

## Frequently Asked Questions- FAQ

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### How would you describe your business?

Supermicro designs, develops, manufactures and sells optimized, high performance server solutions, based on the open-standard x86 computer architecture. Our solutions include a broad range of complete rack and blade server systems as well as components, such as serverboards and chassis, which can be used by distributors, OEMs, and end customers to flexibly assemble custom server systems. Our server systems and components are architected to provide high levels of reliability, quality and scalability, thereby enabling benefits in the areas of performance, thermal management, power efficiency and total cost of ownership.

Founded in San Jose, California in 1993, Supermicro has grown revenues and has shown consistent profitability in each of our 15 years of business. In 2007 Supermicro became a public company with a listing on the Nasdaq under the symbol "SMCI". Our excellent growth, profitability and sales per employee are illustrated by:

- \$540.5 million revenues (FY 2008, ending 6/30/08)
- \$25.4 million net income (FY 2008)
- 32% revenue 5-year compound annual growth rate, or CAGR (FY 2003-2008)
- 49% net income 5-year CAGR (FY 2003-2008)
- \$673,000 revenue / employee (2008)
- ROE 19% (FY2008)

Our business opportunity is substantial. The x86 global market, which we address primarily, was \$29.5 billion in 2007, with a CAGR of 4.4% from 2002-2007 (Gartner Group, September 2008). This growth is expected to continue as businesses become more complex and their requirements for computing capacity continue to expand.

## **Why will your core strengths make you successful?**

Supermicro's major strength is our engineering skills. We perform the majority of our R&D efforts at our San Jose headquarters, near to our technology partners, which increases communication and collaboration between engineering teams. This results in more innovative solutions that can reach the market more rapidly. For example, in recent years, we believe we were the first to introduce the following new technologies:

- A multi-core Xeon® based architecture with large memory capacity
- 1U server solutions with high density I/O capabilities of much larger 2U servers
- Configuration server solutions having drive temperature and fan failure alerts
- New class of server, the 1U Twin™- a 1U dual DP Node server system
- DatacenterBlade™ with expanded density and highest performance-per-watt
- Optimized 1U server with Silver Level 80 Plus® certified multi-output power supply

We have developed design principles that empower our engineers with greater flexibility to quickly and efficiently develop new server solutions that are optimized for our customers' specific application requirements. Our modular architectural approach has allowed us to offer our customers interoperable designs across all of our components. This modular approach, in turn, enables us to provide what we believe to be the industry's largest array of server systems and components.

## **What is your business strategy?**

Supermicro's objective is to be the leading provider of optimized, high performance server solutions worldwide. Key elements of our strategy include:

### ***Maintain Our Time-to-Market Advantage***

We will continue our R&D investments to rapidly develop new server solutions based on industry standard components. We plan to expand and deepen our relationships with our technology partners to develop products that are compatible with the latest generation of industry standard technologies.

### ***Expand our Product Offerings***

We plan to deliver improved power and thermal management capabilities, as well as new servers and components that can operate in increasingly dense environments. We will offer additional management software capabilities integrated with our server products to further enable end users to simplify and automate their server operations.

### ***Strengthen Distribution and Expand into New Markets***

We intend to deepen our relationships with existing channel partners and add new distributors, to continue to grow rapidly and flexibly. We will continue to target specific industry segments that require optimized server solutions. We plan also to expand our reach geographically, particularly in the Asia Pacific region and Europe, and increasingly to Global 2000 companies.

### ***Strengthen Our Relationships with Suppliers and Manufacturers***

Our efficient supply chain and outsourced manufacturing allow us build custom systems to order while minimizing costs. We plan to continue to leverage our relationships with suppliers and contract manufacturers to maintain and improve our cost structure as we benefit from economies of scale.

### ***Advanced Blade Server Technology***

To meet the emerging demand for blade servers we have developed and introduced a high-performance blade server solution, called SuperBlade®. Our SuperBlade® server systems have achieved industry leading densities and superior performance per watt at a lower total cost of ownership. We believe the market for these products is expanding rapidly (49% yearly, IDC), and we intend to strengthen our SuperBlade® offerings to enhance our competitive posture.

