

11-Aug-2020

Super Micro Computer, Inc. (SMCI)

Q4 2020 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Super Micro Fourth Quarter Fiscal 2020 Financial Results. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded. [Operator Instructions]

I would now like to hand the conference over to your speaker today, James Kisner, Vice President, Investor Relations. Thank you. Please go ahead.

James Kisner

Vice President-Investor Relations, Super Micro Computer, Inc.

Good afternoon, and thank you for attending Super Micro's call to discuss financial results for the fourth quarter of fiscal 2020, which ended June 30, 2020. By now, you should have received a copy of the news 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 and 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 the potential impact of COVID-19 on the company's business and results of operations. There are a number of risk factors that could cause Super Micro's future results to differ materially from our expectations. You can learn more about these risks

in the press release we issued earlier this afternoon, our most recent 10-K filing for 2019, our March 2020 10-Q, and our other SEC filings. All of these documents are available on the Investor Relations page of Super Micro'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. In addition, a reconciliation of GAAP to non-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'll have a Q&A session for sell-side analysts to ask questions.

I'll now turn the call over to Charles Liang, Chairman and Chief Executive Officer.

Charles Liang

Founder, Chairman, President & Chief Executive Officer, Super Micro Computer, Inc.

Thank you, James, and good afternoon, everyone. Today, we had released our fiscal fourth quarter and full year fiscal 2020 financial results. Now, let's take a look at some highlights from the quarter.

Our fiscal fourth quarter net sales totaled \$896 million, up 5% year-over-year and 16% sequentially. Our fiscal Q4 earnings per share was \$0.68. We saw double-digit growth in Edge applications and some key data center and cloud customers. This was offset by the softness from some customers who are seeing the worst effects of the COVID-19 threat.

Before we dive into the financial details, I want to provide you an update on our business strategy. Last quarter, we talked about our four strategic, high-growth market segments, and we are aligning our resource accordingly to speed up our growth for the coming quarter and years. These four strategic market are: First, organic enterprise and channel business, including server, storage, IoT and AI, which are our historical growth areas. Second, our new 5G, Edge and Telco business. Third, our new large data center and public cloud. And fourth, software and global service.

I'm pleased to share that we have made a good progress in three of these four market categories this quarter. The strategy enables us to win more high-profile customers among enterprise, data center and 5G, Telco infrastructure builders. In addition, we had continued our investment and growth trend in software and service. By doubling these teams' headcounts over the past year to prepare a series of higher value product lines.

Unfortunately, COVID-19 posed significant disruption to our organic enterprise and channel business and slowed their growth in the near-term. But we are encouraged by our progress in our two new strategic drivers this quarter, the large DC and Cloud, as well as 5G and Telco. And they prove that our overall growth strategy is working well, and will drive a much stronger result in the future.

Going forward, we also plan to accelerate our unique online business into an official phase to complement our strategy. We have been preparing and fine-tuning this business for a few years, and I'm optimistic that it will speed up bringing new revenue growth and profitability to us. How do we move this business into an official phase? Super Micro pride itself in product innovation, which have been the key to our success in the past 27 years. Our server system building blocks, application optimization, and resources savings design vision separate us from our competitors. And we are very excited by our recent product introductions.

Last quarter, we announced a new AI and machine learning system portfolio that supports the new NVIDIA A100 Tensor Core GPUs based on the latest AMD EPYC processors and Intel coming soon processors. Armed with up

to 5 PetaFlops of performance per 4U system with optimal thermal solution, these systems enable researchers to train the most sophisticated AI networks at unprecedented speed.

Next, we have introduced a new 4-way enterprise platform based on the 3rd Generation Intel Xeon Scalable processor, which is optimized to take on deep analytics and the mission-critical applications. Most importantly, this quarter our R&D is a hard at work to expand our expensive AMD product lines and working closely with our partners to seed our next generation X12 Intel processor-based product line. These engagements will enhance the strong foundation for our growth in the coming quarters and years.

At our recent virtual Storage Summit co-hosted with our partner, Nutanix and Intel, we discussed our completely refreshed storage portfolio. At the event, we introduced storage systems that offer highest data density and optimized system performance for our customers, including our brand new 2nd generation top-loading 60 and 90 bay storage, petascale EDSFF high-performance storage, and software-defined solutions.

