廣發証券(香港)經紀有限公司
GF SECURITIES (HONG KONG) BROKERAGE LIMITED

# Super Micro (SMCI US)

## Earnings Beat, Resilient Margin Outlook

Maintained **Buy**

Target price $56

**Retain Buy:** SMCI reported F1Q27 earnings with revenue/GM beats, even ahead of preliminary figures. Besides better than expected GM of 12.8%, mgmt. guided 12% (midpoint) for the full year. We attribute the resilient margin outlook to neoclouds' orders momentum and non-AI verticals (general/storage server) support. Backed by customer prepayments, SMCI's AI server visibility has strengthened, allowing it to be more selective with customers, which may partially ease concerns over neoclouds exposure. Furthermore, governance overhang appears to have cleared, as DOJ investigation closed with charges restricted to individuals rather than the corporate entity. By factoring in results/guidance and higher GM, we raise FY27E/FY28E EPS by +54%/+41%. With improving fundamentals and valuation well below historical averages, we maintain our Buy rating. Our TP of $56 is based on 8x FY27E EPS.

**Results/Guidance Another Beat:** F1Q27 revenue was $19.9bn, +79%QoQ, and gross margin of 12.8% was even higher than preliminary update of 12-12.5%, supported by AI and non-AI verticals. EPS came in at $1.81, +410% YoY, above the consensus of $1.5. For F2Q27E, mgmt. guided: 1) revenue of $19.5-$21.5bn; 2) GM in the range of 12-12.5%; 3) Non-GAAP EPS of $1.66 – $1.90. For FY27E, the company revised revenue guidance to $75 - $82bn, with gross margin to hold at 11.8-12%, exceeding heightened expectations of 11%.

**Neoclouds strength continues; more selective on customers:** Despite $2.3bn rack deployment sales delayed from last quarter, F1Q margin was still a beat, driven by neoclouds' order momentum and support from non-AI verticals (general/storage server), alongside tariff relief/lower inventory reserves. Beyond SpaceX, we expect SMCI's AI server visibility to be further strengthened by gains across Nebius/Crusoe/Lambda and expanding customer base. We forecast its NVL72 (GB300/VR200) rack shipments to reach 10k for FY27E. To address neoclouds concerns, SMCI is more selective on customers, with prepayments.

**Working capital/FCF in focus:** During the quarter, SMCI's FCF turned negative to -$434mn, mainly driven by inventory builds for AI server deployment and increasing accounts payables, partially offset by deferred revenue (primarily prepayments). That said, mgmt. highlighted a substantial gain in working capital efficiency, as evidenced by cash conversion cycle improved 52 days (DOI down 45 days). At this point, no equity raise plans are under consideration.

**Risks:** 1) Competition, 2) Shipment delays, 3) Financing.

Profit forecast

| | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|
| Revenue (m) | 14,989 | 21,972 | 39,063 | 82,125 | 110,721 |
| Revenue YoY (%) | 110.4 | 46.6 | 77.8 | 110.2 | 34.8 |
| Net profit (m) | 1,345 | 1,316 | 2,586 | 5,396 | 6,362 |
| Net profit YoY (%) | 99.7 | -2.1 | 96.4 | 108.7 | 17.9 |
| EPS ($) | 2.2 | 2.1 | 3.6 | 7.0 | 8.1 |
| P/E | 15.2 | 16.4 | 9.3 | 4.8 | 4.1 |
| ROE (%) | 24.8 | 20.9 | 17.9 | 27.2 | 24.2 |

Source: Company data, GF Securities (Hong Kong) Brokerage.

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## Earnings Forecast

**F1Q27 results beat**

F1Q27 revenue of $19.9bn, +298% YoY/+79% QoQ, exceeding the higher end of guidance/preliminary results, driven by both AI and non-AI solutions across diverse customers. Of note, this included $2.3bn deployments originally scheduled for last quarter due to customers and data center readiness. Non-GAAP gross margin was 12.8% (vs preliminary update 12.0-12.5%), down from 17.6% a quarter ago, mainly due to product mix (more AI rack scale deployments). Non-GAAP operating margin came in at 10.9%. Non-GAAP EPS of $1.81 was higher than the consensus of $1.5.

