

# FISCAL 4Q 2020 RESULTS

Aug 11, 2020



# DISCLOSURES

## **Cautionary Statement Regarding Forward Looking Statements**

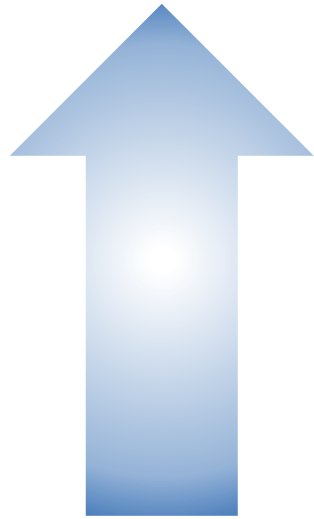
Statements contained in this presentation that are not historical fact may be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements may relate to, among other things, the first quarter of the fiscal year 2021 guidance and the ability to execute on the company strategy during the global COVID-19 pandemic. Such forward-looking statements do not constitute guarantees of future performance and are subject to a variety of risks and uncertainties that could cause our actual results to differ materially from those anticipated, including: (i) the global COVID-19 pandemic continues to present significant uncertainties for all parts of our business including our supply chain, our production operations and customer demand, (ii) our quarterly operating results may fluctuate, which could cause rapid declines in our stock price, (iii) as we increasingly target larger customers and larger sales opportunities, our customer base may become more concentrated, our cost of sales may increase, our margins may be lower and our sales may be less predictable, (iv) if we fail to meet publicly announced financial guidance or other expectations about our business, our stock could decline in value, (v) the average sales prices for our server solutions could decline if customers do not continue to purchase our latest generation products or additional components, and (vi) adverse economic conditions may harm our business. Additional factors that could cause actual results to differ materially from those projected or suggested in any forward-looking statements are contained in our filings with the Securities and Exchange Commission, including those factors discussed under the caption "Risk Factors" in such filings, particularly in our Annual Report on Form 10-K for our fiscal year ended June 30, 2019 and our Quarterly Report on Form 10-Q for our quarterly period ended March 31, 2020.

## **Use of Non-GAAP Financial Measures**

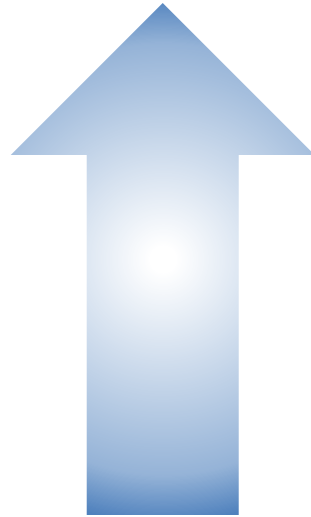
Each of non-GAAP gross margin, non-GAAP income from operations, non-GAAP operating expenses, non-GAAP net income, and non-GAAP diluted net income per common share adds back and excludes various items that are discussed in the accompanying reconciliation table herein. Management presents non-GAAP financial measures because it considers them to be important supplemental measures of performance. Management uses the non-GAAP financial measures for planning purposes, including analysis of the Company's performance against prior periods, the preparation of operating budgets and to determine appropriate levels of operating and capital investments. Management also believes that the non-GAAP financial measures provide additional insight for analysts and investors in evaluating the Company's financial and operational performance. However, these non-GAAP financial measures have limitations as an analytical tool, and are not intended to be an alternative to financial measures prepared in accordance with GAAP. A reconciliation of gross margin to non-GAAP gross margin, from income from operations to non-GAAP income from operations, from operating expenses to non-GAAP operating expenses, from net income to non-GAAP net income, and from diluted net income per common share to non-GAAP net income and diluted net income per common share are included in the tables below.

