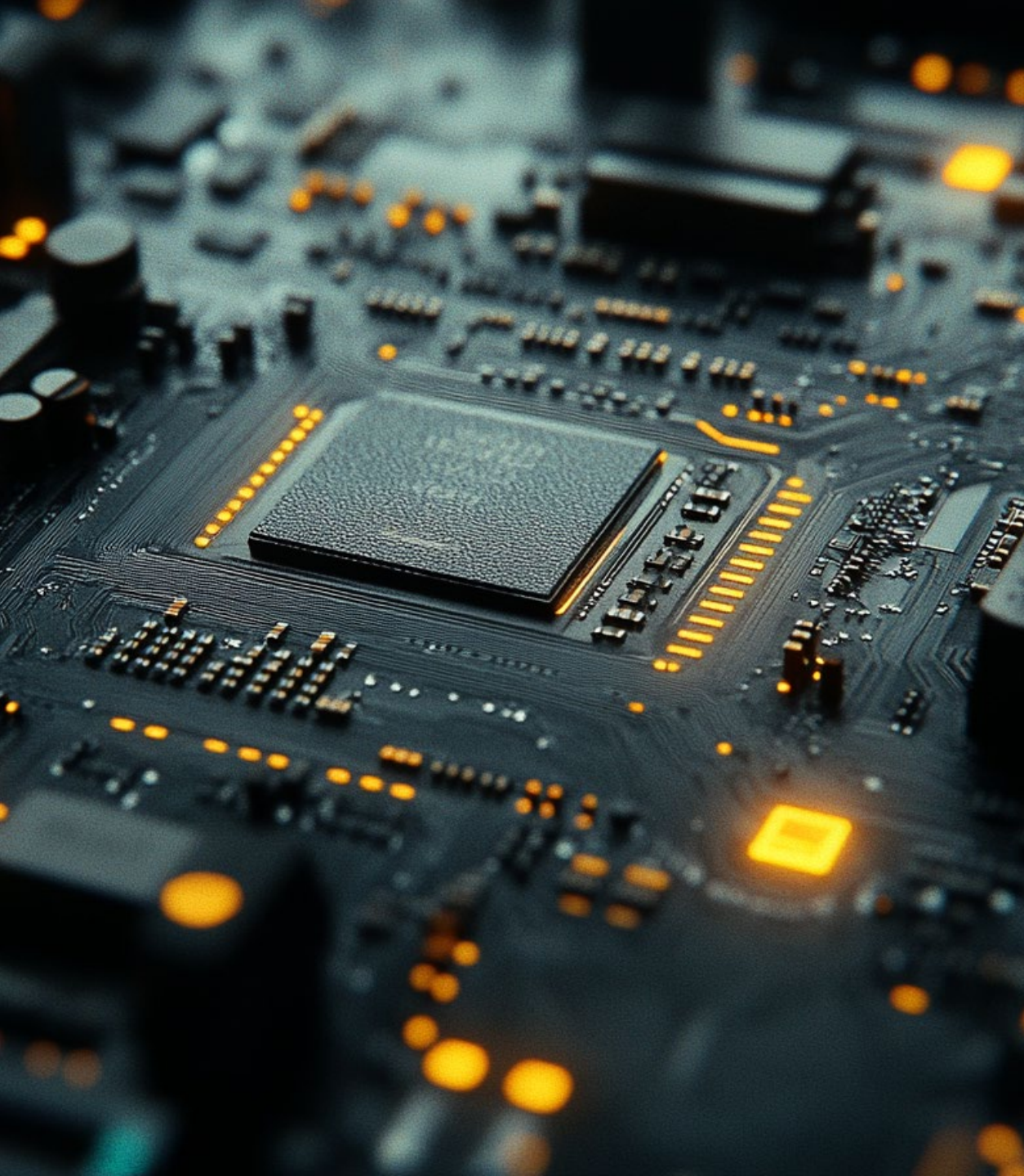


Expand our software and services offerings



Partner for growth and global expansion



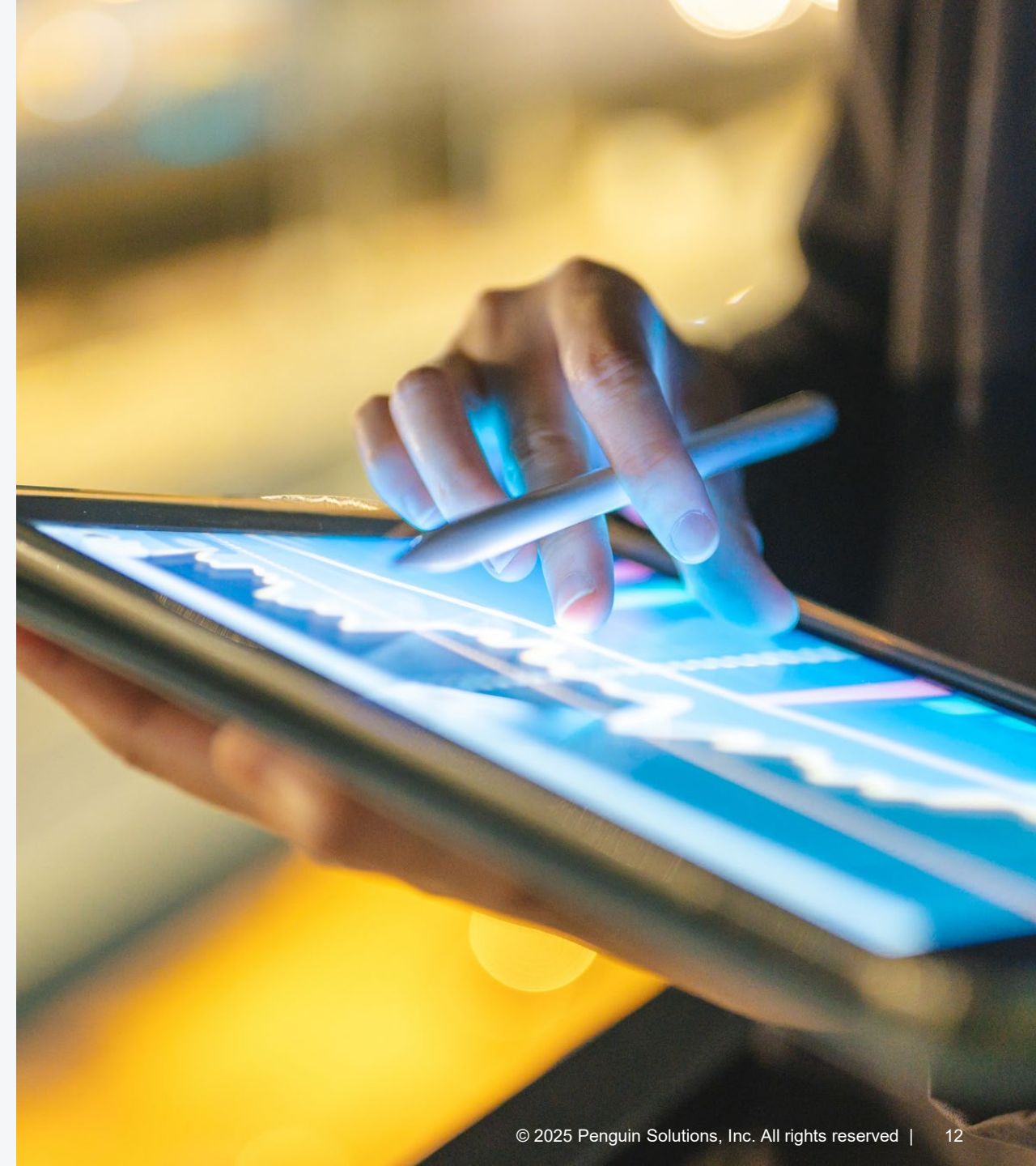


Driving Innovation

- Expanding our OriginAI offerings to include Dell servers - helping to expand our customer TAM
- Working with leaders such as Nvidia, AMD, Intel, and early-stage semiconductor companies - ensuring availability of and support for cutting-edge technologies as part of our data center solutions portfolio
- Seeing increased interest from OEMs and AI computing companies in CXL add-in cards for greater density and higher bandwidth performance
- Progressing towards release of an Optical Memory Appliance (OMA) for hyper-scalers, OEMs and cloud service providers