AI solutions contributed to 71% of total revenue, up from 59% last quarter. Vertical-wise, OEM/large data center reported $14.7bn or 74% of sales, while enterprise/channel accounted for $4.9bn or 25% of revenue. On customers front, the largest customer represented 44% of total sales.

**F2Q27E guidance even ahead of revised expectations**

For F2Q27E, Mgmt. guided: 1) revenue of $19.5 to $21.5bn; 2) gross margin to be in the range of 12%-12.5%; 3) GAAP EPS $1.59 - $1.83, non-GAAP EPS$1.66 - $1.90. For FY27E, Mgmt. guided revenue to $72 to $82bn, up from $65 to $72bn last quarter.

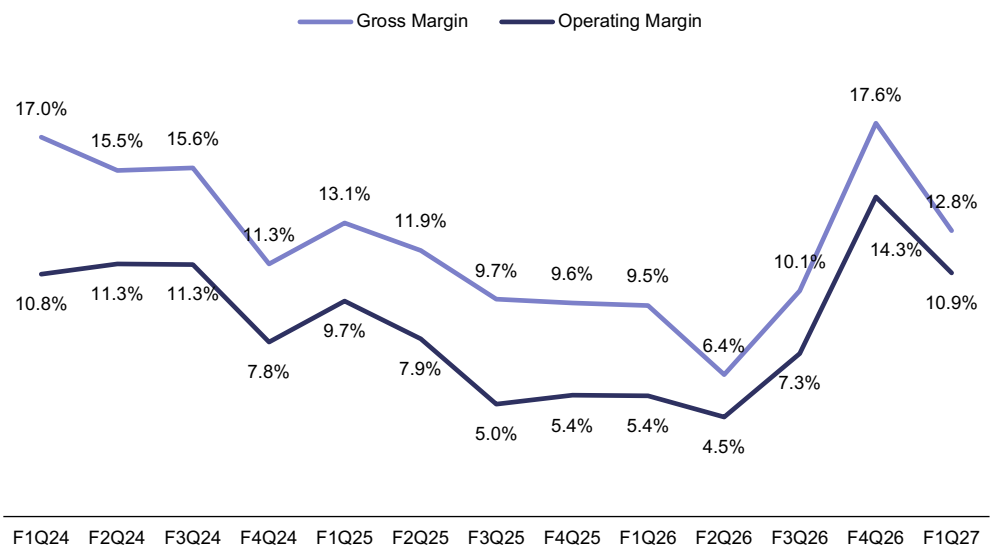
Of note, its free cash flow turned negative to -481mn, down from 747mn a quarter ago, reflecting surging inventory build for strong order backlogs and increased accounts receivable. Positively, its cash conversion cycle improved 52 days to 97 days, including days of inventory down 45 days to 74 days.

**Figure 1: F1Q27 Results Review**

| USD mn | F1Q27 | F4Q26 | QoQ | F1Q26 | YoY | GFHK | Diff | Cons. | Diff |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 19,946 | 11,120 | 79% | 5,018 | 298% | 15,391 | 30% | 15,222 | 31% |
| Gross profit | 2,549 | 1,952 | 31% | 474 | 437% | 1,635 | 56% | 1,650 | 54% |
| OPEX | 384 | 357 | 8% | 203 | 89% | 353 | 9% | 313 | 23% |
| Operating profit | 2,165 | 1,595 | 36% | 271 | 698% | 1,282 | 69% | 1,337 | 62% |
| Net profit | 1,381 | 1,225 | 13% | 240 | 475% | 900 | 53% | 925 | 49% |
| EPS ($) | 1.81 | 1.70 | 6% | 0.35 | 410% | 1.18 | 53% | 1.19 | 52% |
| | | | ppt | | ppt | | ppt | | ppt |
| Gross Margin | 12.8% | 17.6% | (4.8) | 9.5% | 3.3 | 10.6% | 2.2 | 10.8% | 1.9 |
| Operating Margin | 10.9% | 14.3% | (3.5) | 5.4% | 5.4 | 8.3% | 2.5 | 8.8% | 2.1 |
| Net margin | 6.9% | 11.0% | (4.1) | 4.8% | 2.1 | 5.8% | 1.1 | 6.1% | 0.8 |

