Q4 2023 Earnings Call

Company Participants

- Charles Liang, Chief Executive Officer
- David Weigand, Chief Financial Officer
- Michael Staiger, Vice President
- Unidentified Speaker

Other Participants

- John, Analyst
- Unidentified Participant

Presentation

Operator

Thank you for standing by. My name is Anna and I will be your conference operator today. At this time, I would like to welcome everyone to the Super Micro Computer Fiscal Fourth Quarter 2023 Results Conference. With us today. Charles Liang, Founder, President and Chief Executive Officer, David Weigand, CFO, and Michael Staiger, Vice President of Corporate Development. (Operator Instructions). Thank you. Michael Staiger. You may begin your conference.

Michael Staiger {BIO 1970663 <GO>}

Good afternoon and thank you for attending Supermicro's call to discuss financial results for the fourth quarter and full fiscal year which ended June 30, 2023. With me today are Charles Liang, Founder, Chairman and Chief Executive Officer; and David Weigand, Chief Financial Officer.

By now you should have received a copy of the news release from the company that was distributed at the close of regular trading and is available on the company's website. As a reminder, during today's call, the company will refer to a presentation that is available to participants in the Investor Relations section of the company's website under the Events Presentations tab. We have also published management's scripted commentary on our website.

Please note that some of the information you'll hear during our discussion today will consist of forward-looking statements, including without limitation those regarding revenue, gross margin, operating expenses and other income and expenses, taxes, capital allocation and future business outlook, including guidance for the first quarter of fiscal year 2024 and the full fiscal year 2024. There are a number of risk factors that could cause Super Micro's future results to differ materially from our expectations. You can learn more about these risks in the press release we issued earlier this afternoon our most recent 10-K filing for fiscal 2022 and other SEC filings.

All these documents are available on the Investor Relations page of Supermicro's website. We assume no obligation to update any forward-looking statements. Most of today's presentation will refer to non-GAAP financial results and business outlook. For an explanation of our non-GAAP financial measures, please refer to the accompanying presentation or to our press release published earlier today. In addition, a reconciliation of GAAP to non-GAAP results is contained in today's press release and in the supplemental information attached to today's presentation.

At the end of today's prepared remarks, we will have a Q&A session for sell-side analysts to ask questions.

I will now turn the call over to Charles.

Charles Liang {BIO 15793808 <GO>}

Thank you, Michael, and good afternoon, everyone. Today, I'm pleased to announce a new record for each quarter of $7.12 billion annual revenue 37% Year-over-Year gross rate. We also achieved our first the Denmark $2.18 billion quarterly. Which is 34% growth year-over-year to 70% quarter-on-quarter. We are continuing to see the world's top and bottom-line results and performing well beyond our previously guide range.

It's mostly equity that our strong growth have been driven by the demand for our leading AI performance in product in play rack-scale especially for our large language model. Optimized (inaudible) is the ophthalmic solution. Our engineering capability enables us to deliver optimized posted to market AI profile and solutions to our customers. Distinguished us from the competition and empowering us to Much share. I'm also proud of our logistic and production teams execution to maintain our and to market advantage and deliver our total solution to our key Patents much sooner than competition.

Our investment of 4,000 racks per month stay or to add meditation and propulsion for CDP, you'll see the comparing is a one or two major factors. In delivering high-performance AI rack. Quickly with both air-cooled and liquid options. That's the goal was some key financial highlights, we ended fiscal year '24 which is record high back orders. Many more new design-wins and new customers. Again our fiscal year 2023 net Revenue total $7.12 billion, up 37% year-on year.

