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STATESSECURITIES AND EXCHANGE COMMISSIONWashington, D.C. 20549FORM 10-Q(Mark One)â˜’ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934For the quarterly period ended NovemberÂ 29, 2024ORâ˜ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934For the transition period from to Commission File Number 001-38102PENGUIN SOLUTIONS, INC.(Exact name of registrant as specified in its charter)Cayman Islands98-1013909(State or other jurisdiction ofincorporation or organization)(I.R.S. EmployerIdentification No.)c/o Walkers Corporate Limited190 Elgin AvenueGeorge Town, Grand CaymanCayman IslandsKY1-9008(Address of Principal Executive Offices)(Zip Code)Registrantâ€™s telephone number, including area code: (510) 623-1231Securities registered pursuant to Section 12(b) of the Act:Title of each classTrading Symbol(s)Name of each exchange on which registeredOrdinary shares, $0.03 par value per sharePENGNasdaq Global Select MarketIndicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes â˜’ No â˜Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Â§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes â˜’ No â˜Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of â€œlarge accelerated filer,â€ â€œaccelerated filer,â€ â€œsmaller reporting company,â€ and â€œemerging growth companyâ€ in Rule 12b-2 of the Exchange Act.Large Accelerated FilerAccelerated filerNon-accelerated filerSmaller reporting companyEmerging growth companyâ˜’â˜â˜â˜â˜If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. â˜Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes â˜ No â˜’As of JanuaryÂ 2, 2025, the registrant had 53,290,750 ordinary shares outstanding.Table of ContentsPagePART I. Financial InformationItem 1Financial Statements4Item 2Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations25Item 3Quantitative and Qualitative Disclosures About Market Risk32Item 4Controls and Procedures33PART II. Other InformationItem 1Legal Proceedings34Item 1ARisk Factors34Item 2Unregistered Sales of Equity Securities and Use of Proceeds34Item 3Defaults Upon Senior Securities34Item 4Mine Safety Disclosures35Item 5Other Information35Item 6Exhibits35Signatures372Cautionary Note Regarding Forward-Looking StatementsThis Quarterly Report on Form 10-Q (â€œQuarterly Reportâ€) contains â€œforward-looking statementsâ€ that are not historical in nature, that are predictive or that depend upon or refer to future events or conditions. These statements may include, but are not limited to, statements regarding future events or our future financial or operating performance, the extent and timing of, and expectations regarding, our future revenues and expenses and customer demand, statements regarding the deployment of our products and services, statements regarding our reliance on third parties, statements regarding our rebranding initiatives and strategy, and statements using words such as â€œanticipate,â€ â€œbelieve,â€ â€œcould,â€ â€œestimate,â€ â€œexpect,â€ â€œforecast,â€ â€œintend,â€ â€œplan,â€ â€œpotential,â€ â€œshouldâ€ and similar words and the negatives thereof constitute forward-looking statements. These forward-looking statements are based on our current expectations or forecasts of future events, circumstances, results or aspirations and are subject to a number of significant risks, uncertainties and other factors, many of which are outside of our control, including but not limited to, global business and economic conditions and growth trends in technology industries (including trends and markets related to artificial intelligence (â€œAIâ€)), our customer markets and various geographic regions; uncertainties in the geopolitical environment; our ability to manage our cost structure; disruptions in our operations or supply chain as a result of global pandemics or otherwise; changes in trade regulations or adverse developments in international trade relations and agreements; changes in currency exchange rates; overall information technology spending; appropriations for government spending; the success of our strategic initiatives including our rebranding and related strategy, any potential collaborations, and additional investments in new products and additional capacity; acquisitions of companies or technologies and the failure to successfully integrate and operate them or customersâ€™ negative reactions to them; issues, delays or complications in integrating the operations of Stratus Technologies; the failure to achieve the intended benefits of the sale of SMART Brazil and its business; limitations on or changes in the availability of supply of materials and components; fluctuations in material costs; the temporary or volatile nature of pricing trends in memory or elsewhere; deterioration in customer relationships; our dependence on a select number of customers and the timing and volume of customer orders; production or manufacturing difficulties; competitive factors; technological changes; difficulties with, or delays in, the introduction of new products; slowing or contraction of growth in the memory market, LED market or other markets in which we participate; changes to applicable tax regimes or rates; changes to the valuation allowance for our deferred tax assets, including any potential inability to realize these assets in the future; prices for the end products of our customers; strikes or labor disputes; deterioration in or loss of relations with any of our limited number of key vendors; the inability to maintain or expand government business; and the continuing availability of borrowings under term loans and revolving lines of credit and our ability to raise capital through debt or equity financings. These and other risks, uncertainties and factors are described in greater detail under the sections titled â€œRisk Factors,â€ â€œCritical Accounting Estimates,â€ â€œResults of Operations,â€ â€œQuantitative and Qualitative Disclosures About Market Riskâ€ and â€œLiquidity and Capital Resourcesâ€ contained in our Annual Report on Form 10-K for the fiscal year ended AugustÂ 30, 2024, this Quarterly Report and the risks discussed in our other Securities and Exchange Commission (â€œSECâ€) filings. Such risks, uncertainties and factors as outlined above and in such filings do not constitute all risks, uncertainties and factors that could cause actual results of Penguin Solutions to be materially different from such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on any forward-looking statements.The forward-looking statements included in this Quarterly Report are made only as of the date of this Quarterly Report. We do not intend, and have no obligation, to update or revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this Quarterly Report, except as required by law.About This Quarterly ReportAs used herein, unless the context indicates otherwise, the terms â€œPenguin Solutions,â€ â€œCompany,â€ â€œRegistrant,â€ â€œwe,â€ â€œour,â€ â€œusâ€ or similar terms refer to Penguin Solutions, Inc. and its consolidated subsidiaries. Our fiscal year is the 52- or 53-week period ending on the last Friday in August. Fiscal years 2025 and 2024 contain 52 weeks and 53 weeks, respectively. All period references are to our fiscal periods unless otherwise indicated.Penguin Solutions, Penguin Computing, Penguin Edge, the Penguin Solutions logo, SMART Modular Technologies, SMART, Cree LED, Stratus, Stratus Technologies and our other trademarks or service marks appearing in this Quarterly Report are our trademarks or registered trademarks. Trade names, trademarks and service marks of other companies appearing in this Quarterly Report are the property of their respective holders.3PART I. Financial InformationItem 1. Financial StatementsINDEX TO FINANCIAL STATEMENTSPageConsolidated Balance Sheets5Consolidated Statements of Operations6Consolidated Statements of Comprehensive Income (Loss)7Consolidated Statements of Shareholdersâ€™ Equity8Consolidated Statements of Cash Flows9Notes to Consolidated Financial Statements104Penguin Solutions, Inc.Consolidated Balance Sheets(In thousands, except par value amount)(Unaudited)As ofNovember 29,2024August 30,2024AssetsÂ Â Cash and cash equivalents$370,295Â $383,147Â Short-term investments23,430Â 6,337Â Accounts receivable, net275,629Â 251,743Â Inventories246,952Â 151,213Â Other current assets79,273Â 75,264Â Total current assets995,579Â 867,704Â Property and equipment, net100,239Â 106,548Â Operating lease right-of-use assets58,317Â 60,349Â Intangible assets, net111,926Â 121,454Â Goodwill161,958Â 161,958Â Deferred tax assets84,934Â 85,078Â Other noncurrent assets70,062Â 71,415Â Total assets$1,583,015Â $1,474,506Â Liabilities and EquityAccounts payable and accrued expenses$284,636Â $219,090Â Deferred revenue41,326Â 63,954Â Other current liabilities100,924Â 44,552Â Total current liabilities426,886Â 327,596Â Long-term debt658,070Â 657,347Â Noncurrent operating lease liabilities58,611Â 60,542Â Other noncurrent liabilities30,499Â 29,813Â Total liabilities1,174,066Â 1,075,298Â Commitments and contingenciesPenguin Solutions shareholdersâ€™ equity:Preferred shares, $0.03 par value; authorized 30,000 shares; none issued or outstandingâ€”Â â€”Â Ordinary shares, $0.03 par value; authorized 200,000 shares; 61,067 shares issued and 53,438 outstanding as of NovemberÂ 29, 2024; 60,226 shares issued and 53,277 outstanding as of AugustÂ 30, 20241,832Â 1,807Â Additional paid-in capital528,201Â 513,335Â Retained earnings35,202Â 29,985Â Treasury shares, 7,629 and 6,949 shares held as of NovemberÂ 29, 2024 and AugustÂ 30, 2024, respectively(164,879)(153,756)Accumulated other comprehensive income (loss)19Â 10Â Total Penguin Solutions shareholdersâ€™ equity400,375Â 391,381Â Noncontrolling interest in subsidiary8,574Â 7,827Â Total equity408,949Â 399,208Â Total liabilities and equity$1,583,015Â $1,474,506Â The accompanying notes are an integral part of these consolidated financial statements.5Penguin Solutions, Inc.Consolidated Statements of Operations(In thousands, except per share amounts)(Unaudited)Three Months EndedNovember 29,2024December 1,2023Net sales:Products$270,260Â $206,430Â Services70,842Â 67,817Â Total net sales341,102Â 274,247Â Cost of sales:Products215,149Â 163,413Â Services28,141Â 27,984Â Total cost of sales243,290Â 191,397Â Gross profit97,812Â 82,850Â Operating expenses:Research and development19,811Â 21,389Â Selling, general and administrative60,536Â 57,217Â Other operating (income) expense109Â 2,939Â Total operating expenses80,456Â 81,545Â Operating income17,356Â 1,305Â Â Non-operating (income) expense:Interest expense, net4,396Â 9,559Â Other non-operating (income) expense636Â (576)Total non-operating (income) expense5,032Â 8,983Â Income (loss) before taxes12,324Â (7,678)Â Income tax provision6,360Â 3,534Â Net income (loss) from continuing operations5,964Â (11,212)Net loss from discontinued operationsâ€”Â (8,148)Net income (loss)5,964Â (19,360)Net income attributable to noncontrolling interest747Â 561Â Net income (loss) attributable to Penguin Solutions$5,217Â $(19,921)Â Basic earnings (loss) per share:Continuing operations$0.10Â $(0.23)Discontinued operationsâ€”Â (0.15)$0.10Â $(0.38)Diluted earnings (loss) per share:Continuing operations$0.10Â $(0.23)Discontinued operationsâ€”Â (0.15)$0.10Â $(0.38)Shares used in per share calculations:Basic53,482Â 52,068Â Diluted54,312Â 52,068Â The accompanying notes are an integral part of these consolidated financial statements.6Penguin Solutions, Inc.Consolidated Statements of Comprehensive Income (Loss)(In thousands)(Unaudited)Three Months EndedNovember 29,2024December 1,2023Net income (loss)$5,964Â $(19,360)Other comprehensive income (loss), net of tax:Cumulative translation adjustmentâ€”Â (6,142)Cumulative translation adjustment reclassified to net income (loss)â€”Â 212,397Â Gain (loss) on investments9Â 12Â Comprehensive income5,973Â 186,907Â Comprehensive income attributable to noncontrolling interest747Â 561Â Comprehensive income attributable to Penguin Solutions$5,226Â $186,346Â The accompanying notes are an integral part of these consolidated financial statements.7Penguin Solutions, Inc.Consolidated Statements of Shareholdersâ€™ Equity(In thousands)(Unaudited)SharesIssuedAmountAdditionalPaid-in CapitalRetainedEarningsTreasurySharesAccumulatedOtherComprehensiveIncome (Loss)Total Penguin SolutionsShareholdersâ€™EquityNon-controllingInterest inSubsidiaryTotalEquityAs of