



April 24, 2012

Super Micro Computer, Inc. Announces 3rd Quarter 2012 Financial Results

SAN JOSE, Calif.--(BUSINESS WIRE)-- Super Micro Computer, Inc. (NASDAQ:SMCI), a leader in application optimized, high performance server solutions, today announced third quarter fiscal 2012 financial results for the quarter ended March 31, 2012.

Fiscal 3rd Quarter Highlights

- ┆ Quarterly net sales of \$240.2 million, down 3.9% from the second quarter of fiscal year 2012 and up 2.5% from the same quarter of last year.
- ┆ Net income of \$7.1 million, down 19.3% from the second quarter of fiscal year 2012 and down 33.8% from the same quarter of last year.
- ┆ Gross margin of 17.0%, down from 17.1% in the second quarter of fiscal year 2012 and up 0.8% from the same quarter of last year.
- ┆ Server Solutions accounted for 48.5% of net sales compared with 44.0% in the second quarter of fiscal year 2012 and 31.8% in the same quarter of last year.

Net sales for the third quarter ended March 31, 2012 totaled \$240.2 million, down 3.9% from \$249.9 million in the second quarter of fiscal year 2012. No customer accounted for more than 10% of net sales during the quarter ended March 31, 2012.

Net income for the third quarter of fiscal year 2012 was \$7.1 million or \$0.16 per diluted share, a decrease of 33.8% from the net income of \$10.7 million, or \$0.25 per diluted share in the same period a year ago. Included in net income for the quarter is \$2.6 million of stock-based compensation expense (pre-tax). Excluding this item and the related tax effect, non-GAAP net income for the third quarter was \$8.8 million, or \$0.19 per diluted share, compared to non-GAAP net income of \$12.3 million, or \$0.28 per diluted share, in the same quarter of the prior year. On a sequential basis, non-GAAP net income decreased from the second quarter of fiscal year 2012 by \$2.4 million or \$0.06 per diluted share.

Gross margin for the third quarter was 17.0% compared to 16.2% in the same period a year ago. Non-GAAP gross margin for the third quarter was 17.0% compared to 16.2% in the same period a year ago. Non-GAAP gross margin was 17.1% for the second quarter of fiscal year 2012.

The Company's cash and cash equivalents and short and long term investments at March 31, 2012 were \$92.2 million compared to \$75.2 million at June 30, 2011. Free cash flow in the nine months ended March 31, 2012 was \$0.2 million.

Business Outlook & Management Commentary

The Company expects net sales of \$280 million to \$310 million for the fourth quarter of fiscal year 2012 ending June 30, 2012. The Company expects non-GAAP earnings per diluted share of approximately \$0.27 to \$0.32 for the fourth quarter.

"We are pleased that we grew revenue year over year in a seasonally soft quarter despite the headwinds of the hard drive shortage and pause in purchasing leading up the Sandy Bridge technology transition. We saw improvement in our system sales to 48.5% and as a result our gross margins held steady," said Charles Liang, CEO of Supermicro. "With the worst of the hard drive shortage behind us and the recent strong launch of Sandy Bridge we are looking forward to a much stronger growth in the remainder of calendar 2012. Our R&D investment while higher than expected in the new Sandy Bridge generation product lines has well positioned us ahead of competition with the broadest product offering in the industry. A new server refresh cycle is beginning and with our new product architectures and our data center optimized product such as the Fat Twin leading the server industry's innovation, we expect our upcoming performance to be strong."

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.

Conference Call Information

Super Micro Computer will discuss these financial results in a conference call at 2:00 p.m. PT, today. To participate the conference, please call 1-877-719-9786 (international callers dial 1-719-325-4904) 10 minutes prior. A recording of the conference will be available until 11:59 pm ET on Tuesday, May 8, 2012 by dialing 1-877-870-5176 (international callers dial 1-858-384-5517) and entering replay PIN 6746870. The live web cast and recording of the call will be available on the Investor Relations section at www.supermicro.com two hours after the conference conclusion. They will remain available until the Company's next earnings call.

