

FISCAL 2Q 2020 RESULTS

February 2020



DISCLOSURES: 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 guidance for the Company's third quarter of fiscal year 2020, which ends March 31, 2020. 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) our quarterly operating results may fluctuate, which could cause rapid declines in our stock price, (ii) 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, (iii) if we fail to meet publicly announced financial guidance or other expectations about our business, our stock could decline in value, (iv) 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 (v) 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 our Annual Report on Form 10-K for our fiscal year ended June 30, 2019.

It is currently expected that the outlook will not be updated until the Company's next quarterly earnings announcement, notwithstanding subsequent developments. However, the Company may update the outlook or any portion thereof at any time. Such updates will take place only by way of a news release or other broadly disseminated disclosure available to all interested parties in accordance with Regulation FD.

DISCLOSURES: NON-GAAP FINANCIAL MEASURES

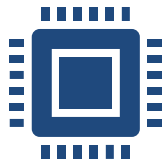
Non-GAAP gross margin and fully diluted earnings per share discussed in this presentation exclude as applicable stock-based compensation expenses, consulting expenses related to regaining SEC compliance and other non-recurring expenses, and the related tax effect of the applicable items. Management presents 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. Refer to the associated tables in the appendix of this presentation for further information.

A STRONGER FOUNDATION



Stronger Foundation

- Refreshed management team
- Enhanced governance and control
- Strengthened balance sheet



Product Innovation is our DNA

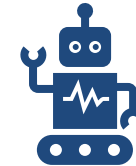
- Approximately 1,700 employees in R&D
- Broadest range of innovative products in the server and storage industry with leading time-to-market

Capitalizing on the Convergence of Cloud, AI, and 5G / Edge



- Cloud

- Artificial Intelligence



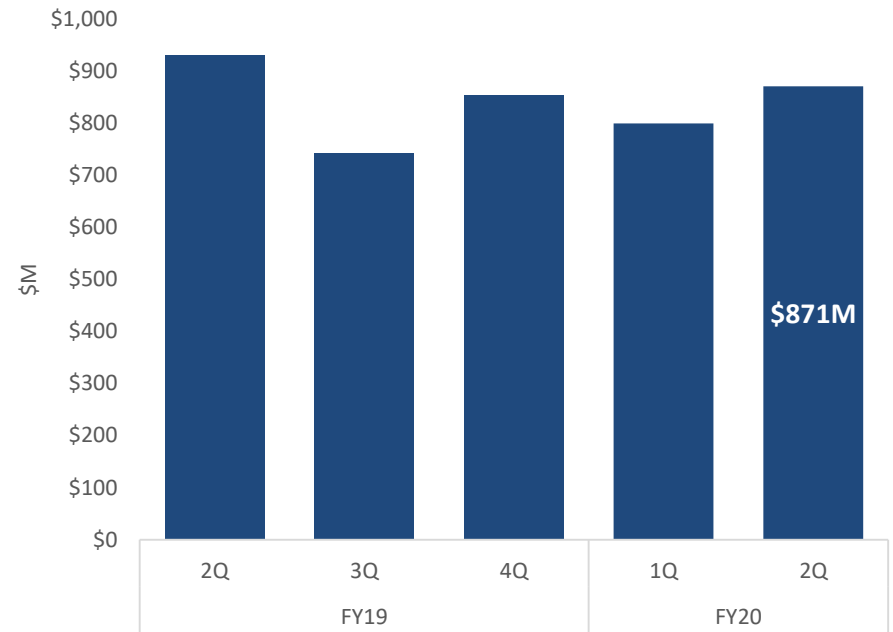
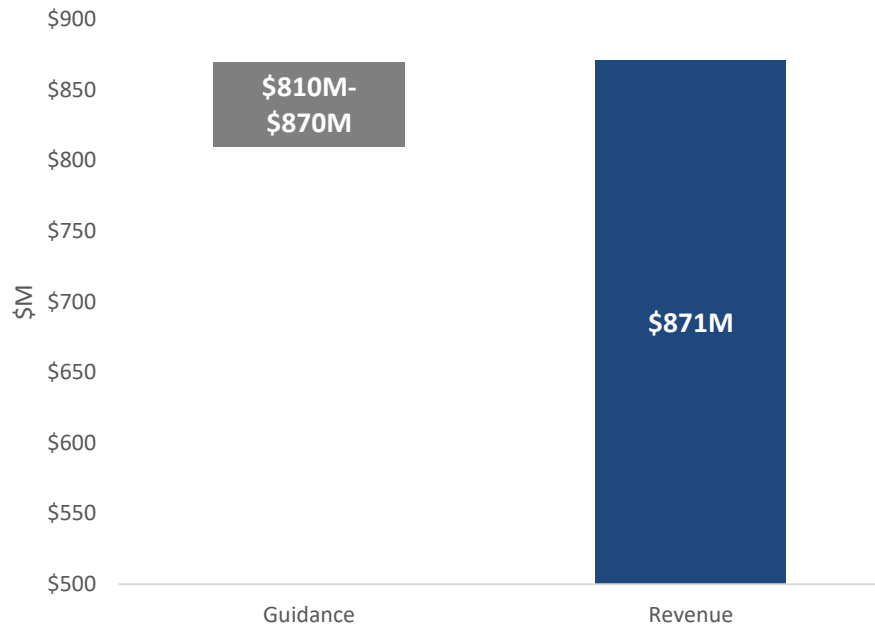
- 5G / Edge

