

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2024

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-33383



**Super Micro Computer, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

77-0353939

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

980 Rock Avenue

San Jose, CA 95131

(Address of principal executive offices, including zip code)

(408) 503-8000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	SMCI	NASDAQ Global Select Market

Indicate 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  No

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 (§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  No

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 "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 30, 2024 there were 58,556,527 shares of the registrant's common stock, \$0.001 par value, outstanding, which is the only class of common stock of the registrant issued.

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**SUPER MICRO COMPUTER, INC.**  
**QUARTERLY REPORT ON FORM 10-Q**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2024**

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*Unless the context requires otherwise, the words "Super Micro," "Supermicro," "we," "Company," "us" and "our" in this document refer to Super Micro Computer, Inc. and where appropriate, our wholly owned subsidiaries. Supermicro, the Company logo and our other registered or common law trademarks, service marks, or trade names appearing in this Quarterly Report on Form 10-Q are the property of Super Micro Computer, Inc. or its affiliates. Other trademarks, service marks, or trade names appearing in this Quarterly Report on Form 10-Q are the property of their respective owners.*

*The information contained on our website, or available by hyperlink from our website, is not incorporated into this Quarterly Report on Form 10-Q or other documents we file with, or furnish to, the SEC. We intend to use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Such disclosures will be included in the "Investor Relations" section of our website. Accordingly, investors should monitor that section of our website, in addition to following our press releases, investor presentations, SEC filings and public conference calls and webcasts.*

**PART I: FINANCIAL INFORMATION****Item 1. Financial Statements**

**SUPER MICRO COMPUTER, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except par value per share amounts)  
(unaudited)

	March 31, 2024	June 30, 2023
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,115,476	\$ 440,459
Accounts receivable, net of allowance for credit losses of \$ 75 and \$ 82 at March 31, 2024 and June 30, 2023, respectively (including accounts receivable from related parties of \$ 1,110 and \$ 5,473 at March 31, 2024 and June 30, 2023, respectively)	1,650,153	1,148,259
Inventories	4,124,587	1,445,564
Prepaid expenses and other current assets (including receivables from related parties of \$ 30,249 and \$ 27,732 at March 31, 2024 and June 30, 2023, respectively)	173,716	145,144
Total current assets	<u>8,063,932</u>	<u>3,179,426</u>
Property, plant and equipment, net	385,566	290,240
Deferred income taxes, net	330,248	162,654
Other assets	83,035	42,409
Total assets	<u>\$ 8,862,781</u>	<u>\$ 3,674,729</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable (including amounts due to related parties of \$ 102,582 and \$ 89,134 at March 31, 2024 and June 30, 2023, respectively)	\$ 1,092,445	\$ 776,831
Accrued liabilities (including amounts due to related parties of \$ 18,798 and \$ 14,017 at March 31, 2024 and June 30, 2023, respectively)	290,370	163,865
Income taxes payable	20,021	129,166
Lines of credit and current portion of term loans	81,566	170,123
Deferred revenue	233,293	134,667
Total current liabilities	<u>1,717,695</u>	<u>1,374,652</u>
Deferred revenue, non-current	203,198	169,781
Term loans	85,646	120,179
Convertible notes	1,696,255	—
Other long-term liabilities	65,831	37,947
Total liabilities	<u>3,768,625</u>	<u>1,702,559</u>
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Common stock and additional paid-in capital, \$ 0.001 par value		
Authorized shares: 100,000 ; Issued and outstanding shares: 58,552 and 52,901 at March 31, 2024 and June 30, 2023, respectively	2,805,008	538,352
Accumulated other comprehensive income	549	639
Retained earnings	2,288,436	1,433,014
Total Super Micro Computer, Inc. stockholders' equity	<u>5,093,993</u>	<u>1,972,005</u>
Noncontrolling interest	163	165
Total stockholders' equity	<u>5,094,156</u>	<u>1,972,170</u>
Total liabilities and stockholders' equity	<u>\$ 8,862,781</u>	<u>\$ 3,674,729</u>

See accompanying notes to condensed consolidated financial statements.

**SUPER MICRO COMPUTER, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share amounts)  
(unaudited)

	Three Months Ended		Nine Months Ended	
	March 31, 2024	2023	March 31, 2024	2023
Net sales (including related party sales of \$ 25,804 and \$ 9,188 in the three months ended March 31, 2024 and 2023, respectively, and \$ 58,980 and \$ 54,316 in the nine months ended March 31, 2024 and 2023, respectively)	\$ 3,850,066	\$ 1,283,296	\$ 9,634,662	\$ 4,938,621
Cost of sales (including related party purchases of \$ 130,397 and \$ 87,732 in the three months ended March 31, 2024 and 2023, respectively, and \$ 355,948 and \$ 283,010 in the nine months ended March 31, 2024 and 2023, respectively)	3,252,698	1,056,937	8,119,281	4,027,305
Gross profit	597,368	226,359	1,515,381	911,316
Operating expenses:				
Research and development	116,226	77,515	336,077	222,458
Sales and marketing	49,691	25,312	133,775	83,120
General and administrative	53,137	24,450	123,241	71,351
Total operating expenses	219,054	127,277	593,093	376,929
Income from operations	378,314	99,082	922,288	534,387
Other income (expense), net	10,035	( 78 )	8,762	1,641
Interest expense	( 6,246 )	( 1,288 )	( 16,240 )	( 6,982 )
Income before income tax provision	382,103	97,716	914,810	529,046
Income tax benefit (provision)	19,983	( 10,857 )	( 61,735 )	( 79,364 )
Share of income (loss) from equity investee, net of taxes	373	( 1,013 )	2,347	( 3,253 )
Net income	<u><u>\$ 402,459</u></u>	<u><u>\$ 85,846</u></u>	<u><u>\$ 855,422</u></u>	<u><u>\$ 446,429</u></u>
Net income per common share:				
Basic	\$ 7.13	\$ 1.61	\$ 15.68	\$ 8.42
Diluted	\$ 6.56	\$ 1.53	\$ 14.53	\$ 8.00
Weighted-average shares used in the calculation of net income per common share:				
Basic	56,478	53,280	54,562	53,011
Diluted	61,431	56,233	58,889	55,796

See accompanying notes to condensed consolidated financial statements.

**SUPER MICRO COMPUTER, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in thousands)  
(unaudited)

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2024	2023	2024	2023
Net income	\$ 402,459	\$ 85,846	\$ 855,422	\$ 446,429
Other comprehensive (loss) income, net of tax:				
Foreign currency translation (loss) gain	( 108 )	71	( 90 )	( 228 )
Total other comprehensive (loss) income, net of tax	( 108 )	71	( 90 )	( 228 )
Total comprehensive income	<u>\$ 402,351</u>	<u>\$ 85,917</u>	<u>\$ 855,332</u>	<u>\$ 446,201</u>

See accompanying notes to condensed consolidated financial statements.

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**SUPER MICRO COMPUTER, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(in thousands, except share amounts)  
(unaudited)

<u>Three Months Ended March 31, 2024</u>	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)		Retained Earnings	Non- controlling Interest	Total Stockholders' Equity
	Shares	Amount	Income	(Loss)			
<b>Balance at December 31, 2023</b>	55,917,304	\$ 1,190,276	\$	657	\$ 1,885,977	\$ 164	\$ 3,077,074
Exercise of stock options	436,901	15,540	—	—	—	—	15,540
Release of common stock upon vesting of restricted stock units	291,428	—	—	—	—	—	—
Shares withheld for the withholding tax on vesting of restricted stock units	( 93,737 )	( 78,391 )	—	—	—	—	( 78,391 )
Issuance of common stock in a public offering, net of issuance costs	2,000,000	1,731,186	—	—	—	—	1,731,186
Purchase of capped calls, net of tax	—	( 109,710 )	—	—	—	—	( 109,710 )
Stock-based compensation	—	56,107	—	—	—	—	56,107
Other comprehensive loss	—	—	( 108 )	—	—	—	( 108 )
<b>Net income (loss)</b>	—	—	—	402,459	—	( 1 )	402,458
<b>Balance at March 31, 2024</b>	<b>58,551,896</b>	<b>\$ 2,805,008</b>	<b>\$ 549</b>	<b>\$ 2,288,436</b>	<b>\$ 163</b>	<b>\$ 5,094,156</b>	

<u>Three Months Ended March 31, 2023</u>	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income		Retained Earnings	Non- controlling Interest	Total Stockholders' Equity
	Shares	Amount	Income	(Loss)			
<b>Balance at December 31, 2022</b>	53,400,301	\$ 514,559	\$	612	\$ 1,303,506	\$ 165	\$ 1,818,842
Exercise of stock options	452,835	9,495	—	—	—	—	9,495
Release of common stock upon vesting of restricted stock units	275,890	—	—	—	—	—	—
Shares withheld for the withholding tax on vesting of restricted stock units	( 91,935 )	( 8,938 )	—	—	—	—	( 8,938 )
Share repurchases, retirement and related taxes	( 1,553,350 )	( 489 )	—	( 149,907 )	—	—	( 150,396 )
Stock-based compensation	—	13,652	—	—	—	—	13,652
Other comprehensive income	—	—	71	—	—	—	71
Net income	—	—	—	85,846	—	1	85,847
<b>Balance at March 31, 2023</b>	<b>52,483,741</b>	<b>\$ 528,279</b>	<b>\$ 683</b>	<b>\$ 1,239,445</b>	<b>\$ 166</b>	<b>\$ 1,768,573</b>	

<u>Nine Months Ended March 31, 2024</u>	Common Stock and Additional Paid-In Capital		Other Comprehensive Income (Loss)	Retained Earnings	Non-controlling Interest	Total Stockholders' Equity
	Shares	Amount				
<b>Balance at June 30, 2023</b>	52,901,358	\$ 538,352	\$ 639	\$ 1,433,014	\$ 165	\$ 1,972,170
Exercise of stock options	778,310	25,114	—	—	—	25,114
Release of common stock upon vesting of restricted stock units	802,450	—	—	—	—	—
Shares withheld for the withholding tax on vesting of restricted stock units	( 245,327 )	( 119,285 )	—	—	—	( 119,285 )
Issuances of common stock in public offerings, net of issuance costs	4,315,105	2,313,990	—	—	—	2,313,990
Purchase of capped calls, net of tax	—	( 109,710 )	—	—	—	( 109,710 )
Stock-based compensation	—	156,547	—	—	—	156,547
Other comprehensive loss	—	—	( 90 )	—	—	( 90 )
<b>Net income (loss)</b>	—	—	—	855,422	( 2 )	855,420
<b>Balance at March 31, 2024</b>	<b>58,551,896</b>	<b>\$ 2,805,008</b>	<b>\$ 549</b>	<b>\$ 2,288,436</b>	<b>\$ 163</b>	<b>\$ 5,094,156</b>

<u>Nine Months Ended March 31, 2023</u>	Common Stock and Additional Paid-In Capital		Other Comprehensive Income (Loss)	Retained Earnings	Non-controlling Interest	Total Stockholders' Equity
	Shares	Amount				
<b>Balance at June 30, 2022</b>	<b>52,311,014</b>	<b>\$ 481,741</b>	<b>\$ 911</b>	<b>\$ 942,923</b>	<b>\$ 172</b>	<b>\$ 1,425,747</b>
Exercise of stock options	1,205,727	24,822	—	—	—	24,822
Release of common stock upon vesting of restricted stock units	759,893	—	—	—	—	—
Shares withheld for the withholding tax on vesting of restricted stock units	( 239,543 )	( 19,442 )	—	—	—	( 19,442 )
Share repurchases, retirement and related taxes	( 1,553,350 )	( 489 )	—	( 149,907 )	—	( 150,396 )
Stock-based compensation	—	41,647	—	—	—	41,647
Other comprehensive loss	—	—	( 228 )	—	—	( 228 )
<b>Net income (loss)</b>	—	—	—	446,429	( 6 )	446,423
<b>Balance at March 31, 2023</b>	<b>52,483,741</b>	<b>\$ 528,279</b>	<b>\$ 683</b>	<b>\$ 1,239,445</b>	<b>\$ 166</b>	<b>\$ 1,768,573</b>

See accompanying notes to condensed consolidated financial statements.

**SUPER MICRO COMPUTER, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

	Nine Months Ended March 31,	
	2024	2023
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 855,422	\$ 446,429
Reconciliation of net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	29,174	25,932
Stock-based compensation expense	156,547	41,647
Share of (income) loss from equity investee	( 2,347 )	3,253
Unrealized foreign currency exchange gain	( 282 )	( 2,497 )
Deferred income taxes, net	( 144,485 )	( 78,629 )
Other	3,186	( 649 )
Changes in operating assets and liabilities:		
Accounts receivable, net (including changes in related party balances of \$ 4,363 and \$ 6,367 during the nine months ended March 31, 2024 and 2023, respectively)	( 507,870 )	165,883
Inventories	( 2,679,023 )	5,187
Prepaid expenses and other assets (including changes in related party balances of \$( 2,517 ) and \$( 8,573 ) during the nine months ended March 31, 2024 and 2023, respectively)	( 25,673 )	15,088
Accounts payable (including changes in related party balances of \$ 13,448 and \$( 11,242 ) during the nine months ended March 31, 2024 and 2023, respectively)	309,613	( 9,120 )
Income taxes payable	( 99,824 )	50,855
Accrued liabilities (including changes in related party balances of \$ 4,781 and \$( 324 ) during the nine months ended March 31, 2024 and 2023, respectively)	123,937	( 62,639 )
Deferred revenue	132,043	76,062
Other long-term liabilities (including changes in related party balances of \$( 178 ) and \$( 241 ) during the nine months ended March 31, 2024 and 2023, respectively)	5,424	( 3,883 )
Net cash (used in) provided by operating activities	<u>( 1,844,158 )</u>	<u>672,919</u>
<b>INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment (including payments to related parties of \$ 9,132 and \$ 6,325 during the nine months ended March 31, 2024 and 2023, respectively)	( 110,296 )	( 28,618 )
Investment in equity securities	( 21,673 )	—
Net cash used in investing activities	<u>( 131,969 )</u>	<u>( 28,618 )</u>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from lines of credit and term loans	1,818,850	164,326
Repayment of lines of credit and term loans	( 1,939,590 )	( 570,446 )
Proceeds from exercise of stock options	25,114	24,822
Payment of withholding tax on vesting of restricted stock units	( 119,285 )	( 19,442 )
Stock repurchases	—	( 146,526 )
Issuances of common stock in public offerings, net of issuance costs	2,313,990	—
Proceeds from issuance of 2029 convertible notes, net of issuance costs	1,695,768	—
Purchase of capped calls	( 142,140 )	—
Other	76	( 25 )
Net cash provided by (used in) financing activities	<u>3,652,783</u>	<u>( 547,291 )</u>
Effect of exchange rate fluctuations on cash	( 1,634 )	( 2,269 )
Net increase in cash, cash equivalents and restricted cash	1,675,022	94,741
Cash, cash equivalents and restricted cash at the beginning of the period	440,960	268,559
Cash, cash equivalents and restricted cash at the end of the period	<u>\$ 2,115,982</u>	<u>\$ 363,300</u>

*Supplemental disclosure of cash flow information:*

Cash paid for interest	\$ 14,813	\$ 7,223
Cash paid for taxes, net of refunds	\$ 300,596	\$ 107,054

*Non-cash investing and financing activities:*

Unpaid property, plant and equipment purchases (including due to related parties of \$ 1,492 and \$ 1,391 as of March 31, 2024 and 2023, respectively)	\$ 9,345	\$ 2,885
Right of use ("ROU") assets obtained in exchange for operating lease commitments	\$ 24,140	\$ 1,679
Unpaid stock repurchases	\$ —	\$ 3,472
Investment obtained in exchange for an asset	\$ 6,000	\$ —

See accompanying notes to condensed consolidated financial statements.