Switching gear to 5G, we had also been recognized recently by VDC Research as the top 5G, Telco and Edge solution provider based on the highest customer satisfaction for its application-optimized products. As distributed compute become more critical for 5G infrastructure or implementations (sic) [infrastructure implementations] (09:26), our Edge solutions are optimized to be deploy, manage, maintain, and secure on a mass scale. We see that most of the 5G, Telco and Edge business opportunity are here in the early phase of deployments. These represent greater market share opportunities for Super Micro.

I want to get back and talk a bit more about our current quarter and business outlook. The logistical issues, rising shipping costs and employees working from home, caused by the spread of COVID-19 in the US do disrupt our business in short-term. It lowered our business and revenue by some points and increases our business cost in short-term. And at this time, we have been aggressively shifting and growing certain operation and R&D work to Taiwan. By aggressively and efficiently growing our operation in Taiwan, I am confident that this big step of change will yield bigger long-term reward, as our overall cost will be much lower when our operation and production volume in Taiwan ramps. However, we will also continue to optimize our operation in US by better business and production automation to address the ever-changing market dynamics.

In summary, we are able to continue our growth moderately despite the continued disruption caused by COVID-19. We will provide a near-term outlook today that reflects [indiscernible] (11:33) from the threat of COVID-19. However, we are very encouraged as we look into the future, as the digital world continue to progress, evolve, and grow. Rest assured, we are using this period of disruption as an opportunity to improve our business global [indiscernible] (12:00) by shifting and growing certain portion of operation, production, and R&D to Taiwan, a much lower cost country and less COVID-19 disrupted area. And this change will result in our mid-term and long-term business revenue and profitability growth.

Our enhanced mix of hardware, software, and service hybrid focus is the path forward for us to build higher product value, gross margin, and revenue growth over time. Our strategy will empower Super Micro to re-accelerate our revenue growth and resume our long history of strong market share gain. With that, we remain very bullish on our long-term opportunity to penetrate our roughly \$100 billion TAM.

Finally, we are pleased to announce today a \$30 million stock repurchase program. Although the starting amount is modest, we would like to start utilizing our cash on hand to increase shareholders' value while maintaining sufficient cash resource to fund our operation and aggressive growth plan. The stock repurchase program reflects our ongoing commitment to improve the value of our common stock and will help us to offset dilution from our equity plan.

I will now hand the call over to Kevin to review the results of the quarter in more detail.

Kevin S. Bauer

Chief Financial Officer & Senior Vice President, Super Micro Computer, Inc.

Thank you, Charles. First, I'd like to thank our employees, customers, investors, and partners for their support as we navigate the ongoing challenges of the COVID-19 pandemic. Before jumping into the details of the quarter, we'd like to provide a brief update on the status of our operations.

We call our largest production and employee presences in San Jose, California. We continue to operate under increased safety measures for the health of our employees. While we have adapted well to current conditions, we continue to maintain a higher level of inventory and are adjusting our logistics to moderate costs.

All that said, while we aren't satisfied with our operating profitability this quarter, we are proud of our results under these unprecedented times. While we don't have unique insight into the long-term trajectory of a global economic recovery from COVID-19, we believe that much of the effects we are seeing on our financials today and over the near-term will likely prove transitory.

Now, let me turn to the details of the quarter. Our fiscal fourth quarter revenue totaled \$896 million. This reflects a 16% quarter-on-quarter increase from the third quarter of fiscal 2020 and a 5% increase from the same quarter of last year. Systems comprised 83% of total revenue and volumes of systems and nodes shipped were up sequentially and year-over-year. System ASPs increased quarter-on-quarter, but declined year-over-year.

Turning to geographic performance, on a year-on-year basis, the US was up 4%. EMEA grew 13% and Asia was flat. On a sequential basis, US sales grew 27% as we saw a strength at a number of internet data center and enterprise customers. EMEA grew 3% and Asia grew 2% sequentially.

Before moving down the P&L, I'd like to point out a number of discrete items worth noting for investors. First, we recorded \$17.4 million in expense related to incentive awards to our employees that impacted both cost of sales and operating expense. Remember, on our February call, we mentioned that we had expected to incur additional one-time charges of \$35 million to \$40 million.