Above our meaningful new guidance range of $6.7 billion Fiscal year 2023 (inaudible)earnings per share grew 109% Year-over-Year, to $11.81 compared to $5.55 in a year-ago you'll see it in the higher-end of our revised guidance range of [ph] $10.52 and $11. Q4 net revenue total $2.18 billion, up 34% year-on year and up 70% quarter-on-quarter, above our guidance range of $1.7 billion to $1.9 billion. Fiscal Q4 non-GAAP earnings of $3.51 per share grew [ph] 34% year over year compared to $2.62 a year-ago and it was way above the, high-end of our guidance range of $2.21 to $2.71, demonstrating strong operating leverage and continue customer preference towards our rack-scale Total IT Solutions.

For 30 years, we had been (inaudible) good in our company's strengths and foundation. The only USA based larger-scale AI perform designer and manufacturer, we have been shipping our we need for that. In volume to our partner for more than a quarter. Couple of months ago. I was not to happen, my close friend who Libya CEO, (inaudible) join me on stage and I'll come to the tax to-highlight our optimized new-generation GPU submissions for this AI Europe.

We had to provision (inaudible)system but complete the rack-scale Total submission to large generative AI Innovators. Supporting HGX H100 they are on mix H100 PCIe GPUs and just around it 40 as GPUs our Delta mix and AGPU over EGS systems have become a benchmarks for excellence all industry. We are also getting good traction on NPL(inaudible) tool and PVC. Whereas MOP the submissions. That depend for artificial intelligence in Hartsville is a perfect Korea tourist by our billion broke thermal architecture.

And due to our bidding both solution. We are a based and royalties application optimized GPU solution on our market, we put into extended leadership we upcoming. MTX platforms that we align at COMPUTEX bringing material, but it's PDT home exploration with (inaudible)shipped. Grades C-tool and great one (inaudible)2. The MGA expedited form is throughout the vision of AI computing between NVIDIA and supermicro designed to be open, flexible and future-proof for multiport generation of GPUs CPUs and EPUs.

We already have a many customer engaged with these new MGX performs. As we speak. There will be in volume production with me only half of our revenue this quarter based on AI relate that designs, I except this AI growth momentum to continue. It's been in our time across all customer types. For major AI innovators. A Super large CSP PO and there centers in Tier two, cloud and to that General enterprise market Out of the performance of GPU CPU, EPU and memory technology i n enhance the storage performance is also to feed the massive with their assets our application without becoming bottleneck that slows the entire system that.

Supermicro added new PCIe Gen 5 base, E1S And E3S ahead our Scale all fresh storage server Of our industry did in storage performance and capacity. Together with our tool S (inaudible)capability, the scale and traditional storage performs we are for fear in customers AI compute and storage meets with the Atlanta stop total. With one-stop total solution, shopping experience, we that based optimization in performance come to online and cost We (inaudible)with computing and storage the power consumption and so much had in geographies new technology a regions dramatically. Praliciguat or even 100 kilowatt solution. Demand is rapidly expanding and require for compute-intensive datacenter CSP and other verticals, Having high-power efficiency today and give the cooling expertise have become one of our key differentiators of success we have make a major investment across up (inaudible)our of technologies. To drive adoption of directly cooling in data center to address the some more challenges. In addition to increasing computing density and reducing TCO live according to that environmental impact of datacenter germination. (inaudible) with our (inaudible) Similarly Emulsions dilution is it making good progress We will be happy to provide their option to interest pattern also. The reality is that it data center that you will try to or is it getting more complex, especially with the Company's season demand of AI. That design complexity and integrations gear along with that requirement to in the timely fashion. Heavy burden to many end-customers. Supermicro's the Total IT solution approach, save them from the complication of design Medication so and integration it also line network switching from where and installed management in data center scale. Customer peace of mind is top of by value of our 24/7 global service dealsEven though occur in the was demand we have been demand continuing to evaluate our propylene beyond our recently allowance Malaysia explanation we had recently added another new building Carlos to our Silicon Valley headquarter. And our aim to further increase our current 4,000 rack per month capacity in this fiscal year. To further support the demand from key domestic partners. We are also premium to build another manufacturer campus in North-America. And at this moment. our USA quarter and facility can support at least [ph] Billion dollars in revenue, while the new Malaysia facility we have further increase our total revenue capability by soybean. Large-scale pullback in customer only reduce cost try to you in the coming few quarter. In Supermicro is in a great position to continue our growth momentum with our leading portfolio. Our invoices(inaudible) your ratings. And our ability to deliver Bobby and Tammany men. Due to occur in the key component surprise shortage, we forecast revenue in the range of $1.9 billion to $2.2 billion for the September quarter. However, given record-high back orders we see forward we see fiscal year 2024 revenue between $9.5 billion to $10.5 billion. We still want to deliver more depending on a EBITDA oversupply (inaudible)answer that either rackscale Total AI and IT Solutions had. Just. Begun we are ready to deliver optimized AI involves to existing in emerging market. Along with our value-add the Soto add in-service. To see the preliminary. Our foundation and capacity are floating-rate, and our demand is growing strongly. We are (inaudible)aim largely with the model and other AI applications are booming. And now expect the $20 billion annual revenue target to be yes, a couple of years (inaudible). Before passing the call to David Weigand. Our Chief Financial Officer. I want to say thank you to our partner customer, Super Micro and our shareholders for your continuous support. Thank you, David.

