

Fourth Quarter & Full Year FY24 Financial Results

Nasdaq: PENG
October 15, 2024

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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), acquisition-related inventory adjustments, diligence, acquisition and integration expense, restructure charges, impairment of goodwill, changes in the fair value of contingent consideration, (gains) losses from changes in 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, acquisition-related inventory adjustments, diligence, acquisition and integration expense, restructure charges, impairment of goodwill, changes in the fair value of contingent consideration, gain (loss) on extinguishment or prepayment 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

FY24 Highlights

Continuing Our Transformation

Completed Majority Divestiture of SMART Brazil

Sharpening our strategic focus on enterprise solutions

Announced Pete Manca as President of Intelligent Platform Solutions

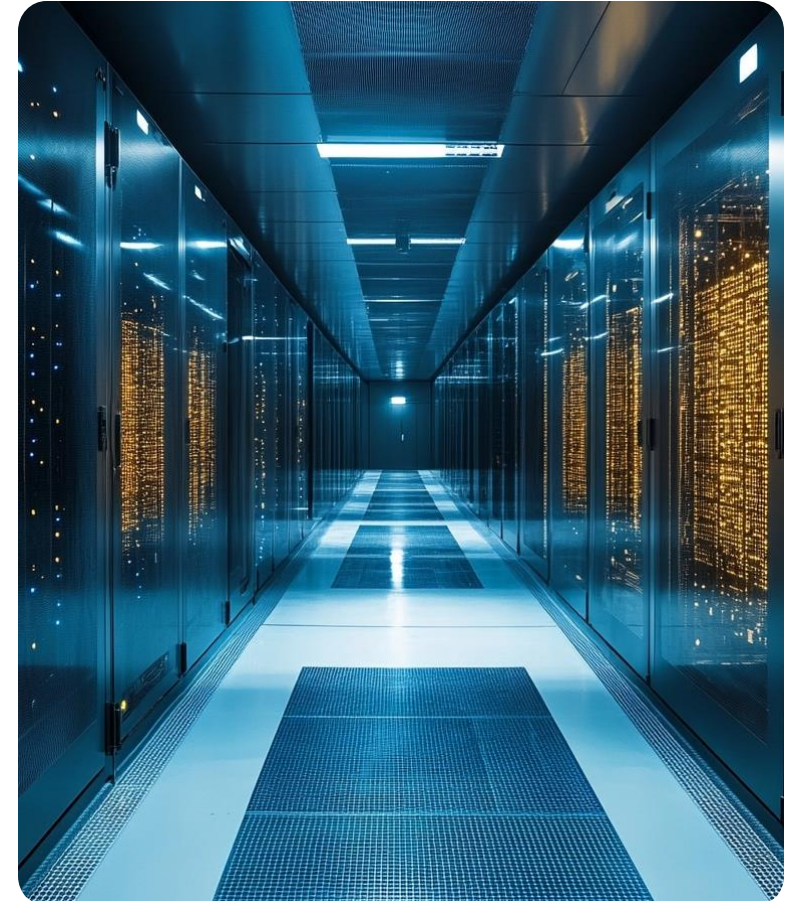
Bringing a wealth of experience to lead our AI and enterprise-focused business

Debuted Plans for Transformative Partnership with SK Telecom

Positioning for future global growth and innovation in AI and Edge computing

Strengthened Leadership Team with Nate Olmstead as CFO

Expanding the depth and breadth of our finance capabilities



Q4 FY24 Highlights

Continued to grow customer engagements, advance software and service offerings, and drive operational efficiency.



Revenue

Revenue of \$311M, up 4% vs. Q3 FY24; third consecutive quarter of sequential revenue growth



Gross Margin

Non-GAAP gross margin of 30.9%, within our guidance range



EPS

Non-GAAP EPS of \$0.37, in line with Q3 FY24, and within our guidance range



Balance Sheet

Strong balance sheet with cash, cash equivalents and short-term investments of \$389M