August 30, 202460,226Â $1,807Â $513,335Â $29,985Â $(153,756)$10Â $391,381Â $7,827Â $399,208Â Net incomeâ€”Â â€”Â â€”Â 5,217Â â€”Â â€”Â 5,217Â 747Â 5,964Â Other comprehensive income (loss)â€”Â â€”Â â€”Â â€”Â â€”Â 9Â 9Â â€”Â 9Â Shares issued under equity plans841Â 25Â 3,335Â â€”Â â€”Â â€”Â 3,360Â â€”Â 3,360Â Repurchase of sharesâ€”Â â€”Â â€”Â â€”Â (11,123)â€”Â (11,123)â€”Â (11,123)Share-based compensation expenseâ€”Â â€”Â 11,531Â â€”Â â€”Â â€”Â 11,531Â â€”Â 11,531Â As of November 29, 202461,067Â $1,832Â $528,201Â $35,202Â $(164,879)$19Â $400,375Â $8,574Â $408,949Â SharesIssuedAmountAdditionalPaid-in CapitalRetainedEarningsTreasurySharesAccumulatedOtherComprehensiveIncome (Loss)Total Penguin SolutionsShareholdersâ€™EquityNon-controllingInterest inSubsidiaryTotalEquityAs of August 25, 202357,542Â $1,726Â $476,703Â $82,457Â $(132,447)$(205,964)$222,475Â $6,758Â $229,233Â Net income (loss)â€”Â â€”Â â€”Â (19,921)â€”Â â€”Â (19,921)561Â (19,360)Other comprehensive income (loss)â€”Â â€”Â â€”Â â€”Â â€”Â 206,267Â 206,267Â â€”Â 206,267Â Shares issued under equity plans905Â 27Â 3,428Â â€”Â â€”Â â€”Â 3,455Â â€”Â 3,455Â Repurchase of sharesâ€”Â â€”Â â€”Â â€”Â (13,130)â€”Â (13,130)â€”Â (13,130)Share-based compensation expenseâ€”Â â€”Â 11,014Â â€”Â â€”Â â€”Â 11,014Â â€”Â 11,014Â Distribution to noncontrolling interestâ€”Â â€”Â â€”Â â€”Â â€”Â â€”Â â€”Â (1,470)(1,470)As of December 1, 202358,447Â $1,753Â $491,145Â $62,536Â $(145,577)$303Â $410,160Â $5,849Â $416,009Â The accompanying notes are an integral part of these consolidated financial statements.8Penguin Solutions, Inc.Consolidated Statements of Cash Flows(In thousands)(Unaudited)Three Months EndedNovember 29,2024December 1,2023Cash flows from operating activitiesNet income (loss)$5,964Â $(19,360)Net loss from discontinued operationsâ€”Â (8,148)Net income (loss) from continuing operations5,964Â (11,212)Adjustments to reconcile net income (loss) from continuing operations to net cash provided by operating activities:Depreciation expense and amortization of intangible assets14,961Â 17,654Â Amortization of debt issuance costs953Â 1,042Â Share-based compensation expense11,531Â 10,970Â Deferred income taxes, net211Â (282)Other(712)664Â Changes in operating assets and liabilities:Accounts receivable(23,885)48,658Â Inventories(93,380)(33,464)Other assets705Â 2,102Â Accounts payable and accrued expenses and other liabilities97,471Â 23,581Â Net cash provided by operating activities from continuing operations13,819Â 59,713Â Net cash used for operating activities from discontinued operationsâ€”Â (28,235)Net cash provided by operating activities13,819Â 31,478Â Cash flows from investing activitiesCapital expenditures and deposits on equipment(1,836)(4,648)Proceeds from maturities of investment securities3,780Â 9,665Â Purchases of held-to-maturity investment securities(20,723)(8,469)Other(143)(188)Net cash used for investing activities from continuing operations(18,922)(3,640)Net cash provided by investing activities from discontinued operationsâ€”Â 118,938Â Net cash provided by (used for) investing activities(18,922)115,298Â Cash flows from financing activitiesRepayments of debtâ€”Â (14,423)Payments to acquire ordinary shares(11,123)(13,130)Distribution to noncontrolling interestâ€”Â (1,470)Proceeds from issuance of ordinary shares3,360Â 3,455Â Otherâ€”Â (582)Net cash used for financing activities from continuing operations(7,763)(26,150)Net cash used for financing activities from discontinued operationsâ€”Â (606)Net cash used for financing activities(7,763)(26,756)Effect of changes in currency exchange ratesâ€”Â (1,025)Net increase (decrease) in cash, cash equivalents and restricted cash(12,866)118,995Â Cash, cash equivalents and restricted cash at beginning of period383,477Â 410,064Â Cash, cash equivalents and restricted cash at end of period$370,611Â $529,059Â The accompanying notes are an integral part of these consolidated financial statements.9Penguin Solutions, Inc.Notes to Consolidated Financial Statements(Tabular amounts in thousands, except per share amounts)(Unaudited)Significant Accounting PoliciesBasis of PresentationThe accompanying consolidated financial statements include the accounts of Penguin Solutions, Inc. (â€œPenguin Solutions,â€ â€œwe,â€ â€œus,â€ â€œour,â€ the â€œCompanyâ€ or similar terms) and its consolidated subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America (â€œGAAPâ€) consistent in all material respects with those applied in our Annual Report on Form 10-K for the fiscal year ended AugustÂ 30, 2024 and the applicable rules and regulations of the Securities and Exchange Commission (â€œSECâ€) regarding interim financial information. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of our management, the accompanying unaudited consolidated financial statements contain all necessary adjustments, consisting of a normal recurring nature, to fairly state the financial information set forth herein. These consolidated interim financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the fiscal year ended AugustÂ 30, 2024.Presentation of SMART Brazil as Discontinued Operations: On June 13, 2023, we entered into an agreement to divest of an 81% interest in SMART Modular Technologies do Brasil â€“ IndÃºstria e Comercio de Componentes Ltda. (â€œSMART Brazilâ€). We concluded that, as of AugustÂ 25, 2023, (i) the net assets of SMART Brazil met the criteria for classification as held for sale and (ii) the proposed sale represented a strategic shift that was expected to have a major effect on our operations and financial results. On November 29, 2023, we completed the divestiture. The balance sheets, results of operations and cash flows of SMART Brazil have been presented as discontinued operations for all periods presented. SMART Brazil was previously included within our Integrated Memory segment. See â€œDivestiture of SMART Brazil.â€Unless otherwise noted, amounts and discussion within these notes to the consolidated financial statements relate to our continuing operations.Fiscal Year: Our fiscal year is the 52- or 53-week period ending on the last Friday in

August. Fiscal years 2025 and 2024 contain 52 weeks and 53 weeks, respectively. All period references are to our fiscal periods unless otherwise indicated.Financial information for our subsidiaries in Brazil was included in our consolidated financial statements on a one-month lag because their fiscal years ended on July 31 of each year. In connection with the completion of the divestiture of an 81% interest in SMART Brazil, we ceased consolidating the operations of SMART Brazil in our financial statements as of the November 29, 2023 disposal date. As a result, financial information for the first quarter of 2024 includes the four-month period for our SMART Brazil operations from August 1, 2023 to November 29, 2023.Preferred Share InvestmentOn December 13, 2024, we closed the Investment (as defined below) by SK Telecom Co., Ltd. (â€œSKTâ€). Pursuant to the terms of the Securities Purchase Agreement by and between Penguin Solutions and SKT (the â€œSKT Purchase Agreementâ€), we sold to Astra AI Infra LLC (â€œAstra AI Infraâ€), an affiliate of SKT, 200,000 convertible preferred shares, par value $0.03 per share, of Penguin Solutions (the â€œCPSâ€), at a price of $1,000 per share or an aggregate price of $200 million (the â€œInvestmentâ€). The CPS have an initial liquidation preference of 1x and are only redeemable at our option in one installment upon notice, provided that no such notice shall be sent until at least five years after the date of the closing of the Investment. The CPS vote together with the ordinary shares, par value $0.03 per share, of Penguin Solutions, on an as-converted basis, and entitle the holder to receive 10dividends of six percent per annum, cumulative, payable quarterly in-kind or in cash at our option, subject to certain conditions.The holder of the CPS may convert the CPS into ordinary shares at any time, provided that the CPS may, at our option, automatically be converted into ordinary shares on any date following the second anniversary of the closing of the Investment upon which the volume-weighted average price of the ordinary shares for any 15 consecutive trading day period equals or exceeds 150% of the then-applicable conversion price. The CPS are convertible into ordinary shares at a conversion price of $32.81 per preferred share, subject to adjustment upon the occurrence of certain events. Holders of the CPS are also entitled to certain protective provisions.Additionally, on the closing date of the Investment, we and Astra AI Infra entered into an Investor Agreement, and the Certificate of Designation relating to the CPS (the â€œCertificate of Designationâ€) became effective. The Investor Agreement and the Certificate of Designation provide for certain rights and restrictions relating to the Investment, including but not limited to board representation rights, pro rata rights, registration rights and consent rights, and standstill provisions, disposition restrictions and voting obligations.Divestiture of SMART BrazilOverview of TransactionOn November 29, 2023, we completed the divestiture of SMART Brazil pursuant to the terms of that certain Stock Purchase Agreement (the â€œBrazil Purchase Agreementâ€), by and among SMART Modular Technologies (LX) S.Ã r.l., a sociÃ©tÃ© Ã responsabilitÃ© limitÃ©e governed by the laws of Grand Duchy of Luxembourg and a wholly owned subsidiary of Penguin Solutions (the â€œBrazil Sellerâ€), Lexar Europe B.V., a company organized under the laws of The Netherlands (the â€œBrazil Purchaserâ€), Shenzhen Longsys Electronics Co., Ltd., a company limited by shares governed by the laws of the Peopleâ€™s Republic of China (â€œLongsysâ€), solely with respect to certain provisions therein, Shanghai Intelligent Memory Semiconductor Co., Ltd., a limited liability company governed by the laws of the Peopleâ€™s Republic of China and, solely with respect to certain provisions therein, Penguin Solutions.Pursuant to the Brazil Purchase Agreement, Brazil Seller sold to Brazil Purchaser, and Brazil Purchaser purchased from Brazil Seller, 81% of Brazil Sellerâ€™s right, title and interest in and to the outstanding quotas of SMART Brazil, with Brazil Seller retaining a 19% interest in SMART Brazil (the â€œRetained Interestâ€) (the â€œBrazil Divestitureâ€).Pursuant to the Brazil Purchase Agreement, Brazil Seller has a right to receive, and Brazil Purchaser is obligated to pay, (i) a deferred payment due 18 months following the closing and (ii) subject to and at the time of exercise of the Put/Call Option (as defined below), an additional deferred cash adjustment equal to 19% of the amount of SMART Brazilâ€™s net cash as of the closing (as calculated pursuant to the Brazil Purchase Agreement).Pursuant to the Brazil Purchase Agreement, at the closing, SMART Brazil, Brazil Seller, Brazil Purchaser and Longsys entered into a Quotaholders Agreement, which provides Brazil Seller with a put option to sell the Retained Interest in SMART Brazil to Brazil Purchaser (the â€œPut Optionâ€) during three exercise windows following SMART Brazilâ€™s fiscal years ending December 31, 2026, December 31, 2027 or December 31, 2028 (the â€œExercise Windowsâ€), with such Exercise Windows beginning on June 15, 2027 and ending on July 15, 2027, beginning on June 15, 2028 and ending on July 15, 2028 and beginning on June 15, 2029 and ending on July 15, 2029, respectively. A call option has also been granted to Brazil Purchaser to require Brazil Seller to sell the Retained Interest to Brazil Purchaser during the Exercise Windows (together with the Put Option, the â€œPut/Call Optionâ€). The price for the Put/Call Option is based on a 100% enterprise value of 7.5x net income for SMART Brazil for the preceding fiscal year at the time of exercise.Total consideration in exchange for the sale of an 81% interest in SMART Brazil amounted to $194.1 million which included cash at closing of $164.9 million, a deferred payment with fair value of $25.4 million and a deferred cash adjustment with a fair value of $3.7 million. The deferred payment, comprised of a notional amount of $28.4 million, discounted at 7.5% due May 2025. The deferred payment is included in other current assets in the accompanying consolidated balance sheets. The fair value of the deferred cash adjustment, comprised of a notional amount of $4.8 million