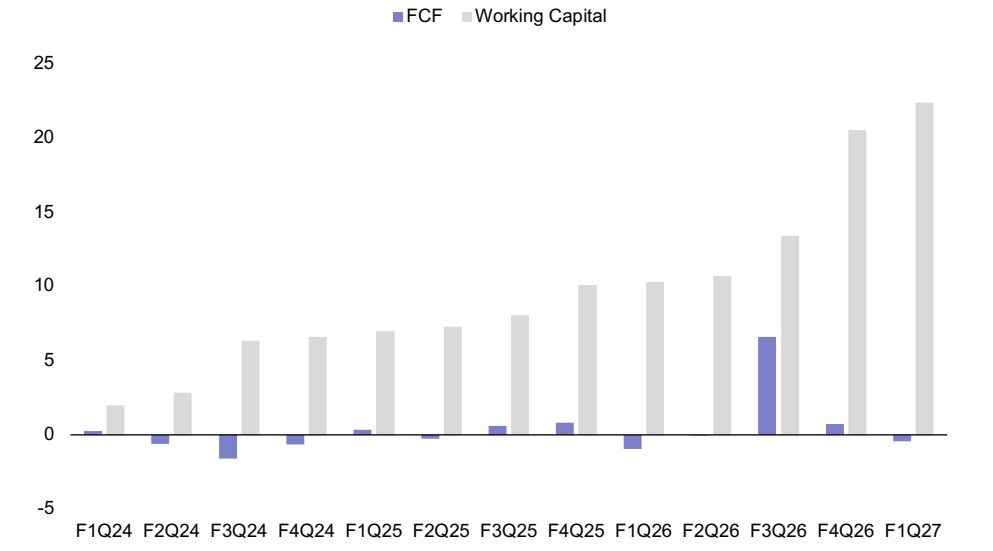
Sources: Company data, GF Securities (Hong Kong) Brokerage

**Figure 2: SMCI's GM and OPM (%) trends**




Sources: Company data, GF Securities (Hong Kong) Brokerage

**Figure 3: SMCI's FCF and working capital (US$ bn)**




Sources: Company data, GF Securities (Hong Kong) Brokerage

## Earnings revision

By factoring better results, guidance and higher GM assumptions, we raised FY27E/FY28E EPS by +54%/+41%

**Figure 4: Earnings revision**

| USD m | FY26 | FY27E | | FY28E | | Change (%) | |
|---|---|---|---|---|---|---|---|
| | | Old | New | Old | New | FY27E | FY28E |
| Net sales | 39,063 | 75,265 | 82,125 | 101,185 | 110,721 | 9% | 9% |
| Gross profit | 4,262 | 6,537 | 9,717 | 7,874 | 10,652 | 49% | 35% |
| Operating profit | 3,183 | 5,105 | 8,233 | 6,369 | 9,402 | 61% | 48% |
| Pre-tax Income | 3,239 | 4,505 | 6,919 | 5,769 | 8,002 | 54% | 39% |
| Net profit | 2,586 | 3,581 | 5,396 | 4,615 | 6,362 | 51% | 38% |
| EPS ($) | 3.63 | 4.53 | 6.99 | 5.76 | 8.11 | 54% | 41% |
| **Key ratios** | | | | | | | |
| Gross margin | 10.9% | 8.7% | 11.8% | 7.8% | 9.6% | | |
| Operating margin | 8.1% | 6.8% | 10.0% | 6.3% | 8.5% | | |
| Pre-tax margin | 8.3% | 6.0% | 8.4% | 5.7% | 7.2% | | |
| Net profit margin | 6.6% | 4.8% | 6.6% | 4.6% | 5.7% | | |