Second, we paid out approximately \$26 million for those awards whose performance criteria was achieved in this quarter. Third, we recovered \$4.8 million from customers related to previously reserved bad debt. Lastly, we released \$3.3 million in tax reserves following the finalization of certain foreign tax returns for prior years and our tax rate was reduced for export sales from the US.

Turning back to our non-GAAP results, Q4 gross margin was 14%, down 150 basis points year-on-year and 370 basis points quarter-on-quarter. As you've likely heard from other market participants, commodity costs have been volatile. Gross margin was impacted by commodity costs, COVID-related costs, and customer mix in that order of magnitude.

Turning to operating expenses, Q4 OpEx on a GAAP basis decreased 3% quarter-on-quarter to \$114 million. On a non-GAAP basis, operating expenses increased 5% quarter-on-quarter and year-on-year to \$91 million. The sequential increase in non-GAAP OpEx was primarily due to the absence of \$9.5 million in R&D credits the previous quarter. G&A also benefited from the aforementioned debt recovery.

Other income and expense was a \$0.7 million loss as compared to a \$0.9 million gain last quarter related to the foreign exchange re-measurement of our Taiwan dollar-denominated loans. This quarter, our taxes were a \$7 million benefit on a GAAP basis and a \$2 million benefit on a non-GAAP basis. In both cases, we benefited from our new tax structure and settlement on a tax audit as highlighted in the discrete items mentioned earlier.

Lastly, our joint venture contributed income of \$3.5 million this quarter as compared to a \$1.1 million loss in the previous quarter and income of \$0.9 million in the same quarter a year ago. Q4 non-GAAP earnings per share totaled \$0.68 per diluted share compared to \$0.84 last quarter and \$0.69 last year.

Cash used from operations totaled \$96 million as we paid out \$26 million related to the one-time employee bonuses and our accounts receivable was up \$71 million sequentially on increased sales. Timing factors contributed to the large use of cash in Q4 and we currently expect cash flow from operations to improve in Q1.

CapEx totaled \$9 million, resulting in free cash outflow of \$105 million. Our closing balance sheet cash position, which excludes restricted cash, was \$211 million.

This quarter our cash conversion cycle was 87 days, down from 92 days last quarter and within our target range of 85 to 90 days. Days sales outstanding was 37 days, day payables outstanding totaled 52 days, and inventory days was 101.

Now, turning to the outlook for our business, the company expects net sales for the quarter ending September 30, 2020 in the range of \$720 million to \$800 million. In addition to typically somewhat weaker seasonal trends, we are cautious given significant economic uncertainty. We expect gross margins to improve roughly 70 basis points to 125 basis points sequentially as commodity cost pressures abate.

With regards to operating expense, the \$4.8 million debt recovery will not repeat and we expect sequential increases in compensation, product development, and the completion of our year-end audit. We expect audit costs to revert to normal levels in the December quarter.

We anticipate the GAAP and non-GAAP tax rate to be 18% for the year. We expect GAAP earnings per share of \$0.03 to \$0.27, and non-GAAP earnings per share of \$0.10 to \$0.35, both on a diluted basis.

Our management team is focused on guiding our company through the continuing challenges presented by COVID-19. Although we're unable to predict the extent to which COVID-19 may further impact our business operations, financial performance, and results of operations, we believe we're well-positioned financially and strategically as we continue to serve our customers.

Finally, as Charles mentioned earlier, we currently announced that our board of directors has authorized the company to repurchase up to \$30 million of its common stock in a new share repurchase program. The program is effective until December 31, 2020 or until the authorized funds are exhausted under a 10b5-1 plan. With this small step, we are signaling to investors that we are committed to creating shareholder value with an efficient use of capital.

James Kisner

Vice President-Investor Relations, Super Micro Computer, Inc.

Thank you, Kevin. Operator, we're now ready to open the queue for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And your first question comes from the line of Aaron Rakers from Wells Fargo. Your line is open.

Aaron Rakers

Analyst, Wells Fargo Securities LLC

Q

Yeah. Thanks for taking the question. Maybe the first question, if you can talk a little bit about the demand environment. There has been a lot of discussion out there about kind of the cloud, the internet data center, large data center customers going through some level of a digestion phase. So I'm curious what your insight is in terms of the demand profile there that you're seeing into the current quarter and whether or not you have any kind of indicators of a digestion phase materializing in any extent in terms of how material that might be or how long that could last.