discounted at 7.5%, equal to 19% of the amount of SMART Brazilâ€™s net cash as of the closing (as calculated pursuant to the Brazil Purchase Agreement). The deferred cash adjustment, which is accounted for as a derivative financial instrument, is due at the time of exercise of the Put/Call Option and was included in other noncurrent assets in the accompanying consolidated balance sheet.11Presentation of SMART Brazil OperationsAs of AugustÂ 25, 2023, we concluded that the net assets of SMART Brazil met the criteria for classification as held for sale. In addition, the divestiture of SMART Brazil was expected to have a major effect on our operations and financial results. As a result, we have presented the results of operations, cash flows and financial position of SMART Brazil as discontinued operations in the accompanying consolidated financial statements and notes for all periods presented.A disposal group classified as held for sale is measured at the lower of its carrying amount or fair value less costs to sell. Accordingly, we evaluated the carrying value of the net assets of SMART Brazil (including $206.3 million recognized within shareholdersâ€™ equity related to the cumulative translation adjustment from SMART Brazil), estimated costs to sell and expected proceeds and concluded the net assets were impaired as of AugustÂ 25, 2023. As a result, we recognized an impairment charge of $153.0 million in the fourth quarter of 2023 to write down the carrying value of the net assets of SMART Brazil. In addition, we concluded that the outside basis of SMART Brazil inclusive of any withholding taxes should be recognized upon the classification as held for sale as of AugustÂ 25, 2023. Accordingly, we recognized withholding taxes on the expected capital gain and deferred tax liabilities of $28.6 million in 2023.Assets and liabilities of SMART Brazil as of the NovemberÂ 29, 2023 disposal date were as follows:As ofNovember 29,2023Cash and cash equivalents$40,927Â Accounts receivable, net16,482Â Inventories26,103Â Other current assets17,800Â Total current assets101,312Â Property and equipment, net66,870Â Operating lease right-of-use assets6,912Â Goodwill19,856Â Other noncurrent assets27,490Â Total assets222,440Â Impairment of SMART Brazil assets(153,036)Total assets, net of impairment$69,404Â Accounts payable and accrued expenses$20,576Â Current debt3,872Â Other current liabilities1,023Â Total current liabilities25,471Â Long-term debt11,938Â Noncurrent operating lease liabilities5,686Â Noncurrent deferred tax liabilities28,564Â Other noncurrent liabilities93Â Total liabilities$71,752Â Net assets (liabilities) of discontinued operations$(2,348)12The following table presents the results of operations for SMART Brazil:Three Months EndedDecember 1,2023Net sales$55,159Â Cost of sales50,560Â Gross profit4,599Â Operating expenses:Research and development157Â Selling, general and administrative5,421Â Other operating (income) expense64Â Total operating expenses5,642Â Operating loss(1,043)Â Non-operating (income) expense:Loss from divestiture of 81% interest in SMART Brazil10,888Â Interest (income) expense, net(1,262)Other non-operating (income) expense138Â Total non-operating (income) expense9,764Â Loss before taxes(10,807)Income tax benefit(2,659)Net loss from discontinued operations$(8,148)Loss from Divestiture of SMART BrazilThe following table presents the calculation of the loss from the divestiture of an 81% interest in SMART Brazil:Proceeds, less costs to sell and other expenses:Consideration$194,092Â Costs to sell and other expenses(4,150)189,942Â Basis in 81% interest in SMART Brazil:Net assets of SMART Brazil145,194Â Cumulative translation adjustment (1)212,397Â 357,591Â Gain on revalue of 19% Retained Interest in SMART Brazil (2)3,725Â Pre-tax loss on divestiture of 81% interest in SMART Brazil163,924Â Income tax provision26,580Â Loss on divestiture of 81% interest in SMART Brazil$190,504Â (1)The sale of an 81% interest in SMART Brazil resulted in the de-consolidation of SMART Brazil and, accordingly, the release of the related cumulative translation adjustment. Included in the basis calculation above is the balance of cumulative translation adjustment for SMART Brazil as of the closing. The release of the cumulative translation adjustment is included in net income (loss) from discontinued operations in the accompanying consolidated statement of operations.(2)In connection with the transaction, we revalued our 19% Retained Interest in SMART Brazil based on the implied value for 100% of SMART Brazil, adjusted for lack of control premium. As of NovemberÂ 29, 2024, the carrying value of our remaining 19% interest in SMART Brazil was $37.8 million and was included in other noncurrent assets in the accompanying consolidated balance sheets as a non-marketable equity investment.13Recognition Periods: The loss from the divestiture of an 81% interest in SMART Brazil was recognized as follows:Three Months EndedDecember 1,2023Pre-tax loss on divestiture of 81% interest in SMART Brazil$10,888Â Income tax provision (benefit)(1,984)Loss on divestiture of 81% interest in SMART Brazil$8,904Â Recently Issued Accounting StandardsIn November 2024, the Financial Accounting Standards Board (â€œFASBâ€) issued Accounting Standards Update (â€œASUâ€) 2024-03, Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosure (Subtopic 220-40): Disaggregation of Income Statement Expenses. The amendments in this ASU require disclosure, in the notes to the financial statements, of specified information about certain costs and expenses, as well as a qualitative description of amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. This ASU also requires disclosure of the total amount of selling expenses and an entityâ€™s definition of selling expenses. The amendments in this ASU are effective for us in 2028 for annual reporting and in 2029 for interim reporting, with early adoption permitted and may be applied prospectively or retrospectively. We do not expect ASU 2024-03 to have an impact on our financial position, results of operations and cash flows. We are currently evaluating the impact on our consolidated financial statement disclosures.In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amendments in this ASU are intended to increase transparency through improvements to annual disclosures primarily related to income tax rate reconciliation and income taxes paid. The amendments in this ASU are effective for us in 2026 for annual reporting, with early adoption permitted. The ASU may be applied on a prospective basis, although retrospective application is permitted. We are evaluating the timing and effects of this ASU on our income tax disclosures.In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Segment Reporting Disclosures, which will require an entity to provide more detailed information about its reportable segment expenses that are included within managementâ€™s measurement of profit and loss and will require certain annual disclosures to be provided on an interim basis. The amendments in this ASU are effective for us in 2025 for annual reporting and in 2026 for interim reporting and are required to be applied using the full retrospective method of transition. We are evaluating the effects of adoption of this ASU on our segment disclosures.Cash and InvestmentsAs of NovemberÂ 29, 2024 and AugustÂ 30, 2024, all of our debt securities, the fair values of which approximated their carrying values, were classified as held to maturity. As of NovemberÂ 29, 2024, restricted cash, which is included in other noncurrent assets, was $0.3 million. Cash, cash equivalents and short-term investments were as follows:Â As of November 29, 2024As of August 30, 2024Â Cash and Cash EquivalentsShort-term InvestmentsCash and Cash EquivalentsShort-term InvestmentsCash$343,759Â $â€”Â $354,037Â $â€”Â Level 1:Money market funds22,322Â â€”Â 29,110Â â€”Â U.S. Treasury securities4,214Â 23,430Â â€”Â 6,337Â Â $370,295Â $23,430Â $383,147Â $6,337Â 14Non-marketable Equity InvestmentsAs of both NovemberÂ 29, 2024 and AugustÂ 30, 2024, other noncurrent assets included $53.0 million of non-marketable equity investments, which are accounted for under the measurement alternative at cost less impairment, if any. In the event an observable price change occurs in an orderly transaction for an identical or a similar investment, the carrying value of investments would be remeasured to fair value as of the date that the observable transaction occurred, with any resulting gains or losses recorded in results of operations.Accounts ReceivableIn the third quarter of 2023, we entered into a trade accounts receivable sale program with a third-party financial institution to sell certain of our trade accounts receivable on a non-recourse basis pursuant to a factoring arrangement. This program allows us to sell certain of our trade accounts receivables up to $60.0 million. As of NovemberÂ 29, 2024, there have been no trade accounts receivable sold under this program.InventoriesAs ofNovember 29,2024August 30,2024Raw materials$87,041Â $75,514Â Work in process37,918Â 18,742Â Finished goods121,993Â 56,957Â Â $246,952Â $151,213Â As of NovemberÂ 29, 2024 and AugustÂ 30, 2024, 12% and 14%, respectively, of total inventories were owned and held under our logistics services program.Property and EquipmentAs ofNovember 29,2024August 30,2024Equipment$88,943Â $89,848Â Buildings and building improvements67,398Â 70,462Â Furniture, fixtures and software48,120Â 48,027Â Land15,064Â 16,126Â 219,525Â 224,463Â Accumulated depreciation(119,286)(117,915)Â $100,239Â $106,548Â Depreciation expense for property and equipment was $5.0 million and $7.5 million in the first quarter of 2025 and 2024, respectively.15Intangible Assets and GoodwillAs of NovemberÂ 29, 2024As of AugustÂ 30, 2024GrossAmountAccumulatedAmortizationGrossAmountAccumulatedAmortizationIntangible assets:Technology$142,942Â $(65,045)$142,539Â $(58,948)Customer relationships72,500Â (48,410)72,500Â (45,556)Trademarks/trade names27,966Â (18,027)27,964Â (17,045)$243,408Â $(131,482)$243,003Â $(121,549)Goodwill by segment:Advanced Computing$147,238Â $147,238Â Integrated Memory14,720Â 14,720Â $161,958Â $161,958Â In the first quarter of 2025 and 2024, we capitalized $0.4 million and $0.3 million, respectively, for intangible assets with weighted-average useful lives of 18.5 years and 19.0 years, respectively. Amortization expense for intangible assets was $9.9 million and $10.2 million in the first quarter of 2025 and 2024, respectively. Amortization expense is expected to be $25.7 million for the remainder of 2025, $30.2 million for 2026, $29.6 million for 2027, $9.9 million for 2028, $6.0Â million for 2029 and $10.5Â million for 2030 and thereafter.During the second quarter of 2023, we initiated a plan within our Advanced Computing segment pursuant to which we intend to wind down manufacturing and discontinue the sale of legacy products offered through our Penguin Edge business by approximately the end of 2025. At each reporting date, we reassess the estimated remaining cash flows of the Penguin Edge business. We currently anticipate that the goodwill of the Penguin Edge reporting unit of $16.1 million as of NovemberÂ 29, 2024 may become further impaired in future periods.Accounts Payable and Accrued ExpensesAs ofNovember 29,2024August 30,2024Accounts payable (1)$244,271Â $182,037Â Salaries, wages and benefits23,320Â 22,819Â Income and other taxes13,613Â 11,863Â Other3,432Â 2,371Â $284,636Â $219,090Â (1)Included accounts payable for property and equipment of $0.9 million and $0.4 million as of NovemberÂ 29, 2024 and AugustÂ 30, 2024, respectively.DebtAs ofNovember 29,2024August 30,2024Amended 2027 TLA$297,561Â $297,297Â 2030 Notes193,066Â 192,778Â 2029 Notes147,581Â 147,439Â 2026 Notes19,862Â 19,833Â 658,070Â 657,347Â Less current debtâ€"Â â€"Â Long-term debt$658,070Â $657,347Â 16Credit FacilityOn February 7, 2022, Penguin Solutions and SMART Modular Technologies, Inc. (collectively, the â€œBorrowersâ€) entered into a credit agreement, as subsequently amended, with a syndicate of banks and Citizens Bank, N.A., as administrative agent that provided for a term loan credit facility (the â€œAmended 2027 TLAâ€) and a revolving credit facility (the â€œ2027