World-Class Solutions for Global Enterprises

- Our software and services capabilities offer richer solutions



REVENUE



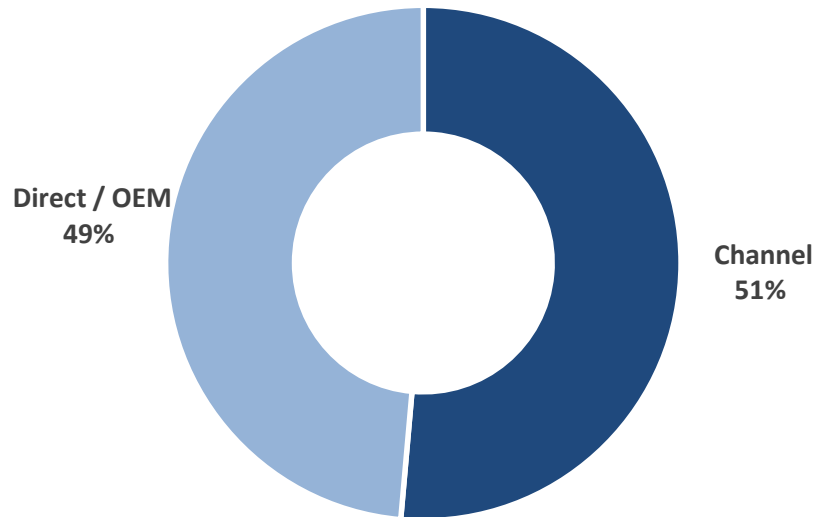
Revenue Above Upper End of Guidance

- Revenue \$871M vs guidance of \$810M-\$870M

Revenue Grew Sequentially

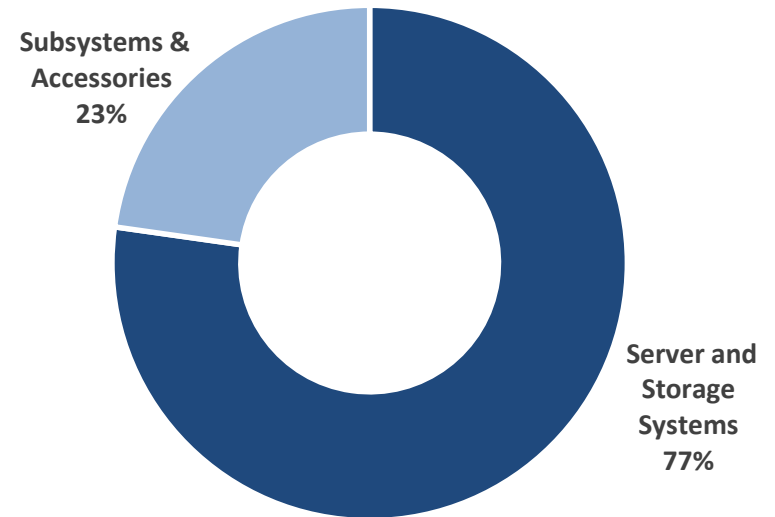
- +9% QoQ
- -6.5% YoY

CUSTOMER AND PRODUCT MIX



Direct / OEM and Channel Grew Sequentially