David Weigand {BIO 20867262 <GO>}

Thank you, Charles. Fiscal fourth quarter revenues for $2.18 billion, up 34% Year-over-Year and up 70% quarter-over quarter. Q4 revenues exceeded initial guidance range of $1.7 billion to $1.9 billion and we're at the high-end of the recently updated range of [ph] $2.15 billion to $2.18 billion. For fiscal 2023, we reported revenues of $7.12 billion representing 37% growth over fiscal year '22 revenues of $5.2 billion.

Next-generation CPU and AI platforms continue to drive record levels of design-wins and orders. Exiting fiscal year 2023 with a record backlog. We are well-positioned for fiscal year '24 with an outlook for continued revenue growth and profitability. We expect diversified growth driven by top-tier datacenters emerging CSPs enterprise AI buildouts CPU upgrades and Edge IoT and telco markets. We are also targeting new opportunities in adjacent markets such as storage, switches, software and services.

We note that our shipments against a record backlog may continue to be constrained by supply-chain bottlenecks for key new components for our advanced AI server platforms. Q4 results were driven by our high-growth AI GPU and rack-scale solutions, which represented 52% of our total revenues. We had two 10% customers for [ph] 10 for Q4 and did not have any 10% customers. For fiscal year '23. During Q4, we recorded $976 million in the Enterprise and Channel vertical.

Representing 45% of revenues versus 50% last quarter. This was up 19% Year-over-Year and up 51% quarter-over quarter. As we ramped several key enterprise programs, the OEM appliance and large datacenter vertical achieved $1.17 billion in revenues. Representing 53% of Q4 revenues versus 47% last quarter. Up 59% Year-over-Year and up 94% quarter-over quarter. As we gain momentum from existing and new datacenter CSP and OEM cloud appliance customers.

Our emerging 5G Telco Edge and IoT segment achieved $43 million in revenues, representing 2% of Q4 revenues versus 3% last quarter. For the fiscal year 2023 organic, enterprise and channel and AI ML revenues grew 10% to represent 48% of total revenues. The OEM appliance and large datacenter segment grew 102% and represented 49% of total revenues. The emerging 5G Telco Edge IoT segment decreased 36% and represented 3% of total revenues.

The mix of complete systems and rack-scale Total IT Solutions has increased over the last two years, server and storage systems comprised 93% of Q4 revenue and subsystems and accessories represented 7%. ASPs continue to increase on a quarter-over quarter and Year-over-Year basis, driven by the value and complexity of our rack-scale Total IT Solutions. By geography US represented 76% of Q4 revenues. Asia, 11%, Europe 10% and Rest of World 3%.