Revolverâ€), in each case, maturing on February 7, 2027. As of NovemberÂ 29, 2024, there was $300.0 million of principal amount outstanding under the Amended 2027 TLA, unamortized issuance costs were $2.5 million and the effective interest rate was 7.68%. As of NovemberÂ 29, 2024, there were no amounts outstanding under the 2027 Revolver and unamortized issuance costs were $2.0 million.Convertible Senior NotesRepurchase of Convertible Senior NotesOn August 6, 2024, we repurchased $80.0Â million aggregate principal amount of our 2.25% Convertible Senior Notes due 2026 (the â€œ2026 Notesâ€) for $100.6Â million cash (including payment for accrued interest) in privately-negotiated transactions. The repurchase was accounted for as debt extinguishment. Accordingly, we recognized a loss in the fourth quarter of 2024, included in other non-operating expense, of $20.4Â million, consisting of $19.7Â million premium paid to extinguish the 2026 Notes and $0.7Â million for the write-off of unamortized issuance costs.Convertible Senior Notes InterestUnamortized debt discount and issuance costs are amortized over the terms of our 2026 Notes, our 2.00% Convertible Senior Notes due 2029 (the â€œ2029 Notesâ€) and our 2.00% Convertible Senior Notes due 2030 (the â€œ2030 Notesâ€) using the effective interest method. As of NovemberÂ 29, 2024 and AugustÂ 30, 2024, the effective interest rate for our 2026 Notes was 2.83%. As of NovemberÂ 29, 2024 and AugustÂ 30, 2024, the effective interest rate for our 2029 Notes was 2.40%. As of NovemberÂ 29, 2024 and AugustÂ 30, 2024, the effective interest rate for our 2030 Notes was 2.65%. Aggregate interest expense for our convertible senior notes consisted of contractual stated interest and amortization of issuance costs and included the following:Three Months EndedNovember 29,2024December 1,2023Contractual stated interest$1,842Â $1,400Â Amortization of debt issuance costs458Â 297Â $2,300Â $1,697Â Maturities of DebtAs of NovemberÂ 29, 2024, maturities of debt were as follows:Remainder of 2025$â€”Â 202620,000Â 2027300,015Â 2028â€”Â 2029150,000Â 2030 and thereafter200,000Â Less unamortized discount and issuance costs(11,945)$658,070Â 17LeasesWe have operating leases through which we utilize facilities, offices and equipment in our manufacturing operations, research and development activities and selling, general and administrative functions. Sublease income was not significant in any period presented. The components of operating lease expense were as follows:Three Months EndedNovember 29,2024December 1,2023Fixed lease cost$2,975Â $3,505Â Variable lease cost448Â 449Â Short-term lease cost468Â 639Â Â $3,891Â $4,593Â Cash flows used for operating activities included payments for operating leases of $2.3 million and $2.5 million in the first quarter of 2025 and 2024, respectively.As of NovemberÂ 29, 2024 and AugustÂ 30, 2024, the weighted-average remaining lease term for our operating leases was 10.1 years and 10.1 years, respectively, and the weighted-average discount rate was 6.0% and 6.1%, respectively. Certain of our operating leases include one or more options to extend the lease term for periods from two to five years. In determining the present value of our operating lease liabilities, we have assumed we will not extend any lease terms.As of NovemberÂ 29, 2024, minimum payments of lease liabilities were as follows:Remainder of 2025$9,503Â 202610,417Â 20277,985Â 20287,920Â 20298,097Â 2030 and thereafter46,322Â 90,244Â Less imputed interest(24,006)Present value of total lease liabilities$66,238Â Commitments and ContingenciesProduct Warranty and IndemnitiesWe generally provide a limited warranty that our products are in compliance with applicable specifications existing at the time of delivery. Under our standard terms and conditions of sale, liability for certain failures of product during a stated warranty period is usually limited to repair or replacement of defective items or return of amounts paid for such items. Our warranty obligations are not material.We are party to a number of agreements in which we have agreed to defend, indemnify and hold harmless our customers and suppliers from damages and costs, which may arise from product defects as well as from any alleged infringement by our products of third-party patents, trademarks or other proprietary rights. We believe our internal development processes and other policies and practices limit our exposure related to such indemnities. Maximum potential future payments cannot be estimated because many of these agreements do not have a maximum stated liability. However, to date, we have not had to reimburse any of our customers or suppliers for any significant losses related to these indemnities. We have not recorded any liability for such indemnities.ContingenciesFrom time to time, we may be involved in legal matters that arise in the normal course of business. Litigation in general, and intellectual property, employment and shareholder litigation in particular, can be expensive and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to 18predict. We regularly review contingencies to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or range of loss can be made.EquityPenguin Solutions Shareholdersâ€™ EquityShare Repurchase AuthorizationOn April 4, 2022, our Board of Directors approved a $75.0Â million share repurchase authorization (the â€œInitial Authorizationâ€), under which we may repurchase our outstanding ordinary shares from time to time through open market purchases, privately-negotiated transactions or otherwise. On January 9, 2024, we announced that the Audit Committee of the Board of Directors approved an additional $75.0Â million share repurchase authorization (the â€œAdditional Authorization,â€ and together with the Initial Authorization, the â€œCurrent Authorizationâ€). The Current Authorization has no expiration date but may be suspended or terminated by the Board of Directors at any time. In the first quarter of 2025 and 2024, we repurchased 467 thousand and 825 thousand ordinary shares for $7.8 million and $12.1 million, respectively, under the Current Authorization. As of NovemberÂ 29, 2024, an aggregate of $69.9 million remained available for the repurchase of our ordinary shares under the Current Authorization. Certain of our agreements, including the Amended Credit Agreement and the Certificate of Designation, contain restrictions that limit our ability to repurchase our ordinary shares.Other Share RepurchasesOrdinary shares withheld as payment of withholding taxes and exercise prices in connection with the vesting or exercise of equity awards are treated as ordinary share repurchases. In the first quarter of 2025 and 2024, we repurchased 213 thousand and 75 thousand ordinary shares as payment of withholding taxes for $3.3 million and $1.1 million, respectively.Accumulated Other Comprehensive Income (Loss)Changes in accumulated other comprehensive income (loss) by component in the first quarter of 2025 were as follows:Gains (Losses)onInvestmentsAs of August 30, 2024$10Â Other comprehensive income (loss) before reclassifications9Â Reclassifications out of accumulated other comprehensive incomeâ€”Â Other comprehensive income (loss)9Â As of November 29, 2024$19Â Fair Value MeasurementsAs of November 29, 2024As of August 30, 2024FairValueCarryingValueFairValueCarryingValueAssets:Derivative financial instruments$4,001Â $4,001Â $3,929Â $3,929Â Liabilities:Amended 2027 TLA$300,015Â $297,561Â $300,015Â $297,297Â 2030 Notes191,236Â 193,066Â 199,160Â 192,778Â 2029 Notes164,118Â 147,581Â 178,760Â 147,439Â 2026 Notes22,001Â 19,862Â 23,918Â 19,833Â 19The deferred cash adjustment resulting from the divestiture of an 81% interest in SMART Brazil is accounted for as a derivative financial instrument and is revalued at the end of each reporting period. The assetâ€™s fair value, as measured on a recurring basis, was based on Level 2 measurements, including market-based observable inputs of interest rates and credit-risk spreads.The fair value of the Amended 2027 TLA, as measured on a non-recurring basis, was estimated based on Level 2 measurements, including discounted cash flows and interest rates based on similar debt issued by parties with credit ratings similar to ours. The fair values of our convertible senior notes, as measured on a non-recurring basis, were determined based on Level 2 measurements, including the trading prices of the notes.Equity PlansAs of NovemberÂ 29, 2024, 7.7 million of our ordinary shares were available for future awards under our equity plans.The disclosures related to our restricted awards and employee share purchase plan include both our continuing and discontinued operations.Restricted Share Awards and Restricted Share Units Awards (â€œRestricted Awardsâ€)Restricted Award activity was as follows:Three Months EndedNovember 29,2024December 1,2023Restricted awards granted635419Weighted-average grant date fair value per share$30.25Â $30.49Â Aggregate vesting date fair value of shares vested$9,028Â $8,733Â As of NovemberÂ 29, 2024, total unrecognized compensation costs for unvested Restricted Awards were $78.7Â million, which were expected to be recognized over a weighted-average period of 2.5 years.Employee Share Purchase Plan (â€œESPPâ€)Under our ESPP, employees purchased 253 thousand ordinary shares for $3.2 million in the first quarter of 2025 and 298 thousand ordinary shares for $3.3 million in the first quarter of 2024.Share-Based Compensation ExpenseShare-based compensation expense for our continuing operations was as follows:Three Months EndedNovember 29,2024December 1,2023Share-based compensation expense by caption:Cost of sales$1,643Â $1,815Â Research and development1,689Â 1,597Â Selling, general and administrative8,199Â 7,558Â Â $11,531Â $10,970Â Income tax benefits for share-based awards were $1.5 million and $1.8 million in the first quarter of 2025 and 2024, respectively.20Revenue and Customer Contract BalancesNet Sales and Gross BillingsWe provide certain services on an agent basis, whereby we procure product, materials and services on behalf of our customers and then resell such product, materials or services to our customers. As a result, we recognize only the amount related to the agent component as revenue in our results of operations. The cost of products, materials and services invoiced to our customers under these arrangements, but not recognized as revenue or cost of sales in our results of operations, were as follows:Three Months EndedNovember 29,2024December 1,2023Cost of materials and services invoiced in connection with logistics services$212,947Â $108,969Â Customer Contract BalancesAs ofNovember 29,2024August 30,2024Contract assets (1)$1,389Â $1,801Â Contract liabilities: (2)Deferred revenue$53,960Â $76,178Â Customer advances57,869Â 6,036Â $111,829Â $82,214Â (1)Contract assets are included in other current and noncurrent assets.