Charles Liang

Founder, Chairman, President & Chief Executive Officer, Super Micro Computer, Inc.

A

Yes, very good question. We did see a large data center, especially those are social networking, those [ph] streaming (23:21), even gaming large data center have a strong demand during this COVID-19 period especially. And we have most of the folks on the other side, enterprise channel. So that kind of increased demand indeed did not help us a lot in June. But likewise, now we are extending our operation and business to Taiwan. Over there, [indiscernible] (23:53). We will be able to more aggressively participate in those large data center and cloud. And I believe this business [ph] may lasting (24:02) for another few quarter probably.

Kevin S. Bauer

Chief Financial Officer & Senior Vice President, Super Micro Computer, Inc.

A

Yeah. Aaron, I can augment that, describing a little bit of what we're seeing in the current quarter. So I think evidence that would align with what you're hearing from other parties is that as we entered into July, we definitely saw that our customers were taking a pause after having a strong June. And so I think as opposed to last quarter's comments where I said we started off strong and let's see where we go, this quarter, we're seeing a pause in July yet just currently now, we're starting to see an order flow pickup. So, we hope that that is a good turn to our July results. So, a little bit different topology as compared to last quarter.

Aaron Rakers

Analyst, Wells Fargo Securities LLC

Q

Okay. That's helpful. And then you talked a little bit, I think, in your prepared remarks about kind of "significant component cost headwinds." But it sounds like those might be abating here as we move into this current quarter. Can you help us understand or appreciate how you're kind of seeing component cost trends into this current quarter and kind of how much of that 70-basis point to 100-basis point improvement in gross margin might be assumed from component cost dynamic?

Kevin S. Bauer

Chief Financial Officer & Senior Vice President, Super Micro Computer, Inc.

A

Sure. I think what we're seeing is, is that it got a little bit heated with component cost and things are moderating a little bit. For us, Aaron, it takes time for us to kind of digest inventories that we have on hand and we believe that

towards the end of the quarter, we'll be able to see some moderation in component cost. I think that's a fair portion of what we described in terms of our expectations for GM improvement.

Other things that we continue to battle are the momentary high cost of logistics and freight. As we kind of mentioned earlier, it was tough in the last quarter. It kind of loosened up in June. It was looser in July and seems to be tightening up a little bit. But beyond that, what we've done is we've looked at some of our components that we bring from Asia to look at what are those that we can start shipping by sea. Might take a little bit more in terms of inventory holding, but it's definitely worth it when it comes to some components like motherboards and those kind of things we can afford to do by sea.

So we're kind of managing that and hopefully, we'll have some improvement in that arena as well.

Aaron Rakers

Analyst, Wells Fargo Securities LLC

Q

Okay, very helpful. And then a final quick question. There's a lot of discussion out there about Intel timing and I know it might be longer term in nature around the cadence of their product cycles, but any thoughts that you guys might offer in terms of how the cadence of Intel's moves product cycle-wise 10 nanometer or 7 nanometer affects your kind of outlook and appreciating that's probably a longer term question?

Charles Liang

Founder, Chairman, President & Chief Executive Officer, Super Micro Computer, Inc.

A

Yeah. I mean, Intel, as you know, they postponed their 10 nanometer and also the coming 7 nanometer technology. So that did impact some to us. However, we also grow AMD product line very aggressively. So overall, there are some impacts for our maybe September quarter, but long-term, we should be able to adjust efficiently.

Kevin S. Bauer

Chief Financial Officer & Senior Vice President, Super Micro Computer, Inc.

A

Yeah. Aaron, that's one of the considerations as we look forward when I said that product development costs may increase a little bit is that now, we have to think about multiple platforms given the dynamics of Intel's timing and pushing the pedal to the metal a little bit more on alternate processors.

Aaron Rakers

Analyst, Wells Fargo Securities LLC

Q

Very good. Thank you very much.

Operator: Your next question comes from the line of Ananda Baruah from Loop Capital. Your line is open.

Ananda Baruah

Analyst, Loop Capital Markets LLC

Q

Hi. Good afternoon, you guys. Appreciate you taking the questions. A few, if I could, Charles and Kevin. Kevin, to start...