On a Year-over-Year basis. US revenues increased 55%, Asia decreased 17% and Europe increased 1%. And Rest of the World increased 12%. On a quarter-over quarter basis US revenues increased 112%. Asia increased 10%

Unidentified Speaker

Europe decreased 1% and the Rest of the World increased 11%. The Q4 non-GAAP gross margin was 17.1%. Down quarter-over quarter from 17.7% in Q3, as we focused on winning strategic new designs and market-share, new for fiscal 2019, fiscal year 2023, the non-GAAP gross margin of $18.1 million versus $15.4 million for fiscal year 2022 was driven by an increase rack scale production and click and customer mix and higher manufacturing efficiency.

Turning to operating expenses. Q4 OpEx on a GAAP basis increased by 14% quarter-over quarter. And 19% Year-over-Year to a $145 million, driven by headcount and related expenses on a non-GAAP basis, operating expenses increased 14% quarter-over-quarter.

And 17% Year-over-Year to a $133 million. Our non-GAAP operating margin increased significantly to 11% for Q4 versus 8.7% last quarter due to operating leverage driven by higher revenues that outpaced increases in operating expenses. For fiscal year 2023, we achieved a non-GAAP operating margin of 11.4% versus 7.2% in fiscal year 2023.

Due to higher gross margins and operating leverage from higher revenues and expense controls, new, other income and expense for Q4 was an expense of approximately $1.5 million consisting of $3.5 million in interest expense, offset primarily by a net foreign exchange gain of $2.0 million.

Our interest expense increased sequentially as we utilized our short-term credit lines working capital requirements along with higher short-term interest rates on our borrowings. The tax provision for Q4 was $31.3 million on a GAAP basis and $36.6 million on a non-GAAP basis.

The GAAP tax-rate for Q4 was 13.9% and the non-GAAP tax-rate was 15.4%. The GAAP tax-rate was 14.7% for fiscal year 2023 versus 15.7% in fiscal year 2022. And the GAAP tax-rate was 15.9% versus 17.7% in fiscal year 2022. We delivered strong Q4 and nonGAAP diluted earnings per share of $3.51, which exceeded the high-end of the original guidance range of $2.21 to $2.71 and the recently updated range of $3.35 to $3.45.

The increase in Q4 EPS was due to a combination of higher revenues and operating leverage. For the full fiscal year 2023, we reported nonGAAP diluted. EPS of $11.81. Up 19% Year-over-Year versus fiscal 2022 non-GAAP diluted EPS of 565. And higher than the fiscal year 2023 guidance of $10.50 to $11.

Cash-flow used in operations for Q4 was $9 million compared to cash flow generated by operations of $198 million in Q3, due to higher accounts receivable, offset by lower inventory and higher accounts payable from backend-loaded shipments in the quarter due to some Aksu supply constraints.

CapEx was $8 million for Q4, resulting in negative free cash flow of $17 million versus positive free cash flow of $190 million last quarter. For fiscal year 2023, we had cash flow from operations of $664 million. CapEx of $37 million, resulting in free cash flow of $627 million. We have $50 million remaining under the authorized share buyback program, which expires on January 31st 2024.

The closing balance sheet cash position was $440 million, while bank debt was $290 million, resulting in a net cash position of $150 million, down from a net cash position of $176 million last quarter. As we utilize our bank lines of credit to support higher revenues and accounts receivable and we ramped-up production of new AI GPU design-wins.

Turning to the balance sheet and working capital metrics compared to last quarter, the Q4 cash conversion cycle improved to 77 days versus 126 days in Q3. Days of inventory was 75, representing a decrease of 51 days versus the prior quarter of 126 days. Days sales outstanding was down 13 days quarter-over-quarter to 38 days, while days payable outstanding came down by 15 days to 36 days.

Faster inventory turns, contributed to the improvement in our cash conversion cycle. Now turning to the outlook, we remain enthusiastic about our diversified business model, covering a wide range of AI Core computing storage 5G Telco Edge and IoT applications.