# KEY VERTICAL MARKETS AND GROWTH DRIVERS

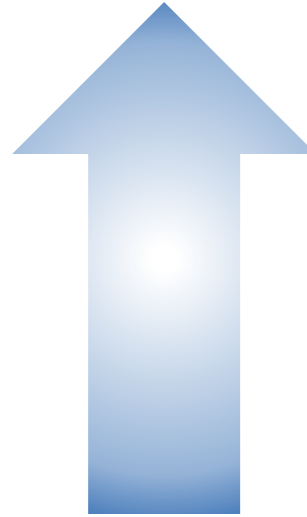
Supermicro has been focused on the fastest-growing IT markets leveraging our unique business model and go-to-market partnerships



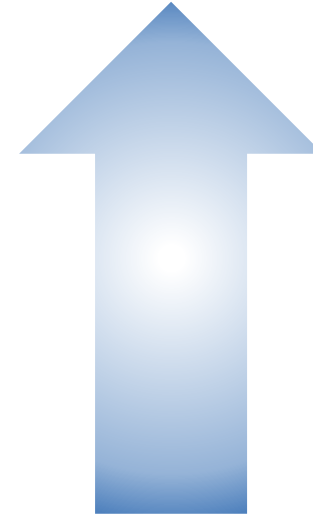
**Enterprise, Channel  
IoT & AI**



**Cloud  
& Large DC**



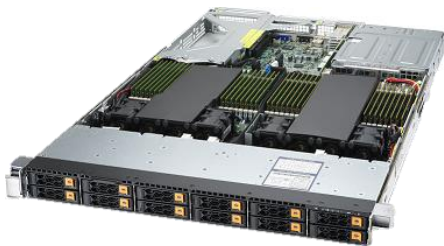
**5G/Edge & Telco**



**Software & Services**

# PROGRESS AGAINST KEY PRIORITIES

- Traction with new Internet Data Center and (5G) Edge customers
- Expanding footprint in Taiwan to lower mid/long-term costs
- Pipeline of innovation with partners Intel, AMD and Nvidia, and exciting new storage solutions
- **Share Repurchase:**
  - Commitment to shareholder value creation
  - Offset dilution from equity plan