Our Business Segments

Intelligent Platform Solutions

Revenue of \$149M; up 3% vs. Q3 FY24

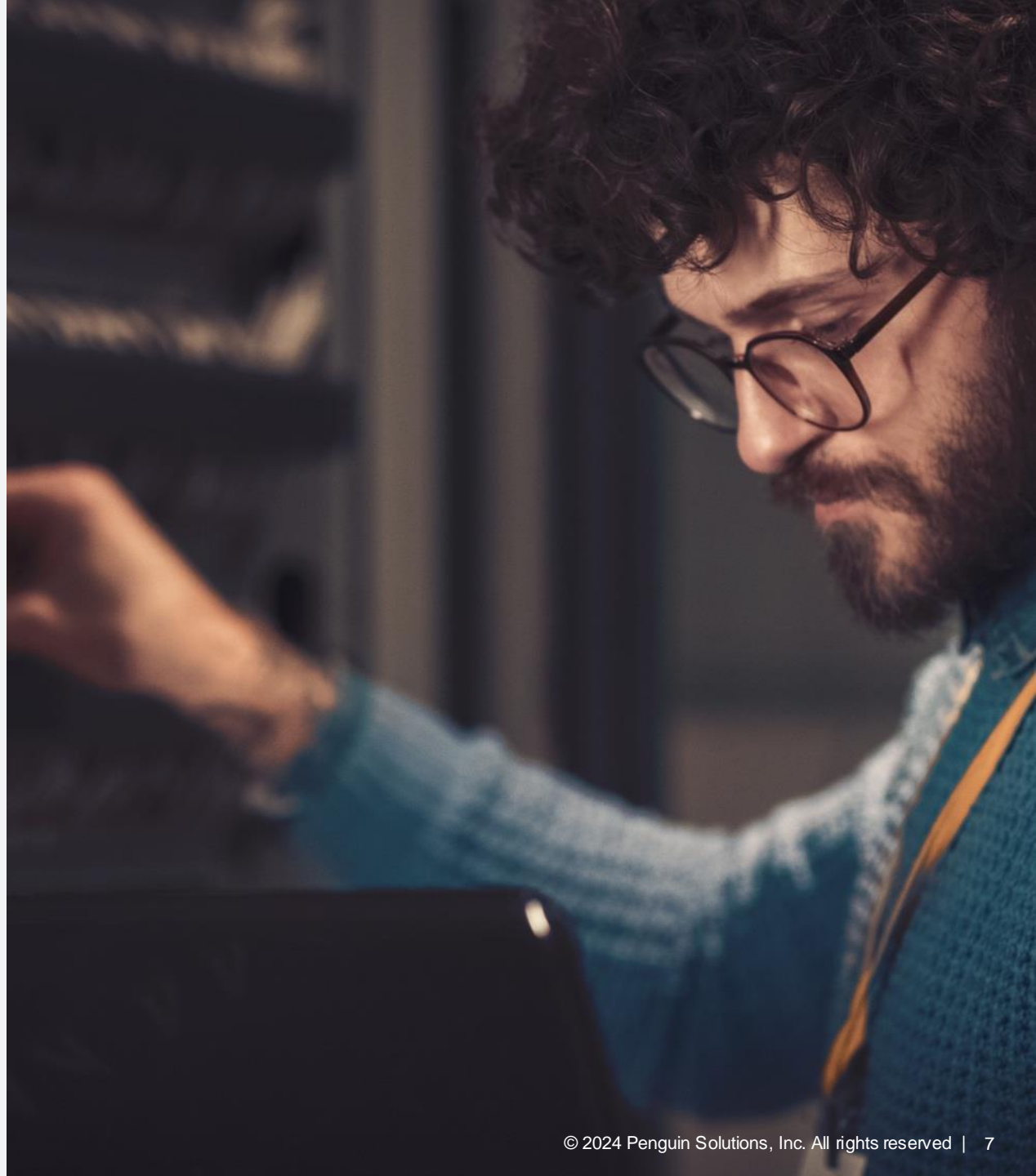
- 48% of total company revenue
-

New Customer Wins

- Hardware, software and services engagement at one of the world's largest gaming companies
 - Pilot program at a leading financial institution
-

Expanded Intelligent Software Offerings

- Penguin Solutions' Clusterware automates provisioning and orchestration of scalable HPC and AI environments
- AIM (Assured Infrastructure Module) provides predictive AI-driven monitoring and management for optimized HPC and AI infrastructure performance