Design-wins span across enterprise channel large datacenter and emerging AI CSP. Telco and OEM customers. We are carefully observing the the global macro economic situation and continuing supply-chain constraints, especially for leading AI platforms. For the first quarter of fiscal 2024 ending September 30 2023, we expect net sales in the range of $1.9 billion to $2.2 billion.

GAAP-diluted net income per share of $2.02 to $2.80 and nonGAAP diluted net income per share of $2.75 to $3.50. We expect gross margins to be similar to Q4 levels. GAAP operating expenses are expected to be approximately $185 million and include $48 million in stock based compensation and other expenses that are not included in non-GAAP operating expenses.

GAAP and non-GAAP operating expenses are expected to increase due to continued investments in R&D and higher personnel costs. Adding to our great engineering and sales teams. The outlook for Q1 of fiscal year 2024 fully-diluted GAAP EPS includes approximately $44 million in expected stockbased compensation and other expenses, net of tax effects of $9 million, which are excluded from nonGAAP diluted net income per common share.

We expect other income and expense, including interest expense to be a net expense of approximately $1.5 million. The Companys projections for GAAP and non-GAAP diluted net income per common share, assume a GAAP tax rate of 14.7%, well, a non-GAAP tax-rate of 15.4% and a fully diluted share count of $56 million for GAAP, and 57 million shares for nonGAAP.

We expect CapEx for the fiscal first quarter of 2022, 2024 to be in the range of $10 million to $12 million. For the fiscal year 2024, which ends June 30 2024, we are giving guidance I'm sorry, the first fiscal year first fiscal year 2024. Well, which ends June 30 2024, we are giving guidance for revenues in the range of $9.5 billion to $10.5 billion.

Michael, we are now ready for Q&A.

Questions And Answers

Operator

(Operator Instructions) We have the first question comes from the line of Neil Koski from Northland Capital Markets. Your line is open.

Q - Unidentified Participant

Thank you and congratulations on an amazing quarter. An amazing Fiscal year 2024 revenue of $9.5 billion definitely want to dig into the first so I think you said you had 50% of revenue exposure, AI for the June quarter. That's incredible mix very strong statement that supermicro indeed the leader in AI systems.

What you think is a sustainable differentiation that you guys are well being with rackscale AI systems that's driving that. Incredibly fast increase in revenue exposure AI systems.

A - Unidentified Speaker

Yeah. Thank you. AI had been our major focus. It seems a few years ago and we working with AI chip company kind of lagging NVIDIA very closely and we called the VAV, lots of reform including our NGX now coming. As you know who support C2 and should you one, so

I will AI solution with Rackscale, cloud scale, Cosco scale solution that make our customers (inaudible) you much easier and full rehab, AI solution will energy close that they've been time to online. So I believe our AI about $9 billion. We are currently on the growth in the near maybe a continue to be a more than 50% of our revenue.

Operator

Next question comes from the line (inaudible) from international Group. Your line is open.

Q - Unidentified Participant

Yes, sir, thanks for taking my question. It ensures, I think it would be very helpful if you could,(inaudible). Billion of revenue and perhaps any clinic color on, as be increase that would capture your increased content would give us an insight, unless you have other ways of explaining to get to $10 billion.

A - Unidentified Speaker

We continue again lots of new customer. All Patanol continue to like ours that we (inaudible) and we can be done to gain new customer, we sale, Rackscale, cloud scale total solution, including Air core and big core, right. So we see very strong demand and growing very fast echoed, so $10 billion should be kind of took target for sure.

Q - Unidentified Participant

The question, your competitors also argue for innovative cooling and also argue for share gain. Is there something with your cooling technology that is better offers better cost performance compared to some of the emerging cooling that you're competitors are marketing. We've talked about.Yeah, (inaudible) our engineering team is strong and dedicated everyone can design (inaudible) system simply better than others.better in quality performance also, earlier coming to-market, and together with the service sort management. So it's a Total submission in-service.