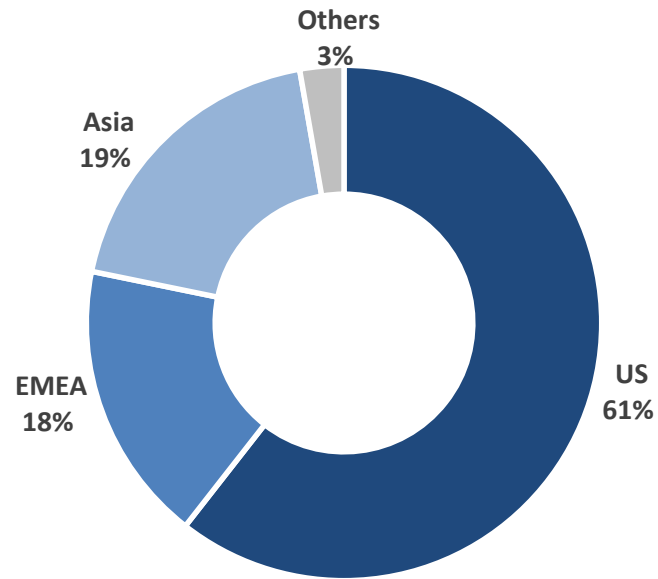
- Indirect / Channel +12% QoQ and +18% YoY
- Direct / OEM +6% QoQ and -23% YoY



Systems Grew Sequentially

- Systems +6% QoQ and -12% YoY
- Systems ASP lower QoQ and YoY due to lower component pricing

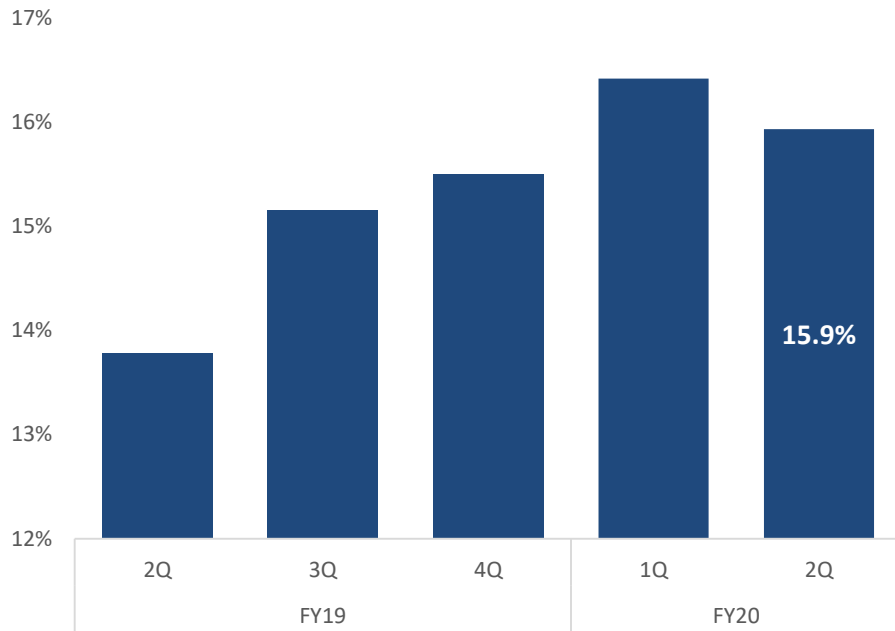
GEOGRAPHIC MIX



Growth Led by the US

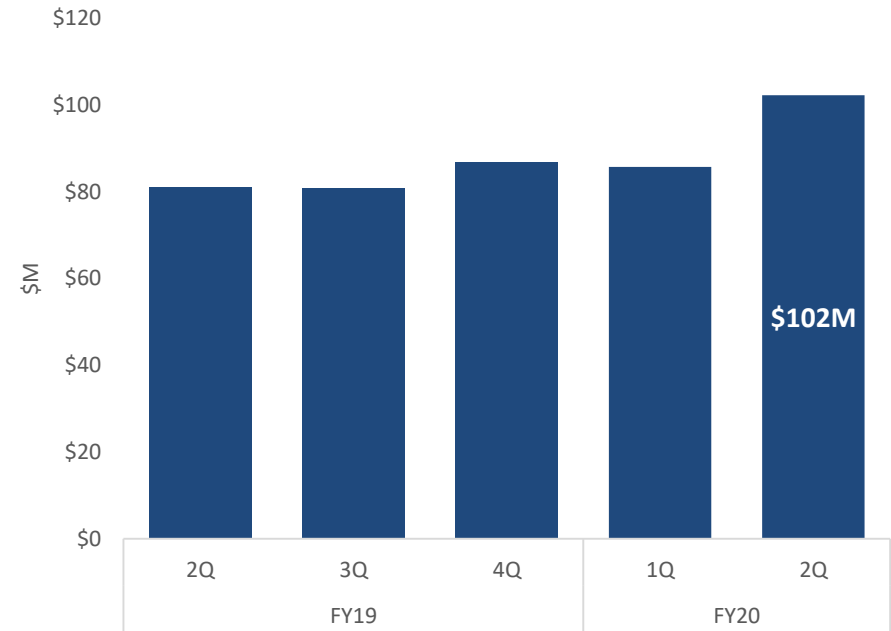
- US +12% QoQ and +3% YoY
- EMEA +12% QoQ and -20% YoY
- Asia +3% QoQ and -16% YoY