Cloud & Large DC



AI/ML



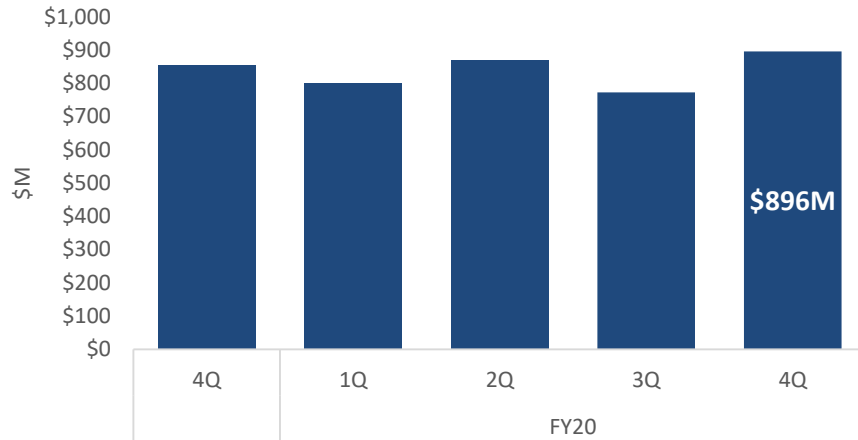
Storage



5G/Edge

# NET SALES AND NON-GAAP EPS

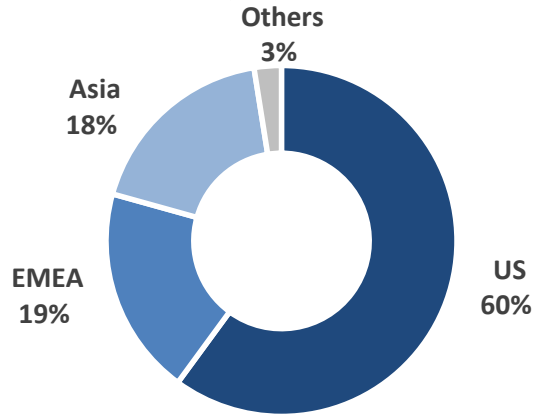
## Net Sales



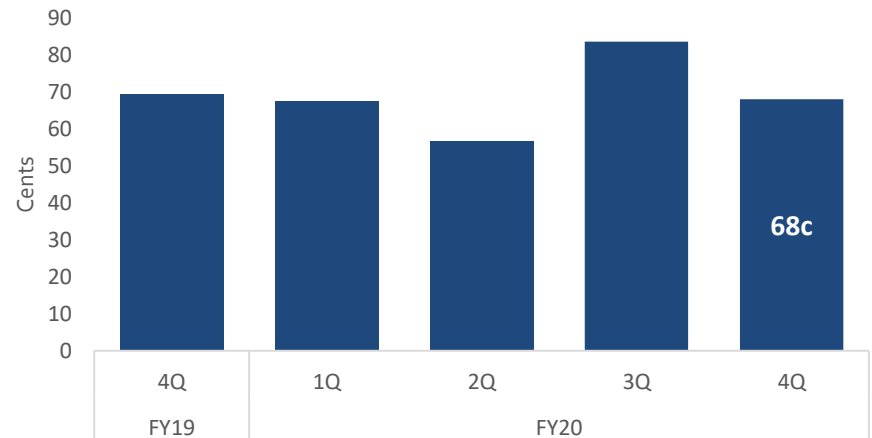
## Net Sales Grew Sequentially and Year-Over-Year

- +16% QoQ, +5% YoY in challenging business environment
- Double-digit growth in Edge and Internet data center customers, offset by weakness in OEMs
- Healthy sequential rebound in US (+27% QoQ, +4% YoY); EMEA +13% YoY
- Flattish 4Q EPS YoY despite heightened freight costs, mix and commodity cost pressure