(2)Contract liabilities are included in other current and noncurrent liabilities based on the timing of when our customers are expected to take control of the asset or receive the benefit of the service.Contract assets represent amounts recognized as revenue for which we do not have the unconditional right to consideration.Deferred revenue represents amounts received from customers in advance of satisfying performance obligations. As of NovemberÂ 29, 2024, we expect to recognize revenue of $41.3 million of the balance of $54.0 million in the next 12 months and the remaining amount thereafter. In the first quarter of 2025, we recognized revenue of $34.6 million from satisfying performance obligations related to amounts included in deferred revenue as of AugustÂ 30, 2024. In addition, as of NovemberÂ 29, 2024, other current liabilities included $19.9 million that is not included in the above remaining performance obligations. While this liability relates to amounts received from customers in connection with arrangements that are cancellable at the customerâ€™s discretion, we have not had to refund any such amounts to our customers in the periods presented. Customer advances, which is included in other current liabilities in the accompanying consolidated balance sheets, represent amounts received from customers for advance payments to secure product. In the first quarter of 2025, we recognized revenue of $0.7 million from satisfying performance obligations related to amounts included in customer advances as of AugustÂ 30, 2024.As of NovemberÂ 29, 2024 and AugustÂ 30, 2024, other current liabilities included $14.5 million and $12.2 million, respectively, for estimates of consideration payable to customers, including estimates for pricing adjustments and returns.Other Operating (Income) ExpenseIn recent periods, we initiated plans that included workforce reductions and the elimination of certain projects across our businesses. In connection therewith, we recorded restructuring charges of $0.1 million and $2.9 million in the first quarter of 2025 and 2024, respectively, primarily for employee severance costs and other benefits. We anticipate that these activities will continue into future quarters and anticipate recording additional restructuring 21charges. As of NovemberÂ 29, 2024, $0.7 million remained unpaid, which is expected to be paid by the end of fiscal 2025.Other Non-operating (Income) ExpenseThree Months EndedNovember 29,2024December 1,2023Loss (gain) from changes in foreign currency exchange rates$1,028Â $(546)Loss (gain) on disposition of assets(20)45Â Other(372)(75)$636Â $(576)Income TaxesThree Months EndedNovember 29,2024December 1,2023Income (loss) before taxes$12,324Â $(7,678)Income tax provision6,360Â 3,534Â Effective tax rate51.6Â %(46.0)%Income taxes includes a provision (benefit) for federal, state and foreign taxes based on the annual estimated effective tax rate applicable to us and our subsidiaries, adjusted for certain discrete items, which are fully recognized in the period they occur. We have historically determined our interim income tax provision (benefit) by applying the annual estimated effective income tax rate expected to be applicable for the full fiscal year to the income (loss) before taxes for jurisdictions which are subject to income tax. In determining the full year estimate, we do not include the impact of unusual and/or infrequent items, which may cause significant variations in the customary relationship between income tax provision (benefit) and income (loss) before taxes. Accordingly, the interim effective tax rate may not be reflective of the annual estimated effective tax rate. Additionally, our income tax provision (benefit) is subject to volatility and could be impacted by changes in our geographic earnings, non-deductible share-based compensation and certain tax credits.Our effective tax rate was 51.6% in the first quarter of 2025, and differed from the U.S. statutory rate primarily due to losses generated in a jurisdiction where no tax benefit can be recognized and to withholding taxes and state income taxes. Our effective tax rate was (46.0)% in the first quarter of 2024, and differed from the U.S. statutory rate primarily due to losses generated in a jurisdiction where no tax benefit can be recognized, withholding taxes and state income taxes.Determining the consolidated income tax provision (benefit), income tax liabilities and deferred tax assets and liabilities involves judgment. We calculate and provide for income taxes in each of the tax jurisdictions in which we operate, which involves estimating current tax exposures as well as making judgments regarding the recoverability of deferred tax assets in each jurisdiction. The estimates used could differ from actual results, which may have a significant impact on operating results in future periods.22Earnings Per ShareThree Months EndedNovember 29,2024December 1,2023Net income (loss) from continuing operations$5,217Â $(11,773)Net income (loss) from discontinued operations â€”Â (8,148)Net income (loss) attributable to Penguin Solutions â€“ Basic and Diluted$5,217Â $(19,921)Weighted-average shares outstanding â€“ Basic53,48252,068Dilutive effect of equity plans and convertible senior notes830â€”Weighted-average shares outstanding â€“ Diluted54,31252,068Basic earnings (loss) per share:Continuing operations$0.10Â $(0.23)Discontinued operationsâ€”Â (0.15)$0.10Â $(0.38)Diluted earnings (loss) per share:Continuing operations$0.10Â $(0.23)Discontinued operationsâ€”Â (0.15)$0.10Â $(0.38)Unweighted antidilutive employee share-based awards excluded from the computation of diluted earnings per share1,371Â 6,060Â Upon any conversion of our convertible senior notes, we will be required to pay cash in an amount at least equal to the principal portion and have the option to settle any amount in excess of the principal portion in cash and/or ordinary shares. As a result, only the amounts expected to be settled in excess of the principal portion are considered in calculating diluted earnings per share under the if-converted method.Segment and Other InformationSegment information presented below is consistent with how our chief operating decision maker evaluates operating results to make decisions about allocating resources and assessing performance. We have the following three business units, which are our reportable segments:â€¢Advanced Computing: Our Advanced Computing group, under our Penguin Computing and Stratus brands, offers specialized platform solutions and services for artificial intelligence, high-performance computing, machine learning, advanced modeling and the internet of things that span the continuum of edge, core and cloud. Our solutions are designed specifically for customers across multiple markets, including hyperscale, financial services, energy, government, education, healthcare and others.â€¢Integrated Memory: Our Integrated Memory group, under our SMART Modular Technologies brand, provides high-performance and reliable integrated memory solutions through the design, development and advanced packaging of leading-edge to extended lifecycle products. These specialty products are tailored to meet customer-specific requirements across networking and communications, enterprise storage and computing, including server applications and other vertical markets. These products are marketed to original equipment manufacturers and to commercial and government customers. The Integrated Memory group also offers SMART Supply Chain Services, which provides customized, integrated supply chain services to enable our customers to better manage supply chain planning and execution, reduce costs and increase productivity.â€¢Optimized LED: Our Optimized LED group, under our Cree LED brand, offers a broad portfolio of application-optimized LEDs focused on improving lumen density, intensity, efficacy, optical control and/or reliability. Backed by expert design assistance and superior sales support, our LED products enable our customers to develop and market LED-based products for general lighting, video displays and specialty lighting applications.23Segments are determined based on sources of revenue, types of customers and operating performance. There are no differences between the accounting policies for our segment reporting and our consolidated results of operations. Operating expenses directly associated with the activities of a specific segment are charged to that segment. Certain other indirect operating income and expenses are generally allocated to segments based on their respective percentage of net sales. We do not identify (other than goodwill) or report internally our assets nor allocate certain expenses and amortization, interest, other non-operating (income) expense or taxes to segments.Three Months EndedNovember 29,2024December 1,2023Net sales:Advanced Computing$177,426Â $118,824Â Integrated Memory96,706Â 85,668Â Optimized LED66,970Â 69,755Â Total net sales$341,102Â $274,247Â Segment operating income:Advanced Computing$30,117Â $17,901Â Integrated Memory7,116Â 7,195Â Optimized LED3,685Â 1,583Â Total segment operating income40,918Â 26,679Â Unallocated:Share-based compensation expense(11,531)(10,970)Amortization of acquisition-related intangibles(9,755)(10,008)Cost of sales-related restructuring42Â (668)Diligence, acquisition and integration expense(833)(789)Restructuring charges(109)(2,939)Other(1,376)â€"Â Total unallocated(23,562)(25,374)Consolidated operating income (loss)$17,356Â $1,305Â 24Item 2. Managementâ€™s Discussion and Analysis of Financial Condition and Results of OperationsThe following discussion and analysis should be read in conjunction with the consolidated financial statements and accompanying notes included elsewhere in this Quarterly Report and in our Annual Report on Form 10-K for the fiscal year ended AugustÂ 30, 2024. This discussion contains forward-looking statements that involve risks, uncertainties and other factors. Our actual results could differ materially from those contained in these forward-looking statements due to a number of risks, uncertainties and other factors, including those discussed below and elsewhere in this Quarterly Report and in our Annual Report on Form 10-K for the fiscal year ended AugustÂ 30, 2024. See also â€œCautionary Note Regarding Forward-Looking Statements.â€Our fiscal year is the 52- or 53-week period ending on the last Friday in August. Fiscal years 2025 and 2024 contained 52 weeks and 53 weeks, respectively. All period references are to our fiscal periods unless otherwise indicated. All financial information for our subsidiaries in Brazil is included in our consolidated financial statements on a one-month lag because their fiscal years ended on July 31 of each year. In connection with the completion of the divestiture of an 81% interest in SMART Brazil, we ceased consolidating the operations of SMART Brazil in our financial statements as of the November 29, 2023 disposal date. As a result, financial information for the first quarter of 2024 includes the four-month period for the SMART Brazil operations from August 1, 2023 to November 29, 2023. All tabular amounts are in thousands.OverviewFor an overview of our business, see â€œItem 1. Businessâ€ of our Annual Report on Form 10-K for the fiscal year ended AugustÂ 30, 2024.Divestiture of SMART BrazilOn November 29, 2023, we completed the divestiture of an 81% interest in SMART Brazil to Lexar Europe B.V., an affiliate of Shenzhen Longsys Electronics Co. Ltd.Presentation of SMART Brazil as Discontinued Operations: In accordance with authoritative guidance under U.S. GAAP, we have presented the balance sheets, results of operations and cash flows of SMART Brazil operations in this Quarterly Report, including in the accompanying consolidated financial statements and notes, as discontinued operations for all periods presented. The SMART Brazil operations were previously reported as part of our Integrated Memory segment. Unless otherwise noted, discussion within this Quarterly Report relates solely to our continuing operations and excludes the SMART Brazil operations.See â€œItem 1. Financial Statements â€" Notes to Consolidated Financial Statements â€" Divestiture of SMART Brazil.