GROSS MARGIN AND OPERATING EXPENSES



Non-GAAP Gross Margin Expanded YoY

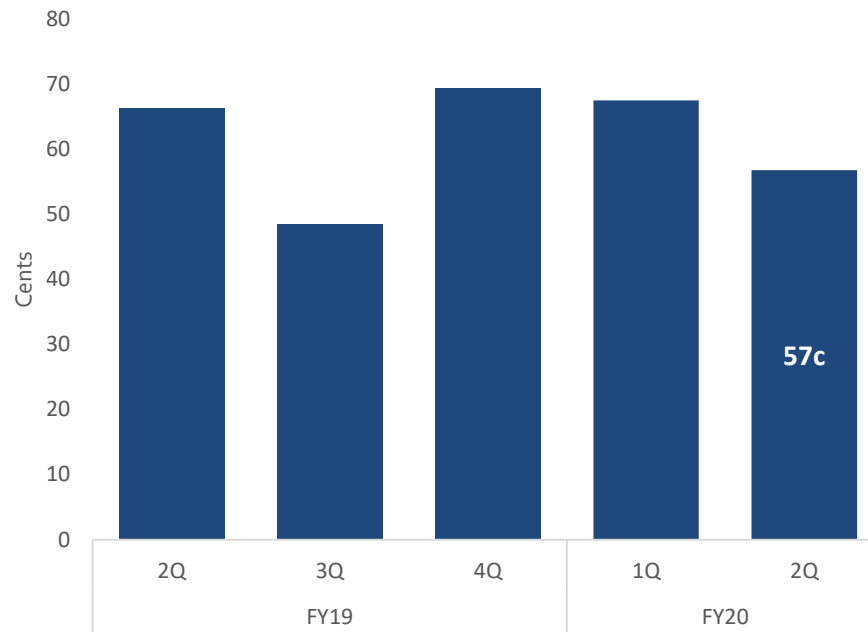
- Gross Margin +210bp YoY, driven by lower key component costs as well as favorable customer, geography and product mix
- -50bp QoQ as component pricing stabilizes



Non-GAAP Operating Expenses Higher

- Operating Expenses +19% QoQ and +26% YoY
- Primarily due to higher employee costs including higher Research and Development expenses

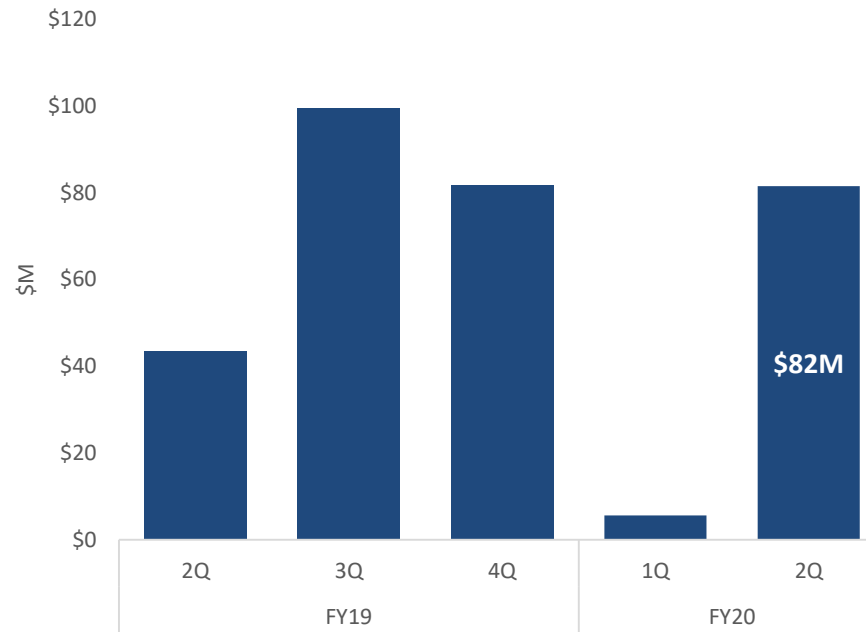
EARNINGS PER SHARE



Non-GAAP Diluted EPS 57c

- vs 68c last Q and 66c year-ago Q
- Impacted by higher operating expenses

CASH GENERATION



Strong Cash Flow from Operations

- Cash Flow from Operations \$82M
- Free Cash Flow \$71M
- Cash and Cash Equivalents \$309M

