

# First Quarter FY26 Financial Results

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Nasdaq: PENG

January 6, 2026

# Disclaimer

This presentation and the oral communications made during the course of this presentation contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995 that are not historical in nature, that are predictive or that depend upon or refer to future events or conditions. 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These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "anticipate," "target," "expect," "forecast," "estimate," "intend," "plan," "potential," "goal," "believe," "could," "should" and other words of similar meaning. Forward-looking statements provide Penguin Solutions' 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 Penguin Solutions' control, including but not limited to, global business and economic conditions, including the impact on the financial condition of Penguin Solutions' customers, particularly in challenging macroeconomic environments, growth and demand trends in technology industries (including trends and markets related to artificial intelligence), Penguin Solutions' customer markets and various geographic regions; uncertainties in the geopolitical environment; the ability to manage Penguin Solutions' cost structure; disruptions in Penguin Solutions' operations or supply chain as a result of global pandemics, tariffs or other factors; changes in trade regulations and tariffs or adverse developments in international trade relations and agreements; changes in currency exchange rates; overall information technology spending, including changes in customer spending on Penguin Solutions' products and services; appropriations for government spending; the success of Penguin Solutions' strategic initiatives including Penguin Solutions' redomiciliation to the United States and its ability to realize the anticipated benefits thereof, rebranding and related strategy, any existing or 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 customers' 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 Zilia Technologies (formerly, SMART Modular Brazil) and its business, including the planned sale of Penguin Solutions' remaining 19% interest therein and the timing and closing of such sale; the impact of and expected timing of winding down the manufacturing and discontinuing the sale of products offered through Penguin Solutions' Penguin Edge 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; Penguin Solutions' dependence on a select number of customers, the timing and volume of customer orders and renewals; the impact of customer churn rates, including discounting and churn of significant customers from whom Penguin Solutions derives a significant percentage of its revenue; changes in customer demand and sales mix; 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, the LED market or other markets in which we participate; changes to applicable tax regimes or rates; changes to the valuation allowance for Penguin Solutions' deferred tax assets, including any potential inability to realize these assets in the future; prices for the end products of Penguin Solutions' customers; strikes or labor disputes; deterioration in or loss of relations with any of Penguin Solutions' limited number of key vendors; the inability to maintain or expand government business; potential sales of our common stock by the holder of our issued convertible preferred stock or the anticipation of such sales; and the continuing availability of borrowings under term loans and revolving lines of credit or other debt arrangements and Penguin Solutions' 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 "Risk Factors," "Critical Accounting Estimates," "Results of Operations," "Quantitative and Qualitative Disclosures About Market Risk" and "Liquidity and Capital Resources" contained in the Annual Report on Form 10-K for the fiscal year ended August 29, 2025, as updated by the risk factors contained in Penguin Solutions' Quarterly Reports on Form 10-Q and in Penguin

Solutions' other filings with the U.S. Securities and Exchange Commission ("SEC"). Such risks, uncertainties and factors as outlined above, and in such SEC filings, could cause Penguin Solutions' actual results to be materially different from such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on any forward-looking statements.

Any forward-looking statements that we make in this presentation speak only as of the date of this presentation. Except as required by law, we do not undertake to update the forward-looking statements contained in this presentation to reflect the impact of circumstances or events that may arise after the date that the forward-looking statements were made.

## **Statement Regarding Use of Non-GAAP Financial Measures:**

This presentation contains the following non-GAAP financial measures: non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margin, non-GAAP effective tax rate, non-GAAP net income, non-GAAP weighted-average shares outstanding, non-GAAP diluted earnings per share and adjusted EBITDA. Penguin Solutions' management uses non-GAAP measures to supplement Penguin Solutions' financial results under GAAP. Management uses these measures 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 Penguin Solutions' past and future operating performance. These non-GAAP measures exclude certain items, such as stock-based compensation expense, amortization of acquisition-related intangible assets (consisting of amortization of developed technology, customer relationships and trademarks/trade names and backlog acquired in connection with business combinations), acquisition-related inventory adjustments, cost of sales-related restructuring, diligence, acquisition and integration expense, redomiciliation costs, restructuring charges, (gain) loss on non-marketable equity securities, impairment of goodwill, changes in the fair value of contingent consideration, (gains) losses from changes in foreign currency exchange rates, amortization of debt issuance costs, (gain) loss on extinguishment or prepayment of debt, other infrequent or unusual items and related tax effects and other tax adjustments. While amortization of acquisition-related intangible assets is excluded, the revenues from acquired companies are reflected in Penguin Solutions' non-GAAP measures and these intangible assets contribute to revenue generation. Management believes the presentation of operating results that exclude certain items provides useful supplemental information to investors and facilitates the analysis of Penguin Solutions' core operating results and comparison of operating results across reporting periods. Management also uses adjusted EBITDA, which represents GAAP net income (loss), adjusted for net interest expense, income tax provision (benefit), depreciation expense and amortization of intangible assets, stock-based compensation expense, cost of sales-related restructuring, diligence, acquisition and integration expense, redomiciliation costs, (gain) loss on non-marketable equity securities, impairment of goodwill, restructuring charges, loss on extinguishment of debt and other infrequent or unusual items.