**SUPER MICRO COMPUTER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 1. Summary of Significant Accounting Policies**

***Significant Accounting Policies and Estimates***

No material changes have been made to the significant accounting policies of Super Micro Computer, Inc., a corporation incorporated under the laws of Delaware, and its consolidated entities (together, the "Company"), disclosed in Part II, Item 8, Note 1, "Organization and Summary of Significant Accounting Policies," in its Annual Report on Form 10-K, filed on August 28, 2023, for the year ended June 30, 2023. Management's estimates take into consideration, as applicable, general macroeconomic conditions, inflation, changes in interest rates and geopolitical events.

***Basis of Presentation***

The unaudited condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations.

The unaudited condensed consolidated financial statements included herein reflect all adjustments, including normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the consolidated financial position, results of operations and cash flows for the periods presented. The consolidated results of operations for the three and nine months ended March 31, 2024 are not necessarily indicative of the results that may be expected for future quarters or for the fiscal year ending June 30, 2024.

Certain prior year amounts within cash from operating activities in the condensed consolidated statements of cash flows have been reclassified to conform to current year presentation. These changes in presentation do not affect previously reported results.

***Concentration of Supplier Risk***

Certain materials used by the Company in the manufacturing of its products are available from a limited number of suppliers. Shortages could occur in these materials due to an interruption of supply or increased demand in the industry. Supplier A accounted for 69.8 % and supplier B accounted for 5.1 % of total purchases for the three months ended March 31, 2024, and supplier A accounted for 26.9 % and supplier B accounted for 16.9 % of total purchases for the three months ended March 31, 2023. Supplier A accounted for 65.8 % and supplier B accounted for 7.1 % of total purchases for the nine months ended March 31, 2024, and supplier A accounted for 23.6 % and supplier B accounted for 15.8 % of total purchases for the nine months ended March 31, 2023. The increase in the concentration of the Company's total purchases from supplier A for 69.8 % and 65.8 % of total purchases for the three and nine months ended March 31, 2024, respectively, is as a result of the purchase of key components to build its solutions for the Company's customers. Purchases from Ablecom, and Compuware, related parties of the Company (see Part I, Item 1, Note 9, "Related Party Transactions") accounted for a combined 4.0 % and 8.3 % of total cost of sales for the three months ended March 31, 2024 and 2023, respectively, and a combined 4.4 % and 7.0 % of total cost of sales for the nine months ended March 31, 2024 and 2023, respectively.

***Concentration of Credit and Customer Risk***

Financial instruments which potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents, restricted cash and accounts receivable.

Customer A accounted for 27.9 %, customer E accounted for 18.1 % and customer B accounted for 15.4 % of accounts receivable, net as of March 31, 2024. Customer A accounted for 22.9 % and customer B accounted for 19.3 % of accounts receivable, net as of June 30, 2023. These accounts receivable represent a concentration of credit risk to the Company.

**SUPER MICRO COMPUTER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(Unaudited)**

Customer A accounted for 21.2 % and customer B accounted for 16.8 % of the net sales for the three months ended March 31, 2024 and customer A accounted for 23.7 % of the net sales for the nine months ended March 31, 2024. Customer A accounted for 10.7 % of the net sales for the three months ended March 31, 2023, and customer C accounted for 11.8 % of the net sales for the nine months ended March 31, 2023.

***Accounting Pronouncements Not Yet Adopted***

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures. This ASU requires that a public entity provide additional segment disclosures on an interim and annual basis. The amendments in this ASU should be applied retrospectively to all prior periods presented in the financial statements unless impracticable. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The ASU is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating this guidance and the impact it may have on its financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which includes amendments that further enhance income tax disclosures, primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The amendments are effective for the Company's annual periods beginning July 1, 2025, with early adoption permitted, and should be applied either prospectively or retrospectively. The Company is currently evaluating this guidance and the impact it may have on its financial statement disclosures.

**Note 2. Revenue**

***Disaggregation of Revenue***

The Company disaggregates revenue by type of product and by the geographical market. Service revenues, which are less than 10%, are not a significant component of total revenue, and are aggregated within the respective categories.

The following is a summary of net sales by product type (in thousands):

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2024	2023	2024	2023
Server and storage systems	\$ 3,698,446	\$ 1,163,723	\$ 9,100,616	\$ 4,537,710
Subsystems and accessories	151,620	119,573	534,046	400,911
<b>Total</b>	<b>\$ 3,850,066</b>	<b>\$ 1,283,296</b>	<b>\$ 9,634,662</b>	<b>\$ 4,938,621</b>

Server and storage systems constitute an assembly and integration of subsystems and accessories, and related services. Subsystems and accessories are comprised of server boards, chassis and accessories.

**SUPER MICRO COMPUTER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(Unaudited)**

International net sales are based on the country and geographic region to which the products were shipped. The following is a summary for the three and nine months ended March 31, 2024 and 2023, of net sales by geographic region (in thousands):

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2024	2023	2024	2023
United States	\$ 2,685,213	\$ 785,548	\$ 6,910,312	\$ 3,172,444
Asia	764,614	214,363	1,646,302	815,098
Europe	297,653	228,531	776,949	776,138
Other	102,586	54,854	301,099	174,941
Total	<u>\$ 3,850,066</u>	<u>\$ 1,283,296</u>	<u>\$ 9,634,662</u>	<u>\$ 4,938,621</u>

Contract Balances

Generally, the payment terms of the Company's offerings range from 30 to 60 days. In certain instances, customers may prepay for products and services in advance of delivery. Receivables relate to the Company's unconditional right to consideration for performance obligations either partially or fully completed.

Contract assets are rights to consideration in exchange for goods or services that the Company has transferred to a customer when such right is conditional on something other than the passage of time. Such contract assets are insignificant to the Company's condensed consolidated financial statements.

Contract liabilities consist of deferred revenue and relate to amounts invoiced to or advance consideration received from customers, which precede the Company's satisfaction of the associated performance obligations. The Company's deferred revenue primarily results from customer payments received upfront for extended warranties and on-site services because these performance obligations are satisfied over time. Additionally, at times, deferred revenue may fluctuate due to the timing of advance consideration received from non-cancellable non-refundable contract liabilities relating to the sale of future products. Revenue recognized during the three and nine months ended March 31, 2024, which was included in the opening deferred revenue balance as of June 30, 2023, of \$ 304.4 million, was \$ 28.9 million and \$ 104.1 million, respectively.

Deferred revenue increased \$ 132.0 million as of March 31, 2024 as compared to the fiscal year ended June 30, 2023. This increase was mainly due to deferral on invoiced amounts for service contracts during the period exceeding the recognized revenue from contracts entered into in prior periods. This was accompanied by a \$ 24.7 million increase in non-cancellable non-refundable advance consideration or cash consideration received from customers which preceded the Company's satisfaction of the associated performance obligations relating to product sales expected to be fulfilled in the next 12 months.

Transaction Price Allocated to the Remaining Performance Obligations

Remaining performance obligations represent in aggregate the amount of transaction price that has been allocated to performance obligations not delivered, or only partially delivered, as of the end of the reporting period. The Company applies the exemption to not disclose information about remaining performance obligations that are part of a contract that has an original expected duration of one year or less. These performance obligations generally consist of services, such as on-site services, including integration services and extended warranty services that are contracted for one year or less, and products for which control has not yet been transferred. The value of the transaction price allocated to remaining performance obligations as of March 31, 2024 was approximately \$ 436.5 million. The Company expects to recognize approximately 53 % of remaining performance obligations as revenue in the next 12 months, and the remainder thereafter.

**SUPER MICRO COMPUTER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(Unaudited)**

**Note 3. Net Income Per Common Share**

The following table shows the computation of basic and diluted net income per common share for the three and nine months ended March 31, 2024 and 2023 (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2024	2023	2024	2023
<b>Numerator:</b>				
Net income - basic	\$ 402,459	\$ 85,846	\$ 855,422	\$ 446,429
Convertible notes interest charge, net of tax	385	—	385	—
Net income - diluted	\$ 402,844	\$ 85,846	\$ 855,807	\$ 446,429
<b>Denominator:</b>				
Weighted-average shares outstanding - basic	56,478	53,280	54,562	53,011
Effect of dilutive convertible notes	471	—	155	—
Effect of dilutive securities	4,482	2,953	4,172	2,785
Weighted-average shares outstanding - diluted	<u>61,431</u>	<u>56,233</u>	<u>58,889</u>	<u>55,796</u>
Net income per common share - basic	\$ 7.13	\$ 1.61	\$ 15.68	\$ 8.42
Net income per common share - diluted	\$ 6.56	\$ 1.53	\$ 14.53	\$ 8.00

For the three and nine months ended March 31, 2024 and 2023, the Company had stock options and restricted stock units ("RSUs") outstanding that could potentially dilute basic earnings per share in the future, but were excluded from the computation of diluted net income per share in the periods presented, as their effect would have been anti-dilutive. The anti-dilutive common share equivalents resulting from outstanding equity awards were 8,804 and 187,358 for the three months ended March 31, 2024 and 2023, respectively, and 310,463 and 235,494 for the nine months ended March 31, 2024 and 2023, respectively.

Potentially dilutive common shares issuable upon conversion of our outstanding convertible notes are determined using the if-converted method.

**SUPER MICRO COMPUTER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(Unaudited)**

**Note 4. Balance Sheet Components**

The following tables provide details of the selected balance sheet items (in thousands):

**Cash, Cash Equivalents and Restricted Cash:**

	March 31, 2024	June 30, 2023
Cash and cash equivalents	\$ 2,115,476	\$ 440,459
Restricted cash included in other assets	506	501
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 2,115,982</b>	<b>\$ 440,960</b>

**Inventories:**

	March 31, 2024	June 30, 2023
Finished goods	\$ 2,984,698	\$ 1,045,177
Work in process	640,525	71,874
Purchased parts and raw materials	499,364	328,513
<b>Total inventories</b>	<b>\$ 4,124,587</b>	<b>\$ 1,445,564</b>

**Property, Plant, and Equipment:**

	March 31, 2024	June 30, 2023
Land	\$ 149,394	\$ 86,642
Buildings	163,510	143,496
Machinery and equipment	145,549	130,151
Building and leasehold improvements	65,185	59,634
Furniture and fixtures	40,429	36,303
Software	23,935	23,098
Building construction in progress	6,432	303
	594,434	479,627
Accumulated depreciation and amortization	( 208,868 )	( 189,387 )
<b>Property, plant and equipment, net</b>	<b>\$ 385,566</b>	<b>\$ 290,240</b>

**Accrued Liabilities:**

	March 31, 2024	June 30, 2023
Customer deposits	\$ 73,786	\$ 16,577
Accrued payroll and related expenses	54,745	53,439
Contract manufacturers liabilities	27,496	23,634
Accrued cooperative marketing expenses	13,536	9,744
Accrued warranty costs	10,028	9,079
Operating lease liability	8,154	7,292
Other	102,625	44,100
<b>Total accrued liabilities</b>	<b>\$ 290,370</b>	<b>\$ 163,865</b>

**SUPER MICRO COMPUTER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(Unaudited)**

**Product Warranties:**

	Three Months Ended		Nine Months Ended	
	March 31, 2024	2023	March 31, 2024	2023
Balance, beginning of the period	\$ 16,616	\$ 13,276	\$ 14,859	\$ 12,136
Provision for warranty	13,176	9,419	36,220	26,969
Costs utilized	( 12,423 )	( 8,100 )	( 33,813 )	( 25,126 )
Change in estimated liability for pre-existing warranties	273	377	376	993
Balance, end of the period	17,642	14,972	17,642	14,972
Current portion	10,028	9,704	10,028	9,704
Non-current portion	\$ 7,614	\$ 5,268	\$ 7,614	\$ 5,268

**Note 5. Fair Value Disclosure**

The financial instruments of the Company measured at fair value on a recurring basis are included in cash equivalents, other assets and accrued liabilities. The Company classifies its financial instruments, except for its investment in an auction rate security, within Level 1 or Level 2 in the fair value hierarchy because the Company uses quoted prices in active markets or alternative pricing sources and models using market observable inputs to determine their fair value.

The Company's investment in an auction rate security is classified within Level 3 of the fair value hierarchy as the determination of its fair value was not based on observable inputs as of March 31, 2024 and June 30, 2023. The Company is using the discounted cash flow method to estimate the fair value of the auction rate security at each period end and the following assumptions: (i) the expected yield based on observable market rate of similar securities, (ii) the security coupon rate that is reset monthly, (iii) the estimated holding period and (iv) a liquidity discount. The liquidity discount assumption is based on the management estimate of lack of marketability discount of similar securities and is determined based on the analysis of financial market trends over time, recent redemptions of securities and other market activities.

*Financial Instruments Measured on a Recurring Basis*

The following table sets forth the Company's financial instruments as of March 31, 2024 and June 30, 2023, which are measured at fair value on a recurring basis by level within the fair value hierarchy. These are classified based on the lowest level of input that is significant to the fair value measurement (in thousands):

<u>March 31, 2024</u>	Asset at Fair Value			
	Level 1	Level 2	Level 3	Fair Value
<b>Assets</b>				
Money market funds <sup>(1)</sup>	\$ 313	\$ —	\$ —	\$ 313
Certificates of deposit	—	489	—	489
Investment in marketable equity security	2,652	—	—	2,652
Auction rate security	—	—	1,843	1,843
<b>Total assets measured at fair value</b>	<b>\$ 2,965</b>	<b>\$ 489</b>	<b>\$ 1,843</b>	<b>\$ 5,297</b>

<u>June 30, 2023</u>	Asset at Fair Value			
	Level 1	Level 2	Level 3	Fair Value
<b>Assets</b>				
Money market funds <sup>(1)</sup>	\$ 20,823	\$ —	\$ —	\$ 20,823
Certificates of deposit	—	462	—	462
Auction rate security	—	—	1,843	1,843
<b>Total assets measured at fair value</b>	<b>\$ 20,823</b>	<b>\$ 462</b>	<b>\$ 1,843</b>	<b>\$ 23,128</b>

**SUPER MICRO COMPUTER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(Unaudited)**

(1) \$ 0.1 million and \$ 20.6 million in money market funds are included cash and cash equivalents and \$ 0.2 million and \$ 0.2 million in money market funds are included in restricted cash, non-current in other assets in the condensed consolidated balance sheets as of March 31, 2024 and June 30, 2023, respectively.

The carrying amounts reported in the condensed consolidated balance sheets for cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued liabilities approximate their fair values. The investment in marketable equity security is carried at fair value using values available on a public exchange and is based on a Level 1 input. The unrealized gains and losses of the investment is included in earnings. The condensed consolidated statement of operations for the three and nine months ended March 31, 2024, includes an unrealized loss of \$ 1.5 million and \$ 2.3 million, respectively, which have been recorded in Other income, net.

On a quarterly basis, the Company also evaluates the current expected credit loss by considering factors such as historical experience, market data, issuer-specific factors, and current economic conditions. For the three and nine months ended March 31, 2024, the credit losses related to the Company's investments were not material.

There was immaterial movement in the balances of the Company's financial assets measured at fair value on a recurring basis, consisting of investment in an auction rate security, using significant unobservable inputs (Level 3) for the three and nine months ended March 31, 2024 and 2023.

There were no transfers between Level 1, Level 2 or Level 3 financial instruments in the three and nine months ended March 31, 2024 and 2023.

The following is a summary of the Company's investment in an auction rate security as of March 31, 2024 and June 30, 2023 (in thousands):

	Cost Basis	Gross		Gross		Fair Value
		Unrealized Holding Gains	Holding Losses	Unrealized Holding Losses		
Auction rate security	\$ 1,750	\$ 287	\$ (194)	\$ 1,843		

No gain or loss was recognized in other comprehensive income for the auction rate security for the three and nine months ended March 31, 2024 and 2023.

The Company measures the fair value of outstanding lines of credit and term loans for disclosure purposes on a recurring basis. As of March 31, 2024 and June 30, 2023, total lines of credit and term loans of \$ 167.2 million and \$ 290.3 million, respectively, was reported at amortized cost. This outstanding balance was classified as Level 2 as it was not actively traded. The amortized cost of the outstanding lines of credit and term loans approximates the fair value.

