Super Micro Computer, Inc.
Form 10-K
September 11, 2013
<u>Table of Contents</u>

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

_____

Form 10-K

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

For the fiscal year ended June 30, 2013

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	Name of each exchange on which registered
Common Stock, $0.001 par value per share	The Nasdaq Stock Market LLC

Securities registered pursuant to section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.   Yes ¨   No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.   Yes ¨   No x

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 x   No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).   Yes x   No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨   Accelerated filer x

Non-accelerated filer ¨ (Do not check if a smaller reporting company)   Smaller reporting company ¨

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

The aggregate market value of the registrant's Common Stock held by non-affiliates, based upon the closing price of the Common Stock on December 31, 2012, as reported by the Nasdaq Global Select Market, was approximately $331,423,204. Shares of Common Stock held by each executive officer and director and by each person who owns 5% or more of the outstanding Common Stock, based on filings with the Securities and Exchange Commission, have been excluded since such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of September 6, 2013 there were 42,702,605 shares of the registrant's common stock, $0.001 par value, outstanding, which is the only class of common stock of the registrant issued.

DOCUMENTS INCORPORATED BY REFERENCE

None

SUPER MICRO COMPUTER, INC.

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

This Annual Report on Form 10-K contains "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 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," " "anticipate," "believe," "estimate," "predict," "potential," or "continue," the negative of these terms or other comparable terminology. In evaluating these statements, you should specifically consider various factors, including the risks described below, under "Item 1A Risk Factors", and in other parts of this Form 10-K as well as in our other filings with the SEC. 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.

PART I

Item 1.   Business

Overview

We are a global leader in high-performance, high-efficiency server technology and green computing innovation. We develop and provide advanced server Building Block Solutions to Data Center, Cloud Computing, Enterprise, Hadoop/Big Data, High Performance Computing, or HPC, and Embedded markets. Our solutions range from complete server, storage, blade, workstation and full rack solutions to networking devices and server management software, which can be used by distributors, original equipment manufacturers, or OEMs, and end customers. We offer our customers a high degree of flexibility and customization by providing what we believe to be the industry's broadest array of server configurations. Our server systems, subsystems and accessories are architecturally designed to provide highest levels of reliability, quality and scalability, thereby enabling our customers' benefits in the areas of compute performance, density, thermal management and power efficiency to lower their overall total cost of ownership.

We perform the majority of our research and development efforts in-house, which increases the communication and collaboration between design teams, streamlines the development process and reduces time-to-market. We have developed a set of design principles which allow us to aggregate individual industry standard materials to develop proprietary components, such as serverboards, chassis, power supplies, networking and storage devices. This building block approach allows us to provide a broad range of SKUs, and enables us to build and deliver application-optimized solutions based upon customers' requirements. Architecture innovations include Twin, FatTwin, SuperBlade, MicroCloud, Super Storage Bridge Bay, or SBB, Double-Sided Storage, Battery Backup Power, or BBP, modules, Universal I/O, or UIO, and WIO expansion technology. As of June 30, 2013, we offered over 5,200 SKUs, including SKUs for rackmount and blade server systems, serverboards, chassis and power supplies and other system accessories.

We conduct our operations principally from our headquarters in California and subsidiaries in Taiwan, the Netherlands, and China. We sell our server systems and server subsystems and accessories primarily through distributors, which include value added resellers and system integrators, and to a lesser extent to OEMs as well as through our direct sales force. During fiscal year 2013, our products were purchased by over 800 customers, most of which are distributors in 84 countries. None of our customers represent 10% or more of our net sales. We commenced operations in 1993 and have been profitable every year since inception. For fiscal years 2013, 2012 and 2011, our net sales were $1,162.6 million, $1,013.9 million and $942.6 million, respectively, and our net income was $21.3 million, $29.9 million and $40.2 million, respectively.