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 in this press release excludes stock-based compensation expense. Non-GAAP net income and net income per share discussed in this press release exclude stock-based compensation expense, a provision for litigation costs 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 is provided at the end of this 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.

About Super Micro Computer, Inc.

Supermicro[®] (NASDAQ: SMCI), a global leader in high-performance, high-efficiency server technology innovation is a premier provider of end-to-end green computing solutions for Enterprise IT, Datacenter, Cloud Computing, HPC and Embedded Systems worldwide. Supermicro's advanced server Building Block Solutions[®] offers a vast array of modular, interoperable components for building energy-efficient, application-optimized computing solutions. This broad line of products includes servers, blades, GPU systems, workstations, motherboards, chassis, power supplies, storage technologies, networking solutions and SuperRack[®] cabinets/accessories. Architecture innovations include Twin Architecture, SuperServer[®], SuperBlade[®], MicroCloud, Super Storage Bridge Bay (SBB), Double-Sided Storage[™], Universal I/O (UIO) and WIO expansion technology all of which deliver unrivaled performance and value. Supermicro is committed to protecting the environment through its "We Keep IT Green[®]" initiative by providing customers with the most energy-efficient, environmentally-friendly solutions available on the market. Founded in 1993, Supermicro is headquartered in Silicon Valley with worldwide operations and manufacturing centers in Europe and Asia. For more information, visit www.supermicro.com.

Supermicro, Building Block Solutions, SuperServer, SuperBlade, SuperRack, Double-Sided Storage and We Keep IT Green are trademarks and/or registered trademarks of Super Micro Computer, Inc.

SUPER MICRO COMPUTER, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

| | March 31, 2012 | June 30, 2011 |
|---|-------------------|------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 88,861 | \$ 69,943 |
| Accounts receivable, net | 100,980 | 85,005 |
| Inventory, net | 228,933 | 192,711 |
| Deferred income taxes — current | 11,832 | 10,250 |
| Prepaid income taxes | 4,032 | 7,207 |
| Prepaid expenses and other current assets | 5,416 | 4,506 |
| Total current assets | <u>440,054</u> | <u>369,622</u> |
| Long-term investments | 3,269 | 5,188 |
| Property, plant and equipment, net | 96,301 | 74,438 |
| Deferred income taxes — noncurrent | 3,267 | 2,792 |
| Other assets | 5,227 | 12,580 |
| Total assets | <u>\$548,118</u> | <u>\$464,620</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$142,156 | \$113,340 |
| Accrued liabilities | 28,927 | 25,816 |
| Income taxes payable | 1,322 | 936 |
| Short-term debt | 10,137 | - |
| Current portion of long-term debt | 2,800 | 555 |
| Total current liabilities | <u>185,342</u> | <u>140,647</u> |
| Long term debt-net of current portion | 23,179 | 27,596 |
| Other long-term liabilities | 10,744 | 9,120 |
| Total liabilities | <u>219,265</u> | <u>177,363</u> |
| Stockholders' equity: | | |
| Common stock and additional paid-in capital | 139,851 | 122,693 |
| Treasury stock (at cost) | (2,030) | (2,030) |
| Accumulated other comprehensive loss | (109) | (204) |
| Retained earnings | 191,141 | 166,798 |
| Total stockholders' equity | <u>328,853</u> | <u>287,257</u> |
| Total liabilities and stockholders' equity | <u>\$548,118</u> | <u>\$464,620</u> |