â€Factors Affecting Our Operating PerformanceMacro-Economic Demand Factors. Our business segments each have their own unique set of demand factors. Our Advanced Computing business is driven by demand for high-performance compute solutions across AI and machine learning initiatives, as well as traditional workload optimization and efficiency applications. Demand in our Integrated Memory segment is driven by end-market demand from OEMs for customer-specific solutions in vertical markets such as industrial, government, networking, high-performance compute and enterprise storage, as well as emerging demand for higher density and greater bandwidth solutions for AI deployments. Finally, demand for our Optimized LED products is derived from targeted end-market applications, such as general high-power and mid-power lighting and specialty lighting, including video display and horticulture applications. We believe our diversified business segments may sometimes provide a natural hedge against downturns in any particular industry. However, broader macro-economic trends can adversely affect all three segments concurrently.Shifts in the Mix and Timing of Our Revenue. Shifts in the mix of revenue from our operating segments, and in the timing of revenue, which can vary significantly from period to period, can impact our business and operating results, including gross and operating margins. For example, our Advanced Computing segment has shown solid growth, but is subject to variability in its sales and margin profile from period to period for reasons such as: recognition of revenue is sometimes tied to customer decisions as to the completion of delivery and system go-25live events, sales can be affected by the timing of customer deployments or customer budget considerations and margin is driven by the extent to which higher margin software and managed services comprise Advanced Computing sales. Our resource commitments and planning for each segment are relatively fixed in the short term, and as such, variability in expected revenue mix will have direct implications for our operating income and margins.Our Ability to Identify, Complete and Successfully Integrate Acquisitions. A substantial portion of our growth over the last several years has been driven by acquisitions, and we intend to continue to use corporate development as an engine for growth. Within our existing segments, we plan to pursue acquisitions to expand features and functionality, expand into adjacent businesses and grow our customer base and geographic footprint. From time to time, we may seek to expand our addressable market by entering new business segments where, as we did with our Cree LED and Stratus Technologies acquisitions, we identify a business opportunity at scale with a path to being accretive to our overall operations in the near term. If we are unable to identify and complete attractive acquisitions, we may not be successful in growing our revenue and/or expanding our margins. Any acquisitions we do complete may require us to incur debt or raise capital through equity financings or may subject us to unforeseen liabilities or costs, or operational challenges, that in turn impede our ability to realize the expected returns on our investment.Disruptions in Our Supply Chain May Adversely Affect Our Businesses. We depend on third-party suppliers for key components of our products, such as commodity DRAM components from offshore foundries that we use in our specialty memory products, third-party wafers that we use in our memory and LED businesses and AI and HPC components for our Advanced Computing business. In our memory and LED businesses, we have adopted a â€œFab-Lightâ€ business model to reduce our capital expenditures and operating expenses, while affording greater flexibility in adapting to shifts in demand and other market trends. Our Fab-Light business model contributed to margin expansion in our overall business. However, our reliance on third-party manufacturers exposes us to risk of supply chain disruption and lost business. For example, the recent global semiconductor shortage has adversely affected our operating results. In addition, in our Advanced Computing business, where we source components from third parties, the high demand for and limited supply of AI components globally, as well as any delays in the production of such components, continues to affect our sourcing of these components and the timing of deployments. In particular, we continue to experience extended lead times for certain components that are incorporated into our overall solutions, which impacts how quickly we are able to ramp existing and new customer projects. If such disruptions worsen or are prolonged, or if there is meaningful disruption in our supply arrangement with any of our third-party suppliers, our operating results and financial condition may continue to be adversely affected.26Results of OperationsThree Months EndedNovember 29,2024December 1,2023Net sales:Â Â Advanced Computing$177,426Â 52.0Â %$118,824Â 43.3Â %Integrated Memory96,706Â 28.4Â %85,668Â 31.2Â %Optimized LED 66,970Â 19.6Â %69,755Â 25.4Â %Total net sales341,102Â 100.0Â %274,247Â 100.0Â %Cost of sales243,290Â 71.3Â %191,397Â 69.8Â %Gross profit97,812Â 28.7Â %82,850Â 30.2Â %Â Operating expenses:Â Research and development19,811Â 5.8Â %21,389Â 7.8Â %Selling, general and administrative60,536Â 17.7Â %57,217Â 20.9Â %Other operating (income) expense109Â â€"Â %2,939Â 1.1Â %Total operating expenses80,456Â 23.6Â %81,545Â 29.7Â %Operating income (loss)17,356Â 5.1Â %1,305Â 0.5Â %Â Non-operating (income) expense:Â Interest expense, net4,396Â 1.3Â %9,559Â 3.5Â %Other non-operating (income) expense636Â 0.2Â %(576)(0.2)%Total non-operating (income) expense5,032Â 1.5Â %8,983Â 3.3Â %Income (loss) before taxes12,324Â 3.6Â %(7,678)(2.8)%Â Income tax provision6,360Â 1.9Â %3,534Â 1.3Â %Net income (loss) from continuing operations5,964Â 1.7Â %(11,212)(4.1)%Net loss from discontinued operationsâ€"Â â€"Â %(8,148)(3.0)%Net income (loss)5,964Â 1.7Â %(19,360)(7.1)%Net income attributable to noncontrolling interest747Â 0.2Â %561Â 0.2Â %Net income (loss) attributable to Penguin Solutions$5,217Â 1.5Â %$(19,921)(7.3)%Percentages represent percentage of total net sales. Summations of percentages may not compute precisely due to rounding.Net Sales, Cost of Sales and Gross ProfitNet sales increased by $66.9 million, or 24.4%, in the first quarter of 2025 compared to the same period in the prior year due to higher sales from our Advanced Computing and Integrated Memory business segments. Advanced Computing net sales increased by $58.6 million, or 49.3%, primarily due to higher hardware sales driven by increased demand for AI solutions and high-performance computing. Integrated Memory net sales increased by $11.0 million, or 12.9%, primarily due to higher sales volumes of DRAM products stemming from improved market demand, partially offset by lower sales of Flash products. Optimized LED net sales decreased by $2.8 million, or 4.0%, primarily due to lower direct sales driven by continued macroeconomic headwinds in China.Cost of sales increased by $51.9 million, or 27.1%, in the first quarter of 2025, compared to the same period in the prior year, primarily driven by increased product sales from our Advanced Computing and Integrated Memory segments as noted above.Gross margin decreased to 28.7% in the first quarter of 2025 compared to 30.2% in the same period in 2024, primarily due to unfavorable mix from higher product revenue in our Advanced Computing business.Non-GAAP Measure of Segment Operating IncomeBelow is a table of our operating income, measured on a non-GAAP basis, which Penguin Solutions management uses to supplement Penguin Solutionsâ€™ financial results under GAAP to analyze its operations and make decisions as to future operational plans and believes that this supplemental non-GAAP information is useful to investors in analyzing and assessing the companyâ€™s past and future operating performance. These non-GAAP measures exclude certain items, such as share-based compensation expense; amortization of acquisition-related intangible assets (consisting of amortization of developed technology, customer relationships, trademarks/trade names and 27backlog acquired in connection with business combinations); acquisition-related inventory adjustments; diligence, acquisition and integration expense; restructuring charges; impairment of goodwill; changes in the fair value of contingent consideration; and other infrequent or unusual items. While amortization of acquisition-related intangible assets is excluded, the revenues from acquired companies is reflected in our non-GAAP measures and these intangible assets contribute to revenue generation. See â€œItem 1. Financial Statements â€" Notes to Consolidated Financial Statements â€" Segment and Other Information.â€Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP, as they exclude important information about our financial results, as noted above. The presentation of these adjusted amounts varies from amounts presented in accordance with GAAP and therefore may not be comparable to amounts reported by other companies.Three Months EndedNovember 29,2024December 1,2023GAAP operating income$17,356Â $1,305Â Share-based compensation expense11,531Â 10,970Â Amortization of acquisition-related intangibles9,755Â 10,008Â Cost of sales-related restructuring(42)668Â Diligence, acquisition and integration expense833Â 789Â Restructuring charges109Â 2,939Â Other1,376Â â€"Â Non-GAAP operating income$40,918Â $26,679Â Non-GAAP operating income (loss) by segment:Â Â Advanced Computing$30,117Â $17,901Â Integrated Memory7,116Â 7,195Â Optimized LED3,685Â 1,583Â Total non-GAAP operating income (loss) by segment$40,918Â $26,679Â Advanced Computing operating income increased by $12.2 million, or 68.2%, in the first quarter of 2025 compared to same period in the prior year, primarily due to increased net revenue, as well as lower operating expenses, mainly driven by lower subcontract services.Optimized LED operating income increased by $2.1 million, or 132.8%, in the first quarter of 2025 compared to the same period in the prior year, primarily due to higher gross profit, stemming from better factory leverage and more favorable product mix.Operating and Non-operating (Income) ExpenseResearch and DevelopmentResearch and development expense decreased by $1.6 million, or 7.4%, in the first quarter of 2025 compared to the same period in the prior year, primarily due to lower personnel-related expenses mainly driven by headcount reductions, as well as lower subcontract services mainly driven by Penguin Computing.Selling, General and AdministrativeSelling, general and administrative expense increased by $3.3 million, or 5.8%, in the first quarter of 2025 compared to the same period in the prior year, primarily due to increased professional services as a result of our rebranding efforts, preferred share investment, and higher personnel-related expenses resulting from increased bonus achievement.Impairment of GoodwillDuring the second quarter of 2023, we initiated a plan pursuant to which we intend to wind down manufacturing and discontinue the sale of certain legacy products offered through our Penguin Edge business by approximately 28the end of 2025. We currently anticipate that the goodwill of the Penguin Edge reporting unit of $16.1 million as of NovemberÂ 29, 2024 may become further impaired in future periods.Other Operating (Income) ExpenseOther operating expense in the first quarter of 2025 and 2024 included restructuring charges of $0.1 million and $2.9 million, respectively, primarily for employee severance costs and other benefits resulting from workforce reductions, the elimination of certain projects across our businesses and other costs associated with the wind down of our Penguin Edge business. We anticipate that these activities will continue into future quarters and anticipate recording additional restructuring charges.Interest Expense, NetNet interest expense decreased by $5.2 million in the first quarter of 2025 compared to the same period in the prior year, primarily due to principal payments made on the Amended 2027 TLA (as defined below) during the last half of fiscal 2024.Other Non-operating (Income) ExpenseOther non-operating (income) expense in the first quarter of 2025 and 2024 primarily reflected foreign currency gains (losses). See â€œItem 1. Financial Statements â€" Notes to Consolidated Financial Statements â€" Other Non-operating (Income) Expense.â€Income Tax Provision (Benefit)Income tax provision in the first quarter of 2025 increased by $2.8 million as compared to the same period in the prior year, primarily due to an increase in profit before tax in jurisdictions subject to income tax.Our effective tax rate was 51.6% in the first quarter of 2025 and differed from the U.S. statutory rate primarily due to losses generated in a jurisdiction where no tax benefit can be recognized and to withholding taxes and state income taxes. Our effective tax rate was (46.0)% in the first quarter of 2024 and differed from the U.S. statutory rate primarily due to losses generated in a jurisdiction where no tax benefit can be recognized, withholding taxes and state income taxes.The global minimum tax under the Pillar Two framework became effective for us in the first quarter of fiscal year 2025. While the impact on our unaudited consolidated financial statements is currently not material, our analysis is ongoing as the Organisation for Economic Co-operation and Development continues to release additional guidance and countries enact related legislation.See â€œItem 1. Financial Statements â€" Notes to Consolidated Financial Statements â€" Income Taxes.â€Net Income (Loss) From Discontinued OperationsAs discussed above, we have presented the results of SMART Brazil as discontinued operations in our consolidated statements of operations. As of AugustÂ 25, 2023, SMART Brazil was classified as held for sale. Accordingly, in 2023 we evaluated the carrying value of the net assets of SMART Brazil (including $206.3