#### *Convertible notes*

The estimated fair value of the Company's 0 % convertible senior notes due 2029 (the "Convertible Notes") was \$ 1,911.6 million as of March 31, 2024. The Company measures the fair value of its convertible notes for disclosure purposes on a recurring basis. The estimated fair value of the Convertible Notes was determined through consideration of quoted market prices. The fair value of the Convertible Notes are categorized in Level 2 of the fair value hierarchy.

#### *Other Financial Assets - Investments in Non-Marketable Equity Securities*

The Company's non-marketable equity securities are investments in privately held companies without readily determinable fair values in the amount of \$ 22.6 million and \$ 1.7 million as of March 31, 2024 and June 30, 2023, respectively. The Company accounts for these investments at cost less impairment, if any, plus or minus changes from observable price changes in orderly transactions for the identical or similar investments by the same issuer. During the three and nine months ended March 31, 2024, the Company performed a qualitative assessment and identified impairment indicators. The Company recorded a \$ 0.0 million and \$ 1.8 million impairment during the three and nine months ended March 31, 2024, respectively, in Other income, net on the condensed consolidated statement of operations. The Company did not have any impairment to the carrying values of the non-marketable equity securities during the three and nine months ended March 31, 2023.

**SUPER MICRO COMPUTER, INC.**  
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**Note 6. Lines of Credit and Term Loans**

Short-term and long-term loan obligations as of March 31, 2024 and June 30, 2023 consisted of the following (in thousands):

	<b>March 31, 2024</b>	<b>June 30, 2023</b>
<b>Line of credit:</b>		
2018 Bank of America Credit Facility	\$ —	\$ —
2022 Bank of America Credit Facility	—	—
Cathay Bank Line of Credit	—	131,583
2024 CTBC Credit Lines	24,994	—
Chang Hwa Bank Credit Facility	—	—
2023 HSBC Bank Credit Lines	8,217	—
2022 E.SUN Bank Credit Facility	—	—
Mega Bank Credit Facility	7,186	—
<b>Total line of credit</b>	<b>40,397</b>	<b>131,583</b>
<b>Term loan facilities:</b>		
Chang Hwa Bank Credit Facility due October 15, 2026	20,178	26,853
CTBC Term Loan Facility, due June 4, 2030	33,029	38,208
2021 CTBC Credit Lines, due August 15, 2026	3,493	4,721
2021 E.SUN Bank Credit Facility, due September 15, 2026	24,995	33,513
2022 ESUN Bank Credit Facility, due August 15, 2027	13,877	16,756
Mega Bank Credit Facility, due September 15, 2026	31,243	38,668
<b>Total term loans</b>	<b>126,815</b>	<b>158,719</b>
<b>Total lines of credit and term loans</b>	<b>167,212</b>	<b>290,302</b>
<b>Lines of credit and current portion of term loans</b>	<b>81,566</b>	<b>170,123</b>
<b>Term loans, non-current</b>	<b>\$ 85,646</b>	<b>\$ 120,179</b>

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*Activities under Revolving Lines of Credit and Term Loans*

Available borrowings and interest rates as of March 31, 2024 and June 30, 2023 consisted of the following (in thousands except for percentages):

	March 31, 2024		June 30, 2023	
	Available borrowings	Interest rate	Available borrowings	Interest rate
<b>Line of credit:</b>				
2018 Bank of America Credit Facility	\$ 350,000	7.06 %	\$ 350,000	6.57 %
2022 Bank of America Credit Facility	\$ 20,000	6.49 %	\$ 20,000	3.36 %
Cathay Bank Line of Credit	\$ 132,000	7.50 %	\$ 417	7.08 %
2022 CTBC Credit Lines	\$ —	—	\$ 105,000	3.33 %
2024 CTBC Credit Lines	\$ 160,006	1.94 % - 6.26 %	\$ —	—
Chang Hwa Bank Credit Facility	\$ 20,000	6.30 %	\$ 20,000	6.58 %
2023 HSBC Bank Credit Lines	\$ 41,783	2.03 % - 6.37 %	\$ 50,000	4.50 %
2022 E.SUN Bank Credit Facility	\$ 30,000	6.67 %	\$ 30,000	4.18 %
Mega Bank Credit Facility	\$ 12,814	1.90 % - 1.91 %	\$ 20,000	2.55 %
<b>Term loan facilities:</b>				
Chang Hwa Bank Credit Facility due October 15, 2026	\$ —	1.68 %	\$ —	1.55 %
CTBC Term Loan Facility, due June 4, 2030	\$ —	1.33 %	\$ —	1.20 %
2021 CTBC Credit Lines, due August 15, 2026	\$ —	1.53 %	\$ —	1.40 %
2021 E.SUN Bank Credit Facility, due September 15, 2026	\$ —	1.87 %	\$ 7,734	1.75 %
2022 ESUN Bank Credit Facility, due August 15, 2027	\$ —	1.87 %	\$ —	1.75 %
Mega Bank Credit Facility, due September 15, 2026	\$ —	1.52 % - 1.72 %	\$ —	1.40 % - 1.60 %

See "Part II. Item 8. Financial Statements and Supplementary Data – Note 7. Short-term and Long-term Debt" of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2023 for a more complete description of the Company's credit facilities.

The Company entered into new agreements during the nine months ended March 31, 2024 with the following terms:

**SUPER MICRO COMPUTER, INC.**  
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CTBC Bank

*2024 CTBC Bank Credit Lines*

On February 16, 2024 (the "Effective Date"), the Company's Taiwan subsidiary entered into a new general agreement for omnibus credit lines with CTBC Bank. This agreement (which changed arrangements which had been entered into with CTBC Bank in September 2023), increased the aggregate total borrowings under the various individual credit arrangements with CTBC Bank from \$ 105.0 million to \$ 185.0 million. The credit arrangements under such general agreement now include the previous issued long and medium term loan facility of NTD 1,550.0 million entered in 2021 and 2020 (the "Long and Medium Loan Facility"), and each of (i) a short-term loan and guarantee line providing credit of up to NTD 1,250.0 million and NTD 100.0 million, respectively (the "NTD Short Term Loan/Guarantee Line"), (ii) a short-term loan providing a line of credit of up to \$ 40.0 million (the "USD Short Term Loan Line"), (iii) an export/import o/a loan line providing a line of credit of up to \$ 105.0 million for exports and \$ 50.0 million for imports (the "Export/Import Line") and (iv) an import o/a loan line of credit of up to \$ 80.0 million available through August 31, 2024 (the "Incremental Import Line," and, together with the NTD Short Term Loan/Guarantee Line, the USD Short Term Loan Line, and the Export/Import Line, the "Increased CTBC Credit Lines"). Aggregate borrowings under all the Increased CTBC Credit Lines is subject to a cap of \$ 185.0 million.

Interest rates under each of the individual Increased CTBC Credit Lines are to be established according to individual credit arrangements, which interest rates shall be subject to adjustment depending on the satisfaction of certain conditions. Each of the NTD Short Term Loan/Guarantee Line and USD Short Term Loan Line continue to be secured by certain of the Company's Taiwan subsidiary's assets, including certain property, land, and plant. The tenor of the Incremental Import Line provides for availability until August 31, 2024 with a final drawdown date of October 30, 2024. Such Incremental Import Line, which is reviewed quarterly for cancellation by the CTBC Bank, is also subject to an average usage requirement and fee for retaining the underutilized portion of such line. For the Long and Medium Loan Facility, the Taiwan subsidiary is subject to various financial covenants, including current ratio, debt service coverage ratio, and financial debt ratio requirements. In the event the Taiwan subsidiary does not satisfy such financial covenants, CTBC Bank is permitted to, among other things, reduce the permitted total borrowings to a cap of \$ 70.0 million from \$ 105.0 million. Additional covenants require, among other things, the Company to maintain ownership of all of the capital stock of the Taiwan subsidiary and prohibit secondary mortgages on certain assets securing various of the Increased CTBC Credit Lines. The Increased CTBC Credit Lines have customary default provisions permitting CTBC Bank to suspend the extension of credit, reduce the credit line, shorten the credit extension term, or declare all principal and interest amounts immediately due and payable.

The Company's Taiwan subsidiary intends to use borrowings under the Increased CTBC Credit Lines in connection with financing of eligible accounts receivable and accounts payable (vendor invoices).

As of March 31, 2024, the outstanding borrowings under the 2024 CTBC Bank Credit Lines were \$ 25.0 million. The interest rate for these loans were 1.94 % - 6.26 % per annum as of March 31, 2024.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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HSBC Bank

*2023 HSBC Bank Credit Lines*

On December 7, 2023, the Company's Taiwan subsidiary entered into a new Facility Letter with the Taiwan affiliate of HSBC Bank. The New Facility Letter is substantially identical to the prior Facility Letter entered into with HSBC Bank on February 7, 2023. The New Facility Letter permits borrowings up to a combined aggregate limit of \$ 50 million which may be comprised of borrowings under a New Taiwan Dollar revolving facility with a sub-limit of NTD 300 million (the "NTD Revolver") and an export/seller facility with a sub-limit of \$ 50 million (the "Export/Seller Facility", and together with the NTD Revolver, the "HSBC Bank Credit Lines"). Interest under both the NTD Revolver and Export/Seller Facility is based on HSBC Bank's base rate plus a fixed margin, subject to adjustment under certain circumstances. Interest payments thereunder are due on a monthly basis, or such other interest period as agreed by HSBC Bank, and principal is repayable on the due date.

Amounts due under the New Facility Letter are currently not secured, but subject to HSBC Bank's right of set-off and right to repayment on demand and call for cash coverage.

As of March 31, 2024, the outstanding borrowings under HSBC Bank Credit Lines were \$ 8.2 million. The interest rates for these loans were 2.03 % - 6.37 % per annum as of March 31, 2024.

Principal payments on lines of credit and term loans are due as follows (in thousands):

<b>Fiscal Year Principal Payments</b>		
Remainder of 2024	\$	50,69
2025	41,16	
2026	41,16	
2027	17,88	
2028	6,03	
2029 and thereafter	10,26	
<b>Total lines of credit and term loans</b>	<b>\$</b>	<b>167,21</b>

The Company is in compliance with all the covenants for the outstanding loans.

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**Note 7. Convertible Notes**

**2029 Convertible Notes**

In February 2024, the Company issued \$ 1,725.0 million aggregate principal amount of Convertible Notes. The Company received net proceeds from the offering of approximately \$ 1,695.8 million. The Company used approximately \$ 142.1 million of the net proceeds to fund the cost of entering into the Capped Call Transactions described below. The Convertible Notes will mature on March 1, 2029.

The Convertible Notes do not bear regular interest, and the principal amount of the Convertible Notes do not accrete. The Convertible Notes are convertible into cash, shares of the Company's common stock, or a combination of cash and shares of common stock, at the Company's election, at an initial conversion rate of 0.7455 shares of common stock per \$1,000 principal amount of Convertible Notes, which is equivalent to an initial conversion price of \$ 1,341.38 per share of common stock. The conversion rate is subject to customary adjustments for certain events as described in the indenture governing the Convertible Notes (the "Indenture"). Special interest and additional interest will accrue on the Convertible Notes in the circumstances and at the rates described in the Indenture. The debt issuance costs are amortized to interest expense. The Convertible Notes do not contain financial maintenance covenants.

Holders may convert their Convertible Notes at their option only in the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on June 30, 2024, if the last reported sale price per share of the Company's common stock exceeds 130 % of the conversion price for each of at least 20 trading days during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (2) during the five consecutive business days immediately after any five consecutive trading day period (such five consecutive trading day period, the "measurement period") in which the trading price per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98 % of the product of the last reported sale price per share of Company's common stock on such trading day and the conversion rate on such trading day; (3) upon the occurrence of certain corporate events or distributions on the Company's common stock, as described in the Indenture; (4) if the Company calls such notes for redemption; and (5) at any time from, and including, September 1, 2028 until the close of business on the second scheduled trading day immediately before the maturity date.

If the Company undergoes a fundamental change (as defined in the Indenture), subject to certain conditions, holders may require the Company to repurchase for cash all or any portion of their Convertible Notes, at a fundamental change repurchase price equal to 100 % of the principal amount of the Convertible Notes to be repurchased, plus any accrued and unpaid special interest and additional interest, if any, up to, but excluding, the fundamental change repurchase date. In addition, following certain corporate events or if the Company issues a notice of redemption, it will, under certain circumstances, increase the conversion rate for holders who elect to convert their Convertible Notes in connection with such corporate event or during the relevant redemption period.

The Convertible Notes are redeemable, in whole or in part (subject to certain limitations), for cash at the Company's option at any time, and from time to time, on or after March 1, 2027 and on or before the 20 th scheduled trading day immediately before the maturity date, but only if the last reported sale price per share of the Company's common stock exceeds 130 % of the conversion price for a specified period of time. The redemption price will be equal to the principal amount of the notes to be redeemed, plus accrued and unpaid special and additional interest, if any, to, but excluding, the redemption date.

The Convertible Notes have customary provisions relating to the occurrence of "events of default" (as defined in the Indenture). The occurrence of such events of default may result in the acceleration of all amounts due under the Convertible Notes. The Convertible Notes were not eligible for conversion as of March 31, 2024. No sinking fund is provided for the Convertible Notes.

**SUPER MICRO COMPUTER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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The Convertible Notes are general unsecured obligations of the Company and rank senior in right of payment to all of the Company's existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment with all of the Company's existing and future senior, unsecured indebtedness; effectively subordinated to any of the Company's existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness; and structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, and (to the extent the Company is not a holder thereof) preferred equity if any, of the Company's current or future subsidiaries. As of March 31, 2024, none of the conditions permitting the holders of the Convertible Notes to convert their notes early had been met. Therefore, the Convertible Notes are classified as long-term.

The Company accounted for the issuance of the Convertible Notes as a single liability measured at its amortized cost, as no other embedded features require bifurcation and recognition as derivatives.

The carrying value of the Convertible Notes, net of unamortized issuance costs of \$ 28.7 million, was \$ 1,696.3 million as of March 31, 2024. Interest expense related to the amortization of debt issuance costs was \$ 0.5 million for the quarter ended March 31, 2024. The effective interest rate is 0.34 %.

#### *Capped Calls*

In connection with the issuance of the Convertible Notes, the Company entered into privately negotiated capped call transactions (collectively, the "Capped Call Transactions") with certain financial institutions (the "Capped Call Counterparties"). The Capped Call Transactions are expected generally to reduce the potential dilution to the Company's common stock upon conversion of the Convertible Notes and/or offset any potential cash payments the Company is required to make in excess of the principal amount of the Convertible Notes, as the case may be, with such reduction and/or offset, in each case subject to a cap.

The Capped Call Transactions have an initial strike price of \$ 1,341.38 per share, subject to certain adjustments, which corresponds to the initial conversion price of the Convertible Notes. The cap price of the Capped Call Transactions was initially \$ 1,951.04 per share of common stock, representing a premium of approximately 100 % above the last reported sale price of \$ 975.52 per share of common stock on February 22, 2024, and is subject to certain adjustments under the terms of the Capped Call Transactions.

For accounting purposes, each Capped Call Transaction is a separate transaction, and not part of the terms of the Convertible Notes. As these transactions meet certain accounting criteria, the Capped Call Transactions of \$ 142.1 million are recorded in stockholders' equity and are not accounted for as derivatives. The Capped Call Transactions will not be remeasured as long as they continue to meet the conditions for equity classification. The Convertible Notes and the Capped Call Transactions will be integrated for tax purposes. The accounting impact of this tax treatment results in the Capped Call Transactions being deductible with the cost of the Capped Call Transactions qualifying as original issue discount for tax purposes over the term of the Convertible Notes.