So we feel pretty confident that we will continue to give much share.

Okay. Maybe while because but AI becoming more than 50% of your revenue. How is your pipeline as you look int the second half of calendar year do you already have a pipeline that gives you confidence, you're going to hit that 50% plus AI as the mix of revenue or you still have to go and qualify and win the business to hit that target.

A - Unidentified Speaker

Indeed, in our pipeline and have been very strong and that is moment the visibility is very clear. So we are very confident. It's basically another game customer to.

Operator

Your, next question comes from the line of John. From panel Ping, your line is open.

Q - John {BIO 1877782 <GO>}

Hi, Good afternoon, and thank you for taking my questions and congrats on a really strong quarter outlook again. My first one is. I just wanted to dig into your confidence for the outlook. Can you just various parts. Maybe talk about your confidence in supply-chain, being able to supply that maybe 40% growth guidance at the midpoint. Maybe talk about your ability to get allocations from key suppliers. And then within your order book and backlog, what is your Assurance or how can you identify if there's double or triple ordering and how do you protect yourself against that if they do exist.

A - Unidentified Speaker

Yeah, it's a complicated question. We have a very good pull by many product line. Their dynamics (inaudible) for Greece for ARPU and others solution, so including, (inaudible)40-ish so, the solution is really strong and as proprieten and we won't go with our vendor really closely every day and. So hopefully that situation will be consistently improve, but it's not (inaudible) think until our sales. So overall, we have a good Padano sheet. We spend a with customer. So we looked at it very closely and situation we have be continue to improve our.

Q - John {BIO 1877782 <GO>}

And on the order side.

Operator

Your next question. New. We are ready for the next question.

A - Unidentified Speaker

John, did you have follow up.

Q - John {BIO 1877782 <GO>}

(inaudible) protection gets double and triple

A - Unidentified Speaker

And see the other side. I mean the order had been, growing strongly. Every month I see now, order growth.Also, John, we have a lot of NCRO orders as well, that protects against double and triple booking.

Operator

Okay, Next question comes from the line and (inaudible) from Loop Capital, your line is open.

Q - Unidentified Participant

Yeah, good afternoon guys and points for taking the question. Yeah, congrats on the strong results in the and the ongoing momentum. I have a couple if I could. Charles, you've talked in the prepared remarks about the unprecedented demand you're seeing. And you guys have talked about. Actually, adding new customers, including top-tier datacenter customers. I think, you imagined. And somebody. Gen AI server forecasts for 2024 calendar are really-really strong you also talking about gaining share, etcetera, etcetera, and so, I guess the first question is, what's the opportunity will see (inaudible) to maybe even do achieve stronger than the 25th fiscal 24 guidance.

I guess, what would be the puts and takes there and if you were to be able to exceed the 2024 guidance, what would be some of the things you think would need to occur and then. I have a quick follow-up. Thanks.

A - Charles Liang {BIO 15793808 <GO>}

Yeah. I thank you, very good question. Again, we continue to gain generative AI innovator, and we have a good partnership, we started shipping them some small (inaudible). And now, for sure, they need a 10 time, 20 time more system and we can actually but this moment because of the supply-chain and at the same time, we also (inaudible) to engage with largest CSP and large datacenter. So we, continue to gain more customers from (inaudible). So yes, a hard to work-out with supply-chain. So the new issue. I'll prior our customer, our sales and not have been our major focus now although we be to improve our solo AI.

Total data centers that we share. Included in DRC Direct the deep cooling and the equity (inaudible) solution, so, I mean, now we are on right track. Yes, expecting a supply-chain can improved, so that we can grow our revenue.

Q - Unidentified Participant

That's really helpful. And so. Charles, just to make sure that I understood that accurately that to say yes, if the supply-chain. So if you can get more from the supply-chain. Well, actually if the this way, you have order visibility such that, if you can procure more you would have the ability to share gains, see exceed the fiscal 24 range that you provided is really a supply-chain issue. I guess what I'm asking, did. I hear that accurately.