## **Who are your customers?**

To execute our strategy, we have developed a sales and marketing program that is primarily focused on indirect sales channels. We work with distributors, including resellers and systems integrators, and OEMs to market and sell customized solutions to their end customers. We intend to leverage our relationships with key distributors and OEMs to penetrate select industry segments where our optimized products can provide a superior alternative to existing solutions. For a more limited group of customers who do not normally purchase through distributors or OEMs, we have implemented a direct sales approach.

We refer to “optimized” solutions as those where the nature of the underlying computing architecture contributes meaningfully to the competitive advantages of the business. Typically these firms need customized server solutions which provide optimal levels of processing, I/O or memory. These situations include, among others:

- *Large scalable server farms.* Data centers of online service providers and Global 2000 companies, as well as supercomputing clusters of large research organizations, who want to optimize industry standard components by architecting a system platform that enables higher performance through enhanced processing or I/O, more efficient memory bandwidth and greater capacity.

- *Businesses that have complex computing requirements.* Certain businesses, such as financial services companies, oil exploration companies and entertainment production studios, require systems that optimize processing and I/O to maximize information and image capture and processing.
- *OEMs.* Certain OEMs, including vendors of networking hardware and medical imaging equipment, seek to differentiate their end products by requiring rapidly deployable, customized server solutions.

As of fiscal year 2007, our products were purchased by over 450 customers in 70 countries, with distributors comprising approximately 67% of our net sales. Our international sales efforts are supported both by our international offices in the Netherlands and Taiwan as well as by our U.S. sales organization. Customers from the U.S. account for approximately 60% of total sales, with 40% of sales coming from international customers.

## **Against whom do you compete?**

Our competitors can be classified into three tiers according to size and scope of business:

### ***Tier 1 Global Integrated Vendors***

Tier 1 includes HP, IBM, and Dell, the dominant companies in the market, each of which offers server solution sets that may be limited in customization flexibility beyond the configuration of that solution set.

### ***Tier 2 Niche Suppliers***

Tier 2 includes Sun and Rackable Systems, which address specific niche markets.

### ***Tier 3 Components Vendors***

Tier 3 includes Intel Enterprise Products Solution Division (Intel EPSD), ASUS, Quanta Computers, and many smaller firms that focus on selling server components such as motherboards, chassis and power supplies.

We believe that Supermicro competes favorably with these firms based on our in-house engineering resources and technology partner relationships, time-to-market and customization advantages, building block and system approach to expand volumes and reduce costs, customer breadth, and manufacturing and go-to-market flexibility.

## **How does your corporate responsibility commitment fit your business model?**

Our major corporate social responsibility initiative is Green IT sustainability, which has been an outstanding win for Supermicro. It means helping customers to lower energy consumption and emissions without sacrificing performance or economics. Our server products are industry leaders in improved energy efficiency as confirmed by the following industry distinctions:

- Best Green Data Center Solution at BladeSystems Insight 2008
- Best performance per watt in a 1U Server (1U™ Twin)
- SuperBlade® chosen by CERN (European Organization for Nuclear Research) for high computational performance and superior energy efficiency
- First optimized 1U server with Silver Level 80 Plus® certified multi-output power supply

Our Green IT industry leadership begins with advanced technology: high-efficiency serverboard designs augmented by improved VRMs, heat sinks, cooling fans, and airflow designs. Implementing these technologies over the past several years has allowed Supermicro to boost the energy efficiency of our products by at least 30%, and as we perfect new technologies that efficiency level will grow.

As a demonstrated leader in energy efficient computing, Supermicro is proud to support the Climate Savers Computing Initiative (CSCI) as a sponsor member and Chair of the CSCI APAC Region. CSCI's goal is to promote development, deployment and adoption of smart technologies that can improve computer efficiencies, with a goal to achieve a 50% reduction in computer power consumption by 2010. Supermicro believes that there is still significant room for further improvement in our products, and we will strive to achieve it because our customers, our company, and our world all depend on it.