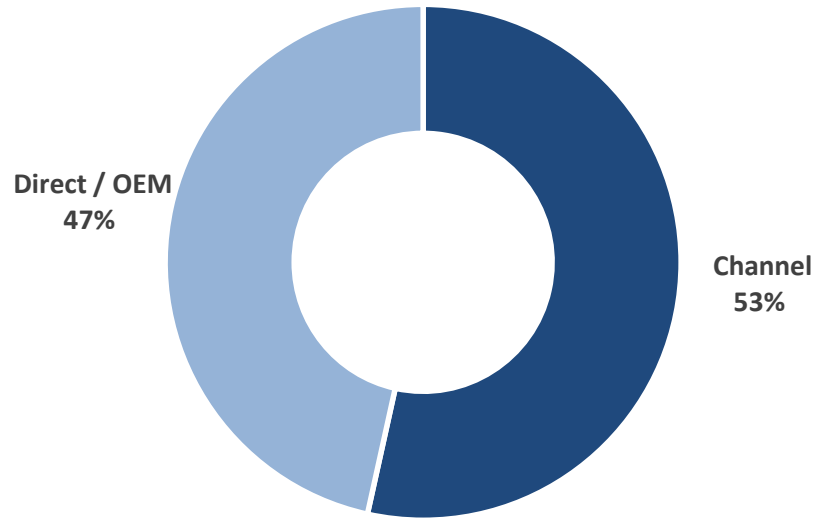
## Geographic Mix



## Non-GAAP EPS

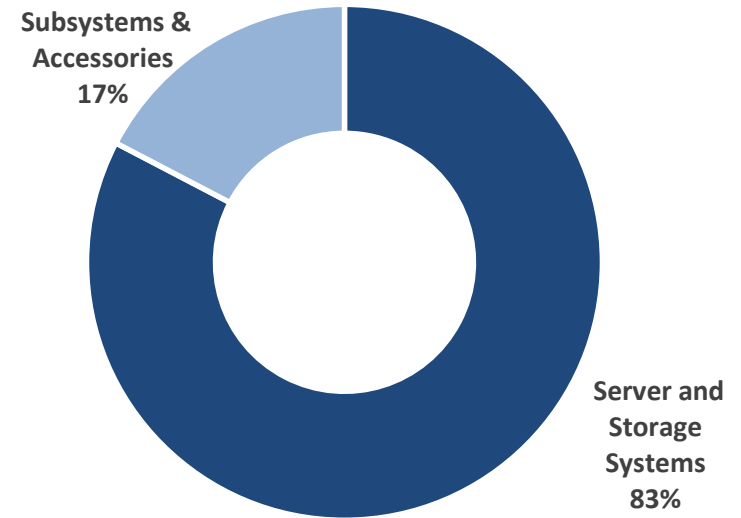


# CUSTOMER AND PRODUCT MIX



## Mix by Customer Type

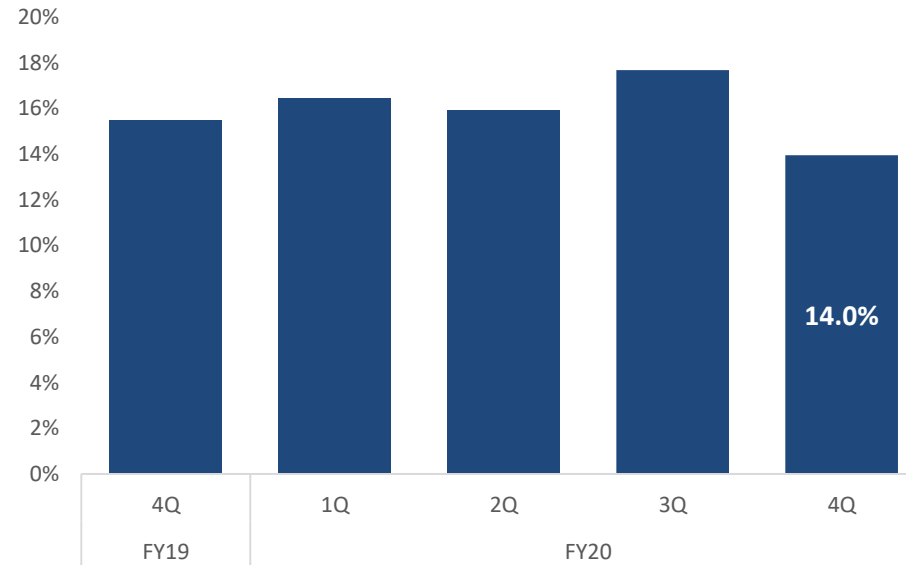
- Indirect / Channel +7% QoQ, +27% YoY
- Direct / OEM +28% QoQ, -12% YoY



## Systems Mix

- Subsystems & Accessories -23% QoQ, -1% YoY
- Server and Storage Systems +30% QoQ, +6% YoY
- Systems ASP higher QoQ, lower YoY