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share amounts)
(Unaudited)

| | <u>Three Months Ended</u> | | <u>Nine Months Ended</u> | |
|----------------------------|---------------------------|-------------------|--------------------------|-------------------|
| | March 31, 2012 | March 31, 2011 | March 31, 2012 | March 31, 2011 |
| Net sales | \$240,178 | \$234,288 | \$ 737,978 | \$ 682,279 |
| Cost of sales | <u>199,449</u> | <u>196,432</u> | <u>615,009</u> | <u>571,207</u> |
| Gross profit | 40,729 | 37,856 | 122,969 | 111,072 |
| Operating expenses: | | | | |
| Research and development | 17,162 | 12,202 | 46,643 | 34,945 |
| Sales and marketing | 8,175 | 6,538 | 23,917 | 19,447 |
| General and administrative | <u>5,802</u> | <u>3,958</u> | <u>15,587</u> | <u>12,589</u> |

| | | | | |
|---|-----------------|------------------|------------------|------------------|
| Total operating expenses | 31,139 | 22,698 | 86,147 | 66,981 |
| Income from operations | 9,590 | 15,158 | 36,822 | 44,091 |
| Interest and other income, net | 9 | 21 | 46 | 56 |
| Interest expense | (189) | (161) | (556) | (489) |
| Income before income tax provision | 9,410 | 15,018 | 36,312 | 43,658 |
| Income tax provision | 2,333 | 4,322 | 11,969 | 14,176 |
| Net income | <u>\$ 7,077</u> | <u>\$ 10,696</u> | <u>\$ 24,343</u> | <u>\$ 29,482</u> |
| Net income per common share: | | | | |
| Basic | <u>\$ 0.17</u> | <u>\$ 0.28</u> | <u>\$ 0.59</u> | <u>\$ 0.77</u> |
| Diluted | <u>\$ 0.16</u> | <u>\$ 0.25</u> | <u>\$ 0.55</u> | <u>\$ 0.69</u> |
| Weighted-average shares used in calculation of net income per common share: | | | | |
| Basic (a) | <u>41,126</u> | <u>38,269</u> | <u>40,679</u> | <u>37,674</u> |
| Diluted (b) | <u>44,610</u> | <u>42,854</u> | <u>43,957</u> | <u>41,979</u> |

Stock-based compensation is included in the following cost and expense categories by period (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|----------------------------|--------------------|----------------|-------------------|----------------|
| | March 31, 2012 | March 31, 2011 | March 31, 2012 | March 31, 2011 |
| Cost of sales | \$ 183 | \$ 203 | \$ 591 | \$ 570 |
| Research and development | 1,394 | 1,082 | 3,994 | 2,874 |
| Sales and marketing | 397 | 255 | 1,037 | 786 |
| General and administrative | 619 | 528 | 1,808 | 1,492 |

SUPER MICRO COMPUTER, INC
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
(In thousands)
(Unaudited)

| | Nine Months Ended March 31, | |
|--|--------------------------------|----------------|
| | 2012 | 2011 |
| OPERATING ACTIVITIES: | | |
| Net income | \$ 24,343 | \$ 29,482 |
| Reconciliation of net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,114 | 3,990 |
| Stock-based compensation expense | 7,430 | 5,722 |
| Excess tax benefits from stock-based compensation | (1,907) | (1,824) |
| Allowance for doubtful accounts | 203 | 578 |
| Allowance for sales returns | 5,605 | 3,844 |
| Provision for inventory | 5,686 | 1,592 |
| Deferred income taxes, net | (2,082) | 2,359 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (21,783) | (11,225) |
| Inventory | (41,908) | (71,649) |
| Prepaid expenses and other assets | (2,713) | (3,651) |
| Accounts payable | 29,424 | 32,795 |
| Income taxes payable/receivable, net | 6,704 | 740 |
| Accrued liabilities | 3,266 | 3,804 |
| Other long-term liabilities | 1,646 | 1,681 |
| Net cash provided by (used in) operating activities | <u>19,028</u> | <u>(1,762)</u> |
| INVESTING ACTIVITIES: | | |
| Proceeds from investments | 2,075 | 1,300 |
| Purchases of property, plant and equipment | (21,710) | (10,561) |