The Super Micro Solution

We develop and provide high performance server solutions based upon an innovative, modular and open-standard architecture. Our primary competitive advantages arise from how we use our integrated internal research and development organization to develop the intellectual property used in our server solutions. These have enabled us to develop a set of design principles and performance specifications that we refer to as Super SSI that meet industry standard SSI requirements and also incorporate advanced functionality and capabilities. Super SSI provides us 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 product lines. This modular approach, in turn, enables us to provide what we believe to be the industry's largest array of server systems, subsystems and accessories.

Flexible and Customizable Server Solutions

We provide flexible and customizable server solutions to address the specific application needs of our customers. Our design principles allow us to aggregate industry standard materials to develop proprietary subsystems and accessories, such as serverboards, chassis and power supplies to deliver a broad range of products with superior features. Each subsystem and accessory is built to be backward compatible. We believe this building block approach allows us to provide a broad range of SKUs. As of June 30, 2013, we offered over 5,200 SKUs, including SKUs for rackmount and blade server systems, serverboards, chassis and power supplies and other system accessories.

1

Rapid Time-to-Market

We are able to significantly reduce the design and development time required to incorporate the latest technologies and to deliver the next generation application optimized server solutions. Our in-house design competencies and control of the design of many of the components used within our server systems enable us to rapidly develop, build and test server systems, subsystems and accessories with unique configurations. As a result, when new products are brought to market we are generally able to quickly design, integrate and assemble server solutions with little need to re-engineer other portions of our solution. Our efficient design capabilities allow us to offer our customers server solutions incorporating the latest technology with a superior price-to-performance ratio. We work closely with the leading microprocessor vendors to coordinate the design of our new products with their product release schedules, thereby enhancing our ability to rapidly introduce new products incorporating the latest technology.

Improved Power Efficiency and Thermal Management

We leverage advanced technology and system design expertise to reduce the power consumption of our server, blade, workstation and storage systems. We believe that we are an industry leader in power saving technology. Our server solutions include many design innovations to optimize power consumption and manage heat dissipation. We have designed flexible power management systems which customize or eliminate components in an effort to reduce overall power consumption. We have proprietary power supplies that can be integrated across a wide range of server system form factors which can significantly enhance power efficiency. We have also developed technologies that are specifically designed to reduce the effects of heat dissipation from our servers. Our thermal management technology allows our products to achieve a superior price-to-performance ratio while minimizing energy costs and reducing the risk of server malfunction caused by overheating. We have also developed power management software that controls power consumption of server clusters by policy-based administration.

High Density Servers

Our servers are designed to enable customers to maximize computing power while minimizing the physical space utilized. We offer server systems with up to three times the density of conventional solutions, which allows our customers to efficiently deploy our server systems in scale-out configurations. Through our industry leading technology, we can offer significantly more memory and expansion slots than traditional server systems with a comparable server form factor. For example, we offer systems in a 2U configuration with features and capabilities generally offered by competitors only in a server with room for four racks or shelves, or a 4U server, configuration. Our 2U Twin² system contains four full feature DP compute nodes in a 2U chassis which are designed to address the ever-increasing efficiency, density and low total cost of ownership demands of today's high performance computing clusters and data centers. Our TwinBlade, supporting 20 DP nodes and 5 switches in 7U enclosure, achieve even higher performance, density and efficiency and make it the greenest, most power-saving blade solution available. Our MicroCloud, supporting up to 12 nodes in a 3U enclosure, provides a compelling, cost-effective solution for hosting, searching, or cloud computing applications. In addition, our FatTwin solutions contain eight or four full feature DP hot-pluggable compute nodes in a 4U server. The 8-node configuration provides high density and computing power for those compute-demanding applications, while the 4-node configuration offers up to 8 hot-pluggable 3.5" HDDs per U for those applications that require high storage capacity within a compact setting. FatTwin is designed to operate at high temperatures up to 47 degrees Celsius ambient and delivers the highest performance with the most energy efficient technologies and cooling designs currently available on the market.

Strategy

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

Maintain Our Time-to-Market Advantage

We believe one of our major competitive advantages is our ability to rapidly incorporate the latest computing innovations into our products. We intend to maintain our time-to-market advantage by continuing our investment in our research and development efforts to rapidly develop new proprietary server solutions based on industry standard components. We plan to continue to work closely with Intel, AMD and Nvidia, among others, to develop products that are compatible with the latest generation of industry standard technologies. We believe these efforts will allow us to continue to offer products that lead in price for performance as each generation of computing innovations becomes available.