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**Note 8. Leases**

The Company leases offices, warehouses and other premises, vehicles and certain equipment leased under non-cancelable operating leases. Operating lease expense recognized and supplemental cash flow information related to operating leases for the three and nine months ended March 31, 2024 and 2023 were as follows (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Operating lease expense (including expense for lease agreements with related parties of \$ 86 and \$ 139 for the three months ended March 31, 2024 and 2023, respectively, and \$ 363 and \$ 422 for the nine months ended March 31, 2024 and 2023, respectively)	\$ 2,538	\$ 2,129	\$ 7,076	\$ 6,354
Cash payments for operating leases (including payments to related parties of \$ 75 and \$ 134 for the three months ended March 31, 2024 and 2023, respectively, and \$ 333 and \$ 391 for the nine months ended March 31, 2024 and 2023, respectively)	\$ 2,469	\$ 2,146	\$ 6,756	\$ 6,209
New operating lease assets obtained in exchange for operating lease liabilities	\$ 22,301	\$ 655	\$ 24,140	\$ 1,679

On January 31, 2024, the Company entered into a lease for approximately 260,000 square feet of space in San Jose, California for a term of 79 months. The Company commenced lease payments and accepted the premises, which it is utilizing as warehouse space, in March 2024. Aggregate payment under the lease is approximately \$ 0.3 million per month, subject to an annual increase of 3 %. On February 9, 2024, the Company consummated the purchase of certain real estate for \$ 80.0 million in San Jose, California. Such purchased real estate was previously under lease, leading to the de-recognition of the related ROU asset of \$ 7.9 million and lease liability of \$ 8.3 million.

During the three and nine months ended March 31, 2024 and 2023, the Company's costs related to short-term lease arrangements for real estate and non-real estate assets were immaterial. Non-lease variable payments expensed in the three and nine months ended March 31, 2024 were \$ 0.6 million and \$ 1.6 million, respectively. Non-lease variable payments expensed in the three and nine months ended March 31, 2023 were \$ 0.5 million and \$ 1.3 million, respectively.

As of March 31, 2024, the weighted average remaining lease term for operating leases was 4.8 years and the weighted average discount rate was 5.0 %. Maturities of operating lease liabilities under noncancelable operating lease arrangements as of March 31, 2024 were as follows (in thousands):

Fiscal Year:	Maturities of operating leases
Remainder of 2024	\$ 2,165
2025	10,692
2026	7,628
2027	6,013
2028	5,001
2029 and beyond	9,139
Total future lease payments	40,638
Less: Imputed interest	( 4,215 )
Present value of operating lease liabilities	\$ 36,423

The Company has entered into lease agreements with related parties. See Part I, Item 1, Note 9, "Related Party Transactions," for a further discussion.

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**Note 9. Related Party Transactions**

The Company has a variety of business relationships with Ablecom and Compuware. Ablecom and Compuware are both Taiwan corporations. Ablecom is one of the Company's major contract manufacturers; Compuware is both a distributor of the Company's products and a contract manufacturer for the Company. Ablecom's Chief Executive Officer, Steve Liang, is the brother of Charles Liang, the Company's President, Chief Executive Officer and Chairman of the Board. Steve Liang and his family members owned approximately 36.0 % of Ablecom's stock and Charles Liang and his spouse, Sara Liu, who is also an officer and director of the Company, collectively owned approximately 10.5 % of Ablecom's capital stock as of March 31, 2024. Bill Liang, a brother of both Charles Liang and Steve Liang, is a member of the Board of Directors of Ablecom. Bill Liang is also the Chief Executive Officer of Compuware, a member of Compuware's Board of Directors and a holder of a significant equity interest in Compuware. Steve Liang is also a member of Compuware's Board of Directors and is an equity holder of Compuware. Neither Charles Liang nor Sara Liu own any capital stock of Compuware and the Company does not own any of Ablecom or Compuware's capital stock. In addition, a sibling of Yih-Shyan (Wally) Liaw, who is our Senior Vice President, Business Development and a director, owns approximately 11.7 % of Ablecom's capital stock and 8.7 % of Compuware's capital stock.

*Dealings with Ablecom*

The Company has entered into a series of agreements with Ablecom, including multiple product development, production and service agreements, product manufacturing agreements, manufacturing services agreements and lease agreements for warehouse space.

Under these agreements, the Company outsources to Ablecom a portion of its design activities and a significant part of its server chassis manufacturing as well as an immaterial portion of other components. Ablecom manufactured approximately 95.2 % and 96.3 % of the chassis included in the products sold by the Company during the three months ended March 31, 2024 and 2023, respectively, and 92.7 % and 93.0 % of the chassis included in the products sold by the Company during the nine months ended March 31, 2024 and 2023, respectively. With respect to design activities, Ablecom generally agrees to design certain agreed-upon products according to the Company's specifications, and further agrees to build the tools needed to manufacture the products. The Company pays Ablecom for the design and engineering services, and further agrees to pay Ablecom for the tooling. The Company retains full ownership of any intellectual property resulting from the design of these products and tooling.

With respect to the manufacturing aspects of the relationship, Ablecom purchases most of materials needed to manufacture the chassis from third parties and the Company provides certain components used in the manufacturing process (such as power supplies) to Ablecom through consignment or sales transactions. Ablecom uses these materials and components to manufacture the completed chassis and then sell them back to the Company. For the components purchased from the Company, Ablecom sells the components back to the Company at a price equal to the price at which the Company sold the components to Ablecom. The Company and Ablecom frequently review and negotiate the prices of the chassis the Company purchases from Ablecom. In addition to inventory purchases, the Company also incurs other costs associated with design services, tooling and other miscellaneous costs from Ablecom.

The Company's exposure to financial loss as a result of its involvement with Ablecom is limited to potential losses on its purchase orders in the event of an unforeseen decline in the market price and/or demand of the Company's products such that the Company incurs a loss on the sale or cannot sell the products. Outstanding cancellable and non-cancellable purchase orders from the Company to Ablecom on March 31, 2024 were \$ 113.7 million and \$ 48.4 million, respectively, and outstanding cancellable and non-cancellable purchase orders from the Company to Ablecom on June 30, 2023 were \$ 37.4 million and \$ 23.7 million, respectively, effectively representing the exposure to financial loss. The Company does not directly or indirectly guarantee any obligations of Ablecom, or any losses that the equity holders of Ablecom may suffer. Since Ablecom manufactures substantially all the chassis that the Company incorporates into its products, if Ablecom were to suddenly be unable to manufacture chassis for the Company, the Company's business could suffer if the Company is unable to quickly qualify substitute suppliers who can supply high-quality chassis to the Company in volume and at acceptable prices.

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*Dealings with Compuware*

The Company has entered into a distribution agreement with Compuware, under which the Company appointed Compuware as a non-exclusive distributor of the Company's products in Taiwan, China and Australia. Compuware assumes the responsibility to install the Company's products at the site of the end customer, if required, and administers customer support in exchange for a discount from the Company's standard price for its purchases.

The Company also has entered into a series of agreements with Compuware, including multiple product development, production and service agreements, product manufacturing agreements, and lease agreements for office space.

Under these agreements, the Company outsources to Compuware a portion of its design activities and a significant part of its power supplies manufacturing as well as an immaterial portion of other components. With respect to design activities, Compuware generally agrees to design certain agreed-upon products according to the Company's specifications, and further agrees to build the tools needed to manufacture the products. The Company pays Compuware for the design and engineering services, and further agrees to pay Compuware for the tooling. The Company retains full ownership of any intellectual property resulting from the design of these products and tooling. With respect to the manufacturing aspects of the relationship, Compuware purchases most of materials needed to manufacture the power supplies from outside markets and uses these materials to manufacture the products and then sell those products to the Company. The Company and Compuware frequently review and negotiate the prices of the power supplies the Company purchases from Compuware.

Compuware also manufactures motherboards, backplanes and other components used on printed circuit boards for the Company. The Company sells to Compuware most of the components needed to manufacture the above products. Compuware uses the components to manufacture the products and then sells the products back to the Company at a purchase price equal to the price at which the Company sold the components to Compuware, plus a "manufacturing value added" fee and other miscellaneous material charges and costs including overhead and labor. The Company and Compuware frequently review and negotiate the amount of the "manufacturing value added" fee that will be included in the price of the products the Company purchases from Compuware. In addition to the inventory purchases, the Company also incurs costs associated with design services, tooling assets, and miscellaneous costs.

The Company's exposure to financial loss as a result of its involvement with Compuware is limited to potential losses on its purchase orders in the event of an unforeseen decline in the market price and/or demand of the Company's products such that the Company incurs a loss on the sale or cannot sell the products. Outstanding cancellable and non-cancellable purchase orders from the Company to Compuware on March 31, 2024 were \$ 147.7 million and \$ 52.1 million, respectively, and outstanding cancellable and non-cancellable purchase orders from the Company to Compuware on June 30, 2023 were \$ 156.2 million and \$ 46.8 million, respectively, effectively representing the exposure to financial loss. The Company does not directly or indirectly guarantee any obligations of Compuware, or any losses that the equity holders of Compuware may suffer.

*Dealings with Investment in a Corporate Venture*

In October 2016, the Company entered into agreements pursuant to which the Company contributed certain technology rights in connection with an investment in a privately-held company (the "Corporate Venture") located in China to expand the Company's presence in China. The Corporate Venture is 30 % owned by the Company and 70 % owned by another company in China. The transaction was closed in the third fiscal quarter of 2017 and the investment is accounted for using the equity method. As such, the Corporate Venture is also a related party.

The Company monitors the investment for events or circumstances indicative of potential impairment and makes appropriate reductions in carrying values if it determines that an impairment charge is required. The carrying value of the equity investment in the corporate venture was \$ 5.1 million and \$ 2.0 million as of March 31, 2024 and June 30, 2023, respectively. The Company does not believe that the equity investment carrying value is impaired as of March 31, 2024 and June 30, 2023. No impairment charge was recorded for the three and nine months ended March 31, 2024 and 2023.

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The Company sold products worth \$ 4.3 million and \$ 6.4 million to the Corporate Venture during the three months ended March 31, 2024 and 2023, respectively, and \$ 16.5 million and \$ 23.6 million to the Corporate Venture during the nine months ended March 31, 2024 and 2023, respectively. The Company's share of intra-entity profits on the products that remained unsold by the Corporate Venture as of March 31, 2024 and June 30, 2023 have been eliminated and have reduced the carrying value of the Company's investment in the Corporate Venture. To the extent that the elimination of intra-entity profits reduces the investment balance below zero, such amounts are recorded within accrued liabilities. The Company had \$ 0.8 million and \$ 1.9 million due from the Corporate Venture in accounts receivable, net as of March 31, 2024 and June 30, 2023, respectively.

The Company had the following balances related to transactions with its related parties as of March 31, 2024 and June 30, 2023 (in thousands):

	Ablecom		Compuware		Corporate Venture		Total	
	March 31, 2024	June 30, 2023	March 31, 2024	June 30, 2023	March 31, 2024	June 30, 2023	March 31, 2024	June 30, 2023
Accounts receivable	\$ 3	\$ 2	\$ 268	\$ 3,528	\$ 839	\$ 1,943	\$ 1,110	\$ 5,473
Other receivable <sup>(1)</sup>	\$ 1,819	\$ 2,841	\$ 28,430	\$ 24,891	—	—	\$ 30,249	\$ 27,732
Accounts payable	\$ 54,191	\$ 35,711	\$ 48,391	\$ 53,423	—	—	\$ 102,582	\$ 89,134
Accrued liabilities <sup>(2)</sup>	\$ 692	\$ 1,230	\$ 18,106	\$ 12,787	—	—	\$ 18,798	\$ 14,017

(1) Other receivables include receivables from vendors included in prepaid and other current assets.

(2) Includes current portion of operating lease liabilities included in other current liabilities.

The Company's results from transactions with its related parties for each of the three months ended March 31, 2024 and 2023, are as follows (in thousands):

	Ablecom		Compuware		Corporate Venture		Total	
	Three months ended March 31,		Three months ended March 31,		Three months ended March 31,		Three months ended March 31,	
	2024	2023	2024	2023	2024	2023	2024	2023
Net sales	\$ 2	\$ 2	\$ 21,501	\$ 2,826	\$ 4,301	\$ 6,360	\$ 25,804	\$ 9,188
Purchases - inventory	\$ 65,933	\$ 33,637	\$ 64,464	\$ 54,095	—	—	\$ 130,397	\$ 87,732
Purchases - other								
miscellaneous items	\$ 4,401	\$ 2,329	\$ 343	\$ 541	—	—	\$ 4,744	\$ 2,870

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The Company's results from transactions with its related parties for each of the nine months ended March 31, 2024 and 2023, are as follows (in thousands):

	Ablecom		Compuware		Corporate Venture		Total	
	Nine months ended March 31,		Nine months ended March 31,		Nine months ended March 31,		Nine months ended March 31,	
	2024	2023	2024	2023	2024	2023	2024	2023
Net sales	\$ 8	\$ 6	\$ 42,498	\$ 30,699	\$ 16,474	\$ 23,611	\$ 58,980	\$ 54,316
Purchases - inventory	\$ 163,131	\$ 128,198	\$ 192,817	\$ 154,812	\$ —	\$ —	\$ 355,948	\$ 283,010
Purchases - other								
miscellaneous items	\$ 12,616	\$ 9,855	\$ 1,092	\$ 1,078	\$ —	\$ —	\$ 13,708	\$ 10,933

The Company's cash flow impact from transactions with its related parties for each of the nine months ended March 31, 2024 and 2023, are as follows (in thousands):

	Ablecom		Compuware		Corporate Venture		Total	
	Nine months ended March 31,		Nine months ended March 31,		Nine months ended March 31,		Nine months ended March 31,	
	2024	2023	2024	2023	2024	2023	2024	2023
Changes in accounts receivable	\$ (1)	\$ —	\$ 3,260	\$ 293	\$ 1,104	\$ 6,074	\$ 4,363	\$ 6,367
Changes in other receivable	\$ 1,022	\$ 627	\$ (3,539)	\$ (9,200)	\$ —	\$ —	\$ (2,517)	\$ (8,573)
Changes in accounts payable	\$ 18,480	\$ (14,094)	\$ (5,032)	\$ 2,852	\$ —	\$ —	\$ 13,448	\$ (11,242)
Changes in accrued liabilities	\$ (538)	\$ (1,734)	\$ 5,319	\$ 1,410	\$ —	\$ —	\$ 4,781	\$ (324)
Changes in other long-term liabilities	\$ —	\$ —	\$ (178)	\$ (241)	\$ —	\$ —	\$ (178)	\$ (241)
Purchases of property, plant and equipment	\$ 8,935	\$ 6,129	\$ 197	\$ 196	\$ —	\$ —	\$ 9,132	\$ 6,325
Unpaid property, plant and equipment	\$ 1,492	\$ 1,369	\$ —	\$ 22	\$ —	\$ —	\$ 1,492	\$ 1,391

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**Note 10. Stock-based Compensation and Stockholders' Equity**

***Equity Incentive Plan***

On June 5, 2020, the stockholders of the Company approved the 2020 Equity and Incentive Compensation Plan (the "Original 2020 Plan"). The maximum number of shares available under the Original 2020 Plan was 5,000,000 plus 1,045,000 shares of common stock that remained available for future awards under the 2016 Equity Incentive Plan (the "2016 Plan"), at the time of adoption of the Original 2020 Plan. No other awards can be granted under the 2016 Plan and 7,246,000 shares of common stock remained reserved for outstanding awards issued under the Original 2016 Plan at the time of adoption of the Original 2020 Plan. On May 18, 2022, the stockholders of the Company approved an amendment and restatement of the Original 2020 Plan which, among other things, increased the number of shares available for award under the 2020 Plan by an additional 2,000,000 shares.

On January 22, 2024, the stockholders of the Company approved a further amendment and restatement of the Original 2020 Plan (as amended and restated from time to time, the "2020 Plan") which, among other things, further increased the number of shares available for award under the 2020 Plan by an additional 1,500,000 shares.

