

SUPERMICRO COMPUTER, INC.
FOURTH QUARTER AND FISCAL YEAR 2017 EARNINGS ANNOUNCEMENT
PREPARED CONFERENCE CALL REMARKS

Super Micro Computer, Inc. is providing a copy of these prepared remarks in conjunction with our fiscal year 2017 fourth quarter earnings press release in order to provide stockholders and analysts with additional time and detail for analyzing our financial results in advance of our quarterly conference call. The conference call will begin today, August 3, 2017 at 5:00 p.m. EST (2:00 p.m. PST). To access the conference call, please dial (888) 352-6793 (international callers (719) 325-4753. The conference ID for the live call is 7567416. In addition, a live webcast will be available on SuperMicro's Investor webpage and an archive of the conference call webcast will be available after the conclusion of the conference call.

Discussion of GAAP and Non-GAAP measures

The discussion of earnings, gross margins, operating expenses and similar items on a non-GAAP basis reflect adjustments to exclude stock compensation expenses. Reconciliation of GAAP to non-GAAP is included in the Company's financial statements included as part of The Company earnings release and in the supplemental detail in the slide presentation accompanying this conference call.

Fiscal 4th Quarter Highlights

- Quarterly net sales of \$717.9 million, up 13.7% from the third quarter of fiscal year 2017 and up 36.9% from the same quarter of last year.
- GAAP net income of \$17.1 million, up 2.8% from the third quarter of fiscal year 2017 and up 145.7% from the same quarter of last year.
- Non-GAAP net income of \$20.7 million, up 2.1% from the third quarter of fiscal year 2017 and up 100.2% from the same quarter of last year.
- GAAP and non-GAAP gross margin was 13.5%, down from 14.0% in the third quarter of fiscal year 2017 and down from 14.1% in the same quarter of last year.
- Server solutions accounted for 74.3% of net sales compared with 70.0% in the third quarter of fiscal year 2017 and 65.5% in the same quarter of last year.

Net Sales

Fourth net sales were \$717.9 million up 36.9% from the same quarter of last year and up 13.7% sequentially. The sequential increase in net sales was primarily due to stronger sales in Asia (up 19%) and storage customers (up 20%) that accelerated in the quarter. We continue to maintain a diverse revenue base with over 700 customers. No customer represented more than 10% of our net sales in the quarter.

Enterprise. Fiscal 2017 fourth quarter net sales were up 690% over the same quarter last year and up 173% sequentially.

IoT/Embedded. Fiscal 2017 fourth quarter net sales were up 31.7% from the same quarter last year and up 8.4% sequentially.

Storage. Fiscal 2017 fourth quarter net sales were up 69.8% from the same quarter last year and up 19.9% sequentially.

Distributors, VARs & other. Fiscal 2017 fourth quarter net sales were up 35.4% from the same quarter last year and up 14.5% sequentially.

Datacenter/Cloud. Fiscal 2017 fourth quarter net sales were down 50.8% from the same quarter last year and for fiscal year 2017 revenue was also down 50.8% compared to last fiscal year that included significant revenue from a greater than 10% customer's large datacenter project.

Non-GAAP Gross Profit and Non-GAAP Gross Margin

On a non-GAAP basis, fourth quarter gross profit increased \$23.0 million while gross margin declined 60 basis points from the same quarter last year and gross profit increased \$8.5 million while gross margin declined 50 basis points sequentially.

The year-over-year decrease in non-GAAP gross margin of 60 basis points, primarily due to the cost of memory and SSD components causing cost increases which we could not fully pass on to some server customers, as well as many other of our systems being based on mature, late-life-cycle processors such as Grantly, which mean lower prices. Geographically, we had higher sales in Asia where pricing is typically more competitive. Utilization on a global capacity basis was higher compared to a year ago which was positive to gross margins.

Sequentially, non-GAAP gross margin was down 50 basis points, primarily due to the cost of memory and SSD rising during the quarter which we could not fully pass on to server customers. The impact was about 50 to 70 basis offset in part by higher utilization of our global capacity and other operational efficiencies.

Price changes from Ablecom resulted in no basis point change to non-GAAP gross profits in the quarter, with total purchases representing approximately 9.4% of total cost of goods sold, compared to 12.4% a year ago, and 11.5% sequentially.

Non-GAAP Operating Expenses

Fourth quarter non-GAAP operating expenses were \$64.5 million, up from \$57.9 million in the same quarter a year ago, and compared with \$61.4 million sequentially.

Non-GAAP Operating expenses were higher on an absolute dollar basis year-over-year by \$6.6 million, or 11.4%, primarily in R&D as we invested in personnel expenses to support the development of our total solutions and rollout of new products for the upcoming technology refresh cycle.