2

Expand Our Product Offerings

We plan to increase the number of products we offer to our customers. Our product portfolio will continue to include additional solutions based on the latest Intel and AMD technologies as well as other technology vendors such as Nvidia. We plan to continue to improve the energy efficiency of our products by enhancing our ability to deliver improved power and thermal management capabilities, as well as servers and subsystems and accessories that can operate in increasingly dense environments. We have introduced and also plan to continue developing and in the future offer additional management software capabilities that are integrated with our server products and will further enable our customers to simplify and automate the deployment, configuration and monitoring of our servers.

Further Develop Existing Markets and Expand Into New Markets

We intend to strengthen our relationships with existing customers and add new distributors and OEM partners. We will continue to target specific industry segments that require application optimized server solutions including data center environments, financial services, oil and gas exploration, biotechnology, entertainment and embedded applications. We have begun manufacturing and service operations in the Netherlands and Taiwan in support of European and Asian customers and we plan to continue to increase our overseas manufacturing capacity and logistics capabilities and expand our reach geographically.

Strengthen Our Relationships with Suppliers and Manufacturers

Our efficient supply chain and combined internal and outsourced manufacturing allow us to build systems to order that are customized, while minimizing costs. We plan to continue leveraging our relationships with suppliers and contract manufacturers in order to maintain and improve our cost structure as we benefit from economies of scale. We intend to continue to source non-core products from external suppliers. We also believe that as our solutions continue to gain greater market acceptance, we will generate growing and recurring business for our suppliers and contract manufacturers. We believe this increased volume will enable us to receive better pricing and achieve higher margins. We believe that a highly disciplined approach to cost control is critical to success in our industry. For example, we continue to maintain our warehousing capacity in Asia through our relationship with Ablecom Technology, Inc., or Ablecom, one of our major contract manufacturers and a related party, so that we continue to deliver products to our customers in Asia and elsewhere more quickly and in higher volumes.

Advanced Blade Server Technology

To meet the emerging demand for blade servers, we have developed and continued to improve our high-performance blade server solutions, called SuperBlades. Our SuperBlades are designed to share a common computing infrastructure, thereby saving additional space and power. Our SuperBlades are self-contained servers designed to achieve industry leading density and superior performance per square foot at a lower total cost of ownership. The SuperBlade's enclosure provides power, cooling, networking, various interconnects and system-level management and supports both Intel Xeon and AMD Opteron processors. By creating a range of unique blade server offerings, we provide our customers with solutions that can be customized to fit their needs. In addition, the SuperBlade power supplies provide 94%+ gold level or above efficiency, which is currently considered the highest AC power supply efficiency in today's blade solutions providing extreme electricity cost saving. We believe that our SuperBlade server system provides industry leading density, memory expandability, reliability, price-to-performance per square foot and energy saving. We also offer our TwinBlade SuperBlade configuration which includes two dual processor blades into one slot. The TwinBlade with the most current Infiniband fourteen data rate, or FDR, connection enables the new SuperBlade to achieve even higher performance, density and efficiency by doubling the number of dual-processor compute nodes per 7U enclosure from 10 to 20. In addition to its superior processing power, TwinBlade combines 94%+ power supply efficiency with our innovative and highly efficient thermal and cooling system designs making it

the greenest, most power-saving blade solution available. Our Graphics Processing Units (GPU) SuperBlade, which supports up to 30 GPUs and 20 Central Processing Units (CPUs) in a single 7U blade enclosure, delivers maximum performance with the best CPU to GPU balance and optimized I/O.

Products

We offer a broad range of application optimized server solutions, including complete rackmount and blade server systems and subsystems and accessories which customers can use to build complete server systems.