Under the 2020 Plan, the Company can grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, dividend equivalents, and certain other awards, including those denominated or payable in, or otherwise based on, the Company's common stock. The exercise price per share for incentive stock options granted to employees owning shares representing more than 10 % of the Company's outstanding voting stock at the time of grant cannot be less than 110 % of the fair value of the underlying shares on the grant date. Nonqualified stock options and incentive stock options granted to all other persons are granted at a price not less than 100 % of the fair value. Options generally expire ten years after the date of grant. Stock options and RSUs generally vest over four years ; 25 % at the end of one year and one sixteenth per quarter thereafter.

As of March 31, 2024, the Company had 1,668,086 authorized shares available for future issuance under the 2020 Plan.

***Offerings of Common Stock***

On December 5, 2023, the Company completed a public offering of 2,415,805 shares of the Company's common stock at \$ 262.00 per share, with 2,315,105 shares sold by the Company and 100,700 shares sold by selling stockholders.

The Company received net proceeds of approximately \$ 582.8 million, after deducting underwriting discounts and commissions and offering expenses payable by the Company. The Company did not receive any proceeds from the sale of the shares of common stock by the selling stockholders.

On March 22, 2024, the Company completed a public offering of 2,000,000 shares of the Company's common stock at \$ 875.00 per share. The Company received net proceeds of \$ 1,731.5 million, after deducting underwriting discounts and commissions and offering expenses payable by the Company.

***Common Stock Repurchase and Retirement***

On August 3, 2022, after the expiration of a prior share repurchase program on July 31, 2022, a duly authorized subcommittee of the Company's Board approved a new share repurchase program to repurchase shares of the Company's common stock for up to \$ 200 million at prevailing prices in the open market. Under the common stock repurchase program, shares may be purchased from time to time in open market transactions, block trades, through plans established under the Securities Exchange Act Rule 10b5-1, or otherwise. The number of shares purchased and the timing of such purchases are based on working capital requirements, market and general business conditions, and other factors, including alternative investment opportunities.

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No shares were repurchased under the share repurchase program during the three and nine months ended March 31, 2024. The share repurchase program was effective until January 31, 2024, at which time the remaining unutilized portion of such program expired.

**Determining Fair Value**

The Company's fair value of RSUs is based on the closing market price of the Company's common stock on the date of grant. The Company estimates the fair value of stock options granted using the Black-Scholes-option-pricing model. This fair value is then amortized ratably over the requisite service periods of the awards, which is generally the vesting period. The key inputs in using the Black-Scholes-option-pricing model were as follows:

**Expected Term**—The Company's expected term represents the period that the Company's stock-based awards are expected to be outstanding and was determined based on the Company's historical experience.

**Expected Volatility**—Expected volatility is based on the Company's implied and historical volatility.

**Expected Dividend**—The Black-Scholes valuation model calls for a single expected dividend yield as an input and the Company has no plans to pay dividends.

**Risk-Free Interest Rate**—The risk-free interest rate used in the Black-Scholes valuation method is based on the United States Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of option.

The fair value of stock option grants for the three and nine months ended March 31, 2024 and 2023 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Risk-free interest rate	4.01 % - 4.09 %	3.52 %	4.01 % - 4.78 %	2.81 % - 4.25 %
Expected term	3.00 years - 5.99 years	6.07 years	3.00 years - 5.99 years	6.07 years
Dividend yield	— %	— %	— %	— %
Volatility	59.74 % - 64.55 %	51.61 %	56.87 % - 64.55 %	50.62 % - 51.68 %
Weighted-average fair value of options	\$ 290.08	\$ 41.50	\$ 205.79	\$ 35.06

The following table shows total stock-based compensation expense included in the condensed consolidated statements of operations for the three and nine months ended March 31, 2024 and 2023 (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Cost of sales	\$ 3,221	\$ 1,215	\$ 12,680	\$ 3,585
Research and development	24,856	8,097	86,005	23,549
Sales and marketing	4,993	1,214	14,998	3,471
General and administrative	23,037	3,126	42,864	11,042
Stock-based compensation expense before taxes	56,107	13,652	156,547	41,647
Income tax impact	( 47,023 )	( 3,444 )	( 72,641 )	( 8,165 )
Stock-based compensation expense, net	\$ 9,084	\$ 10,208	\$ 83,906	\$ 33,482

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As of March 31, 2024, \$ 95.9 million of unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 3.25 years and \$ 309.0 million of unrecognized compensation cost related to unvested RSUs is expected to be recognized over a weighted-average period of 2.72 years. As described below, there is no unrecognized compensation cost related to the 2021 CEO Performance Stock Option as of March 31, 2024. Additionally, \$ 36.9 million of unrecognized compensation cost related to the 2023 CEO Performance Stock Option is expected to be recognized over a period of 2.5 years.

**Stock Option Activity**

**2021 CEO Performance Award**

In March 2021, the Company's Compensation Committee of the Board of Directors (the "Compensation Committee") approved the grant of a stock option award for 1,000,000 shares of common stock to the Company's CEO (the "2021 CEO Performance Stock Option"). As of March 31, 2024, the 2021 CEO Performance Stock Option had fully vested based upon achievement of operational and stock price milestones as follows:

Annualized Revenue Milestone (in billions)	Achievement Status	Stock Price Milestone	Achievement Status
\$ 4.0	Achieved	\$ 45	Achieved <sup>(1)</sup>
\$ 4.8	Achieved	\$ 60	Achieved <sup>(2)</sup>
\$ 5.8	Achieved	\$ 75	Achieved <sup>(3)</sup>
\$ 6.8	Achieved	\$ 95	Achieved <sup>(4)</sup>
\$ 8.0	Achieved	\$ 120	Achieved <sup>(5)</sup>

- (1) The vesting of the first tranche of 200,000 option shares under the 2021 CEO Performance Stock Option, representing one-fifth of such award, was certified by the Company's Compensation Committee in August 2022.
- (2) The vesting of the second tranche of 200,000 option shares under the 2021 CEO Performance Stock Option representing one-fifth of such award was certified by the Company's Compensation Committee in October 2022.
- (3) The vesting of the third tranche of 200,000 option shares under the 2021 CEO Performance Stock Option representing one-fifth of such award was certified by the Company's Compensation Committee in January 2023.
- (4) The vesting of the fourth tranche of 200,000 option shares under the 2021 CEO Performance Stock Option representing one-fifth of such award was certified by the Company's Compensation Committee in September 2023.
- (5) The vesting of the fifth tranche of 200,000 option shares under the 2021 CEO Performance Stock Option representing one-fifth of such award was certified by the Company's Compensation Committee in February 2024.

During the three and nine months ended March 31, 2024, the Company recognized compensation expense related to the 2021 CEO Performance Stock Option of \$ 0.0 million and \$ 0.7 million, respectively. During the three and nine months ended March 31, 2023, the Company recognized compensation expense related to the 2021 CEO Performance Stock Option of \$ 0.5 million and \$ 3.8 million, respectively. As of March 31, 2024 and June 30, 2023, the Company had \$ 0.0 million and \$ 0.7 million, respectively, in unrecognized compensation cost related to the 2021 CEO Performance Stock Option.

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#### 2023 CEO Performance Award

In November 2023, the Compensation Committee approved the grant of a stock option award for 500,000 shares of common stock to the Company's CEO (the "2023 CEO Performance Stock Option"). The 2023 CEO Performance Stock Option has five vesting tranches with a vesting schedule based entirely on the attainment of operational milestones (performance conditions) and market conditions, assuming (1) continued employment either as the CEO or in such capacity as agreed upon between the Company's CEO and the Board and (2) service through each vesting date. Each of the five vesting tranches of the 2023 CEO Performance Stock Option will vest upon certification by the Compensation Committee that both (i) the market price milestone for such tranche, which begins at \$ 450.00 per share for the first tranche and increases up to \$ 1,100.00 per share thereafter (based on a 60 trading day average stock price), has been achieved, and (ii) any one of five operational milestones focused on total revenue, as reported under U.S. GAAP, have been achieved for the previous four consecutive fiscal quarters. Upon vesting and exercise, including the payment of the exercise price of \$ 450.00 per share, prior to November 14, 2026, the Company's CEO must hold shares that he acquires until November 14, 2026, other than those shares sold pursuant to a cashless exercise where shares are simultaneously sold to pay for the exercise price and any required tax withholding.

The achievement status of the operational and stock price milestones as of March 31, 2024 was as follows:

Annualized Revenue Milestone (in billions) <sup>(1)</sup>	Achievement Status	Stock Price Milestone <sup>(1)</sup>	Achievement Status
\$ 13.0	Probable	\$ 450	Achieved <sup>(2)</sup>
\$ 15.0	Probable	\$ 600	Achieved <sup>(3)</sup>
\$ 17.0	Probable	\$ 750	Achieved <sup>(4)</sup>
\$ 19.0	Probable	\$ 900	Achieved <sup>(5)</sup>
\$ 21.0	Not Probable	\$ 1,100	Not met

- (1) Under the terms of the 2023 CEO Performance Stock Option, the annualized revenue milestones and stock price milestones set forth in the table above must be achieved by December 31, 2028 and March 31, 2029, respectively.
- (2) On March 2, 2024, the Compensation Committee certified achievement of the \$ 450 stock price milestone based upon the 60 trading day average stock price from November 29, 2023 through February 26, 2024.
- (3) On April 1, 2024, the Compensation Committee certified achievement of the \$ 600 stock price milestone based upon the 60 trading day average stock price from December 15, 2023 through March 13, 2024.
- (4) On April 1, 2024, the Compensation Committee certified achievement of the \$ 750 stock price milestone based upon the 60 trading day average stock price from January 4, 2024 through April 1, 2024.
- (5) The 60 trading day average stock price from January 31, 2024 through April 25, 2024 was \$ 903.10 . Achievement of the \$ 900 stock price milestone has not yet been certified by the Company's Compensation Committee.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(Unaudited)**

During the three and nine months ended March 31, 2024, the Company recognized compensation expense related to the 2023 CEO Performance Stock Option of \$ 16.9 million and \$ 19.4 million, respectively. As of March 31, 2024, the Company had \$ 36.9 million in unrecognized compensation cost related to the 2023 CEO Performance Stock Option. The unrecognized compensation cost as of March 31, 2024 is expected to be recognized over a period of 2.5 years.

On the respective grant dates of each of the 2021 CEO Performance Award and the 2023 CEO Performance Award, a Monte Carlo simulation was used to determine for each tranche of each award (i) a fixed expense amount for such tranche and (ii) the future time when the market price milestone for such tranche was expected to be achieved, or its “expected market price milestone achievement time.” Separately, based on a subjective assessment of the Company’s future financial performance, each quarter, the Company will determine, using a Monte Carlo simulation, whether achievement is probable for each operational milestone that has not previously been achieved or deemed probable of achievement, and, if so, the future time when the Company expects to achieve that operational milestone, or its “expected operational milestone achievement time.” When the Company first determines that an operational milestone has become probable of being achieved, the Company will allocate the entire expense for the related tranche over the number of quarters between the grant date and the then-applicable “expected vesting time.” The “expected vesting time” at any given time is the later of (i) the expected operational milestone achievement time (if the related operational milestone has not yet been achieved) and (ii) the expected market price milestone achievement time (if the related market price milestone has not yet been achieved). The Company will immediately recognize a catch-up expense for all accumulated expenses from the respective grant date through the quarter in which the operational milestone was first deemed probable of being achieved. Each quarter thereafter, the Company will recognize the prorated portion of the then-remaining expense for the tranche based on the number of quarters between such quarter and the then-applicable expected vesting time, except that upon vesting of a tranche, all remaining expenses for that tranche will be immediately recognized.

The following table summarizes stock option activity during the nine months ended March 31, 2024 under all plans:

	Options Outstanding	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (in Years)
Balance as of June 30, 2023	3,302,533	\$ 40.47	
Granted	953,005	\$ 404.50	
Exercised	( 778,310 )	\$ 32.54	
Forfeited/Cancelled	( 10,874 )	\$ 129.36	
Balance as of March 31, 2024	<u>3,466,354</u>	<u>\$ 142.08</u>	7.17
Options vested and exercisable at March 31, 2024	<u>1,914,265</u>	<u>\$ 40.26</u>	5.67

#### **RSU Activity**

The following table summarizes RSU activity during the nine months ended March 31, 2024 under all plans:

	Time-Based RSUs Outstanding	Weighted Average Grant-Date Fair Value per Share
Balance as of June 30, 2023	2,042,986	\$ 55.94
Granted	955,912	\$ 346.51
Released	( 802,450 )	\$ 112.25
Forfeited	( 66,515 )	\$ 137.91
Balance as of March 31, 2024	<u>2,129,933</u>	<u>\$ 162.57</u>

**SUPER MICRO COMPUTER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(Unaudited)**

**Note 11. Income Taxes**

The Company recorded a benefit for income taxes of \$ 20.0 million for the three months and a provision of \$ 61.7 million for the nine months ended March 31, 2024, respectively. The Company recorded a provision for income taxes of \$ 10.9 million and \$ 79.4 million for the three and nine months ended March 31, 2023, respectively. The effective tax rate was ( 5.2 )% and 6.7 % for the three and nine months ended March 31, 2024, respectively, and 11.1 % and 15.0 % for the three and nine months ended March 31, 2023, respectively. The effective tax rate for both the three and nine months ended March 31, 2024 is lower than that for the three and nine months ended March 31, 2023, primarily due to significant increase in the stock-based compensation tax deduction, and research and development tax credits.

The Tax Cuts and Jobs Act of 2017 eliminated the option to deduct research and development ("R&D") expenses in the year incurred and instead requires taxpayers to capitalize R&D expenses, including software development cost, and subsequently amortize such expenses over five years for R&D activities conducted in the United States and over fifteen years for R&D activities conducted outside of the United States beginning in the Company's fiscal year 2023. Although Congress has considered legislation that would defer, modify, and repeal the capitalization and amortization requirement, there is no assurance the provision will be deferred, repealed, or otherwise modified.

The Company believes that it has adequately provided reserves for all uncertain tax positions; however, amounts asserted by tax authorities could be greater or less than the Company's current position. Accordingly, the Company's provision on federal, state and foreign tax related matters to be recorded in the future may change as revised estimates are made or as the underlying matters are settled or otherwise resolved.

In general, the federal statute of limitations remains open for tax years ended June 30, 2020 through 2023. Various states' statutes of limitations remain open in general for tax years ended June 30, 2019 through 2023. Certain statutes of limitations in major foreign jurisdictions remain open for the tax years ended June 30, 2018 through 2023. It is reasonably possible that the Company's gross unrecognized tax benefits will decrease by approximately \$ 3.2 million, in the next 12 months, due to the lapse of the statute of limitations. These adjustments, if recognized, would positively impact the Company's effective tax rate, and would be recognized as additional tax benefits.

**Note 12. Commitments and Contingencies**

***Legal proceedings and indemnifications***

From time to time, the Company has been involved in various legal proceedings arising from the normal course of business activities. The resolution of any such matters have not had a material impact on the Company's consolidated financial condition, results of operations or liquidity as of March 31, 2024 and any prior periods.

The Company has entered into indemnification agreements with its current and former directors and executive officers.

Under these agreements, the Company has agreed to indemnify such individuals to the fullest extent permitted by law against liabilities that arise by reason of their status as directors or officers and to advance expenses incurred by such individuals in connection with related legal proceedings. It is not possible to determine the maximum potential amount of payments the Company could be required to make under these agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each claim. However, the Company maintains directors and officers liability insurance coverage to reduce its exposure to such obligations.

***Purchase Commitments***— The Company has agreements to purchase inventory and non-inventory items primarily through the next 12 months. As of March 31, 2024, these remaining noncancelable commitments were \$ 2.9 billion, including \$ 100.4 million for related parties.

**SUPER MICRO COMPUTER, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(Unaudited)**

**Note 13. Segment Reporting**

The Company operates in one operating segment that develops and provides high-performance server and storage solutions based upon an innovative, modular and open-standard architecture. The Company's chief operating decision maker is the Chief Executive Officer.

The following is a summary of property, plant and equipment, net (in thousands):

	March 31, 2024	June 30, 2023
<b>Long-lived assets:</b>		
United States	\$ 265,341	\$ 183,485
Asia	117,785	104,094
Europe	2,440	2,661
	<u>\$ 385,566</u>	<u>\$ 290,240</u>

The Company's revenue is presented on a disaggregated basis in Part I, Item 1, Note 2, "Revenue," by type of product and by geographical market.