Expanding Software and Services

- New release of advanced cluster management software expected to simplify deployment and accelerate adoption
- Initial work on multi-tenant capabilities to enable a single AI platform or service to be shared by multiple users or organizations, while maintaining data isolation and security
- Maintaining a technology agnostic approach, in both hardware and software, allows us to serve a broader set of use cases and provides our customers with the most flexibility





Partnering to Accelerate Growth

- SK Telecom
 - Investment closed in December
 - Increases our financial flexibility and strengthens our balance sheet
 - Future potential collaborations to differentiate offerings and drive growth:
 - Advanced computing with next-gen GPU offerings
 - High-performance memory
 - New areas in energy, cooling and networking
- Dell
 - Agreement reached in November
 - Dell and Penguin Solutions can deliver complete AI solutions
 - Dell's servers, storage and networking + Penguin Solutions' management software platform and managed services
 - Dell's premiere go-to-market platform + Penguin Solutions' ability to manage complex AI deployments at scale
 - Improves Penguin Solutions' ability to scale across new industries and geographies

Financial Review

Non-GAAP Q1 FY25 Results



Revenue

\$341M



Non-GAAP
Gross Margin

30.8%



Non-GAAP
Operating Margin

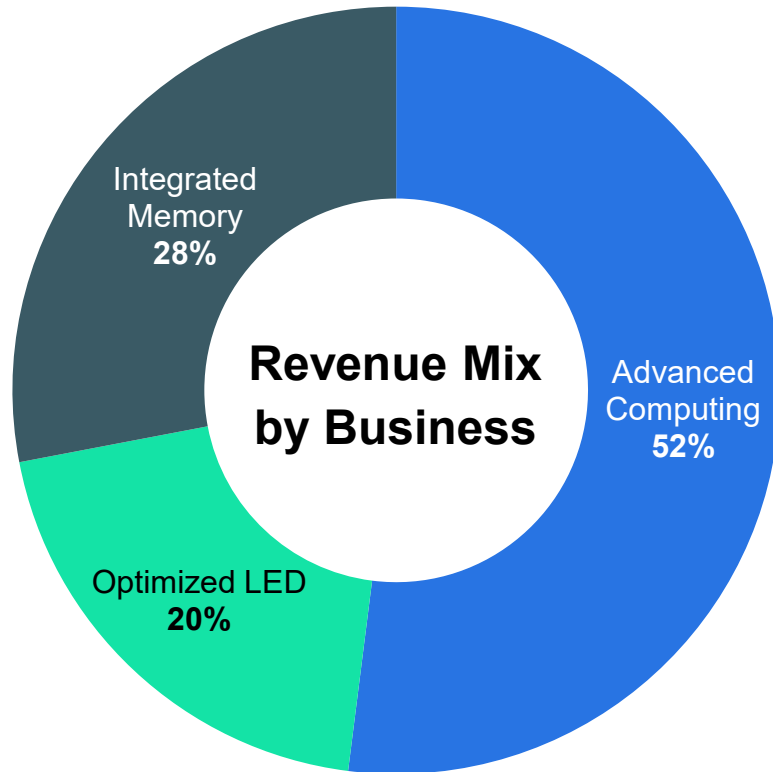
12.0%



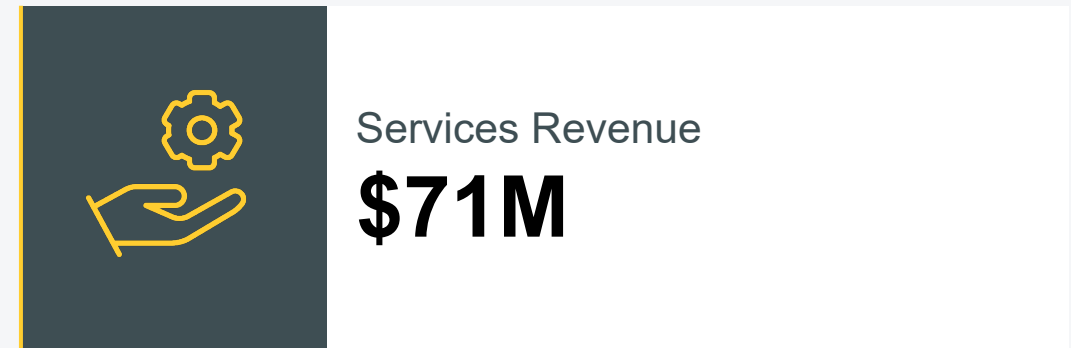
Non-GAAP Diluted
EPS

\$0.49

Q1 FY25 Revenue Detail



Revenue Breakdown – Total \$341M



Q1 FY25 Non-GAAP Operating Results¹

(\$M)	Q1 FY25	Q4 FY24	Q1 FY24
Revenue	\$341	\$311	\$274
Advanced Computing	\$177	\$149	\$119
Integrated Memory	\$97	\$96	\$86
Optimized LED	\$67	\$66	\$70
Non-GAAP gross profit²	\$105	\$96	\$91
Non-GAAP operating expenses²	\$64	\$62	\$65
Non-GAAP operating income²	\$41	\$34	\$27
Non-GAAP net income²	\$27	\$20	\$13
Non-GAAP diluted earnings per share²	\$0.49	\$0.37	\$0.24
Adjusted EBITDA²	\$45	\$39	\$34

1. Summations may not compute precisely due to rounding.

2. Non-GAAP gross profit, Non-GAAP operating expenses, Non-GAAP operating income, Non-GAAP net income, Non-GAAP diluted earnings per share, and Adjusted EBITDA are non-GAAP measures. For reconciliations to the most directly comparable financial measures prepared in accordance with GAAP, please see the appendix.

Q1 FY25 Balance Sheet and Cash Flow Highlights

(\$M)	Q1 2025	Q4 2024	Q1 2024
Working Capital			
Net Accounts Receivable	\$276	\$252	\$171
Days Sales Outstanding	45 days	49 days	41 days
Inventory	\$247	\$151	\$208