Charles Liang

Founder, Chairman, President & Chief Executive Officer, Super Micro Computer, Inc.

A

Yeah.

Ananda Baruah*Analyst, Loop Capital Markets LLC*

Q

...just a point of clarification. When you were talking about sort of seeing a pause in July after June and now seeing order flow pickup, was that your enterprise and channel business or was that the hyperscale public cloud business?

Kevin S. Bauer*Chief Financial Officer & Senior Vice President, Super Micro Computer, Inc.*

A

I think it's – we're seeing it on multiple fronts, so not necessarily the hyperscale but probably more traditional.

Ananda Baruah*Analyst, Loop Capital Markets LLC*

Q

Okay. Okay. Great. Got it. So, you're starting to see a pick up again. And I was going to ask you about the linearity [ph] of slowing (28:50), but it sounds like it was really a month of July dynamic. Any context that you can provide for how we should think about like seasonality into December? I know it's probably a lack of visibility, a little murky right now, but any context just for our modeling probably will be useful for us.

Kevin S. Bauer*Chief Financial Officer & Senior Vice President, Super Micro Computer, Inc.*

A

Yeah. That's a little bit hard to call right now. I believe that we all are hoping that things return to normal a little bit and that we have some seasonality certainly in December and maybe a little bit better than normal. I don't know, Charles. You have anything to augment that?

Charles Liang*Founder, Chairman, President & Chief Executive Officer, Super Micro Computer, Inc.*

A

Yeah. I mean September traditionally our soft quarter and December usually 20% higher than September in the history. So this year, I believe we will have some impact lag there. Although coronavirus impacting us, but we are doing whatever possible to adjust our workload. We feel December will be much stronger quarter. Yes, that [ph] will be still (30:04) the case.

Ananda Baruah*Analyst, Loop Capital Markets LLC*

Q

Really helpful. Thanks a lot. And I guess, just with regard to the cost – to the cost optimizing and you highlighted shift to – kind of production shift to Taiwan. You guys, you also mentioned accelerating your online business. Could you just walk us through the different initiatives that will help optimize the cost base and then maybe give us some sense of timing of how sort of you might begin to be able to benefit from those optimization efforts?

Charles Liang*Founder, Chairman, President & Chief Executive Officer, Super Micro Computer, Inc.*

A

Yeah. I mean, I think about 9 months ago or even 12 months ago, we started to grow in Taiwan aggressively, including engineering, R&D, operation and even sales, even customer service. So, that transition we'll speed up now, especially for coronavirus. As you may, know the coronavirus impact in Taiwan is much less than United States. So, we are moving to Taiwan for cost reason and for coronavirus impact reason as well. And that result is virtually helping us. And I would have to say by December quarter, it will have more – next year, for sure, will be much more efficient. And it's a kind of mid-term and long-term investment. By the December quarter, we will see some help.

As to our online business, it's basically a complementary business to have our customers together support especially spare parts or when they need some [indiscernible] (31:45) system they can order from online, and that system we have been preparing for many years and now it is getting very mature. So, we start to more scale business last few quarters, and then we will have a formal official release very soon.

Ananda Baruah*Analyst, Loop Capital Markets LLC*

Q

That's really helpful, Charles. I really appreciate that. Let me just sneak one more in here. Just – this is on 5G, your 5G initiative. And then you had made mention a couple of times on the call about seeing public cloud progress. Could you just give us – put some context around what's going on right now? What you're seeing and experiencing in your 5G and public cloud initiatives? And appreciating that, Kevin, you said that it's been sort of stop-start – considerable stop-start again. But would love to get a sense of contractually what you guys see going on with the progress that you've made. And then, do you think this can be – I don't know, have an impact in the December quarter if things come together for you?

Charles Liang*Founder, Chairman, President & Chief Executive Officer, Super Micro Computer, Inc.*

A

Good. Thank you for the question. Yes. We start to focus on 5G, Telco about 12 months ago. And now, we already engaged a handful of good-sized customers, and they are very happy, very convinced with our products. So, we see some [indiscernible] (33:22) some small volume moving since last quarter. And those volumes will ramp up in this quarter and December quarter and especially for next year. And with our operation growing in Taiwan aggressively now, we soon will be able to ship really high-volume product from Taiwan operation. And that's why it's the time – it's mature for us to [indiscernible] (33:50) cloud and data center. And we are already working with a couple of loss potential customer, and the response again, so far, have been very convincing. So, we will continue to push those opportunities.