**Note 14. Subsequent Events**

On April 17, 2024, the Company's Taiwan subsidiary renewed its credit agreement with Mega Bank, which increases the credit limit from \$ 20 million to \$ 50 million. This new loan is interest bearing, unsecured and the Company is not serving as a guarantor.

On April 19, 2024, the Company's Taiwan subsidiary entered into a credit agreement with E.SUN Bank which is valid from March 14, 2024, to March 14, 2025. This includes a \$ 60 million Import and Export Trade Facility which is unsecured, interest bearing and not guaranteed by the Company.

On April 26, 2024, the Company's Taiwan subsidiary entered into a new credit facility with Chang Hwa Bank, updating its previous terms from October 2021 to include a combined credit limit of \$ 20 million and an additional NTD 300 million. This facility is unsecured, interest bearing and not guaranteed by the Company.

On April 26, 2024, the Company's Taiwan subsidiary entered into a \$ 30 million loan agreement with First Commercial Bank Co., Ltd. This revolving loan is valid from February 17, 2024, to February 17, 2025, interest bearing and unsecured. The Company does not act as a guarantor for this loan.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*This section and other parts of this Quarterly Report contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that involve risks and uncertainties. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology including "would," "could," "may," "will," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "potential," "probable of achievement," or "continue," the negative of these terms or other comparable terminology. In evaluating these statements, you should specifically consider various factors, including the risks discussed under "Risk Factors" in Part II, Item 1A of this filing. These factors may cause our actual results to differ materially from those anticipated or implied in the forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We cannot guarantee future results, levels of activity, performance or achievements.*

*The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with our condensed financial statements and related footnotes included elsewhere in this Quarterly Report and included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023 (the "2023 10-K"), which includes our condensed consolidated financial statements for the fiscal years ended June 30, 2023 and 2022.*

**Overview**

We are a Silicon Valley-based provider of accelerated compute platforms that are comprised of application-optimized high performance and high-efficiency server and storage systems for a variety of markets, including enterprise data centers, cloud computing, artificial intelligence ("AI"), 5G and edge computing. Our Total IT Solutions include complete servers, storage systems, modular blade servers, blades, workstations, full rack scale solutions, networking devices, server sub-systems, server management and security software. We also provide global support and services to help our customers install, upgrade and maintain their computing infrastructure.

We commenced operations in 1993 and have been profitable every year since inception. In order to increase our sales and profits, we believe that we must continue to develop customized and application optimized server and storage solutions and be among the first to market with new features and products. We continue to expand our software, customer service and support offerings, as we increasingly focus on larger enterprise customers. We measure our financial success based on various indicators, including growth in net sales, gross profit margin and operating margin. Among the key non-financial indicators of our success is our ability to rapidly introduce new products and deliver the latest application-optimized server and storage solutions. In this regard, we work closely with microprocessor, GPU and other key component vendors to take advantage of new technologies as they are introduced. Historically, our ability to introduce new products rapidly has allowed us to benefit from technology transitions such as the introduction of new microprocessors, accelerators and storage technologies, and as a result, we monitor the product introduction cycles of Intel Corporation, NVIDIA Corporation, Advanced Micro Devices, Inc., Samsung Electronics Company Limited, Micron Technology, Inc. and others closely and carefully. This also impacts our research and development expenditures as we continue to invest more in our current and future product development efforts.

## Financial Highlights

The following is a summary of our financial highlights of the third quarter of fiscal year 2024:

- Net sales increased by 200.0% in the three months ended March 31, 2024 as compared to the three months ended March 31, 2023.
- Gross margin decreased to 15.5% in the three months ended March 31, 2024 from 17.6% in the three months ended March 31, 2023.
- Operating expenses increased by 72.1% as compared to the three months ended March 31, 2023 and were equal to 5.6% and 9.9% of net sales in the three months ended March 31, 2024 and 2023, respectively.
- Effective tax rate decreased to (5.2%) in the three months ended March 31, 2024 from 11.1% in the three months ended March 31, 2023.
- Issued \$1,695.8 million of convertible notes and issued 2,000,000 common shares for \$1,731.5 million to fund the growth of our business.

## Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, net sales and expenses. We evaluate our estimates on an on-going basis based on a) historical experience and b) assumptions we believe to be reasonable under the circumstances and are not readily apparent from other sources, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Because these estimates can vary depending on the situation, actual results may differ from these estimates. Making estimates and judgments about future events is inherently unpredictable and is subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to have been incorrect, it could have a material impact on our results of operations, financial position and statement of cash flows.

There have been no material changes to our critical accounting policies and estimates as compared to those disclosed in our 2023 10-K. For a description of our critical accounting policies and estimates, see Part I, Item 1, Note 1, "Summary of Significant Accounting Policies" in our notes to condensed consolidated financial statements in this Quarterly Report.

## Results of Operations

The following table presents certain items of our condensed consolidated statements of operations expressed as a percentage of revenue.

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2024	2023	2024	2023
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	84.5 %	82.4 %	84.3 %	81.5 %
Gross profit	15.5 %	17.6 %	15.7 %	18.5 %
Operating expenses:				
Research and development	2.9 %	6.0 %	3.4 %	4.5 %
Sales and marketing	1.3 %	2.0 %	1.4 %	1.7 %
General and administrative	1.4 %	1.9 %	1.3 %	1.5 %
Total operating expenses	5.6 %	9.9 %	6.1 %	7.7 %
Income from operations	9.9 %	7.7 %	9.6 %	10.8 %
Other income, net	0.3 %	— %	0.1 %	— %
Interest expense	(0.2)%	(0.1)%	(0.2)%	(0.1)%
Income before income tax provision	10.0 %	7.6 %	9.5 %	10.7 %
Income tax benefit (provision)	0.5 %	(0.8)%	(0.6)%	(1.6)%
Share of income (loss) from equity investee, net of taxes	0.0 %	(0.1)%	0.0 %	(0.1)%
Net income	10.5 %	6.7 %	8.9 %	9.0 %

### Net Sales

Net sales consist of sales of our server and storage solutions, including systems and related services and subsystems and accessories. The prices for our server and storage systems range widely depending upon the configuration, as well as the level of integration of key components such as CPUs, GPUs, SSDs and memory. The prices for our subsystems and accessories can also vary widely based on whether a customer is purchasing power supplies, server boards, chassis or other accessories.

As with most electronics-based product life cycles, average selling prices typically are highest at the time of introduction of new products that utilize the latest technology and tend to decrease over time as such products mature in the market and are replaced by next generation products. Additionally, in order to remain competitive throughout all industry cycles, we actively change our selling price per unit in response to changes in costs for key components such as CPUs, GPUs, SSDs and memory.

The following table presents net sales by product type for the three and nine months ended March 31, 2024 and 2023 (dollars in millions):

	Three Months Ended March 31,		Change		Nine Months Ended March 31,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Server and storage systems	\$ 3,698.5	\$ 1,163.7	\$ 2,534.8	217.8 %	\$ 9,100.7	\$ 4,537.7	\$ 4,563.0	100.6 %
Percentage of total net sales	96.1 %	90.7 %			94.5 %	91.9 %		
Subsystems and accessories	\$ 151.6	\$ 119.6	\$ 32.0	26.8 %	\$ 534.0	\$ 400.9	\$ 133.1	33.2 %
Percentage of total net sales	3.9 %	9.3 %			5.5 %	8.1 %		
Total net sales	<u>\$ 3,850.1</u>	<u>\$ 1,283.3</u>	<u>\$ 2,566.8</u>	200.0 %	<u>\$ 9,634.7</u>	<u>\$ 4,938.6</u>	<u>\$ 4,696.1</u>	95.1 %

Server and storage systems constitute an assembly and integration of subsystems and accessories and related services. Subsystems and accessories are comprised of server-boards, chassis and accessories.

Comparison of Three Months Ended March 31, 2024 and 2023

The period-over-period increase in net sales of our server and storage systems was primarily driven by an increase in the demand from customers for GPU servers, high performance computing ("HPC"), and rack-scale solutions which are generally more complex and of higher value, resulting in an increase of average selling price ("ASP"). We expect net sales and ASPs to continue to increase in the near future, particularly in the United States and Asia, as demand from customers for these solutions continue to increase as a result of adoption of more advanced technologies including but not limited to liquid cooling solutions.

The period-over-period increase in net sales for our subsystems and accessories is primarily due to increased demand of accessories sold to data center customers as more accessories and spares were purchased in conjunction with the strong sales of full systems and servers.

Comparison of Nine Months Ended March 31, 2024 and 2023

The period-over-period increase in net sales of our server and storage systems was primarily driven by an increase in the demand from customers for GPU servers, HPC, and rack-scale solutions which are generally more complex and of higher value, resulting in an increase of ASP. We expect net sales and ASPs to continue to increase in the near future, particularly in the United States and Asia, as demand from customers for these solutions continue to increase as a result of adoption of more advanced technologies including but not limited to liquid cooling solutions.

The period-over-period increase in net sales for our subsystems and accessories is primarily due to increased demand of accessories sold to data center customers as more accessories and spares were purchased in conjunction with the strong sales of full systems and servers.

The following table presents net sales by geographic region for the three and nine months ended March 31, 2024 and 2023 (dollars in millions):

	Three Months Ended March 31,		Change		Nine Months Ended March 31,		Change		Change	
	2024	2023	\$	%	2024	2023	\$	%	\$	%
United States	\$ 2,685.2	\$ 785.5	\$ 1,899.7	241.8 %	\$ 6,910.3	\$ 3,172.5	\$ 3,737.8	117.8 %		
Percentage of total net sales	69.7 %	61.2 %			71.7 %	64.2 %				
Asia	\$ 764.6	\$ 214.4	\$ 550.2	256.6 %	\$ 1,646.3	\$ 815.1	\$ 831.2	102.0 %		
Percentage of total net sales	19.9 %	16.7 %			17.1 %	16.5 %				
Europe	\$ 297.7	\$ 228.5	\$ 69.2	30.3 %	\$ 777.0	\$ 776.1	\$ 0.9	0.1 %		
Percentage of total net sales	7.7 %	17.8 %			8.1 %	15.7 %				
Others	\$ 102.6	\$ 54.9	\$ 47.7	86.9 %	\$ 301.1	\$ 174.9	\$ 126.2	72.2 %		
Percentage of total net sales	2.7 %	4.3 %			3.1 %	3.6 %				
Total net sales	<u>\$ 3,850.1</u>	<u>\$ 1,283.3</u>			<u>\$ 9,634.7</u>	<u>\$ 4,938.6</u>				

Comparison of Three Months Ended March 31, 2024 and 2023

The period-over-period increase in overall net sales is driven by an increase in demand from customers for GPU servers, HPC, and rack-scale solutions which have higher ASPs, especially for large enterprise and data center customers from the United States and Asia sales where they have experienced significant growth. The period-over-period increase of net sales in Asia, Europe and other regions is mainly due to an increase in net sales in Singapore, Taiwan, Germany and South Africa.

Customer A accounted for 21.2% and customer B accounted for 16.8% of the net sales for the three months ended March 31, 2024. Customer A accounted for 10.7% of the net sales for the three months ended March 31, 2023. We expect to continue to have customers exceeding 10% of net sales in future quarters.

Comparison of Nine Months Ended March 31, 2024 and 2023

The period-over-period increase in overall net sales is driven by an increase in demand from customers for GPU servers, HPC and rack-scale solutions which have higher ASPs, especially for large enterprise and data center customers from the United States. The period-over-period increase of net sales in Asia and other regions is mainly due to an increase in net sales in Taiwan, Singapore, Canada and South Africa.

Customer A accounted for 23.7% of the net sales for the nine months ended March 31, 2024. Customer C accounted for 11.8% of the net sales for the nine months ended March 31, 2023. We expect to continue to have customers exceeding 10% of net sales in future quarters.

#### **Cost of Sales and Gross Margin**

Cost of sales primarily consists of the costs to manufacture our products, which includes: the costs of materials, contract manufacturing, shipping, personnel expenses (salaries, benefits, stock-based compensation and incentive bonuses), equipment and facility expenses, warranty costs and inventory reserve charges. The primary factors that impact our cost of sales are the mix of products sold, changes in the cost of components, changes in logistic costs, changes in salary and benefits and overhead costs related to production as well as economies of scale gained from higher production volume in our facilities. Cost of sales as a percentage of net sales may increase or decrease over time if the changes in our costs are not matched by corresponding changes in our ASPs. Our cost of sales as a percentage of net sales is also impacted by the timing and extent to which we add to, and are able to efficiently utilize, our manufacturing capacity. Because we generally do not have long-term fixed supply agreements, our cost of sales is subject to frequent change based on the availability of materials and other market conditions. We expect inventory levels to continue to increase to support the future growth of our business. Certain materials used in the manufacturing of our products are available from a limited number of suppliers and we expect that this trend will continue in the future.

We use several suppliers and contract manufacturers to design and manufacture subsystems in accordance with our specifications, with most final assembly and testing generally performed at our manufacturing facilities in the same region where our products are sold. We work with Ablecom, one of our key contract manufacturers and also a related party to optimize modular designs for our chassis and certain other components. We also outsource to Compuware, also a related party, a portion of our design activities and a significant part of the manufacturing of certain components, particularly power supplies.

Cost of sales and gross margin for the three and nine months ended March 31, 2024 and 2023 are as follows (dollars in millions):

	Three Months Ended March 31,		Change		Nine Months Ended March 31,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Cost of sales	\$ 3,252.7	\$ 1,056.9	\$ 2,195.8	207.8 %	\$ 8,119.3	\$ 4,027.3	\$ 4,092.0	101.6 %
Gross profit	\$ 597.4	\$ 226.4	\$ 371.0	163.9 %	\$ 1,515.4	\$ 911.3	\$ 604.1	66.3 %
Gross margin	15.5 %	17.6 %		(2.1)%	15.7 %	18.5 %		(2.8)%

#### Comparison of Three Months Ended March 31, 2024 and 2023

The period-over-period increase in cost of sales was primarily attributed to an increase of \$2,172.7 million in costs of materials and contract manufacturing expenses primarily related to the increase in net sales volume, \$9.4 million increase in inventory reserve charges, a \$8.5 million increase in overhead cost and a \$5.2 million increase in freight costs.

The period-over-period decrease in the gross margin percentage was primarily due to competitive pricing to win new design wins, product and customer mix, partially offset by higher efficiency in manufacturing operational costs.

#### Comparison of Nine Months Ended March 31, 2024 and 2023

The period-over-period increase in cost of sales was primarily attributed to an increase of \$4,090.5 million in costs of materials and contract manufacturing expenses primarily related to the increase in net sales volume, a \$10.1 million increase in overhead costs partially offset by a \$5.3 million decrease in freight costs due to an improved supply chain and a \$3.3 million decrease in inventory reserve charges.

The period-over-period decrease in the gross margin percentage was primarily due to competitive pricing to win new design wins, product and customer mix, partially offset by higher efficiency in manufacturing operational costs.

## Operating Expenses

Research and development expenses consist of personnel expenses including salaries, benefits, stock-based compensation and incentive bonuses for our research and development personnel, as well as product development costs such as materials and supplies, consulting services, third-party testing services and equipment and facility expenses related to our research and development activities. All research and development costs are expensed as incurred. We occasionally receive non-recurring engineering funding from certain suppliers and customers for joint development. Under these arrangements, we are reimbursed for certain research and development costs that we incur as part of the joint development efforts with our suppliers and customers. These reimbursed costs offset a portion of the related research and development expenses and have the effect of reducing our reported research and development expenses.