Days of Inventory	49 days	36 days	63 days
Accounts Payable	\$244	\$182	\$182
Days Payable Outstanding	49 days	43 days	55 days
Cash Conversion Cycle	46 days	42 days	49 days
Cash Flow			
Cash, Cash Equivalents and Short-Term Investments (at period end)	\$394	\$390	\$553
CF from Operations	\$14	(\$12)	\$60
Capital Expenditures & Depreciation			
CapEx	\$2	\$6	\$5
Depreciation	\$5	\$5	\$8

Our Outlook

FY 2025 Outlook

	GAAP Outlook	Adjustments	Non-GAAP Outlook
Net Sales	15% YoY Growth +/- 5%	—	15% YoY Growth +/- 5%
Gross margin	30% +/- 1%	2% (A)	32% +/- 1%
Operating expenses	\$335 million +/- \$15 million	\$(60) million (B)(C)	\$275 million +/- \$10 million
Diluted earnings per share	\$0.10 +/- \$0.20	\$1.40 (A)(B)(C)(D)	\$1.50 +/- \$0.20
Diluted shares	56.3 million	—	56.3 million

Non-GAAP adjustments: (in millions)	
(A) Share-based compensation and amortization of acquisition-related intangibles included in cost of sales	\$ 31
(B) Share-based compensation and amortization of acquisition-related intangibles included in R&D and SG&A	48
(C) Other adjustments	12
(D) Estimated income tax effects	(12)
	\$ 79

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GAAP to Non-GAAP Reconciliations

	Three Months Ended		
	November 29, 2024	August 30, 2024	December 1, 2023
<i>(dollars in thousands)</i>			
GAAP gross profit	\$ 97,812	\$ 87,086	\$ 82,850
Share-based compensation expense	1,643	1,847	1,815
Amortization of acquisition-related intangibles	5,909	5,909	5,944
Cost of sales-related restructuring	(42)	865	668
Other	(200)	300	—
Non-GAAP gross profit	\$ 105,122	\$ 96,007	\$ 91,277
GAAP gross margin	28.7 %	28.0 %	30.2 %
Effect of adjustments	2.1 %	2.9 %	3.1 %
Non-GAAP gross margin	30.8 %	30.9 %	33.3 %
GAAP operating expenses	\$ 80,456	\$ 78,295	\$ 81,545
Share-based compensation expense	(9,888)	(8,512)	(9,155)
Amortization of acquisition-related intangibles	(3,846)	(3,838)	(4,064)
Diligence, acquisition and integration expense	(833)	(2,094)	(789)
Restructuring charges	(109)	(325)	(2,939)
Other	(1,576)	(1,258)	—
Non-GAAP operating expenses	\$ 64,204	\$ 62,268	\$ 64,598
GAAP operating income	\$ 17,356	\$ 8,791	\$ 1,305
Share-based compensation expense	11,531	10,359	10,970
Amortization of acquisition-related intangibles	9,755	9,747	10,008
Cost of sales-related restructuring	(42)	865	668
Diligence, acquisition and integration expense	833	2,094	789
Restructuring charges	109	325	2,939
Other	1,376	1,558	—
Non-GAAP operating income	\$ 40,918	\$ 33,739	\$ 26,679
GAAP operating margin	5.1 %	2.8 %	0.5 %
Effect of adjustments	6.9 %	8.0 %	9.2 %
Non-GAAP operating margin	12.0 %	10.8 %	9.7 %