A - Charles Liang {BIO 15793808 <GO>}

Yeah, absolutely. I mean, we (inaudible) to our customers and our vendor. Here we have business solution. So Ogilvy says from that we we've way we went.

A - Unidentified Speaker

Got it and then let me just ask a quick follow-up to that one. Is there anyway you guys could provide any context for us around. I guess how constrained your, like what might the demand outlook, you sort of look like if you were not constrained, so it's not like a guidance, right, obviously your guidance suggests context at and really get a sense of what the structural positioning of the company is if there were

Yeah. I just we have the benefit of that and we have a very good customer and we we pushed out a bit and we know our vendor to India, basically to support us. At the same time as well. So we just hadn't won't targeted.

Q - Unidentified Participant

Charles. I have one more quick one. I'll move away from demand I appreciate it. It sounds like the gross margin guidance for the September quarter. Is a pretty solid base attract for fiscal 2024, should we assume that 17% gross margin range or what's the, what's the right way to think about that and that's it for me thanks.

A - Unidentified Speaker

David. So we're targeting to to hold our margins. And that's all the guidance that will that will give right now..

Operator

Your next question comes from the line of (inaudible) from Wells Fargo. Your line is open.

Q - Unidentified Participant

Yeah, thanks for taking the questions and also, congrats on the results. So I, first of all I just wanted to clarify I want to make sure. I heard the number right, was it 50% or 52% of the revenue that was from your AI rackscale solutions, this last quarter, new.

A - Unidentified Speaker

Yeah, Charles in his script said approximately 50% and I clarified 52%.

Q - Unidentified Participant

And so I guess the question underneath that is that one of the questions I get

A - Unidentified Speaker

Asked a lot about is the spend around AI being so strong and it sounds like, obviously you're carrying a pretty good backlog looking out over the next several quarters, given the supply dynamics, but is if I if I take that number and I say that non AI business.

Q - Unidentified Participant

How has that trended are basically are you reallocating capacity away from more of the nine are traditional compute side to satisfy demand on the AI side or have you seen spending slowdown. Outside of these AI investments that you're clearly benefiting from.

A - Unidentified Speaker

AI (inaudible) takeaway. We keep a level and be flat, understand the industry and it will be declining we are rolling out the Canadian above fed and we try to grow as well and that's why we are growing that in a minute direction kind of manufacturing and Taiwan, Malaysia and we may have another medical campus.

So that's all to increase our capacity, so that we can grow, traditional datacenter SaaS instead of instead of walking you folks on a growing AI new.

Q - Unidentified Participant

Okay. So just to be clear. I mean so you're limiting your limited on your supply on the traditional compute side because of the AI demand that you're seeing, is that fair.

A - Unidentified Speaker

Not exactly impacted by management Executive indeed, as you know, traditional server traditional not business and it be flat from the demand-side. So we into similar experience as well, but not declining.

Q - Unidentified Participant

Yeah okay. And then the final, the final question from me is just thinking about the AI opportunity and I think you alluded to this a little bit in your prepared comments you mentioned positioning around I think it was the Intel chip and then also I think another vendor coming to market the DMI 300 from AMD.

How do you see that playing out for your opportunity. Does it help satisfy demand are you seeing indicators that this AI opportunity is going to be much more diversified here as we move into 2024. Versus what you've seen on the NVIDIA side at this point. Just curious how you're seeing kind of the the competitive landscape or maybe opportunity set expand for you guys with those newer other solutions coming to market new Yeah in solution in Italy that either and

A - Unidentified Speaker

People really a we didn't NVIDIA more supply and others dilution from India, from A&P because outbidding bulk solution. We have a solution to people all over them. So that it depends we have, so yes waiting for (inaudible) a solution to be available in potassium.