| | | |
|--|------------------|------------------|
| Restricted cash | (39) | (117) |
| Land payment (refund) | 2,868 | (9,020) |
| Net cash used in investing activities | <u>(16,806)</u> | <u>(18,398)</u> |
| FINANCING ACTIVITIES: | | |
| Proceeds from debt | 32,696 | 23,542 |
| Repayment of debt | (24,662) | (13,993) |
| Proceeds from exercise of stock options | 7,694 | 5,961 |
| Excess tax benefits from stock-based compensation | 1,907 | 1,824 |
| Payment of obligations under capital leases | (26) | (52) |
| Payment under receivable financing arrangements | (194) | (236) |
| Minimum tax withholding paid on behalf of officers and an employee for restricted stock awards | (1,109) | (1,434) |
| Net cash provided by financing activities | <u>16,306</u> | <u>15,612</u> |
| Effect of exchange rate fluctuations on cash | 390 | - |
| Net increase (decrease) in cash and cash equivalents | 18,918 | (4,548) |
| Cash and cash equivalents at beginning of period | 69,943 | 72,644 |
| Cash and cash equivalents at end of period | <u>\$ 88,861</u> | <u>\$ 68,096</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | \$ 545 | \$ 454 |
| Cash paid for taxes, net of refunds | \$ 6,301 | \$ 9,506 |
| Non-cash investing and financing activities: | | |
| Accrued costs for property, plant and equipment purchases | \$ 874 | \$ 822 |
| Deposit applied to property acquisition | \$ 5,867 | \$ - |
| Equipment purchased under capital leases | \$ 7 | \$ 46 |

SUPER MICRO COMPUTER, INC
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(In thousands, except share and per share amounts)
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | March 31, 2012 | March 31, 2011 | March 31, 2012 | March 31, 2011 |
| GAAP GROSS PROFIT | \$ 40,729 | \$ 37,856 | \$ 122,969 | \$ 111,072 |
| Add back stock-based compensation (c) | 183 | 203 | 591 | 570 |
| Non-GAAP GROSS PROFIT | <u>\$ 40,912</u> | <u>\$ 38,059</u> | <u>\$ 123,560</u> | <u>\$ 111,642</u> |
| GAAP GROSS MARGIN | 17.0% | 16.2% | 16.7% | 16.3% |
| Add back stock-based compensation (c) | 0.0% | 0.0% | 0.0% | 0.1% |
| Non-GAAP GROSS MARGIN | <u>17.0%</u> | <u>16.2%</u> | <u>16.7%</u> | <u>16.4%</u> |
| GAAP INCOME FROM OPERATIONS | \$ 9,590 | \$ 15,158 | \$ 36,822 | \$ 44,091 |
| Add back stock-based compensation (c) | 2,593 | 2,068 | 7,430 | 5,722 |
| Add back provision for litigation loss (d) | - | - | - | 729 |
| Non-GAAP INCOME FROM OPERATIONS | <u>\$ 12,183</u> | <u>\$ 17,226</u> | <u>\$ 44,252</u> | <u>\$ 50,542</u> |
| GAAP NET INCOME | \$ 7,077 | \$ 10,696 | \$ 24,343 | \$ 29,482 |
| Add back stock-based compensation (c) | 2,593 | 2,068 | 7,430 | 5,722 |
| Add back provision for litigation loss (d) | - | - | - | 729 |
| Add back adjustments to tax provision (e) | (860) | (505) | (1,313) | (1,075) |
| Non-GAAP NET INCOME | <u>\$ 8,810</u> | <u>\$ 12,259</u> | <u>\$ 30,460</u> | <u>\$ 34,858</u> |
| GAAP NET INCOME PER COMMON SHARE — BASIC (a) | \$ 0.17 | \$ 0.28 | \$ 0.59 | \$ 0.77 |
| Add back stock-based compensation, provision for litigation loss and adjustments to tax provision (c) (d) (e) | 0.04 | 0.04 | 0.15 | 0.14 |
| Non-GAAP NET INCOME PER COMMON SHARE — BASIC (f) | <u>\$ 0.21</u> | <u>\$ 0.32</u> | <u>\$ 0.74</u> | <u>\$ 0.91</u> |