GAAP to Non-GAAP Reconciliations

	Three Months Ended		
	November 29, 2024	August 30, 2024	December 1, 2023
<i>(dollars in thousands, except per share data)</i>			
GAAP net income (loss) attributable to Penguin Solutions	\$ 5,217	\$ (24,547)	\$ (11,773)
Share-based compensation expense	11,531	10,359	10,970
Amortization of acquisition-related intangibles	9,755	9,747	10,008
Cost of sales-related restructuring	(42)	865	668
Diligence, acquisition and integration expense	833	2,094	789
Restructuring charges	109	325	2,939
Amortization of debt issuance costs	953	897	1,042
Loss (gain) on extinguishment or prepayment of debt	—	21,646	—
Foreign currency (gains) losses	1,028	(1,072)	(546)
Other	1,376	1,558	—
Income tax effects	(4,242)	(1,865)	(1,559)
Non-GAAP net income attributable to Penguin Solutions	\$ 26,518	\$ 20,007	\$ 12,538
Weighted-average shares outstanding - Diluted:			
GAAP weighted-average shares outstanding	54,312	53,071	52,068
Adjustment for dilutive securities and capped calls	—	1,434	1,213
Non-GAAP weighted-average shares outstanding	54,312	54,505	53,281
Diluted earnings (loss) per share from continuing operations:			
GAAP diluted earnings (loss) per share	\$ 0.10	\$ (0.46)	\$ (0.23)
Effect of adjustments	0.39	0.83	0.47
Non-GAAP diluted earnings per share	\$ 0.49	\$ 0.37	\$ 0.24

GAAP to Non-GAAP Reconciliations

	Three Months Ended		
	November 29, 2024	August 30, 2024	December 1, 2023
<i>(dollars in thousands)</i>			
Net income (loss) attributable to Penguin Solutions	\$ 5,217	\$ (24,547)	\$ (11,773)
Interest expense, net	4,396	5,403	9,559
Income tax provision (benefit)	6,360	6,209	3,534
Depreciation expense and amortization of intangible assets	14,961	15,381	17,654
Share-based compensation expense	11,531	10,359	10,970
Cost of sales-related restructuring	(42)	865	668
Diligence, acquisition and integration expense	833	2,094	789
Restructuring charges	109	325	2,939
Loss on extinguishment of debt	—	21,646	—
Other	1,376	1,558	—
Adjusted EBITDA	\$ 44,741	\$ 39,293	\$ 34,340

GAAP to Non-GAAP Reconciliations

Stock Price	Share Dilution	Capped Call	Dilution to SGH
\$18	—	—	—
\$19	—	—	—
\$20	—	—	—
\$21	33	(163)	(130)
\$22	324	(627)	(303)
\$23	660	(1,121)	(461)
\$24	968	(1,574)	(606)
\$25	1,251	(1,991)	(740)
\$26	1,512	(2,376)	(864)
\$27	1,755	(2,732)	(977)
\$28	1,979	(2,899)	(920)
\$29	2,433	(3,287)	(854)
\$30	2,858	(3,448)	(590)
\$31	3,256	(3,567)	(311)
\$32	3,629	(3,679)	(50)
\$33	3,979	(3,784)	195
\$34	4,309	(3,882)	427
\$35	4,620	(3,975)	645