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 Penguin Solutions' 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. In addition, adjusted EBITDA does not purport to represent cash flow provided by, or used for, operating activities in accordance with GAAP and should not be used as a measure of liquidity. Investors are encouraged to review the "GAAP to Non-GAAP Reconciliations" in the appendix at the end of this presentation.

Penguin Solutions' fiscal year is the 52- or 53-week period ending on the last Friday in August.

# Speakers

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**Mark Adams**  
President and CEO

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**Nate Olmstead**  
SVP and CFO

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# Q1 FY26 Financial Highlights

Results reflect solid execution



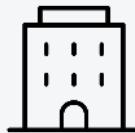
## Net Sales

Net sales of \$343M,  
up 1% YoY



## Gross Margin

Non-GAAP gross margin of  
30.0%, down 0.8 percentage  
points YoY



## Operating Income

Non-GAAP operating income of  
\$42M, up 1% YoY; Non-GAAP  
operating margin of 12.1%, up  
0.1 percentage points YoY

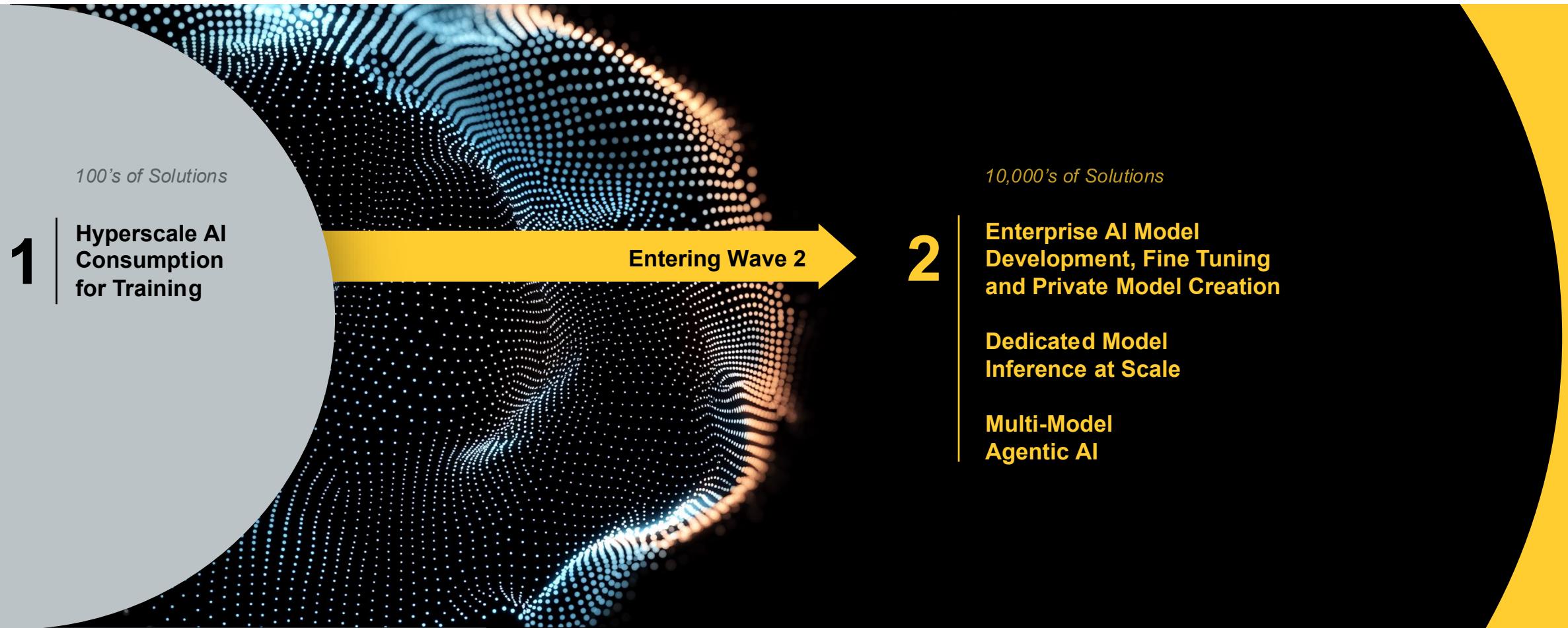


## EPS

Non-GAAP diluted EPS of  
\$0.49, flat YoY

# AI Is Happening in Waves

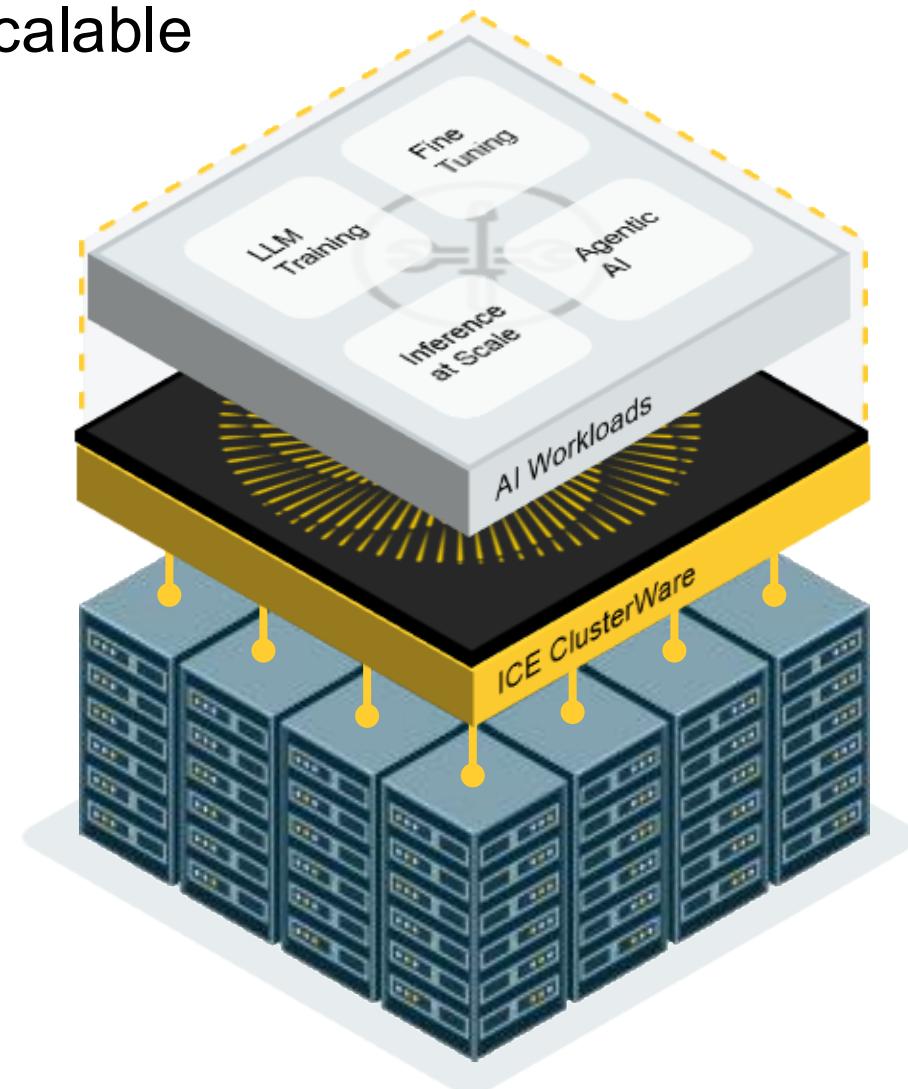
Enterprise inference expected to drive next phase of AI infrastructure



# Production-Ready AI Infrastructure Solution

Our OriginAI® solution is pre-validated and scalable

Penguin Solutions OriginAI Factory Architecture	
<b>VALIDATED HARDWARE</b>	All Servers, Racks, Network, Storage
<b>SOFTWARE</b>	Penguin and 3 <sup>rd</sup> Party Software
<b>BUILD</b>	Design and In-Factory Build
<b>SERVICES</b>	3 Years of On-Site Deployment and Managed Services
<b>SPARES</b>	Inventory/Spares Management
<b>AVAILABILITY</b>	SLA-Based System Availability
<b>WARRANTY</b>	3-Year Warranty and Support on All Hardware, Software, Network, and Storage



# Solving Complexity and Accelerating Results in AI

Leveraging our experience and expertise to help customers harness the full power of accelerated computing