Memory Solutions

Revenue of \$96M; up 5% vs. Q3 FY24

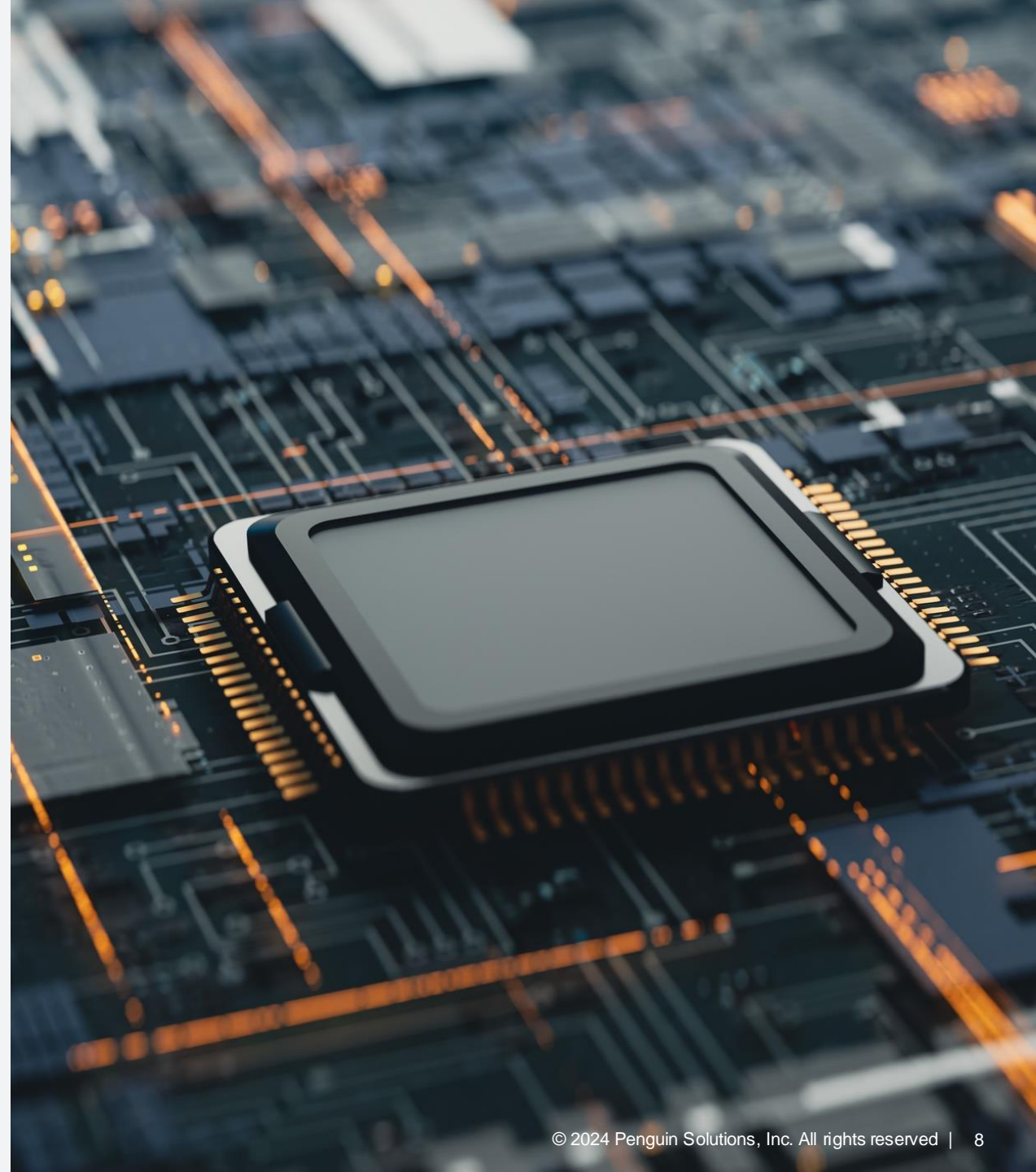
- 31% of total company revenue
-

Achieved key product development and customer engagement milestones

- Significant DDR5 design-in activity, especially for VLP DIMMs and ECC SODIMM
 - Introduced Cfxpress product line, leveraging PCIe Gen 4.0 technology
 - Launched DDR5 CXL Add-in Card to address the “memory wall” in AI-related environments
-

Investing in pioneering research areas to capitalize on emerging opportunities in AI

- Including silicon photonics and external memory appliances



LED Solutions

Revenue of \$66M; up 3% vs. Q3 FY24

- 21% of total company revenue
-

Cree LED remains a technology and brand leader

- IP protection activities ongoing across LED applications to facilitate growth and collaboration and safeguard Cree LED's 1,500+ patents
-

Design win activity improving;

- Expect to capture additional market share in FY2025



FY25 Key Initiatives

1

Solve Our Customers' Most Complex AI Challenges

Focus on AI and HPC, in alignment with the broader AI deployment trends.