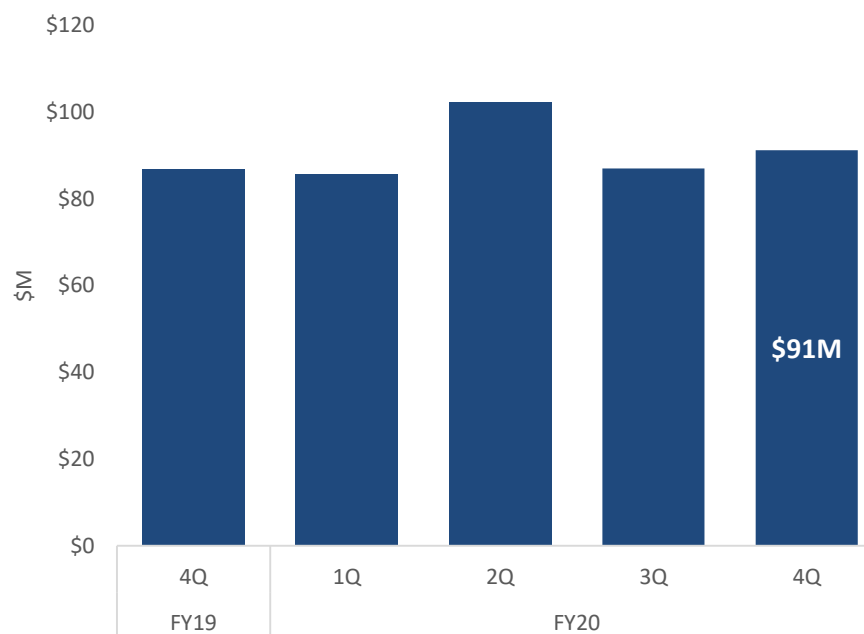
# NON-GAAP GROSS MARGIN



## Non-GAAP Gross Margin

- -370bp QoQ, -150bp YoY
- Freight costs remain elevated
- Significant commodity cost pressure

# NON-GAAP OPERATING EXPENSES



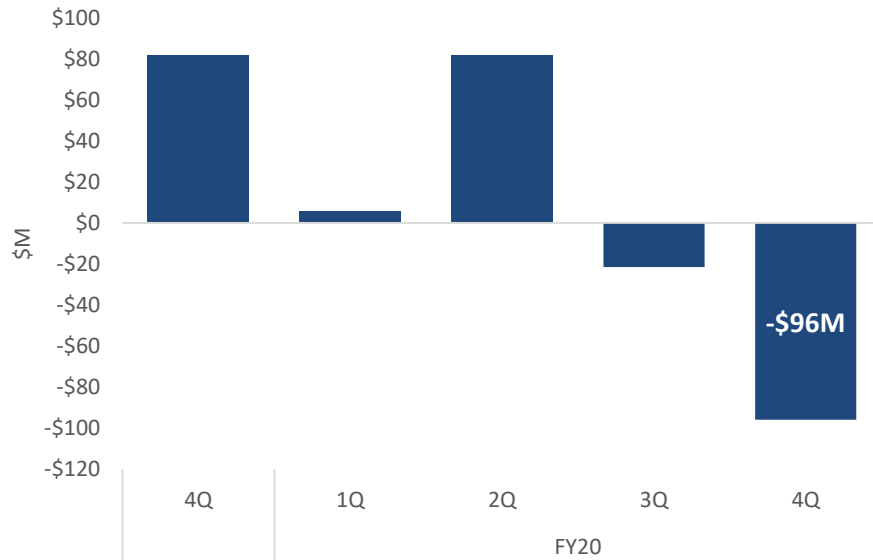
## Non-GAAP Operating Expenses

- +5% QoQ, +5% YoY
- Down as a % of sales QoQ, flat YoY
- Lack of R&D credit largest driver of QoQ increase

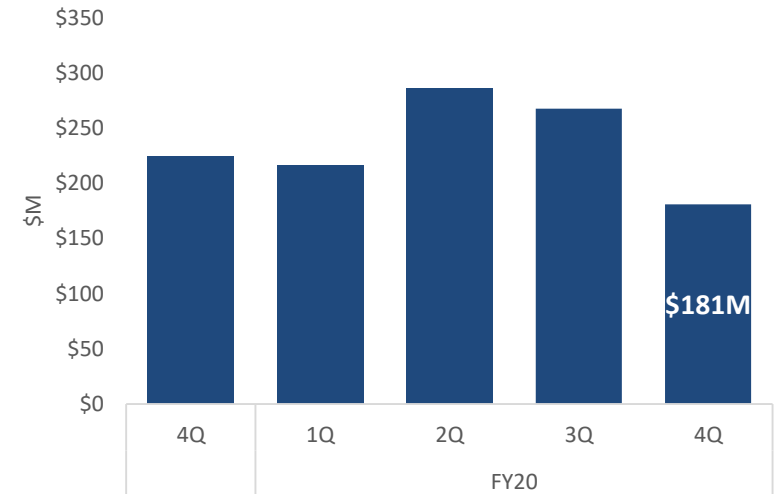


# CASH FLOW AND NET CASH

## Cash Flow From Operations



## Net Cash



- **Cash Flow from Operations** -\$96M, impacted primarily by timing of inventory purchases, higher AR, and payment of one-time employee bonuses
- **Free Cash Flow** -\$105M
- **Cash and Cash Equivalents** \$211M