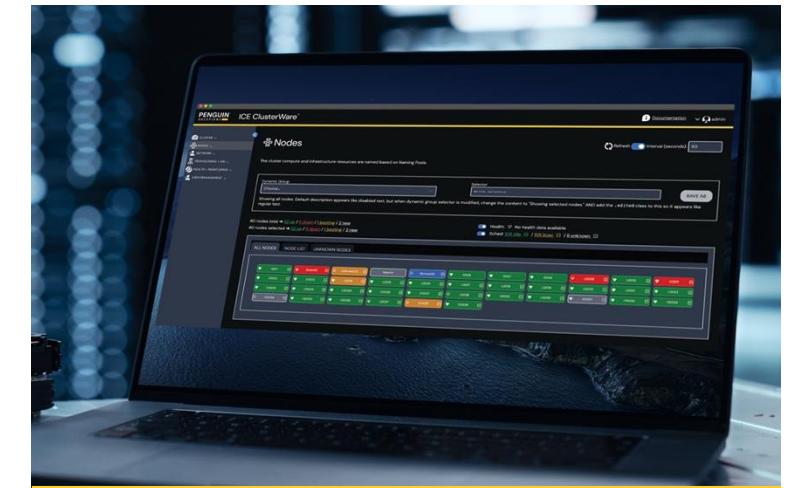
**25+**

Years Experience



**89,000+**

GPUs Deployed & Managed



**3.3+ Billion**

Hours of GPU Runtime

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# Business Review

# Advanced Computing

- Net sales of \$151M in Q1, up 9% vs. Q4 FY25
- New customer wins in defense and education & research
- Expanding pipeline across financial services, oil and gas, telecom, manufacturing, education and sovereign AI
- Rising demand for rapid, production-ready AI deployments
- Launched “Rapid Development” workshops to help customers accelerate AI deployment decisions
- Differentiated architecture design, ICE ClusterWare™ software platform, and managed services