Ananda Baruah*Analyst, Loop Capital Markets LLC*

Q

Very helpful. Thank you, guys. I appreciate it.

Operator: [Operator Instructions] And your next question comes from the line of Nehal Chokshi from Northland Capital Markets. Your line is open.

Nehal Sushil Chokshi*Analyst, Northland Capital Markets*

Q

All right. Thank you. Really nice June Q results by the way. To me, significant narrative of the investment theme here as what you guys have been talking about returning to our heritage of gaining market share. So, within that investment theme, can you characterize how you think you did in the June quarter and what is embedded in your September quarter in terms of market share trajectory?

Charles Liang*Founder, Chairman, President & Chief Executive Officer, Super Micro Computer, Inc.*

A

Yeah. I mean, last quarter I started share, we engaged with another three business driver, right; large 5G/Telco, large data center and cloud, and then software and service. So, indeed, the other three new driver we have been growing pretty healthy way. For 5G, Telco, we already have some handful customer engaged. Large cloud, we

have some customer engaged. And then software and service, we continue to that gain customer satisfaction, and that's why we'd like to further promote the scope to service all our customer around the world. And we expect that [indiscernible] (35:41) will be pretty healthy for our business plan.

Nehal Sushil Chokshi*Analyst, Northland Capital Markets*

Q

Okay. And then for September quarter, do you expect that outperformance to continue and that's what embedded in your guidance and therefore, you're actually expecting the overall market to be down as much as 15% year-over-year?

Charles Liang*Founder, Chairman, President & Chief Executive Officer, Super Micro Computer, Inc.*

A

To be very directly, I mean we just moved a lot of business to Taiwan, especially operation. In September, the impact, the advantage from there should be limited. December, I would like to say we have been much more significant. And then next year, we're sure we will see a lot of benefit from that.

Nehal Sushil Chokshi*Analyst, Northland Capital Markets*

Q

I see. Okay. And then...

Charles Liang*Founder, Chairman, President & Chief Executive Officer, Super Micro Computer, Inc.*

A

[indiscernible] (36:31) take some time to warm up.

Nehal Sushil Chokshi*Analyst, Northland Capital Markets*

Q

Yeah. Understood. And then, Kevin, you mentioned you gave some additional detail regarding order trends being relatively weak in July. Is it fair to say it was actually trending down more than 10% year-over-year during the month of July?

Kevin S. Bauer*Chief Financial Officer & Senior Vice President, Super Micro Computer, Inc.*

A

Well, I'm not going to give specific number like that, but July was one where it was certainly a weak month. And so, we're glad that we've seen the trajectory turn here. So, all of that is embedded in terms of the revenue range that we've given.

Nehal Sushil Chokshi*Analyst, Northland Capital Markets*

Q

Okay. And why was there a lack of the \$9.5 million R&D credit? Can you give more detail on that and how should we think about going forward?

Kevin S. Bauer*Chief Financial Officer & Senior Vice President, Super Micro Computer, Inc.*

A

Yeah. So, last quarter, if you recall, we had a significant one-time event where we received \$9.5 million from a partner for cancellation of a program, and that's all we're just saying.

Nehal Sushil Chokshi*Analyst, Northland Capital Markets*

Q

I got you.

Kevin S. Bauer*Chief Financial Officer & Senior Vice President, Super Micro Computer, Inc.*

A

It was a discrete event of significant magnitude last quarter.

Nehal Sushil Chokshi*Analyst, Northland Capital Markets*

Q

All right. All right. Okay. Thank you. I'll get back in the queue.

Kevin S. Bauer*Chief Financial Officer & Senior Vice President, Super Micro Computer, Inc.*

A

Okay.

Operator: [Operator Instructions] And there are no further questions at this time. I'll turn the call back over to our presenters for some closing remarks.

Charles Liang*Founder, Chairman, President & Chief Executive Officer, Super Micro Computer, Inc.*

Thank you. I would like to thank you, our employee, customers and investors for your continued support. And thank you for joining us today, and see you next quarter. Thank you.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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