# SHARE REPURCHASE

## Details:

- The board has approved a \$30M share repurchase authorization
- Effective until December 31, 2020 or until authorized funds fully deployed
- Rule 10b5-1 plan

## Message to Shareholders:

- Commitment to shareholder value creation and efficient use of capital
- Offset dilution from equity plan
- Within current US cash balances and expected cash flow generation
- Retains adequate liquidity to fund operations and growth plan
- More on longer-term capital allocation strategy in coming quarters

# 1Q21 OUTLOOK



## REVENUE

**\$720M to \$800M**



## NON-GAAP EPS

**10c to 35c**

**(GAAP: 3c to 27c)**

# APPENDIX

# 4Q20 HIGHLIGHTS

|                                      | <u>4Q20</u> | <u>QoQ</u> | <u>YoY</u> |
|--------------------------------------|-------------|------------|------------|
| <b>Revenue</b>                       | \$896M      | +16%       | +5%        |
| <b>Gross Margin (non-GAAP)</b>       | 14.0%       | -370bp     | -150bp     |
| <b>Earnings Per Share (non-GAAP)</b> | 68c         | -16c       | -1c        |
| <b>Cash Flow from Operations</b>     | -\$96M      | NA         | NA         |
| <b>Mix:</b>                          |             |            |            |
| <b>Systems</b>                       | 83%         | +30%       | +6%        |
| <b>Subsystems &amp; Accessories</b>  | 17%         | -23%       | -1%        |
| <b>Direct / OEM</b>                  | 47%         | +28%       | -12%       |
| <b>Channel</b>                       | 53%         | +7%        | +27%       |