Sales and marketing expenses consist primarily of personnel expenses including salaries, benefits, stock-based compensation and incentive bonuses for our sales and marketing personnel, cost for trade shows, independent sales representative fees and marketing programs. From time to time, we receive marketing development funding from certain suppliers. Under these arrangements, we are reimbursed for certain marketing costs that we incur as part of the joint promotion of our products and those of our suppliers. These reimbursed costs offset a portion of the related expenses and have the effect of reducing our reported sales and marketing expenses. The timing, magnitude and estimated usage of these programs can result in significant variations in reported sales and marketing expenses from period to period. Spending on cooperative marketing, reimbursed by our suppliers, typically increases in connection with new product releases by our suppliers.

General and administrative expenses consist primarily of general corporate costs, including personnel expenses such as salaries, benefits, stock-based compensation and incentive bonuses for our general and administrative personnel, financial reporting, information technology, corporate governance and compliance, outside legal, audit, tax fees, insurance and bad debt reserves on accounts receivable.

Operating expenses for the three and nine months ended March 31, 2024 and 2023 are as follows (dollars in millions):

	Three Months Ended March				Nine Months Ended March			
	31,		Change		31,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Research and development	\$ 116.2	\$ 77.5	\$ 38.7	49.9 %	\$ 336.1	\$ 222.4	\$ 113.7	51.1 %
<i>Percentage of total net sales</i>								
	2.9 %	6.0 %				3.4 %	4.5 %	
Sales and marketing	\$ 49.7	\$ 25.3	\$ 24.4	96.4 %	\$ 133.8	\$ 83.1	\$ 50.7	61.0 %
<i>Percentage of total net sales</i>								
	1.3 %	2.0 %				1.4 %	1.7 %	
General and administrative	\$ 53.1	\$ 24.5	\$ 28.6	116.7 %	\$ 123.2	\$ 71.4	\$ 51.8	72.5 %
<i>Percentage of total net sales</i>								
	1.4 %	1.9 %				1.3 %	1.3 %	
Total operating expenses	\$ 219.1	\$ 127.3	\$ 91.8	72.1 %	\$ 593.1	\$ 376.9	\$ 216.2	57.4 %
<i>Percentage of total net sales</i>								
	5.6 %	9.9 %				6.1 %	7.6 %	

Comparison of Three Months Ended March 31, 2024 and 2023

*Research and development expenses.* The period-over-period increase in research and development expenses was driven by a \$36.2 million increase in employee related costs primarily due to stock-based compensation increases of \$16.8 million, salary increases and higher headcount as we expanded our workforce and invested in key talent, a \$3.6 million increase in product development costs to support the development of next generation products and technologies offset by a \$1.1 million increase in research and development credits received from certain suppliers and customers. We believe that research and development expenses will continue to increase as we continue to expand our workforce and invest in key talent to stay at the forefront of development of next generation products and technologies.

*Sales and marketing expenses.* The period-over-period increase in sales and marketing expenses was driven by a \$19.5 million increase in employee related costs primarily due to stock-based compensation increases of \$3.8 million, salary increases and higher headcount as we expanded our workforce and invested in key talent, a \$6.1 million increase in advertising and other expenses and a \$1.2 million decrease in marketing development funds received. We believe that sales and marketing expenses will continue to increase as we continue to expand our workforce and invest in key talent.

*General and administrative expenses.* The period-over-period increase in general and administrative expenses was driven by a \$23.2 million increase in employee related costs primarily due to stock-based compensation increases of \$19.9 million, salary increases and higher headcount as we expanded our workforce and invested in key talent and a \$5.4 million increase in professional and service fees and other expenses. We believe that general and administrative expenses will continue to increase as we continue to expand our workforce and invest in key talent.

Comparison of Nine Months Ended March 31, 2024 and 2023

*Research and development expenses.* The period-over-period increase in research and development expenses was driven by a \$108.8 million increase in employee related costs primarily due to stock-based compensation increases of \$62.5 million, salary increases and higher headcount as we expanded our workforce and invested in key talent, a \$5.5 million increase in product development costs to support the development of next generation products and technologies offset by a \$0.6 million increase in research and development credits received from certain suppliers and customers. We believe that research and development expenses will continue to increase as we continue to expand our workforce and invest in key talent to stay at the forefront of development of next generation products and technologies.

*Sales and marketing expenses.* The period-over-period increase in sales and marketing expenses was driven by a \$43.5 million increase in employee related costs primarily due to stock-based compensation increases of \$11.5 million, salary increases and higher headcount as we expanded our workforce and invested in key talent, a \$9.6 million increase in advertising and other expenses and a \$2.4 million decrease in marketing development funds received. We believe that sales and marketing expenses will continue to increase as we continue to expand our workforce and invest in key talent.

*General and administrative expenses.* The period-over-period increase in general and administrative expenses was driven by a \$39.6 million increase in employee related costs primarily due to stock-based compensation increases of \$31.8 million, salary increases and higher headcount as we expanded our workforce and invested in key talent and a \$12.2 million increase in professional and service fees and other expenses. We believe that general and administrative expenses will continue to increase as we continue to expand our workforce and invest in key talent.

**Interest Expense and Other Income (Expense), Net**

Other income, net consists primarily of interest earned on our investment and cash balances and foreign exchange gains and losses.

Interest expense represents interest expense on our term loans and lines of credit.

Interest expense and other income, net for the three and nine months ended March 31, 2024 and 2023 are as follows (dollars in millions):

	Three Months Ended				Nine Months Ended			
	March 31,		Change		March 31,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Other income (expense), net	\$ 10.0	\$ (0.1)	\$ 10.1	(10,100)%	\$ 8.8	\$ 1.6	\$ 7.2	450.0 %
Interest expense	(6.2)	(1.3)	(4.9)	376.9 %	(16.2)	(6.9)	(9.3)	134.8 %
Interest expense and other income (expense), net	\$ 3.8	\$ (1.4)	\$ 5.2	(371.4)%	\$ (7.4)	\$ (5.3)	\$ (2.1)	39.6 %

Comparison of Three Months Ended March 31, 2024 and 2023

The increase of \$5.2 million in interest expense and other income (expense), net was primarily attributable to a \$10.1 million increase in other income (expense) driven by an increase in foreign currency exchange gain of \$7.7 million due to a strong US dollar, and an increase of \$3.9 million in interest income, offset by \$1.5 million investment loss in marketable securities and a \$4.9 million higher interest expense due to higher borrowing during the period.

Comparison of Nine Months Ended March 31, 2024 and 2023

The decrease of \$2.1 million in interest expense and other income (expense), net was primarily attributable to a \$9.3 million increase in interest expense due to higher borrowing during the period, offset by a \$7.2 million increase in interest income and other income (expense) driven by an increase of \$6.9 million in interest income and other income, an increase in foreign currency exchange gain of \$4.4 million due to a strong US dollar, offset by \$4.1 million investment loss in marketable securities.

**Income Tax (Benefit) Provision**

Our income tax (benefit) provision is based on our taxable income generated in the jurisdictions in which we operate, which primarily include the United States, Taiwan, and the Netherlands. Our effective tax rate differs from the statutory rate primarily due to research and development tax credits, certain non-deductible expenses, tax benefits from foreign derived intangible income and stock-based compensation.

Income tax (benefit) provision for income taxes and effective tax rates for the three and nine months ended March 31, 2024 and 2023 are as follows (dollars in millions):

	Three Months Ended				Nine Months Ended			
	March 31,		Change		March 31,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Income tax (benefit) provision	\$ (20.0)	\$ 10.9	\$ (30.9)	(283.5)%	\$ 61.7	\$ 79.4	\$ (17.7)	(22.3)%
Percentage of total net sales	(0.5)%	0.8 %			0.6 %	1.6 %		
Effective tax rate	(5.2)%	11.1 %			6.7 %	15.0 %		

Comparison of Three Months Ended March 31, 2024 and 2023

Our quarterly effective income tax rate is based on the estimated annual income tax rate forecast and discrete tax items recognized in the period. The effective tax rate for the three months ended March 31, 2024, is lower than that for the three months ended March 31, 2023, primarily due to the significant increase in stock-based compensation tax deduction, and research and development tax credits.

Comparison of Nine Months Ended March 31, 2024 and 2023

Our quarterly effective income tax rate is based on the estimated annual income tax rate forecast and discrete tax items recognized in the period. The effective tax rate for the nine months ended March 31, 2024, is lower than that for the nine months ended March 31, 2023, primarily due to the significant increase in stock-based compensation tax deduction, and research and development tax credits.

### Share of Income (Loss) from Equity Investee, Net of Taxes

Share of income (loss) from equity investee, net of taxes represents our share of income (loss) from the Corporate Venture in which we have 30% ownership.

Share of income (loss) from equity investee, net of taxes for the three and nine months ended March 31, 2024 and 2023 are as follows (dollars in millions):

	Three Months Ended				Nine Months Ended			
	March 31,		Change		March 31,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Share of income (loss) from equity investee, net of taxes	\$ 0.4	\$ (1.0)	\$ 1.4	n/m <sup>(1)</sup>	\$ 2.3	\$ (3.3)	\$ 5.6	n/m <sup>(1)</sup>
Percentage of total net sales	— %	(0.1)%			— %	(0.1)%		

(1) n/m - Not meaningful

#### Comparison of Three Months Ended March 31, 2024 and 2023

The period-over-period increase of \$1.4 million in share of income from equity investee, net of taxes was primarily due to improvement in profitability of the Corporate Venture.

#### Comparison of Nine Months Ended March 31, 2024 and 2023

The period-over-period increase of \$5.6 million in share of income from equity investee, net of taxes was primarily due to improvement in profitability of the Corporate Venture.

### Liquidity and Capital Resources

We have financed our growth primarily with funds generated from operations, in addition to utilizing borrowing facilities and selling our common stock. Our recent drivers of liquidity changes have included an increase in the need for working capital due to higher levels of inventory required by growing revenues and to a lesser extent, longer supply chain lead times on certain key components. Our cash and cash equivalents were \$2,115.5 million and \$440.5 million as of March 31, 2024 and June 30, 2023, respectively. Our cash and cash equivalents in foreign locations were \$262.1 million and \$192.3 million as of March 31, 2024 and June 30, 2023, respectively.

Amounts held outside of the U.S. are generally utilized to support non-U.S. liquidity needs. Repatriations generally will not be taxable from a U.S. federal tax perspective but may be subject to state income or foreign withholding tax. Where local restrictions prevent an efficient intercompany transfer of funds, our intent is to keep cash balances outside of the U.S. and to meet liquidity needs through operating cash flows, external borrowings, or both. We do not expect restrictions or potential taxes incurred on repatriation of amounts held outside of the U.S. to have a material effect on our overall liquidity, financial condition or results of operations.

We believe that our current cash, cash equivalents, borrowing capacity available from our credit facilities and internally generated cash flows will be sufficient to support our operating businesses and maturing debt and interest payments for the 12 months following the filing of this Quarterly Report on Form 10-Q. We continue to evaluate financing options that may be required to support the growth of our business.

On December 5, 2023, we completed a public offering of 2,415,805 shares of our common stock at \$262.00 per share, with 2,315,105 shares sold by us and 100,700 shares sold by selling stockholders.

We received net proceeds of approximately \$582.8 million, after deducting underwriting discounts and commissions and offering expenses payable by us. We did not receive any proceeds from the sale of the shares of common stock by the selling stockholders. We intend to utilize the proceeds to support our operations, including working capital needs, manufacturing capacity expansion and increased R&D investments.

On February 16, 2024, our Taiwan subsidiary entered into a new general agreement for omnibus credit lines with CTBC Bank, which increased the aggregate total borrowings from time to time under the various individual credit arrangements with CTBC Bank from \$105.0 million to \$185.0 million. Our Taiwan subsidiary intends to use borrowings under the increased CTBC credit lines in connection with financing of eligible accounts receivable and accounts payable (vendor invoices).

On February 27, 2024, we issued \$1,725.0 million aggregate principal amount of 0.00% Convertible Senior Notes due 2029 (the "Convertible Notes") in a private offering. The Convertible Notes, which are our senior unsecured obligations, will mature on March 1, 2029. They may be repurchased, redeemed, or converted in accordance with their terms before that date. The Convertible Notes do not bear regular interest, and the principal amount of the Convertible Notes will not accrete. The net proceeds from the issuance of the Convertible Notes were \$1,553.7 million, net of debt issuance costs of \$29.2 million and the related capped call transactions of \$142.1 million. The Convertible Notes and capped call transactions are discussed further in Part I, Item 1, Note 7, "Convertible Notes". As of March 31, 2024, none of the conditions permitting the holders of the Convertible Notes to convert their notes early had been met.

On March 22, 2024, we completed a public offering of 2,000,000 shares of our common stock at \$875.00 per share. We received net proceeds of approximately \$1.73 billion, after deducting underwriting discounts and commissions and offering expenses payable by us.

Our key cash flow metrics were as follows (dollars in millions):

	Nine Months Ended March 31,		
	2024	2023	Change
Net cash (used in) provided by operating activities	\$ (1,844.2)	\$ 672.9	\$ (2,517.1)
Net cash used in investing activities	\$ (132.0)	\$ (28.6)	\$ (103.4)
Net cash provided by (used in) financing activities	\$ 3,652.8	\$ (547.3)	\$ 4,200.1
Net increase in cash, cash equivalents and restricted cash	\$ 1,675.0	\$ 94.7	\$ 1,580.3

#### Operating Activities

Net cash provided by operating activities decreased by \$2,517.1 million for the nine months ended March 31, 2024 as compared to the nine months ended March 31, 2023. The decrease was primarily due to an increase in net cash required for net working capital of \$2,978.8 million to manufacture products in order to meet customer demand and support expected business growth and a \$62.2 million decrease in non-cash items. These decreases are partially offset by increase in net income of \$409.0 million and stock-based compensation expense of \$114.9 million. The key changes in net working capital of \$2,978.8 million includes an increase in inventory of \$2,652.8 million, and an increase in accounts receivable of \$705.2 million offset by an increase in accounts payable of \$318.7 million.

#### Investing Activities

Net cash used in investing activities increased by \$103.4 million for the nine months ended March 31, 2024 as compared to the nine months ended March 31, 2023 primarily due to an increase in purchases of property, plant and equipment of \$82.0 million made in the nine months ended March 31, 2024 and an increase in investments of \$21.4 million in the nine months ended March 31, 2024. Increase in property, plant and equipment is primarily related to the acquisition of previously leased real estate in San Jose, California, for \$80 million.

#### Financing Activities

Net cash provided by financing activities increased by \$4,200.1 million for the nine months ended March 31, 2024 as compared to the nine months ended March 31, 2023. The increase was primarily due to proceeds of \$2,314.0 million from our offerings of common stock, net of issuance costs, \$1,695.8 million of proceeds from the sale of our Convertible Notes, net of debt issuance costs, an increase of \$285.4 million in proceeds from borrowings, net of repayment, and stock repurchases of \$146.5 million in the nine months ended March 31, 2023, offset by \$142.1 million entering into capped call transactions related to our 2029 Convertible Notes and a higher withholding tax payment for equity compensation related activities of \$99.5 million in the nine months ended March 31, 2024.

**Other Factors Affecting Liquidity and Capital Resources**

Refer to Part I, Item 1, Note 6, "Lines of Credit and Term Loans," in our notes to condensed consolidated financial statements in this Quarterly Report on Form 10-Q for further information on our outstanding bank debt.

**Capital Expenditure Requirements**

We anticipate our capital expenditures for the remainder of fiscal year 2024 will be in range of \$55.0 million to \$65.0 million, relating primarily to costs associated with our manufacturing capabilities, including tooling for new products, new information technology investments, and facilities upgrades and expansion. During the second quarter of fiscal year 2023, we entered into a letter of understanding to acquire land in Malaysia to expand our manufacturing operations. A definitive agreement to acquire such land, subject to various conditions, was subsequently executed in January 2023. We obtained early access to such land prior to the acquisition, and we anticipate additional capital expenditures for the remainder of fiscal year 2024 of \$24.0 million (included in the above range) for such initiative. In addition, in February 2024, we consummated the purchase of real estate comprising approximately 19.72 acres of land and 293,906 square feet of buildings and improvements located in proximity to the Company's headquarters space in San Jose, California "as is" for an aggregate purchase price of \$80.0 million. We will also continue to evaluate new business opportunities and new markets. As a result, our future growth within the existing business or new opportunities and markets may dictate the need for additional facilities and capital expenditures to support that growth. We evaluate capital expenditure projects based on a variety of factors, including expected strategic impacts (such as forecasted impact on revenue growth, productivity, expenses, service levels and customer retention) and our expected return on investment.