2

Partner for Growth and Global Expansion

Accelerate growth and global reach, particularly in AI data centers and edge computing solutions.

3

Expand Our Software and Services Offerings

Invest in AI software solutions and services that help businesses better manage and orchestrate their AI infrastructure.

4

Innovate Relentlessly

Commit to ongoing innovation. Solve for intense compute requirements and expand our expertise in high-capacity, high-performance memory.

Financial Review

Non-GAAP Q4 FY24 Results

Key financial metrics within guidance range

Revenue

\$311M

Guidance: \$325M +/- \$25M

Non-GAAP Gross Margin

30.9%

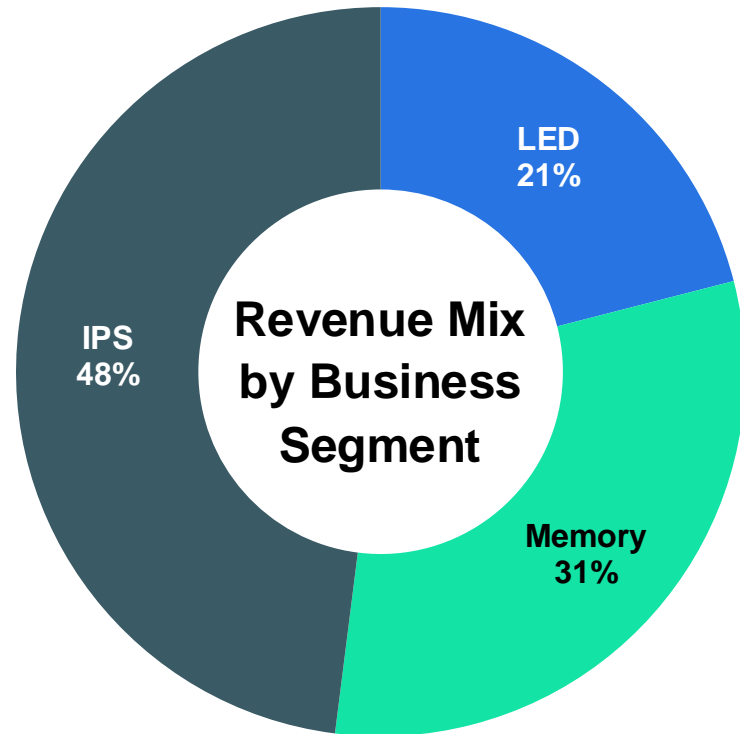
Guidance: 31.5% +/- 1.5%

Non-GAAP EPS

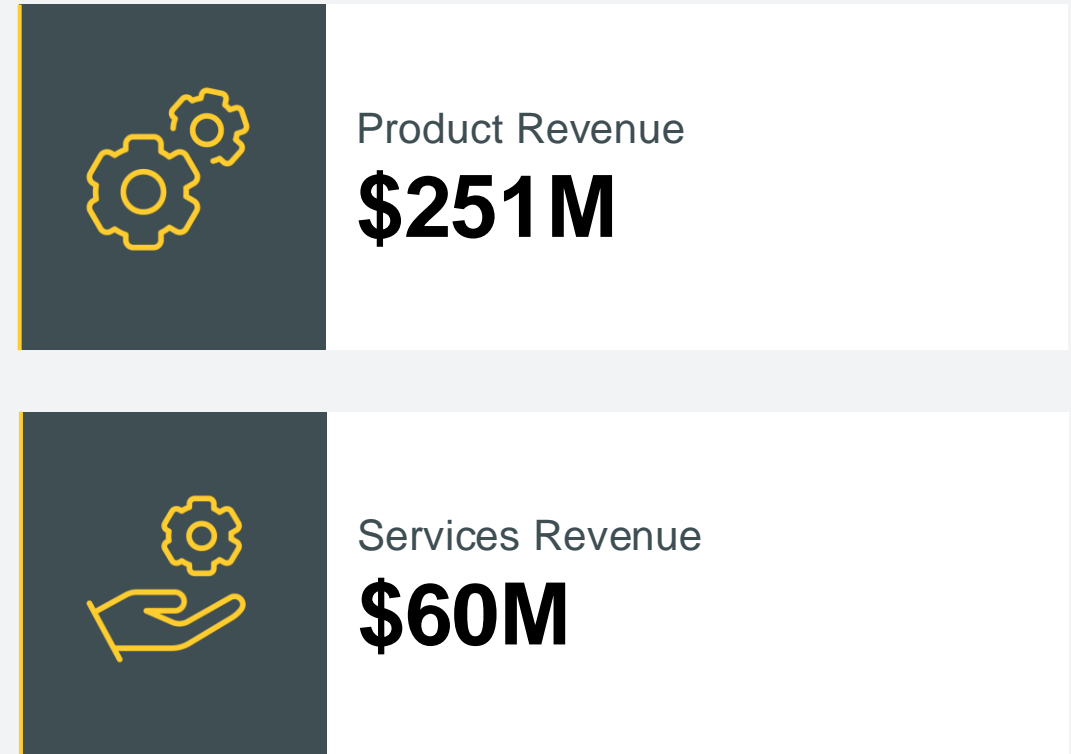
\$0.37

Guidance: \$0.40 +/- \$0.15

Q4 FY24 Revenue Detail

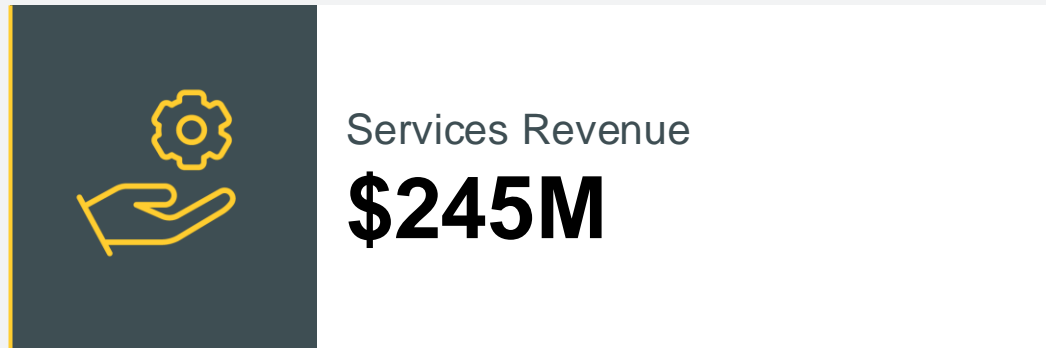


Revenue Breakdown – Total \$311M

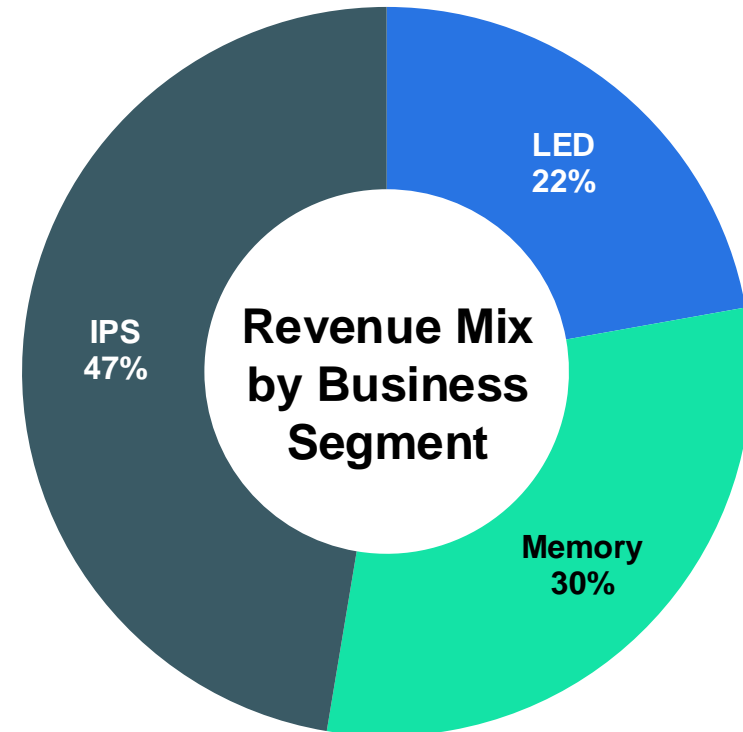


FY 2024 Revenue Detail

Revenue Breakdown – Total \$1.2B



Note: Summations for numbers and percentages may not compute precisely due to rounding.