3Q20 OUTLOOK



REVENUE
\$770M to \$830M



NON-GAAP EPS
35c to 55c

APPENDIX

2Q20 HIGHLIGHTS (NON-GAAP)

	<u>2Q20</u>	<u>QoQ</u>	<u>YoY</u>
Revenue	\$871M	+9%	-7%
Guidance	\$810M-\$870M		
Gross Margin	15.9%	-50bps	+210bps
Operating Expenses	\$102M	+19%	+26%
Earnings Per Share	57c	-11c	-9c
Cash Flow from Operations	\$82M	+1368%	+88%
<u>Revenue Mix:</u>			
Systems	77%	+6%	-12%
Direct / OEM	49%	+6%	-23%
Channel	51%	+12%	+18%

RECONCILIATION: GAAP TO NON-GAAP

	Three Months Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
GAAP GROSS PROFIT	\$ 138,404	\$ 127,922	\$ 269,333	\$ 251,161
Add back stock-based compensation	384	428	779	866
Non-GAAP GROSS PROFIT	<u>\$ 138,788</u>	<u>\$ 128,350</u>	<u>\$ 270,112</u>	<u>\$ 252,027</u>
GAAP GROSS MARGIN	15.9%	13.7%	16.1%	13.2%
Add back stock-based compensation	0.0%	0.1%	0.1%	0.0%
Non-GAAP GROSS MARGIN	<u>15.9%</u>	<u>13.8%</u>	<u>16.2%</u>	<u>13.2%</u>
GAAP INCOME FROM OPERATIONS	\$ 27,815	\$ 25,741	\$ 60,680	\$ 54,234
Add back stock-based compensation	4,964	5,247	10,018	11,121
Add back consulting and other non-recurring expenses	3,759	16,395	11,417	32,410
Non-GAAP INCOME FROM OPERATIONS	<u>\$ 36,538</u>	<u>\$ 47,383</u>	<u>\$ 82,115</u>	<u>\$ 97,765</u>
GAAP NET INCOME	\$ 23,706	\$ 18,220	\$ 50,051	\$ 37,562
Add back stock-based compensation	4,964	5,247	10,018	11,121
Add back consulting and other non-recurring expenses	3,759	16,395	11,417	32,410
Less adjustments to tax provision	(2,007)	(5,120)	(5,058)	(10,299)
Non-GAAP NET INCOME	<u>\$ 30,422</u>	<u>\$ 34,742</u>	<u>\$ 66,428</u>	<u>\$ 70,794</u>
GAAP NET INCOME PER COMMON SHARE - BASIC	\$ 0.47	\$ 0.37	\$ 1.00	\$ 0.75
Add back stock-based compensation, consulting, and adjustments to tax provision	0.14	0.33	0.33	0.67
Non-GAAP NET INCOME PER COMMON SHARE - BASIC	<u>\$ 0.61</u>	<u>\$ 0.70</u>	<u>\$ 1.33</u>	<u>\$ 1.42</u>
GAAP NET INCOME PER COMMON SHARE - DILUTED	\$ 0.46	\$ 0.36	\$ 0.97	\$ 0.73
Add back stock-based compensation, consulting, and adjustments to tax provision	0.11	0.30	0.28	0.61
Non-GAAP NET INCOME PER COMMON SHARE - DILUTED	<u>\$ 0.57</u>	<u>\$ 0.66</u>	<u>\$ 1.25</u>	<u>\$ 1.34</u>
WEIGHTED-AVERAGE SHARES USED IN COMPUTING NET INCOME PER COMMON SHARE				
BASIC - GAAP	50,181	49,844	50,129	49,774
BASIC - Non-GAAP	50,181	49,844	50,129	49,774
DILUTED - GAAP	52,009	50,810	51,758	51,508
DILUTED - Non-GAAP	53,572	52,398	53,350	53,002

A LONG HISTORY OF GROWTH

- 5-Year CAGR: **+19%**
- 10-Year CAGR: **+21%**