3

Server Systems

We sell server systems in rackmount, standalone tower and blade form factors. We currently offer a complete range of server options with single, dual and quad CPU capability supporting Intel Pentium and Xeon multi-core architectures in 1U, 2U, 3U, 4U, tower and blade form factors. We also offer complete server systems based on AMD single, dual and quad Opteron in 1U, 2U, 4U and blade form factors. As of June 30, 2013, we offered over 950 different server systems. For each system, we offer multiple chassis designs and power supply options to best suit customer requirements. We also offer multiple configurations based on our latest generation systems with most comprehensive selections of chassis and serverboards. A majority of our most common systems are also available in minimum 1U or 1/2 depth form factors which are approximately one half of the size of standard sized rackmount servers.

The figure below depicts a typical rackmount server and the different components that we typically optimize for our customers. The layout presented is for illustrative purposes only and does not represent the typical layout of all our servers.

A. Chassis: Industry standard 1U rackmount chassis that allows server interoperability while efficiently housing key server components.

B. Power Supply: High efficiency, cost effective AC energy saving power supply. DC power supplies and Battery Backup Power BBP® modules are also available.

C. Memory: Scalable memory expansion capability.

D. Intelligent Platform Management Interface: Monitors onboard instrumentation for server health and allows remote management and KVM-over-LAN for the entire network via a single keyboard, monitor and mouse.

E. Processor: Programmable CPUs, Many Integrated Core (MIC) co-processors, and GPUs, that performs all server instructions and logic processing, plus some cache memory and I/O functions. Supermicro servers support single, dual, and quad multi core processors from major suppliers such as Intel, NVIDA, and AMD.

F. Expansion Modules: Allows increased functionality, I/O customization and flexibility.

G. Thermal Management: Pulse Width Modulated counter rotating and redundant fan controls that provide optimum cooling and energy saving and dissipation of server component heat.

H. Disk Drives: Storage medium for operating system, applications, and data. We offer "power-on" hot-swappable capability.

4

Below is a table that summarizes the most common server configurations purchased by our customers. We also design and build other customized systems using these and other building blocks to meet specific customer requirements.

Server System Model	CPU	Memory	Drive Bays	Form Factor	SKUs
5000 Series	Core 2 Duo, Core 2 Quad, Xeon, Core i7, Core i5, Core i3, E5-2600/1600, E3-1200, Atom, Celeron Pentium	Unbuffered DDR3, ECC Registered DDR3	1 to 8 drives	1U, 2U, Mid-tower	105 models
6000 Series	Dual Xeon (Dual/Quad/Six/Eight Core)	DDR3, ECC Registered DDR3	1 to 16 drives	1U, 2U, 3U	239 models
7000 Series	Dual Xeon (Dual/Quad/Six/Eight Core)	DDR3, ECC Registered DDR3	1 to 8 drives	4U, Tower	52 models
8000 Series	Quad Xeon (Quad/Six/Eight/Ten Core), MP Xeon (Quad/Six/Eight Core)	ECC Registered DDR3	1 to 48 drives	1U, 2U, 4U, Tower	17 models
FatTwin	Dual Xeon (Quad, Six, Eight Core)	ECC Registered DDR3	1 to 12 drives	4U	27 models
MicroCloud	Single Xeon, Core i3 & Pentium	Unbuffered DDR3, ECC Registered DDR3	1 to 4 drives	3U	5 models
SuperBlade	Dual Xeon (Quad/Six/Eight Core), Dual/Quad/MP Opteron (Quad Core/ Six/Eight/Twelve/Sixteen Core)	ECC Registered DDR3	1 to 6 drives	7U	65 models
SuperStorage	Dual Xeon (Quad/Six/Eight Core)	ECC Registered DDR3	12 to 72 drives	2U, 3U, 4U	16 models

We offer a variety of server storage options depending upon the system, with disk drive alternatives including small computer system interface, serial advanced technology attachment, or SATA, SATAII, or SAS, SASII and SAS3.0, Intelligent Drive Electronics, or IDE, and serial attached SCSI.