Sources: Company data, GF Securities (Hong Kong) Brokerage

**Figure 5: SMCI's P&L forecast**

| (USD m) | FY26 | F1Q27 | F2Q27E | F3Q27E | F4Q27E | FY27E | F1Q28E | F2Q28E | F3Q28E | F4Q28E | FY28E |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sales | **39,063** | 19,946 | 20,278 | 19,739 | 22,163 | **82,125** | 25,288 | 27,563 | 28,334 | 29,536 | **110,721** |
| COGS | **34,802** | 17,397 | 17,806 | 17,470 | 19,736 | **72,408** | 22,647 | 24,881 | 25,728 | 26,813 | **100,069** |
| Gross profit | **4,262** | 2,549 | 2,471 | 2,269 | 2,427 | **9,717** | 2,641 | 2,682 | 2,607 | 2,723 | **10,652** |
| Opex | **1,079** | 384 | 353 | 370 | 376 | **1,484** | 336 | 329 | 314 | 271 | **1,250** |
| Operating profit | **3,183** | 2,165 | 2,118 | 1,899 | 2,051 | **8,233** | 2,305 | 2,353 | 2,292 | 2,451 | **9,402** |
| Non-operating profit | **20** | -329 | -328 | -328 | -328 | **-1,314** | -350 | -350 | -350 | -350 | **-1,400** |
| Pre-tax profit | **3,203** | 1,836 | 1,790 | 1,571 | 1,722 | **6,919** | 1,955 | 2,003 | 1,942 | 2,101 | **8,002** |
| Income tax | **653** | 456 | 376 | 330 | 362 | **1,523** | 401 | 411 | 398 | 431 | **1,640** |
| Non-GAAP Net Income | **2,586** | 1,381 | 1,414 | 1,241 | 1,361 | **5,396** | 1,554 | 1,593 | 1,544 | 1,671 | **6,362** |
| Non-GAAP EPS ($) | **3.63** | 1.81 | 1.84 | 1.60 | 1.75 | **6.99** | 1.98 | 2.02 | 1.94 | 2.09 | **8.03** |
| Diluted shares | **712** | 764 | 769 | 774 | 779 | **772** | 784 | 789 | 794 | 799 | **792** |
| **Margin analysis** | | | | | | | | | | | |
| Gross margin | **10.9%** | 12.8% | 12.2% | 11.5% | 11.0% | **11.8%** | 10.4% | 9.7% | 9.2% | 9.2% | **9.6%** |
| Operating margin | **8.1%** | 10.9% | 10.4% | 9.6% | 9.3% | **10.0%** | 9.1% | 8.5% | 8.1% | 8.3% | **8.5%** |
| Pre-tax margin | **8.2%** | 9.2% | 8.8% | 8.0% | 7.8% | **8.4%** | 7.7% | 7.3% | 6.9% | 7.1% | **7.2%** |
| Effective tax rate | **20.4%** | 24.8% | 21.0% | 21.0% | 21.0% | **22.0%** | 20.5% | 20.5% | 20.5% | 20.5% | **20.5%** |
| **Growth (% YoY)** | | | | | | | | | | | |
| Sales | **78%** | 298% | 60% | 93% | 99% | **110%** | 27% | 36% | 44% | 33% | **35%** |
| Operating profit | **103%** | 698% | 275% | 153% | 29% | **159%** | 6% | 11% | 21% | 20% | **14%** |
| Net income | **96%** | 475% | 191% | 107% | 11% | **109%** | 13% | 13% | 24% | 23% | **18%** |
| EPS | **77%** | 410% | 168% | 90% | 3% | **93%** | 10% | 10% | 21% | 20% | **15%** |

Sources: Company data, GF Securities (Hong Kong) Brokerage

## Valuation and Recommendation

### Retain Buy with TP of $56

We maintain Supermicro (SMCI US) at Buy and set our TP at $56, which is based on 8x our FY27E EPS estimate. We lower our PE multiple to reflect the longer term concerns over neoclouds' financing and AI datacenter deceleration. We adopt P/E methodology as we believe the market will be mainly focused on the company's earnings outlook, and we usually apply P/E method to downstream firms.