Q - Unidentified Participant

Yeah, thank you very much, guys.

Operator

Thank you. Your next question comes from the line of John from (inaudible).

Q - Unidentified Participant

One thing. Your line is open. Hi, thanks for the follow-up. David I was wondering if you could talk about your working capital needs in the sort of environment. Can you on January positive cash-flow going-forward or are you going to be using cash as you try to fulfill the Southern (inaudible).

A - David Weigand {BIO 20867262 <GO>}

Yeah, John, we see we see the business generating good cash flows as it has historically. And we think that the especially in this constrained supply market we're where we could deliver. More if we had more supply is, but we're really the constrained supply ends up moderating the working capital. And so we, we grew our business last quarter.

Quite a bit and through our AR. So that utilized a lot of working capital, but we have no concerns about working capital.

Q - Unidentified Participant

Okay, great. And then, could you guys give a little bit more detail on the the capacity expansion and when those various facilities come online, and what exactly that.

A - Unidentified Speaker

Sure, we have Malaysia, which is expected to come online in around 12 to 15 months. And that's that's going to that will eventually double our capacity and we also have additional capacity. Coming online and our building 2023 here in our Silicon Valley campus, and we've also added as Charles mentioned another another site in San Jose intentions to add another in the Americas.

Q - Unidentified Participant

Got it and then last one from me, maybe a more detailed question, what percentage of your AI sales right now or liquid cooling base. And do you expect that percentage to increase as we go forward.

A - Unidentified Speaker

This is very new question. So we had a very good direct I think we could lead solution ready to go now and it all depends on the customer demand and at the same time, the deep emotion solution also getting Ravens so we have all that we should and depends on customer demand and the reason will mean for sure.

Air steel majority. As you know.

Q - Unidentified Participant

Okay great, thanks, John.

Operator

Your next question comes from the line of Neil cash from Northland Capital Markets. Your line is open.

Q - Unidentified Participant

Yes, thank you for the follow-up question. New (inaudible) July quarter data center revenue to execute in Q2. What does that mean for supermicro in terms GPU systems especially what I'm trying to drive as that is there a lag between when Videojet's recognized revenue and when the rest of server OEMs gets recognized revenue.

A - Unidentified Speaker

We believe they capacity are growing and that's why we talk to them every day, asking for more. So hopefully we can gather more support from them and hopefully they'll. Capacity grows the mostly quickly. So that's all I can say enough new okay. You have a guess on.

Q - Unidentified Participant

What is your I related market share during the June quarter and what they're not that was up Q-o-Q.

A - Unidentified Speaker

We don't have we're not going to offer a market share. So, the June quarter, you can make some assumptions by looking at the results of of others, but we have we sell different GPUs as Charles mentioned, so it varies a done a direct correlation. Yeah, basically we have a strong order back order and we still have not capacity, the waiting more more AIG. That's a situation.

Q - Unidentified Participant

Yeah, understood. How should we think about distributing the remaining $8 billion across the final three quarters here

A - Unidentified Speaker

We're not going to announce quarter-by-quarter or guidance. But we're expecting this to be a robust year and as tempered by the Natural Supply constraints. Because of the popularity of these new platforms,

A - Charles Liang {BIO 15793808 <GO>}

Yeah, basically in, media we are at a more capacity for sure and we're really happy to wait over there. And besides, other than the (inaudible) makes our restaurant mix is a company (inaudible) and. our CET1 solution is Pretty much ready as well. So we believe we can ship much more and. that the -- that situation. So in next four quarter. I believe we will continue to grow quarter-after-quarter.

Q - Unidentified Participant

Thank you very much, very much.And you will all surprise more, you would have supply precondition beta. I believe we can surpass a $10.5 billion which you are EGD.

A - Unidentified Speaker

Thank you everyone joining it(inaudible) was time for question at this time. And this will conclude today's conference call. You may now disconnect.