# GAAP TO NON-GAAP RECONCILIATION

|   | Three Months Ended |                   | Twelve Months Ended |                   |
|---|--------------------|-------------------|---------------------|-------------------|
|   | June 30,           |                   | June 30,            |                   |
|   | 2020               | 2019              | 2020                | 2019              |
| GAAP GROSS PROFIT   | \$ 123,517         | \$ 132,034        | \$ 526,210          | \$ 495,522        |
| Stock-based compensation  | 355                | 407               | 1,504               | 1,663             |
| One-time employee performance bonuses                                 | 1,201              | —                 | 4,072               | —                 |
| Other expenses  | 39                 | —                 | 39                  | —                 |
| Non-GAAP GROSS PROFIT   | <u>\$ 125,112</u>  | <u>\$ 132,441</u> | <u>\$ 531,825</u>   | <u>\$ 497,185</u> |
| GAAP GROSS MARGIN   | 13.8 %             | 15.5 %            | 15.8 %              | 14.2 %            |
| Stock-based compensation  | 0.0 %              | 0.0 %             | 0.0 %               | 0.0 %             |
| One-time employee performance bonuses                                 | 0.2 %              | 0.0 %             | 0.1 %               | 0.0 %             |
| Other expenses  | 0.0 %              | 0.0 %             | 0.0 %               | 0.0 %             |
| Non-GAAP GROSS MARGIN   | <u>14.0 %</u>      | <u>15.5 %</u>     | <u>15.9 %</u>       | <u>14.2 %</u>     |
| GAAP OPERATING EXPENSES   | \$ 114,089         | \$ 101,894        | \$ 440,556          | \$ 398,289        |
| Stock-based compensation  | (5,011)            | (4,696)           | (18,685)            | (19,521)          |
| Legal settlement costs  | —                  | —                 | (17,500)            | —                 |
| One-time employee performance bonuses                                 | (16,224)           | —                 | (23,682)            | —                 |
| Other expenses  | (638)              | —                 | (638)               | —                 |
| Controls remediation  | (1,004)            | (10,364)          | (13,863)            | (56,917)          |
| Non-GAAP OPERATING EXPENSES   | <u>\$ 91,212</u>   | <u>\$ 86,834</u>  | <u>\$ 366,188</u>   | <u>\$ 321,851</u> |
| GAAP INCOME FROM OPERATIONS   | \$ 9,428           | \$ 30,140         | \$ 85,654           | \$ 97,233         |
| Stock-based compensation  | 5,366              | 5,103             | 20,189              | 21,184            |
| Legal settlement costs  | —                  | —                 | 17,500              | —                 |
| One-time employee performance bonuses                                 | 17,425             | —                 | 27,754              | —                 |
| Other expenses  | 677                | —                 | 677                 | —                 |
| Controls remediation  | 1,004              | 10,364            | 13,863              | 56,917            |
| Non-GAAP INCOME FROM OPERATIONS                                       | <u>\$ 33,900</u>   | <u>\$ 45,607</u>  | <u>\$ 165,637</u>   | <u>\$ 175,334</u> |
| GAAP NET INCOME   | \$ 18,450          | \$ 23,710         | \$ 84,308           | \$ 71,918         |
| Stock-based compensation  | 5,366              | 5,103             | 20,189              | 21,184            |
| Legal settlement costs  | —                  | —                 | 17,500              | —                 |
| One-time employee performance bonuses                                 | 17,425             | —                 | 27,754              | —                 |
| Other expenses  | 677                | —                 | 677                 | —                 |
| Controls remediation  | 1,004              | 10,364            | 13,863              | 56,917            |
| Impairment of investment  | —                  | 2,000             | —                   | 2,661             |
| Adjustments to tax provision  | (5,101)            | (4,133)           | (13,969)            | (19,110)          |
| Non-GAAP NET INCOME   | <u>\$ 37,821</u>   | <u>\$ 37,044</u>  | <u>\$ 150,322</u>   | <u>\$ 133,570</u> |
| GAAP NET INCOME PER COMMON SHARE – BASIC                              | \$ 0.35            | \$ 0.47           | \$ 1.65             | \$ 1.44           |
| Impact of Non-GAAP adjustments  | 0.37               | 0.27              | 1.30                | 1.24              |
| Non-GAAP NET INCOME PER COMMON SHARE – BASIC                          | <u>\$ 0.72</u>     | <u>\$ 0.74</u>    | <u>\$ 2.95</u>      | <u>\$ 2.68</u>    |
| GAAP NET INCOME PER COMMON SHARE – DILUTED                            | \$ 0.34            | \$ 0.46           | \$ 1.60             | \$ 1.39           |
| Impact of Non-GAAP adjustments  | 0.34               | 0.23              | 1.17                | 1.12              |
| Non-GAAP NET INCOME PER COMMON SHARE – DILUTED                        | <u>\$ 0.68</u>     | <u>\$ 0.69</u>    | <u>\$ 2.77</u>      | <u>\$ 2.51</u>    |
| WEIGHTED-AVERAGE SHARES USED IN COMPUTING NET INCOME PER COMMON SHARE |                    |                   |                     |                   |
| BASIC – GAAP  | <u>52,240</u>      | <u>50,137</u>     | <u>50,987</u>       | <u>49,917</u>     |
| BASIC – Non-GAAP  | <u>52,240</u>      | <u>50,137</u>     | <u>50,987</u>       | <u>49,917</u>     |
| DILUTED – GAAP  | <u>54,218</u>      | <u>51,975</u>     | <u>52,838</u>       | <u>51,716</u>     |
| DILUTED – Non-GAAP  | <u>55,595</u>      | <u>53,431</u>     | <u>54,317</u>       | <u>53,127</u>     |