SMCI's P/E traded at an average of 16x since 4Q22 when the AI cycle started and broke up to 20x above in 1H24. Share price was volatile in the past two years due to events of: 1) March 2024: reaching all-time high share price of $118.81 amid AI server demand; 2) October 2024: the resignation of auditor Ernst & Young; 3) November 2024: hiring new auditor BDO and announcing delayed filings plan; 4) February 2025: filed financials on time, avoiding NASDAQ delisting; 5) March 2026: Indictment over alleged China AI server exports. Though we cannot be certain, it appears that the recent investigation has concluded with charges limited strictly to individuals, effectively lifting the near-term corporate governance overhang.

Our target multiple is inline with the mid-cycle valuation, and we believe its long-term growth outlook remain solid well supported by Neoclouds' momentum and Agentic AI. On relative basis, SMCI trades lower than server OEM peers such as DELL and HPE, due to corporate governance issue.

**Figure 6: SMCI's 12-month forward P/E**




Sources: Bloomberg, GF Securities (Hong Kong) Brokerage

### Risks

1) Competition, 2) Shipment delays, 3) Financing.

## Balance Sheet

USD mn

| | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|
| **Current assets** | **8,932** | **12,468** | **27,726** | **51,863** | **69,702** |
| Cash and cash equivalents | 1,670 | 5,170 | 7,521 | 9,666 | 11,905 |
| Inventory | 4,333 | 4,680 | 12,896 | 26,831 | 37,081 |
| Accounts Receivable | 2,737 | 2,375 | 6,125 | 12,878 | 17,362 |
| Other current assets | 192 | 243 | 1,183 | 2,488 | 3,354 |
| **Non-current assets** | **894** | **1,550** | **2,219** | **2,334** | **2,401** |
| Long-term equity investment | - | - | - | - | - |
| Fixed assets | 414 | 504 | 626 | 740 | 807 |
| Other long-term assets | 480 | 1,046 | 1,594 | 1,594 | 1,594 |
| **Total assets** | **9,826** | **14,018** | **29,945** | **54,197** | **72,103** |
| **Current liabilities** | **2,346** | **2,345** | **7,160** | **15,857** | **21,537** |
| Accounts Payable | 1,472 | 1,282 | 2,247 | 4,675 | 6,461 |
| Short-term borrowings | 402 | 75 | 2,040 | 5,141 | 6,932 |
| Other current liabilities | 471 | 988 | 2,873 | 6,041 | 8,144 |
| **Non-current liabilities** | **2,063** | **5,372** | **8,306** | **18,464** | **24,329** |
| Long-term Debt | 1,772 | 4,683 | 6,681 | 16,839 | 22,703 |
| Other non-current liabilities | 291 | 689 | 1,625 | 1,625 | 1,625 |
| **Total liabilities** | **4,409** | **7,717** | **15,466** | **34,321** | **45,866** |
| **Total Equity** | **5,417** | **6,302** | **14,480** | **19,876** | **26,237** |
| Share Capital | 2,831 | 2,866 | 8,827 | 8,827 | 8,827 |
| Additional Paid-in Capital | - | - | - | - | - |
| Retained earnings | 2,586 | 3,435 | 5,652 | 11,049 | 17,410 |
| Minority interests | - | - | - | - | - |
| **Total Liabilities & Equity** | **9,826** | **14,018** | **29,945** | **54,197** | **72,103** |