Sequentially, non-GAAP operating expenses were higher by \$3.1 million or 5.0% primarily due to higher R&D prototype and testing fees for development of products as well as higher compensation expense.

As a percentage of revenue, non-GAAP operating expenses were 9.0% down from 11.0% in the same quarter a year ago, and down 9.7% sequentially.

Non-GAAP Income from Operations and Operating Margin

On a non-GAAP basis, fourth quarter income from operations was \$32.6 million, up \$16.4 million from the same quarter last year, and up \$5.4 million sequentially.

Non-GAAP operating margin was 4.5%, up 1.4% from 3.1% a year ago and up 0.2% from 4.3% sequentially. The increase from prior year and sequentially was primarily due to growing revenue at a faster pace than our operating expenses. This year, we plan to tighten our headcount and expense control with the goal of continuing to leverage the investments we have already made to drive improved profitability.

Discussion of Non-GAAP Net Income and EPS

Fourth quarter non-GAAP net income was \$20.7 million, up from \$10.4 million in the same quarter last year, and up from \$20.3 million sequentially.

The tax rate in the fourth quarter on a non-GAAP basis was 34.8%, compared to 34.4% a year ago and 23.7% sequentially. The effective tax rate for the fourth quarter of fiscal year 2017 was higher than last year due to higher foreign taxes. We expect our effective tax rate to be about 34% in the first quarter of fiscal 2018.

Fourth quarter non-GAAP diluted earnings per share of \$0.39 increased from the \$0.20 in the same quarter a year ago and increased from \$0.38 reported last quarter.

Consolidated Balance Sheet and Cash Flow Highlights

Cash and Equivalents and Short Term Marketable Securities

Cash and cash equivalents, and short- and long-term investments were \$115.9 million, down \$67.8 million from a year ago and up \$5.4 million from the prior quarter.

Net Accounts Receivable

Accounts receivable increased by \$92.1 million sequentially to \$483.4 million due to higher revenue that accelerated late in the quarter. Days sales outstanding was 55 days compared to 54 days in the prior quarter.

Net Inventory

Inventory decreased by \$6.4 million sequentially to \$636.0 million. Days in inventory were 94 compared to 103 in the prior quarter.

Net Accounts Payable

Accounts payable was up \$33.9 million, which represented 54 days compared to 57 days in the prior quarter.

Net Free Cash Flow

In the fourth quarter, free cash flow was a negative \$12.3 million, primarily due to the net increase in accounts receivable of \$92.1 million and capital expenditures of \$6.1 million partially offset by net change in inventory and accounts payable of \$40.9 million, net income of \$17.1 million and net change in other operating activities of \$27.9 million.

In the fourth quarter, the cash conversion cycle days was 95 days as compared to 100 days in the prior quarter. For fiscal 2017, cash conversion cycle days were 93 as compared to 85 last fiscal year related to sales growth and investments in inventory.

Capital Structure

The number of shares used in the fourth quarter calculation of non-GAAP results was 53.0 million.

Discussion of Fiscal 2018 First Quarter Guidance for Continuing Operations

For the fiscal 2018 first quarter ending September 30, 2017, the Company expects results to be as follows:

- Net sales: \$625 million to \$685 million
- Non-GAAP full-diluted EPS: \$0.30 to \$0.40

Cautionary Statement Regarding Forward Looking Statements

Statements contained in this press release 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, among other things, to our expected financial and operating results, our ability to build and grow Super Micro Computer, the benefits of our products and our ability to achieve our goals, plans and objectives. 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. These include, but are not limited to: our dependence on continued growth in the markets for X86, blade servers and embedded applications, increased competition, difficulties of predicting timing, introduction and customer acceptance of new products, poor product sales, difficulties in establishing and maintaining successful relationships with our distributors and vendors, shortages or price fluctuations in our supply chain, our ability to protect our intellectual property rights, our ability to control the rate of expansion domestically and internationally, difficulty managing rapid growth and general political, economic and market conditions and events. 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.

Use of Non-GAAP Financial Measures

Non-GAAP gross margin discussed herein excludes stock-based compensation expense. Non-GAAP net income and net income per share discussed herein exclude stock-based compensation expense and the related tax effect of the applicable items. 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. Pursuant to the requirements of SEC Regulation G, detailed reconciliations between the Company's GAAP and non-GAAP financial results are provided at the end of the Company's earnings press release. Investors are advised to carefully review and consider this information as well as the GAAP financial results that are disclosed in the Company's SEC filings.