| | | | | |
|---|----------------|----------------|----------------|----------------|
| GAAP NET INCOME PER COMMON SHARE — DILUTED (b) | \$ 0.16 | \$ 0.25 | \$ 0.55 | \$ 0.69 |
| Add back stock-based compensation, provision for litigation loss and adjustments to tax provision (c) (d) (e) | 0.03 | 0.03 | 0.13 | 0.12 |
| Non-GAAP NET INCOME PER COMMON SHARE — DILUTED (g) | <u>\$ 0.19</u> | <u>\$ 0.28</u> | <u>\$ 0.68</u> | <u>\$ 0.81</u> |
| WEIGHTED-AVERAGE SHARES USED IN COMPUTING NET INCOME PER COMMON SHARE | | | | |
| BASIC —GAAP (h) | <u>41,126</u> | <u>38,269</u> | <u>40,679</u> | <u>37,674</u> |
| BASIC - Non-GAAP (i) | <u>41,486</u> | <u>38,808</u> | <u>41,075</u> | <u>38,324</u> |
| DILUTED — GAAP (h) | <u>44,610</u> | <u>42,854</u> | <u>43,957</u> | <u>41,979</u> |
| DILUTED - Non-GAAP (i) | <u>45,501</u> | <u>43,982</u> | <u>44,824</u> | <u>43,124</u> |

(a) Approximately \$61,000 and \$235,000 of undistributed earnings allocated to participating securities were not included in the determination of GAAP basic net income per common share for the three and nine months ended March 31, 2012, respectively, and approximately \$149,000 and \$500,000 for the three and nine months ended March 31, 2011, respectively.

(b) Approximately \$57,000 and \$217,000 of undistributed earnings allocated to participating securities were not included in the determination of GAAP diluted net income per common share for the three and nine months ended March 31, 2012, respectively, and approximately \$133,000 and \$449,000 for the three and nine months ended March 31, 2011, respectively.

(c) Amortization of ASC Topic 718 (SFAS No. 123R, APB 25 and SFAS No. 123) stock-based compensation for the three and nine months ended March 31, 2012 and 2011.

(d) Provision for litigation costs for the nine months ended March 31, 2011 was related to a settlement of a patent litigation in September 2010.

(e) The provision of income taxes used in arriving at the non-GAAP net income was computed using an income tax rate of 26.6% and 30.4% for the three and nine months ended March 31, 2012, respectively, and 28.3% and 30.4% for the three and nine months ended March 31, 2011, respectively.

(f) Approximately \$76,000 and \$294,000 of undistributed earnings allocated to participating securities were included in the determination of Non-GAAP basic net income per common share for the three and nine months ended March 31, 2012, respectively, and approximately \$170,000 and \$591,000 of undistributed earnings allocated to participating securities were included in the determination of Non-GAAP basic net income per common share for the three and nine months ended March 31, 2011, respectively.

(g) Approximately \$70,000 and \$269,000 of undistributed earnings allocated to participating securities were included in the determination of Non-GAAP diluted net income per common share for the three and nine months ended March 31, 2012, respectively, and approximately \$150,000 and \$525,000 of undistributed earnings allocated to participating securities were included in the determination of Non-GAAP diluted net income per common share for the three and nine months ended March 31, 2011, respectively.

(h) 359,282 and 395,863 shares of unvested restricted stock awards were not included in the determination of GAAP basic and diluted net income per common share for the three and nine months ended March 31, 2012, respectively. 538,923 and 649,616 shares of unvested restricted stock awards were not included in the determination of GAAP basic and diluted net income per common share for the three and nine months ended March 31, 2011, respectively.

(i) 359,282 and 395,863 shares of unvested restricted stock awards were included in the determination of Non-GAAP basic and diluted net income per share for the three and nine months ended March 31, 2012, respectively. 538,923 and 649,616 shares of unvested restricted stock awards were included in the determination of Non-GAAP basic and diluted net income per share for the three and nine months ended March 31, 2011, respectively.

Chief Financial Officer

ir@supermicro.com

or

Perry G. Hayes

SVP, Investor Relations

ir@supermicro.com

Source: Super Micro Computer, Inc.

News Provided by Acquire Media