Q4 FY24 Non-GAAP Operating Results¹

(\$M)	Q4 FY24	Q3 FY24	Q4 FY23
Revenue	\$311	\$301	\$317
Intelligent Platform Solutions	\$149	\$145	\$145
Memory Solutions	\$96	\$92	\$105
LED Solutions	\$66	\$64	\$66
Non-GAAP gross profit²	\$96	\$97	\$100
Non-GAAP operating expenses²	\$62	\$64	\$70
Non-GAAP operating income²	\$34	\$33	\$30
Non-GAAP net income²	\$20	\$20	\$18
Non-GAAP diluted earnings per share²	\$0.37	\$0.37	\$0.35
Adjusted EBITDA²	\$39	\$39	\$38

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.

FY24 Non-GAAP Operating Results¹

(\$M)	FY24	FY23
Revenue	\$1,171	\$1,441
Intelligent Platform Solutions	\$555	\$750
Memory Solutions	\$356	\$443
LED Solutions	\$260	\$248
Non-GAAP gross profit²	\$374	\$457
Non-GAAP operating expenses²	\$254	\$277
Non-GAAP operating income²	\$120	\$180
Non-GAAP net income²	\$67	\$128
Non-GAAP diluted earnings per share²	\$1.25	\$2.52
Adjusted EBITDA²	\$146	\$209

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.

Q4 2024 Balance Sheet and Cash Flow Highlights

(\$M)	Q4 2024	Q3 2024	Q4 2023
Working Capital			
Net Accounts Receivable	\$252	\$212	\$219
Days Sales Outstanding	49 days	42 days	48 days
Inventory	\$151	\$177	\$175
Days of Inventory	36 days	44 days	49 days
Accounts Payable	\$182	\$192	\$135
Days Payable Outstanding	43 days	47 days	38 days
Cash Conversion Cycle	42 days	38 days	59 days
Cash Flow			
Cash, Cash Equivalents and Short-Term Investments (at period end)	\$389	\$468	\$391
CF from Operations	(\$12)	\$80	\$38
Capital Expenditures & Depreciation			
CapEx	\$6	\$4	\$8
Depreciation	\$5	\$6	\$7

Penguin Solutions and SK Telecom

Planned \$200M Strategic Investment to Advance End-to-End AI Infrastructure Solutions



Advancing End-to-End
AI solutions

Broadening AI Software
Solutions Portfolio

Increasing Penguin Solutions'
Global Reach

Developing Innovative
Edge Products

Accelerating Development of
High-Performance, High-
Availability Compute Solutions