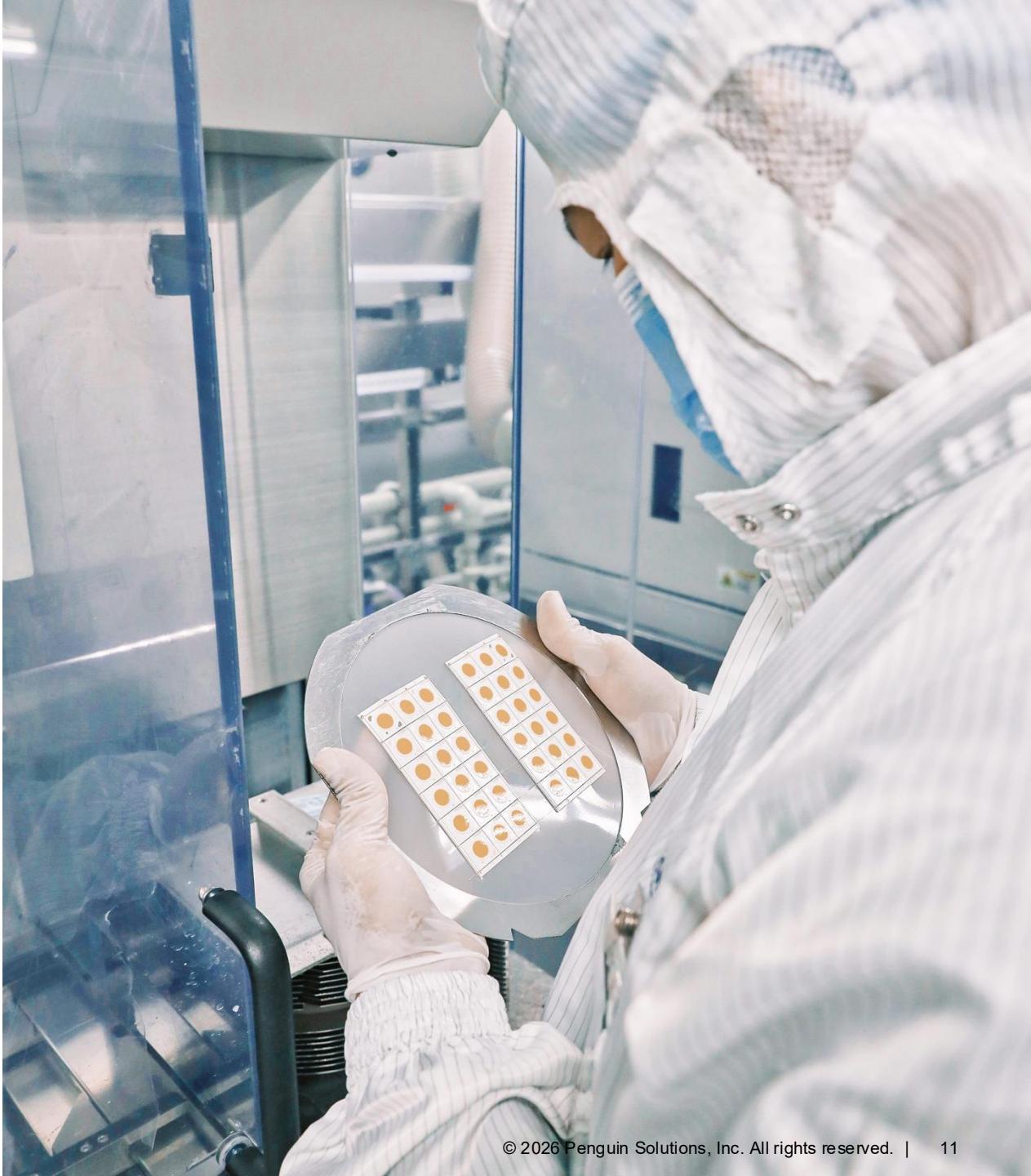


# Integrated Memory

- Revenue of \$137M in Q1, up 41% YoY
- Strong demand across networking, telecom, and computing markets
- Early CXL shipments and expanding customer qualifications
- Continued investment in memory pooling and optical memory architectures
- Growing enterprise and large-scale customer engagement
- Over 30 years of specialty memory expertise positions Penguin to capitalize on higher-performance, higher-reliability memory needs in the AI era

# Optimized LED

- Net sales of \$55M in Q1, down 18% YoY
- Continued demand weakness in China, with softness among select large U.S. OEM customers
- Focus remains on profitability, leveraging a specialty product portfolio
- Benefits from industry-leading IP and a capital-light, outsourced front-end model