We intend to continue to focus our capital expenditures in fiscal year 2024 to support the growth of our operations. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced software and services offerings and investments in our office facilities and our IT system infrastructure.

**Recent Accounting Pronouncements**

For a description of recent accounting pronouncements, including the expected dates of adoption and estimated effects, if any, on our condensed consolidated financial statements, see Part I, Item 1, Note 1, "Summary of Significant Accounting Policies," to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

**Item 3. Quantitative and Qualitative Disclosure About Market Risk****Interest Rate Risk**

The primary objectives of our investment activities are to preserve principal, provide liquidity and maximize income without significantly increasing the risk. Some of the securities we invest in are subject to market risk. This means that a change in prevailing interest rates may cause the fair value of the investment to fluctuate. To minimize this risk, we maintain our portfolio of cash equivalents and short-term investments in money market funds and certificates of deposit, all of which are held for purposes other than trading. Our investment in an auction rate security has been classified as non-current due to the lack of a liquid market for these securities. Since our results of operations are not dependent on investments, the risk associated with fluctuating interest rates is limited to our investment portfolio, and we believe that a 10% change in interest rates would not have a significant impact on our results of operations. As of March 31, 2024, our investments were in money market funds, certificates of deposits and auction rate securities.

We are exposed to changes in interest rates as a result of our borrowings under our term loans and revolving lines of credit. The interest rates for the term loans and the revolving lines of credit ranged from 1.3% to 7.5% at March 31, 2024 and 1.20% to 7.08% at June 30, 2023. Based on the outstanding principal indebtedness of \$167.2 million under our credit facilities as of March 31, 2024, we believe that a 10% change in interest rates would not have a significant impact on our results of operations.

**Foreign Currency Risk**

To date, our international customer and supplier agreements have been denominated primarily in U.S. dollars and accordingly, we have limited exposure to foreign currency exchange rate fluctuations from customer agreements, and do not currently engage in foreign currency hedging transactions. The functional currency of our subsidiaries in the Netherlands and Taiwan is the U.S. dollar. However, certain loans and transactions in these entities are denominated in a currency other than the U.S. dollar, and thus we are subject to foreign currency exchange rate fluctuations associated with re-measurement to U.S. dollars. Realized and unrealized foreign exchange gain for the three months ended March 31, 2024 was \$6.5 million and realized and unrealized gain for the nine months ended March 31, 2024 was \$4.1 million. Realized and unrealized foreign exchange loss for the three months ended March 31, 2023 was \$1.2 million and realized and unrealized loss for the nine months ended March 31, 2023 was \$0.4 million.

**Item 4. Controls and Procedures**

***Evaluation of Disclosure Controls and Procedures***

Under the supervision, and with the participation, of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), we evaluated 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 "Exchange Act"), as of March 31, 2024. Based on this evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of March 31, 2024.

***Changes in Internal Control over Financial Reporting***

Under applicable SEC rules (Exchange Act Rules 13a-15(d) and 15d-15(d)), management is required to evaluate, with the participation of our CEO and CFO, any changes in internal control over financial reporting that occurred during each fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. There were no changes in our internal control over financial reporting during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

***Inherent Limitations on Effectiveness of Controls***

The effectiveness of any system of internal control over financial reporting is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting can only provide reasonable, not absolute, assurances that its objectives will be met. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but we cannot assure that such improvements will be sufficient to provide us with effective internal control over financial reporting.

## PART II: OTHER INFORMATION

### Item 1. Legal Proceedings

The information required by this item is incorporated herein by reference to the information set forth under the caption "Legal proceedings and indemnifications" in Part I, Item 1, Note 12 "Commitments and Contingencies" of our notes to condensed consolidated financial statements included in this quarterly report.

Due to the inherent uncertainties of legal proceedings, we cannot predict the outcome of the proceedings at this time, and we can give no assurance that they will not have a material adverse effect on our financial position or results of operations.

### Item 1A. Risk Factors

Important risk factors that could affect our operations and financial performance, or that could cause results or events to differ from current expectations, are described in Part I, Item 1A "Risk Factors" of our 2023 10-K. There have been no material changes in our risk factors as described in such documents, except as set forth below. The following supplemental risk factors are as a result of the offering of Convertible Note that we completed in February 2024.

***Our indebtedness and liabilities could limit the cash flow available for our operations, expose us to risks that could adversely affect our business, financial condition and results of operations and impair our ability to satisfy our obligations under the notes.***

As of March 31, 2024, we had approximately \$3.8 million of consolidated indebtedness, including \$1.725 million principal amount of additional indebtedness incurred in February 2024 as a result of our issuance of the Convertible Notes. We may also incur additional indebtedness to meet future financing needs. Our indebtedness could have significant negative consequences for our security holders and our business, results of operations and financial condition by, among other things:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, which will reduce the amount of cash available for other purposes
- limiting our flexibility to plan for, or react to, changes in our business;
- diluting the interests of our existing stockholders as a result of issuing shares of our common stock upon conversion of the Convertible Notes; and
- placing us at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital.

Our business may not generate sufficient funds, and we may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under our indebtedness, including the Convertible Notes, and our cash needs may increase in the future. In addition, our existing loan facilities from various banks, in particular our Bank of America credit facilities, contain, and any future indebtedness that we may incur may contain, financial and other restrictive covenants that limit our ability to operate our business, raise capital or make payments under our other indebtedness. If we fail to comply with these covenants or to make payments under our indebtedness when due, we would be in default under that indebtedness, which could, in turn, result in that and our other indebtedness becoming immediately payable in full.

***We may be unable to raise the funds necessary to repurchase the Convertible Notes for cash following a fundamental change, or to pay any cash amounts due upon conversion, and our other indebtedness limits our ability to repurchase the Convertible Notes or pay cash upon their conversion.***

Noteholders may require us to repurchase their Convertible Notes following a fundamental change (as defined in the indenture for such notes) at a cash repurchase price generally equal to the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid special and additional interest, if any. In addition, upon conversion, we will satisfy part or all of our conversion obligation in cash unless we elect to settle conversions solely in shares of our common stock. We may not have enough available cash or be able to obtain financing at the time we are required to repurchase the Convertible Notes or pay any cash amounts due upon conversion. In addition, applicable law, regulatory authorities and the agreements governing our other indebtedness may restrict our ability to repurchase the Convertible Notes or pay any cash amounts due upon conversion.

Our failure to repurchase Convertible Notes or pay any cash amounts due upon conversion when required will constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our other indebtedness, which may result in that other indebtedness becoming immediately payable in full. We may not have sufficient funds to satisfy all amounts due under the other indebtedness and the Convertible Notes.

***Provisions in the indenture could delay or prevent an otherwise beneficial takeover of us.***

Certain provisions in the Convertible Notes and the indenture could make a third-party attempt to acquire us more difficult or expensive. For example, if a takeover constitutes a fundamental change, then noteholders will have the right to require us to repurchase their Convertible Notes for cash. In addition, if a takeover constitutes a make-whole fundamental change (as defined in the indenture), then we may be required to temporarily increase the conversion rate. In either case, and in other cases, our obligations under the Convertible Notes and the indenture could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management, including in a transaction that noteholders or holders of our common stock may view as favorable.

***The capped call transactions entered into in connection with the issuance of the Convertible Notes may affect our common stock.***

In connection with the offering of the Convertible Notes, we entered into privately negotiated capped call transactions with the capped call counterparties. The capped call transactions are expected generally to reduce the potential dilution to our common stock upon any conversion of the Convertible Notes and/or offset any potential cash payments we are required to make in excess of the principal amount of converted Convertible Notes, as the case may be, with such reduction and/or offset subject to a cap. The capped call counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the Convertible Notes (and are likely to do so during any observation period related to a conversion of Convertible Notes or following any repurchase of the Convertible Notes by us to the extent we elect to unwind a corresponding portion of the capped call transactions in connection with such repurchase). This activity could also cause or avoid an increase or a decrease in the market price of our common stock.

In addition, if any capped call counterparties or their respective affiliates unwind their hedge positions with respect to our common stock, it could adversely affect the value of our common stock. We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the price of our common stock. In addition, we do not make any representation that the capped call counterparties will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

***We are subject to counterparty risk with respect to the capped call transactions, and the capped call transactions may not operate as planned.***

The capped call counterparties are, or are affiliates of, financial institutions, and we will be subject to the risk that they might default under the capped call transactions. Our exposure to the credit risk of the capped call counterparties will not be secured by any collateral. Global economic conditions have from time to time resulted in the actual or perceived failure or financial difficulties of many financial institutions. If a capped call counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under our transactions with that capped call counterparty. Our exposure will depend on many factors, but, generally, the increase in our exposure will be correlated with increases in the market price or the volatility of our common stock. In addition, upon a default by a capped call counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of any capped call counterparty.

In addition, the capped call transactions are complex, and they may not operate as planned. For example, the terms of the capped call transactions may be subject to adjustment, modification or, in some cases, renegotiation if certain corporate or other transactions occur. Accordingly, these transactions may not operate as we intend if we are required to adjust their terms as a result of transactions in the future or upon unanticipated developments that may adversely affect the functioning of the capped call transactions.

***Conversion of our Convertible Notes may dilute the ownership interest of existing stockholders or may otherwise depress the price of our common stock.***

Despite the entry into the capped call transactions, the conversion of some or all of the Convertible Notes, to the extent we deliver shares upon conversion, will dilute the ownership interests of existing stockholders. Any sales in the public market of the Convertible Notes or our common stock issuable upon conversion of the Convertible Notes could adversely affect prevailing market prices of our common stock. In addition, the existence of the Convertible Notes may encourage short selling by market participants because the conversion of the Convertible Notes could be used to satisfy short positions, or anticipated conversion of the Convertible Notes into shares of our common stock could depress the price of our common stock.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

**Recent Sales of Unregistered Securities**

None.

**Issuer Purchases of Equity Securities**

During the three and nine months ended March 31, 2024, we did not repurchase shares of our common stock.

On August 3, 2022, after the expiration of a prior share repurchase program on July 31, 2022, a duly authorized subcommittee of our Board approved a new share repurchase program to repurchase shares of our common stock for up to \$200 million at prevailing prices in the open market. The share repurchase program was effective until January 31, 2024. We repurchased 1,553,350 shares of common stock for \$150 million during the fiscal year ended June 30, 2023 under this program and had \$50.0 million of remaining availability at the time the program expired on January 31, 2024.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

**Rule 10b5-1 Trading Plans**

During the three months ended March 31, 2024, none of the Company's executive officers or directors entered into trading plans pursuant to Rule 10b5-1(c) of the Securities Exchange Act of 1934, as amended, no pre-existing trading plans intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) were terminated or modified by the Company's executive officers and directors, and no other written trading arrangements not intended to qualify for the Rule 10b5-1(c) affirmative defense were adopted, modified, or terminated by the Company's executive officers and directors.

**Item 6. Exhibits****(a) Exhibits.**

Exhibit Number	Description
4.1	<a href="#">Indenture, dated February 27, 2024 between Super Micro Computer, Inc. and U.S. Bank Trust Company, National Association, as trustee</a> (Incorporated by reference to Exhibit 4.1 from the Company's Current Report on 8-K (Commission File No. 001-33383) filed with the Securities and Exchange Commission on February 28, 2024)
4.2	Form of Note, between Super Micro Computer, Inc. and U.S. Bank Trust Company, National Association, as trustee (included within Exhibit 4.1)
10.1	<a href="#">General Agreement for Omnibus Credit Lines dated as of February 16, 2024 between Super Micro Computer, Inc. Taiwan and CTBC Bank Co., Ltd.</a> (Incorporated by reference to Exhibit 10.1 from the Company's Current Report on 8-K (Commission File No. 001-33383) filed with the Securities and Exchange Commission on February 20, 2024)
10.2	<a href="#">Summary of Short-Term Credit Facilities dated as of January 23, 2024</a> (Incorporated by reference to Exhibit 10.3 from the Company's Current Report on Form 8-K (Commission File No. 001-33383) filed with the Securities and Exchange Commission on February 20, 2024)
10.3	<a href="#">Seventh Amendment to Loan and Security Agreement, dated as of February 21, 2024, by and among the Company, as Borrower, the Lenders party thereto and Bank of America, N.A., as administrative agent for the Lenders.</a> (Incorporated by reference to Exhibit 10.1 from the Company's Current Report on 8-K (Commission File No. 001-33383) filed with the Securities and Exchange Commission on February 22, 2024)
10.4	<a href="#">Form of [Base]AdditionalCapped Call Confirmation</a> (Incorporated by reference to Exhibit 10.1 from the Company's Current Report on 8-K (Commission File No. 001-33383) filed with the Securities and Exchange Commission on February 28, 2024)
10.5	<a href="#">Super Micro Computer, Inc. 2020 Equity and Incentive Compensation Plan, as further amended and restated, effective January 22, 2024</a> (Incorporated by reference to Exhibit 10.1 from the Company's Current Report on Form 8-K (Commission File No. 001-33383) filed with the Securities and Exchange Commission on January 25, 2024)
10.6	<a href="#">Purchase and Sale Agreement, dated as of January 26, 2024, between Caracol Property Owner LLC and Super Micro Computer, Inc.</a> (Incorporated by reference to Exhibit 10.1 from the Company's Current Report on 8-K (Commission File No. 001-33383) filed with the Securities and Exchange Commission on February 1, 2024)
31.1+	<a href="#">Certification of Charles Liang, President and Chief Executive Officer of the Registrant pursuant to Section 302, as adopted pursuant to the Sarbanes-Oxley Act of 2002</a>
31.2+	<a href="#">Certification of David Weigand, Chief Financial Officer of the Registrant pursuant to Section 302, as adopted pursuant to the Sarbanes-Oxley Act of 2002</a>
32.1+	<a href="#">Certification of Charles Liang, President and Chief Executive Officer of the Registrant pursuant to Section 906, as adopted pursuant to the Sarbanes-Oxley Act of 2002</a>
32.2+	<a href="#">Certification of David Weigand, Chief Financial Officer of the Registrant pursuant to Section 906, as adopted pursuant to the Sarbanes-Oxley Act of 2002</a>
101.INS+	XBRL Instance Document
101.SCH+	XBRL Taxonomy Extension Schema Document
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF+	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB+	XBRL Taxonomy Extension Label Linkbase Document
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase Document
104+	The cover page from this Quarterly Report on Form 10-Q, formatted in Inline XBRL

+ Filed herewith

**SIGNATURES**

Pursuant 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.

SUPER MICRO COMPUTER, INC.

Date: May 3, 2024

/s/ CHARLES LIANG

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Charles Liang  
President, Chief Executive Officer and Chairman of the  
Board  
(Principal Executive Officer)

Date: May 3, 2024

/s/ DAVID WEIGAND

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David Weigand  
Senior Vice President, Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Charles Liang, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Super Micro Computer, 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 registrant's other certifying officer 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: May 3, 2024

/s/ CHARLES LIANG

Charles Liang  
President, Chief Executive Officer and  
Chairman of the Board  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David Weigand, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Super Micro Computer, 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 registrant's other certifying officer 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: May 3, 2024

/s/ DAVID WEIGAND

David Weigand

Senior Vice President, Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Charles Liang, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Super Micro Computer, Inc. on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date thereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Super Micro Computer, Inc.

Date: May 3, 2024

/s/ CHARLES LIANG

Charles Liang  
President, Chief Executive Officer and  
Chairman of the Board  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, David Weigand, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Super Micro Computer, Inc. on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date thereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Super Micro Computer, Inc.

Date: May 3, 2024

/s/ DAVID WEIGAND

David Weigand

Senior Vice President, Chief Financial Officer  
(Principal Financial and Accounting Officer)