Our Outlook

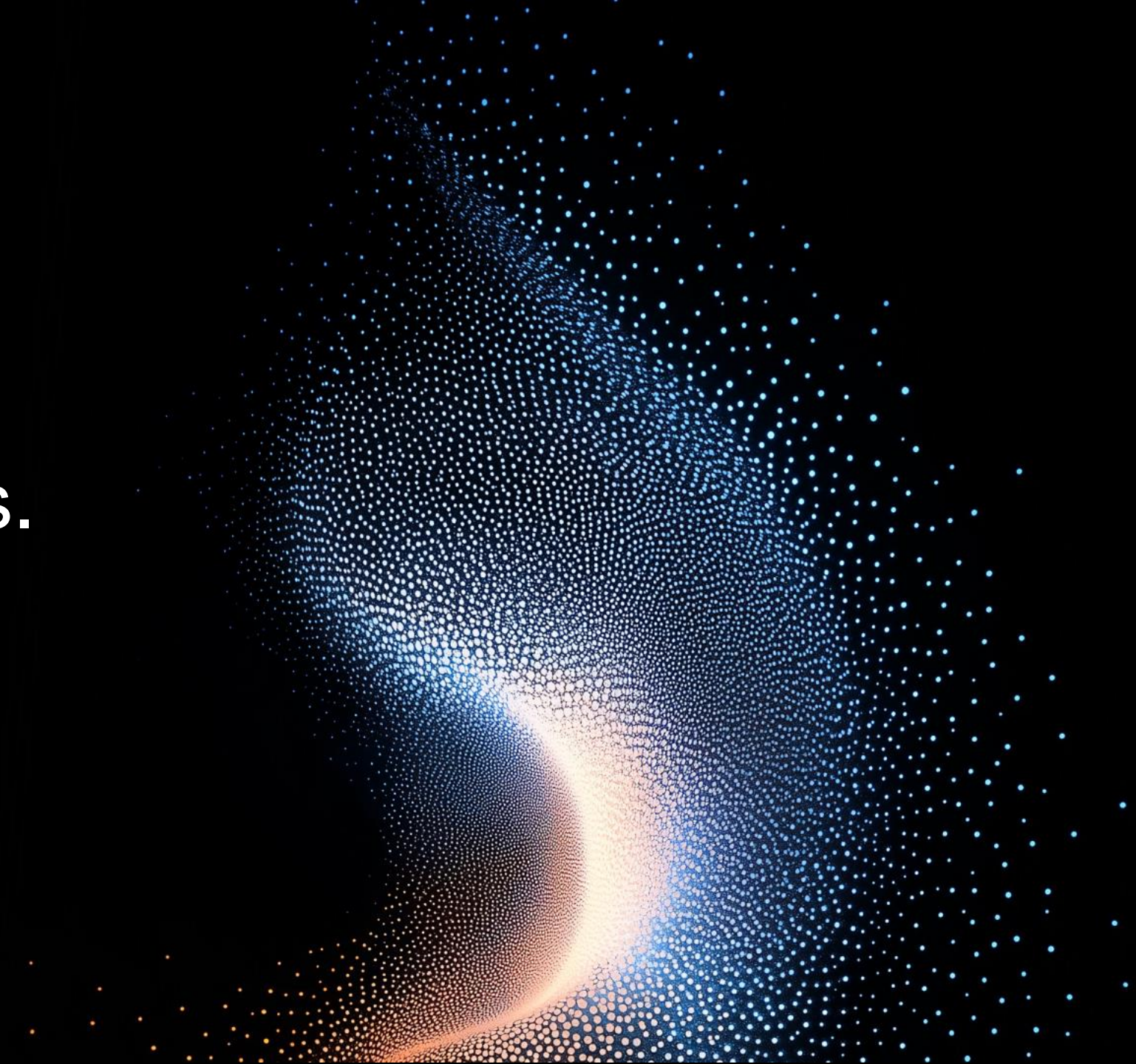
FY 2025 Outlook

	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 +/- \$15 million
Diluted earnings per share	\$0.30 +/- \$0.20	\$1.40 (A)(B)(C)(D)	\$1.70 +/- \$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

Solving complexity.
Accelerating results.

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GAAP to Non-GAAP Reconciliations

	Three Months Ended			Year Ended	
	August 30, 2024	May 31, 2024	August 25, 2023	August 30, 2024	August 25, 2023
<i>(dollars in thousands)</i>					
GAAP gross profit	\$ 87,086	\$ 88,906	\$ 91,585	\$ 340,776	\$ 415,171
Share-based compensation expense	1,847	1,760	1,789	7,113	6,334
Amortization of acquisition-related intangibles	5,909	5,909	5,876	23,656	25,661
Flow-through of inventory step up	—	—	—	—	2,599
Cost of sales-related restructure	865	387	1,050	2,136	6,813
Non-GAAP gross profit	\$ 96,007	\$ 96,962	\$ 100,300	\$ 373,981	\$ 456,578
GAAP gross margin	28.0 %	29.6 %	28.9 %	29.1 %	28.8 %
Effect of adjustments	2.9 %	2.7 %	2.8 %	2.8 %	2.9 %
Non-GAAP gross margin	30.9 %	32.3 %	31.7 %	31.9 %	31.7 %
GAAP operating expenses	\$ 78,295	\$ 77,395	\$ 93,224	\$ 322,481	\$ 406,426
Share-based compensation expense	(8,512)	(9,432)	(7,785)	(36,047)	(32,894)
Amortization of acquisition-related intangibles	(3,838)	(3,857)	(5,443)	(15,616)	(18,940)
Diligence, acquisition and integration expense	(2,094)	(4)	(2,676)	(8,772)	(20,869)
Impairment of goodwill	—	—	(1,534)	—	(19,092)
Change in fair value of contingent consideration	—	—	(4,100)	—	(29,000)
Restructure charge	(325)	(465)	(1,681)	(7,064)	(7,047)
Other	(1,258)	—	—	(1,258)	(1,800)
Non-GAAP operating expenses	\$ 62,268	\$ 63,637	\$ 70,005	\$ 253,724	\$ 276,784
GAAP operating income (loss)	\$ 8,791	\$ 11,511	\$ (1,639)	\$ 18,295	\$ 8,745
Share-based compensation expense	10,359	11,192	9,574	43,160	39,228
Amortization of acquisition-related intangibles	9,747	9,766	11,319	39,272	44,601
Flow-through of inventory step up	—	—	—	—	2,599
Cost of sales-related restructure	865	387	1,050	2,136	6,813
Diligence, acquisition and integration expense	2,094	4	2,676	8,772	20,869
Impairment of goodwill	—	—	1,534	—	19,092
Change in fair value of contingent consideration	—	—	4,100	—	29,000
Restructure charge	325	465	1,681	7,064	7,047
Other	1,558	—	—	1,558	1,800
Non-GAAP operating income	\$ 33,739	\$ 33,325	\$ 30,295	\$ 120,257	\$ 179,794
GAAP operating margin	2.8 %	3.8 %	(0.5)%	1.6 %	0.6 %
Effect of adjustments	8.0 %	7.3 %	10.1 %	8.7 %	11.9 %
Non-GAAP operating margin	10.8 %	11.1 %	9.6 %	10.3 %	12.5 %