million recognized within shareholdersâ€™ equity related to the cumulative translation adjustment from SMART Brazil), estimated costs to sell and expected proceeds and concluded the net assets were impaired. As a result, we recognized an impairment charge of $153.0 million in 2023 to write down the carrying value of the net assets of SMART Brazil. In addition, we concluded that the outside basis of SMART Brazil inclusive of any withholding taxes should be recognized upon the classification as held for sale as of AugustÂ 25, 2023. Accordingly, we recognized withholding taxes on the expected capital gain and deferred tax liabilities of $28.6 million in 2023. In the first quarter of 2024, we completed the divestiture, and in connection therewith, recognized an additional loss of $8.9 million.See â€œItem 1. Financial Statements â€“ Notes to Consolidated Financial Statements â€“ Divestiture of SMART Brazil.â€Liquidity and Capital ResourcesAs of NovemberÂ 29, 2024, we had cash, cash equivalents and short-term investments of $393.7 million, of which $320.2 million was held by subsidiaries outside of the United States. Our principal uses of cash and capital 29resources have been acquisitions, debt service requirements, capital expenditures, research and development expenditures and working capital requirements. We expect that future capital expenditures will focus on expanding our research and development activities, manufacturing equipment upgrades, acquisitions and IT infrastructure and software upgrades. Cash and cash equivalents generally consist of funds held in demand deposit accounts, money market funds and time deposits. We do not acquire investments for trading or speculative purposes.We may from time to time seek additional equity or debt financing. Any future equity or debt financing may be dilutive to our existing investors and may include debt service requirements and financial and other restrictive covenants that may constrain our operations and growth strategies. In the event that we seek additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in continued product innovation, we may not be able to compete successfully, which would harm our business, operations and financial condition.We expect that our existing cash and cash equivalents, short-term investments, borrowings available under our credit facilities and cash generated by operating activities will be sufficient to fund our operations for at least the next 12 months.Credit FacilityOn February 7, 2022, Penguin Solutions and SMART Modular Technologies, Inc. (collectively, the â€œBorrowersâ€) entered into a credit agreement (the â€œOriginal Credit Agreementâ€) with a syndicate of banks and Citizens Bank, N.A., as administrative agent that provided for (i) a term loan credit facility in an aggregate principal amount of $275.0 million (the â€œ2027 TLAâ€) and (ii) a revolving credit facility in an aggregate principal amount of $250.0 million (the â€œ2027 Revolverâ€), in each case, maturing on February 7, 2027. The Original Credit Agreement provides that up to $35.0 million of the 2027 Revolver is available for issuances of letters of credit. The Original Credit Agreement has subsequently been amended to, among other things, provide for incremental term loans in an aggregate amount of $300.0 million (together with the 2027 TLA, the â€œAmended 2027 TLAâ€), amend the First Lien Leverage Ratio (as defined in the Amended Credit Agreement) and increase the aggregate amount of unrestricted cash and permitted investments netted from the definitions of Consolidated First Lien Debt and Consolidated Net Debt. As of NovemberÂ 29, 2024, there was $300.0 million of aggregate principal amount outstanding under the Amended 2027 TLA and there were no amounts outstanding under the 2027 Revolver.Divestiture of SMART BrazilIn November 2023, we completed the divestiture of SMART Brazil. In connection with the divestiture, we sold an 81% interest and retained a 19% interest in SMART Brazil. At the closing of the transaction, we received cash of $143.0 million, net of tax, from the sale. In addition, we have the right to receive a deferred payment of $28.4 million in May 2025. See â€œItem 1. Financial Statements â€“ Notes to Consolidated Financial Statements â€“ Divestiture of SMART Brazil.â€Preferred Share InvestmentOn December 13, 2024, we closed the Investment (as defined above) by SKT. Pursuant to the SKT Purchase Agreement, we sold to Astra AI Infra LLC, an affiliate of SKT, 200,000 convertible preferred shares, par value $0.03 per share, of Penguin Solutions (defined above as the â€œCPSâ€), at a price of $1,000 per share or an aggregate price of $200 million. The CPS are convertible into ordinary shares at a conversion price of $32.81 per preferred share, subject to adjustment upon the occurrence of certain events, will have an initial liquidation preference of 1x and will only be redeemable at our option, subject to certain conditions. The holder of the CPS may convert such holderâ€™s CPS into ordinary shares at any time, provided that the CPS may, at our option, automatically be converted into ordinary shares on any date following the second anniversary of the closing upon certain conditions. The CPS entitles the holder to receive dividends of six percent per annum, cumulative, and payable quarterly in-kind or in cash at our option.See â€œItem 1. Financial Statements â€“ Notes to Consolidated Financial Statements â€“ Preferred Share Investment.â€30Cash FlowsThree Months EndedNovember 29,2024December 1,2023Net cash provided by operating activities from continuing operations$13,819Â $59,713Â Net cash used for investing activities from continuing operations(18,922)(3,640)Net cash used for financing activities from continuing operations(7,763)(26,150)Net increase in cash and cash equivalents from discontinued operationsâ€”Â 90,097Â Effect of changes in currency exchange ratesâ€”Â (1,025)Net increase (decrease) in cash, cash equivalents and restricted cash$(12,866)$118,995Â Operating Activities: Cash flows from operating activities reflects net income, adjusted for certain non-cash items, including depreciation and amortization expense, share-based compensation, gains and losses from investing or financing activities, and from the effects of changes in operating assets and liabilities.Net cash provided by operating activities from continuing operations in the first quarter of 2025 resulted primarily from a net income of $6.0 million, adjusted for non-cash items of $26.9 million. Operating cash flows were adversely affected by a $19.1 million net change in our operating assets and liabilities, primarily from the effects of an increase of $93.4 million in inventories, primarily to support our Advanced Computing business, and an increase of $23.9 million in accounts receivable due to increased sales, partially offset by the effects of an increase of $97.5 million in accounts payable and accrued expenses and other liabilities primarily due to higher customer deposits resulting from refundable amounts received from customers in advance of satisfying performance obligations.Net cash provided by operating activities from continuing operations in the first quarter of 2024 resulted primarily from a net loss of $11.2 million, adjusted for non-cash items of $30.0 million. Operating cash flows were favorably affected by a $40.9 million net change in our operating assets and liabilities, primarily from the effects of a decrease of $48.7 million in accounts receivable and an increase of $23.6 million in accounts payable and accrued expenses and other liabilities, partially offset by the effect of an increase of $33.5 million in inventories. The decrease in accounts receivable was primarily due to lower gross sales in our Advanced Computing and Integrated Memory segments. Inventories and accounts payable and accrued expenses and other liabilities increased primarily to support our Advanced Computing business.Investing Activities: Net cash used for investing activities from continuing operations in the first quarter of 2025 consisted primarily of $16.9 million net purchase of marketable investment securities and $1.8 million for capital expenditures and deposits on equipment.Net cash used for investing activities from continuing operations in the first quarter of 2024 consisted of $4.6 million for capital expenditures and deposits on equipment, offset by net maturities of marketable investment securities of $1.2 million. Financing Activities: Net cash used for financing activities from continuing operations in the first quarter of 2025 consisted primarily of $11.1 million of payments to acquire our ordinary shares (including $7.8 million under our share repurchase program), partially offset by $3.4 million in proceeds from the issuance of ordinary shares from our equity plans.Net cash used for financing activities from continuing operations in the first quarter of 2024 consisted primarily of $14.4 million in principal repayment of debt and $13.1 million of payments to acquire our ordinary shares, partially offset by $3.5 million in proceeds from the issuance of ordinary shares from our equity plans.Critical Accounting EstimatesThe preparation of these financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. We evaluate our estimates and judgments on an ongoing basis. Estimates and judgments are based on historical experience, forecasted events and various other assumptions that we believe to be reasonable under the circumstances; however, actual results could differ from those estimates. Our 31management believes our critical accounting estimates require managementâ€™s most difficult, subjective or complex judgments and are critical in the portrayal of our financial condition and results of operations. Our discussion of critical accounting estimates is intended to supplement our summary of significant accounting policies so that readers will have greater insight into the uncertainties involved in applying our critical accounting policies and estimates.For a summary of our critical accounting estimates, see â€œPART II â€“ Item 7. Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations â€“ Critical Accounting Estimatesâ€ of our Annual Report on Form 10-K for the fiscal year ended AugustÂ 30, 2024. There have been no material changes to our critical accounting estimates from those described in our Annual Report on Form 10-K for the fiscal year ended AugustÂ 30, 2024.For a summary of our significant accounting policies, see â€œItem 1. Financial Statements â€“ Notes to Consolidated Financial Statements â€“ Significant Accounting Policiesâ€ of this Quarterly Report and â€œPART II â€“ Item 8. Financial Statements and Supplementary Data â€“ Notes to Consolidated Financial Statements â€“ Significant Accounting Policiesâ€ of our Annual Report on Form 10-K for the fiscal year ended AugustÂ 30, 2024. There have been no material changes to our significant accounting policies from those described in our Annual Report on Form 10-K for the fiscal year ended AugustÂ 30, 2024.Item 3. Quantitative and Qualitative Disclosure About Market RiskForeign Exchange RiskWe are subject to inherent risks attributed to operating in a global economy. Our international sales and our operations in foreign countries subject us to risks associated with fluctuating currency values and exchange rates. Because a significant portion of our sales are denominated in U.S. dollars, increases in the value of the U.S. dollar could increase the price of our products so that they become relatively more expensive to customers in a particular country, possibly leading to a reduction in sales and profitability in that country. In addition, we have certain costs that are denominated in foreign currencies and decreases in the value of the U.S. dollar could result in increases in such costs, which could have a material adverse effect on our results of operations.As a result of our international operations, we generate a portion of our net sales and incur a portion of our expenses in currencies other than the U.S. dollar, such as the Japanese Yen, Malaysian Ringgit and Chinese Renminbi. We present our consolidated financial statements in U.S. dollars and remeasure certain assets and liabilities into U.S. dollars at applicable exchange rates. Consequently, increases or decreases in the value of the U.S. dollar may affect the value of these items with respect to our non-U.S. dollar businesses in our consolidated financial statements, even