- Operating income of \$3.5M, up 24% sequentially, despite revenue headwinds



# Positioned for Scaled Enterprise AI Adoption

Our transition from a holding company to an AI solutions provider



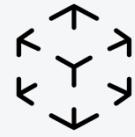
## Simplifying Corporate Structure

Planned \$46M sale of remaining 19% stake in Zilia Technologies (formerly SMART Modular Brazil)



## Deepening Partnerships

Enhance ecosystem partnerships to support enterprise AI at scale



## Investing in Technologies

Combined investments in inference-focused systems, advanced memory, software, and managed services



## Strengthening Balance Sheet

Support investments for future growth

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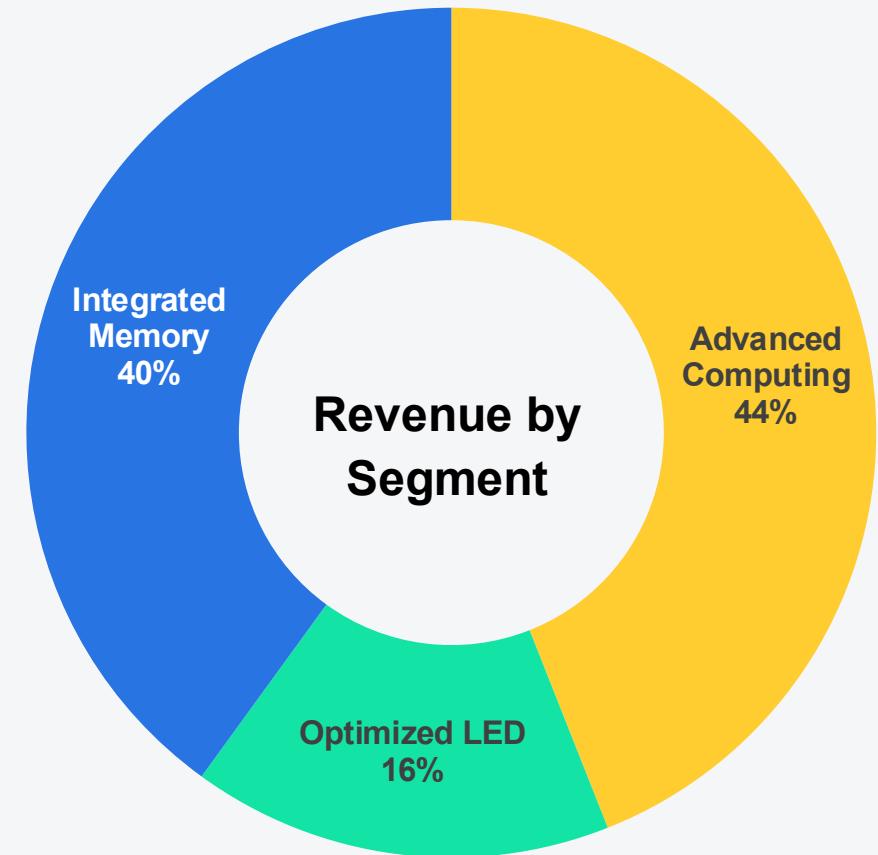
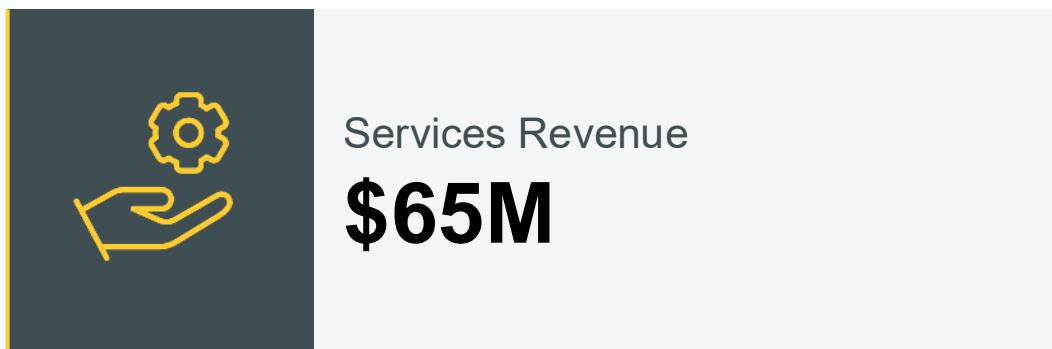
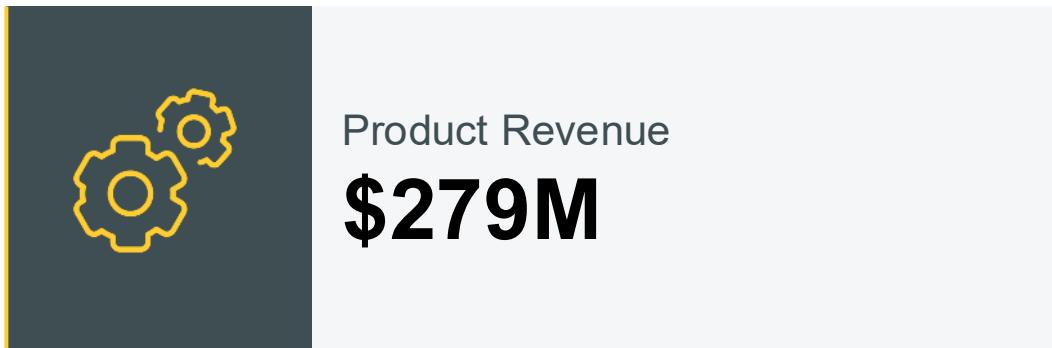
# Financial Review