## Income Statement

USD mn

| | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|
| **Revenue** | **14,989** | **21,972** | **39,063** | **82,125** | **110,721** |
| Cost of sales | 12,862 | 19,518 | 34,802 | 72,408 | 100,069 |
| **Gross profit** | **2,128** | **2,454** | **4,262** | **9,717** | **10,652** |
| Operating Expense | 634 | 887 | 1,079 | 1,484 | 1,250 |
| **Operating profit** | **1,494** | **1,567** | **3,183** | **8,233** | **9,402** |
| Interest Income | - | - | - | - | - |
| Interest Expense | 19 | 60 | 110 | 113 | 200 |
| Net other Non-op. Income/(Loss) | 26 | 48 | 130 | -1,200 | -1,200 |
| **Pre-tax profit** | **1,501** | **1,556** | **3,203** | **6,919** | **8,002** |
| Income tax | 156 | 240 | 653 | 1,523 | 1,640 |
| **Profit for the year** | **1,345** | **1,316** | **2,586** | **5,396** | **6,362** |
| Minority interest | - | - | - | - | - |
| **Net profit to ord. equity** | **1,345** | **1,316** | **2,586** | **5,396** | **6,362** |
| **EPS ($)** | **2.2** | **2.1** | **3.6** | **7.0** | **8.1** |

## Cash Flow Statement

USD mn

| | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|
| **Operating cash flow** | **-2,486** | **1,660** | **-6,810** | **-10,875** | **-5,176** |
| Profit for the year | 1,345 | 1,316 | 2,586 | 5,396 | 6,362 |
| Depreciation & amortization | 41 | 69 | 116 | 125 | 173 |
| Change in working capital | -4 | - | -10 | -16,397 | -11,711 |
| Others | -3,868 | 274 | -9,502 | - | - |
| **Investing cash flow** | **-194** | **-183** | **-200** | **-240** | **-240** |
| Capex | -165 | -159 | -237 | -240 | -240 |
| Change in investment | - | - | - | - | - |
| Others | -29 | -24 | 37 | - | - |
| **Free cash flow** | **-2,680** | **1,476** | **-7,010** | **-11,115** | **-5,416** |
| **Financing cash flow** | **3,911** | **2,024** | **9,479** | **13,260** | **7,656** |
| Change in Capital | 2,100 | -432 | 5,592 | - | - |
| Net Change in Debt | 1,884 | 2,584 | 3,963 | 13,260 | 7,656 |
| Others | -73 | -128 | -76 | - | - |
| **Exchange influence** | **-2** | **2** | **-9** | - | - |
| **Net increase in cash** | **1,231** | **3,500** | **2,469** | **2,144** | **2,239** |

## Key Financial Ratios

| | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|
| **Growth** | | | | | |
| Revenue growth | 110.4 | 46.6 | 77.8 | 110.2 | 34.8 |
| Operating profit growth | 84.0 | 4.9 | 103.0 | 158.7 | 14.2 |
| Net profit growth | 99.7 | -2.1 | 96.4 | 108.7 | 17.9 |
| **Profitability** | | | | | |
| Gross profit margin | 14.2 | 11.2 | 10.9 | 11.8 | 9.6 |
| Operating Profit Margin | 10.0 | 7.1 | 8.1 | 10.0 | 8.5 |
| Net profit margin | 9.0 | 6.0 | 6.6 | 6.6 | 5.7 |
| **Key Ratio** | | | | | |
| ROA | 19.9 | 11.0 | 11.8 | 12.8 | 10.1 |
| ROE | 24.8 | 20.9 | 17.9 | 27.2 | 24.2 |
| **Stability** | | | | | |
| Gross debt/equity | 40.1 | 75.5 | 60.2 | 110.6 | 113.0 |
| Interest Coverage | 78.5 | 27.1 | 17.6 | 62.0 | 41.0 |
| Current Ratio | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Quick Ratio | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Net debt/equity | 0.1 | Net cash | 0.1 | 0.6 | 0.7 |

**Rating definitions** Benchmark: Hang Seng Index (Hong Kong)

**Company ratings**

| | |
|---|---|
| **Buy** | Stock expected to outperform benchmark by more than 10% |
| **Hold** | Expected stock relative performance ranges between -10% and 10% |
| **Underperform** | Stock expected to underperform benchmark by more than 10% |

**Sector ratings**

| | |
|---|---|
| **Positive** | Sector expected to outperform benchmark by more than 10% |
| **Neutral** | Expected sector relative performance ranges between -10% and 10% |
| **Cautious** | Sector expected to underperform benchmark by more than 10% |

**Hong Kong**

| | |
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