if their value has not changed in their local currency. Our customer pricing and material cost of sales are generally based on U.S. dollars. Accordingly, the impact of currency fluctuations to our consolidated statements of operations is primarily to our other costs of sales (i.e., non-material components) and our operating expenses as those items are typically denominated in local currency. Our consolidated statements of operations are also impacted by foreign currency gains and losses arising from transactions denominated in a currency other than the U.S. dollar. These translations could significantly affect the comparability of our results between financial periods or result in significant changes to the carrying value of our assets and liabilities. As a result, changes in foreign currency exchange rates impact our reported results.Based on our monetary assets and liabilities denominated in foreign currencies as of NovemberÂ 29, 2024 and AugustÂ 30, 2024, we estimate that a 10% adverse change in exchange rates versus the U.S. dollar would result in losses recorded in non-operating expense of $2.2 million and $2.5 million, respectively, to revalue these assets and liabilities.Interest Rate RiskWe are subject to interest rate risk in connection with our variable-rate debt. As of NovemberÂ 29, 2024, we had $300.0 million outstanding under the Amended 2027 TLA. In addition, our Amended Credit Agreement provides for borrowings of up to $250.0 million under the 2027 Revolver. Assuming that we would satisfy the financial covenants required to borrow and that the amounts available under the 2027 Revolver were fully drawn, a 1.0% increase in interest rates would result in an increase in annual interest expense, and a decrease in our cash flows, of $5.5 million per year.32As of NovemberÂ 29, 2024, we had cash, cash equivalents and short-term investments of $393.7 million. We maintain our cash and cash equivalents in deposit accounts, money market funds with various financial institutions and in short-duration fixed income securities. Due to the short-term nature of these instruments, we believe that we do not have any material exposure to changes in the fair value of these investments as a result of changes in interest rates. Increases or decreases in interest rates would be expected to augment or reduce future interest income by an insignificant amount.Item 4. Controls and ProceduresEvaluation of Disclosure Controls and ProceduresAn evaluation was performed under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the â€œExchange Actâ€)) as of the end of the period covered by this report. Based upon that evaluation, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective as of NovemberÂ 29, 2024 to provide reasonable assurance that the information required to be disclosed by us in the reports that we file or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.Changes in Internal Control Over Financial ReportingDuring the first quarter of fiscal 2025, there were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.33PART II. Other InformationItem 1. Legal ProceedingsFor a discussion of legal proceedings, see â€œPART I. Financial Information â€“ Item 1. Financial Statements â€“ Notes to Consolidated Financial Statements â€“ Commitments and Contingenciesâ€ and â€œItem 1A. Risk Factors.â€Item 1A. Risk FactorsThere have been no material changes to the risks described in â€œPART I â€“ Item 1A. Risk Factorsâ€ in our Annual Report on Form 10-K for the fiscal year ended AugustÂ 30, 2024. You should carefully consider the risks and uncertainties and the other information in our Annual Report and in this Quarterly Report, including â€œPART I. Financial Information â€“ Item 2. Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operationsâ€ and our financial statements and related notes. Our business, financial condition or results of operations could be materially and adversely affected if any of these risks occurs and, as a result, the market price of our ordinary shares could decline and you could lose all or part of your investment.This Quarterly Report also contains forward-looking statements that involve risks and uncertainties. See â€œCautionary Note Regarding Forward-Looking Statementsâ€ for additional information. Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including the risks facing our Company described in our Annual Report on Form 10-K for the fiscal year ended AugustÂ 30, 2024.Item 2. Unregistered Sales of Equity Securities and Use of ProceedsIssuer Purchases of Equity SecuritiesOn April 5, 2022, we announced that our Board of Directors approved a $75.0 million share repurchase authorization (the â€œInitial Authorizationâ€), under which we may repurchase our outstanding ordinary shares from time to time through open market purchases, privately-negotiated transactions or otherwise. On January 9, 2024, we announced that the Audit Committee of the Board of Directors approved an additional $75.0 million share repurchase authorization (the â€œAdditional Authorization,â€ and together with the Initial Authorization, the â€œCurrent Authorizationâ€). The Current Authorization has no expiration date but may be suspended or terminated by the Board of Directors at any time. As of NovemberÂ 29, 2024, the remaining aggregate dollar value of shares that may be repurchased under the Current Authorization was $69.9 million. Certain of our agreements, including the Amended Credit Agreement, the SKT Purchase Agreement and the

Certificate of Designation relating to the Investment (the â€œCertificate of Designationâ€), contain restrictions that limit our ability to repurchase our ordinary shares.The following table sets forth information relating to repurchases of our equity securities during the three months ended NovemberÂ 29, 2024:PeriodTotal number of shares purchasedAverage price paid per shareTotal number of shares purchased as part of publicly announced plans or programsApproximate dollar value of shares that may yet be purchased under the plans or programsAugust 31, 2024 - September 27, 2024â€”Â $â€”Â â€”Â $77,698,000Â September 28, 2024 - October 25, 2024â€”Â $â€”Â â€”Â $77,698,000Â October 26, 2024 - November 29, 2024467,040Â $16.68Â 467,040Â $69,906,000Â 467,040Â $16.68Â 467,040Â Item 3. Defaults Upon Senior SecuritiesNone.34Item 4. Mine Safety DisclosuresNot applicable.Item 5. Other InformationOn November 7, 2024, Penelope Herscher, a member of our Board of Directors, adopted a Rule 10b5-1 trading arrangement (the â€œHerscher 10b5-1 Planâ€) that is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. The Herscher 10b5-1 Plan provides for the sale of up to 2,728 ordinary shares acquired by Ms. Herscher upon the future vesting of restricted share units, subject to pre-established limit prices, commencing on February 10, 2025 and continuing until all shares are sold or until November 7, 2025, whichever occurs first.During the fiscal quarter ended NovemberÂ 29, 2024, no other directors or officers of Penguin Solutions adopted or terminated a â€œRule 10b5-1 trading arrangementâ€ or a â€œnon-Rule 10b5-1 trading arrangementâ€ (in each case, as defined in Item 408 of Regulation S-K).Item 6. ExhibitsINDEX TO EXHIBITSIncorporated by ReferenceExhibitNo.DescriptionFiledHerewithFormFile No.ExhibitFilingDate3.1Third Amended and Restated Memorandum and Articles of Association of Penguin Solutions, Inc.8-K001-381023.110/15/20243.2Certificate of Designation of Convertible Preferred Shares8-K001-381023.112/16/20244.1Description of the Registrantâ€™s Securities Registered Pursuant to Section 12 of the Exchange Act of 193410-K001-381024.110/25/202110.1*Independent Director Compensation Policy10-K001-3810210.1610/24/202431.1Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002X31.2Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002X32.1**Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002X32.2**Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002X101.INSInline XBRL Instance Document â€“ the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL documentX101.SCHInline XBRL Taxonomy Extension Schema DocumentX101.CALInline XBRL Taxonomy Extension Calculation Linkbase DocumentX101.DEFInline XBRL Taxonomy Extension Definition Linkbase DocumentX101.LABInline XBRL Taxonomy Extension Label Linkbase DocumentX35101.PREInline XBRL Taxonomy Extension Presentation Linkbase DocumentX104Cover Page Interactive Data File (embedded within the Inline XBRL document)X*Constitutes a management contract or compensatory plan or arrangement.**The certifications attached as Exhibit 32.1 and Exhibit 32.2 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report, irrespective of any general incorporation language contained in such filing.36SIGNATURESPursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.Penguin Solutions, Inc.Date: JanuaryÂ 8, 2025By:/s/ Mark AdamsMark AdamsPresident and Chief Executive Officer(Principal Executive Officer)Date: JanuaryÂ 8, 2025By:/s/ Nate OlmsteadNate OlmsteadSenior Vice President and Chief Financial Officer(Principal Financial and Accounting Officer)37DocumentEXHIBIT 31.1RULE 13a-14(a) CERTIFICATION OF CHIEF EXECUTIVE OFFICERI, Mark Adams, certify that:1.I have reviewed this Quarterly Report on Form 10-Q of Penguin Solutions, Inc.;2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;4.The registrantâ€™s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:(a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;(b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;(c)Evaluated the effectiveness of the registrantâ€™s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and(d)Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; and5.The registrantâ€™s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performing the equivalent functions):(a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrantâ€™s ability to record, process, summarize and report financial information; and(b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting.Date: JanuaryÂ 8, 2025By:/s/ Mark AdamsMark AdamsPresident and Chief Executive OfficerDocumentEXHIBIT 31.2RULE 13a-14(a) CERTIFICATION OF CHIEF FINANCIAL OFFICERI, Nate Olmstead, certify that:1.I have reviewed this Quarterly Report on Form 10-Q of Penguin Solutions, Inc.;2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;4.The registrantâ€™s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:(a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;(b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;(c)Evaluated the effectiveness of the registrantâ€™s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and(d)Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; and5.The registrantâ€™s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performing the equivalent functions):(a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrantâ€™s ability to record, process, summarize and report financial information; and(b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting.Date: JanuaryÂ 8, 2025By:/s/ Nate OlmsteadNate OlmsteadSenior Vice President and Chief Financial OfficerDocumentEXHIBIT 32.1CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. 1350In connection with the Quarterly Report of Penguin Solutions, Inc. (the â€œCompanyâ€) on Form 10-Q for the period ended NovemberÂ 29, 2024 as filed with the Securities and Exchange Commission on the date hereof (the â€œReportâ€), I, Mark Adams, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Â§ 1350, as adopted pursuant to Â§ 906 of the Sarbanes-Oxley Act of 2002, that:(1)The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and(2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.Date: JanuaryÂ 8, 2025By:/s/ Mark AdamsMark AdamsPresident and Chief Executive OfficerDocumentEXHIBIT 32.2CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. 1350In connection with the Quarterly Report of Penguin Solutions, Inc. (the â€œCompanyâ€) on Form 10-Q for the period ended NovemberÂ 29, 2024 as filed with the Securities and Exchange Commission on the date hereof (the â€œReportâ€), I, Nate Olmstead, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Â§ 1350, as adopted pursuant to Â§ 906 of the Sarbanes-Oxley Act of 2002, that:(1)The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and(2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.Date: JanuaryÂ 8, 2025By:/s/ Nate OlmsteadNate OlmsteadSenior Vice President and Chief Financial Officer