# Q1 FY26 Results

<b>Net Sales</b>	<b>Non-GAAP Gross Margin</b>	<b>Non-GAAP Operating Margin</b>	<b>Non-GAAP Diluted EPS</b>
<b>\$343M</b> Up 1% YoY	<b>30.0%</b> Down 0.8 percentage points YoY	<b>12.1%</b> Up 0.1 percentage points YoY	<b>\$0.49</b> Flat YoY

# Q1 FY26 Net Sales Detail<sup>1</sup>

## Revenue Breakdown – Total of \$343M



# Operating Results<sup>1</sup>

(\$M except per share amounts)	Q1 FY26	Q4 FY25	Q1 FY25
<b>Net sales</b>	<b>\$343</b>	<b>\$338</b>	<b>\$341</b>
Advanced Computing	\$151	\$138	\$177
Integrated Memory	\$137	\$132	\$97
Optimized LED	\$55	\$67	\$67
<b>Non-GAAP gross profit<sup>2</sup></b>	<b>\$103</b>	<b>\$104</b>	<b>\$105</b>
<b>Non-GAAP operating expenses<sup>2</sup></b>	<b>\$61</b>	<b>\$65</b>	<b>\$64</b>
<b>Non-GAAP operating income<sup>2</sup></b>	<b>\$42</b>	<b>\$39</b>	<b>\$41</b>
<b>Non-GAAP net income<sup>2</sup></b>	<b>\$32</b>	<b>\$29</b>	<b>\$27</b>
<b>Non-GAAP diluted earnings per share<sup>2</sup></b>	<b>\$0.49</b>	<b>\$0.43</b>	<b>\$0.49</b>
<b>Adjusted EBITDA<sup>2</sup></b>	<b>\$45</b>	<b>\$43</b>	<b>\$45</b>

1. Summations may not compute precisely due to rounding.

2. Non-GAAP gross profit, Non-GAAP operating expenses, Non-GAAP operating income, Non-GAAP net income, Non-GAAP diluted earnings per share, and Adjusted EBITDA are non-GAAP measures. For reconciliations to the most directly comparable financial measures prepared in accordance with GAAP, please see the appendix.