GAAP to Non-GAAP Reconciliations

	Three Months Ended			Year Ended	
	August 30, 2024	May 31, 2024	August 25, 2023	August 30, 2024	August 25, 2023
<i>(dollars in thousands, except per share data)</i>					
GAAP net income (loss) attributable to Penguin Solutions	\$ (24,547)	\$ 5,616	\$ 64,841	\$ (44,324)	\$ 7,858
Share-based compensation expense	10,359	11,192	9,574	43,160	39,228
Amortization of acquisition-related intangibles	9,747	9,766	11,319	39,272	44,601
Flow-through of inventory step up	—	—	—	—	2,599
Cost of sales-related restructure	865	387	1,050	2,136	6,813
Diligence, acquisition and integration expense	2,094	4	2,676	8,772	20,869
Impairment of goodwill	—	—	1,534	—	19,092
Change in fair value of contingent consideration	—	—	4,100	—	29,000
Restructure charge	325	465	1,681	7,064	7,047
Amortization of debt issuance costs	897	817	1,010	3,724	4,064
Loss (gain) on extinguishment or prepayment of debt	21,646	792	—	22,763	15,924
Foreign currency (gains) losses	(1,072)	606	(276)	(830)	(221)
Other	1,558	—	—	1,558	1,800
Income tax effects	(1,865)	(9,424)	(79,103)	(16,388)	(70,993)
Non-GAAP net income attributable to Penguin Solutions	\$ 20,007	\$ 20,221	\$ 18,406	\$ 66,907	\$ 127,681
Weighted-average shares outstanding - Diluted:					
GAAP weighted-average shares outstanding	53,071	54,283	55,523	52,428	51,322
Adjustment for dilutive securities and capped calls	1,434	(333)	(2,233)	1,268	(558)
Non-GAAP weighted-average shares outstanding	54,505	53,950	53,290	53,696	50,764
Diluted earnings (loss) per share from continuing operations:					
GAAP diluted earnings (loss) per share	\$ (0.46)	\$ 0.10	\$ 1.17	\$ (0.85)	\$ 0.15
Effect of adjustments	0.83	0.27	(0.82)	2.10	2.37
Non-GAAP diluted earnings per share	\$ 0.37	\$ 0.37	\$ 0.35	\$ 1.25	\$ 2.52

GAAP to Non-GAAP Reconciliations

	Three Months Ended			Year Ended	
	August 30, 2024	May 31, 2024	August 25, 2023	August 30, 2024	August 25, 2023
<i>(dollars in thousands)</i>					
Net income (loss) attributable to Penguin Solutions	\$ (24,547)	\$ 5,616	\$ 64,841	\$ (44,324)	\$ 7,858
Interest expense, net	5,403	6,167	9,183	28,378	36,421
Income tax provision (benefit)	6,209	(1,323)	(75,890)	10,618	(49,203)
Depreciation expense and amortization of intangible assets	15,381	15,525	18,830	65,716	71,632
Share-based compensation expense	10,359	11,192	9,574	43,160	39,228
Flow-through of inventory step up	—	—	—	—	2,599
Cost of sales-related restructure	865	387	1,050	2,136	6,813
Diligence, acquisition and integration expense	2,094	4	2,676	8,772	20,869
Impairment of goodwill	—	—	1,534	—	19,092
Change in fair value of contingent consideration	—	—	4,100	—	29,000
Restructure charge	325	465	1,681	7,064	7,047
Loss on extinguishment of debt	21,646	792	—	22,763	15,924
Other	1,558	—	—	1,558	1,800
Adjusted EBITDA	\$ 39,293	\$ 38,825	\$ 37,579	\$ 145,841	\$ 209,080

Convertible Dilution

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