# Q1 FY26 Balance Sheet and Cash Flow Highlights

(\$M)	Q1 FY26	Q4 FY25	Q1 FY25
<b>Working Capital</b>			
Net Accounts Receivable	\$342	\$308	\$276
Days Sales Outstanding	51 days	51 days	45 days
Inventory	\$213	\$255	\$247
Days of Inventory	38 days	51 days	49 days
Accounts Payable	\$305	\$267	\$244
Days Payable Outstanding	55 days	54 days	49 days
Cash Conversion Cycle	35 days	49 days	46 days
<b>Cash Flow</b>			
Cash, Cash Equivalents and Short-Term Investments (at period end)	\$461	\$454	\$394
Net Cash from Operating Activities from Continuing Operations	\$31	\$(70)	\$14
<b>Capital Expenditures &amp; Depreciation</b>			
CapEx	\$3	\$3	\$2
Depreciation	\$5	\$5	\$5

# Stock Repurchase Update

## Stock Repurchases

- Repurchased 791K shares for \$15M in Q1 FY26
- Since April 2022, we have repurchased 7.4M shares for \$128M
- As a reminder, the Audit Committee approved a new \$75M stock repurchase authorization in October 2025, bringing total stock repurchase authorizations over the last four years to \$225M



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# Our Outlook

# FY 2026 Outlook

	GAAP Outlook	Adjustments	Non-GAAP Outlook
<b>Net sales</b>	6% YoY Growth +/- 10%	—	6% YoY Growth +/- 10%
<b>Gross margin</b>	27% +/- 1%	2% (A)	29% +/- 1%
<b>Operating expenses</b>	\$307 million +/- \$10 million	\$(57) million (B)(C)	\$250 million +/- \$10 million
<b>Diluted earnings per share</b>	\$0.85 +/- \$0.25	\$1.15 (A)(B)(C)(D)(E)(F)	\$2.00 +/- \$0.25
<b>Diluted shares</b>	55 million	—	55 million

Non-GAAP adjustments (in millions)		
(A) Stock-based compensation and amortization of acquisition-related intangibles included in cost of sales		\$ 30
(B) Stock-based compensation and amortization of acquisition-related intangibles included in R&D and SG&A		49
(C) Other operating adjustments		8
(D) Other non-operating adjustments <sup>(1)</sup>		3
(E) Estimated income tax effects		(20)
(F) Estimated effect of allocation of earnings to participating securities		(7)
		\$ 63

(1) Primarily reflects net losses associated with non-marketable equity securities.

Solving complexity.  
Accelerating results.

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# GAAP to Non-GAAP Reconciliations

(dollars in thousands)	Three Months Ended		
	November 28, 2025	August 29, 2025	November 29, 2024
<b>GAAP gross profit</b>	<b>\$ 96,109</b>	<b>\$ 96,731</b>	<b>\$ 97,812</b>
Stock-based compensation expense	1,386	1,324	1,643
Amortization of acquisition-related intangibles	5,909	5,920	5,909
Cost of sales-related restructuring	(483)	342	(42)
Other	—	—	(200)
<b>Non-GAAP gross profit</b>	<b>\$ 102,921</b>	<b>\$ 104,317</b>	<b>\$ 105,122</b>
<b>GAAP gross margin</b>	<b>28.0 %</b>	<b>28.6 %</b>	<b>28.7 %</b>
Effect of adjustments	2.0 %	2.3 %	2.1 %
<b>Non-GAAP gross margin</b>	<b>30.0 %</b>	<b>30.9 %</b>	<b>30.8 %</b>
<b>GAAP operating expenses</b>	<b>\$ 76,527</b>	<b>\$ 84,283</b>	<b>\$ 80,456</b>
Stock-based compensation expense	(8,694)	(6,490)	(9,888)
Amortization of acquisition-related intangibles	(1,599)	(1,885)	(3,846)
Diligence, acquisition and integration expense	—	(133)	(833)
Redomiciliation costs <sup>(1)</sup>	—	(2,734)	(1,243)
Impairment of goodwill	—	(4,690)	—
Restructuring charges	(4,742)	(1,130)	(109)
Other <sup>(1)</sup>	(99)	(2,074)	(333)
<b>Non-GAAP operating expenses</b>	<b>\$ 61,393</b>	<b>\$ 65,147</b>	<b>\$ 64,204</b>
<b>GAAP operating income</b>	<b>\$ 19,582</b>	<b>\$ 12,448</b>	<b>\$ 17,356</b>
Stock-based compensation expense	10,080	7,814	11,531
Amortization of acquisition-related intangibles	7,508	7,805	9,755
Cost of sales-related restructuring	(483)	342	(42)
Diligence, acquisition and integration expense	—	133	833
Redomiciliation costs <sup>(1)</sup>	—	2,734	1,243
Impairment of goodwill	—	4,690	—
Restructuring charges	4,742	1,130	109
Other <sup>(1)</sup>	99	2,074	133
<b>Non-GAAP operating income</b>	<b>\$ 41,528</b>	<b>\$ 39,170</b>	<b>\$ 40,918</b>
<b>GAAP operating margin</b>	<b>5.7 %</b>	<b>3.7 %</b>	<b>5.1 %</b>
Effect of adjustments	6.4 %	7.9 %	6.9 %
<b>Non-GAAP operating margin</b>	<b>12.1 %</b>	<b>11.6 %</b>	<b>12.0 %</b>

# GAAP to Non-GAAP Reconciliations

(dollars in thousands, except per share data)	Three Months Ended		
	November 28, 2025	August 29, 2025	November 29, 2024
<b>GAAP net income (loss) attributable to Penguin Solutions</b>	<b>\$ 5,270</b>	<b>\$ 9,431</b>	<b>\$ 5,217</b>
Stock-based compensation expense	10,080	7,814	11,531
Amortization of acquisition-related intangibles	7,508	7,805	9,755
Cost of sales-related restructuring	(483)	342	(42)
Diligence, acquisition and integration expense	—	133	833
Redomiciliation costs <sup>(1)</sup>	—	2,734	1,243
Loss (gain) on non-marketable equity investments	10,000	—	—
Impairment of goodwill	—	4,690	—
Restructuring charges	4,742	1,130	109
Amortization of debt issuance costs	658	674	953
Loss (gain) on extinguishment or prepayment of debt	—	2,908	—
Foreign currency (gains) losses	1,212	287	1,028
Other <sup>(1)</sup>	956	2,074	133
Income tax effects <sup>(2)</sup>	(7,552)	(11,179)	(4,242)
<b>Non-GAAP net income attributable to Penguin Solutions</b>	<b>\$ 32,391</b>	<b>\$ 28,843</b>	<b>\$ 26,518</b>
Preferred stock dividends	3,033	3,034	—
Non-GAAP income available for distribution	29,358	25,809	26,518
Income allocated to participating securities	2,990	2,639	—
<b>Non-GAAP net income available to common stockholders</b>	<b>\$ 26,368</b>	<b>\$ 23,170</b>	<b>\$ 26,518</b>
<b>Weighted-average shares outstanding - Diluted:</b>			
GAAP weighted-average shares outstanding	54,991	54,371	54,312
Adjustment for dilutive securities and capped calls	(1,228)	(838)	—
<b>Non-GAAP weighted-average shares outstanding</b>	<b>53,763</b>	<b>53,533</b>	<b>54,312</b>
<b>Diluted earnings (loss) per share from continuing operations:</b>			
GAAP diluted earnings (loss) per share	\$ 0.04	\$ 0.11	\$ 0.10
Effect of adjustments	0.45	0.32	0.39
<b>Non-GAAP diluted earnings per share</b>	<b>\$ 0.49</b>	<b>\$ 0.43</b>	<b>\$ 0.49</b>

1. In the second quarter of fiscal 2025 we began breaking out costs related to the U.S. Domestication from "Other." All periods presented have been adjusted to reflect this change.
2. The three months and year ended August 29, 2025 include (\$8,249) as a one-time tax effect of the U.S. Domestication completed in the fourth quarter of fiscal 2025.

# GAAP to Non-GAAP Reconciliations

(dollars in thousands)	Three Months Ended		
	November 28, 2025	August 29, 2025	November 29, 2024
<b>Net income (loss) attributable to Penguin Solutions</b>	<b>\$ 5,270</b>	<b>\$ 9,431</b>	<b>\$ 5,217</b>
Interest expense, net	47	153	4,396
Income tax provision (benefit)	1,805	(1,196)	6,360
Depreciation expense and amortization of intangible assets	12,819	13,206	14,961
Stock-based compensation expense	10,080	7,814	11,531
Cost of sales-related restructuring	(483)	342	(42)
Diligence, acquisition and integration expense	—	133	833
Redomiciliation costs (1)	—	2,734	1,243
Impairment of goodwill	—	4,690	—
Restructuring charges	4,742	1,130	109
Loss on extinguishment of debt	—	2,908	—
Loss (gain) on non-marketable equity investments	10,000	—	—
Other (1)	956	2,074	133
<b>Adjusted EBITDA</b>	<b>\$ 45,236</b>	<b>\$ 43,419</b>	<b>\$ 44,741</b>

1. In the second quarter of fiscal 2025 we began breaking out costs related to the U.S. Domestication from "Other." All periods presented have been adjusted to reflect this change.

# Convertible Dilution

Stock Price	Share Dilution	Capped Calls	Dilution to PENG
\$18	—	—	—
\$19	—	—	—
\$20	—	—	—
\$21	33	(163)	(130)
\$22	324	(627)	(303)
\$23	660	(1,121)	(461)
\$24	968	(1,574)	(606)
\$25	1,251	(1,991)	(740)
\$26	1,512	(2,376)	(864)
\$27	1,755	(2,732)	(977)
\$28	1,979	(2,899)	(920)
\$29	2,433	(3,287)	(854)
\$30	2,858	(3,448)	(590)
\$31	3,256	(3,567)	(311)
\$32	3,629	(3,679)	(50)
\$33	3,979	(3,784)	195
\$34	4,309	(3,882)	427
\$35	4,620	(3,975)	645