For our remote system management solutions, we offer server management utilities in addition to the standard features provided by the baseboard management controller, or BMC, through our Intelligent Platform Management Interface, or IPMI 2.0. BMCs, which are specialized processors that perform monitoring and control functions independently of the CPU, are sold as part of our server systems and as a standard for almost all our serverboards and server systems. Server management information from the BMC can be received through the built-in BMC Web User Interface, and standalone IPMI utilities. The IPMI solutions provide remote access for debugging, monitoring system health and administration functionality for our server platforms. Our IPMI solutions include key capabilities such as remote hardware status, failure notification, as well as the ability to power-cycle non-responsive servers and to manage the system through out-of-band network or KVM (keyboard, video and mouse) functionality over LAN. As a part of the system management solution, our BMC monitors onboard instrumentation such as temperature sensors, power status, voltages and fan speed, and provides remote power control capabilities to reboot and reset the server. It also includes remote access to the Basic Input/Output System, or BIOS, configuration and operating system console information.

Furthermore, Supermicro Power Management software, or SPM, Supermicro Command Manager, or SCM, Supermicro Update Manager, or SUM, and SuperDoctor 5, or SD5, have been designed for server farm or datacenters' system administration and management. These remote management software utilities provide the ability to manage large-scale servers and storage in an organization's IT infrastructure. It includes optional modules as well as the capability of incorporating third-party plug-in software, which is connected within a common framework and enables communication between devices. SUM remotely updates BIOS, firmware and system settings through an Out-of-Band, or OOB, interface and can perform operations independent of the operating system environment. SD5 is the latest generation of SuperDoctor products and builds upon over 15 years of in-production service assisting our customers with their server system health monitoring. SPM is designed specifically for HPC/Data Center cluster deployment and management. The Command Line Interface, or CLI, which utilizes the Linux operating system, provides a convenient working environment for our system integrator or the cluster administrator

5

to deploy, configure, control, and manage the HPC cluster. Our server management utilities mentioned above can leverage the existing IPMI solutions to integrate management functions.

Server Subsystems and Accessories

We believe we offer the largest array of modular server subsystems and accessories or building blocks in the industry that are sold off the shelf or built-to-order. These components are the foundation of our server solutions and span product offerings from the entry-level single and dual processor server segment to the high-end multi-processor market. The majority of the subsystems and accessories we sell individually are optimized to work together and are ultimately integrated into complete server systems.

Serverboards

We design our serverboards with the latest chipset and networking technologies. Each serverboard is designed and optimized to adhere to specific physical, electrical and design requirements in order to work with certain combinations of chassis and power supplies and achieve maximum functionality. For our rackmount server systems, we not only adhere to SSI specifications, but our Super SSI specifications provide an advanced set of features that increase the functionality and flexibility of our products.

The following table displays some of our most common serverboard configurations purchased by our customers including X10 Haswell (Intel's 4th generation Core i3 Dual and Quad Core Xeon E3-1200 v3 family), X9 Sandy Bridge (Intel's generation of Dual, Quad and Eight Core Xeon E3-1200/E5 2600 family), X8 (Intel's generation of Six and Eight Core, Dual and Quad Core Xeon 5600/5500/3600/3500 series) and H8 (AMD's generation of Six, Eight, Twelve, Sixteen, Dual and Quad Core Opteron 200, 800 and 6000 series). As of June 30, 2013, we offered more than 550 SKUs for serverboards.

Serverboard Model	CPU	System Bus	Form Factor	Memory	SKUs
X10 Series	UP Xeon (Dual/Quad Core)	1600MHz	Advanced Technology Extended (ATX), Micro Advanced Technology Extended (uATX), MicroCloud	Unbuffered DIMM, DDR3	13 models
X9 Series	DP/UP Xeon (Dual/Quad/Eight Core)	QPI up to 8.0 GT/s	Twin, WIO, ATX, uATX	ECC Registered DDR3, Unbuffered DIMM	138 models
X8 Series	Dual Xeon (Dual/Quad/Six Core), UP Xeon (Dual/Quad/Six Core), MP Xeon (Quad/Six/Eight Core)	QPI up to 6.4 GT/s	Twin, UIO, Extended ATX (EATX), ATX	ECC Registered DDR3, Unbuffered DIMM	110 models
C2, C7 Series	Pentium D (Dual/Quad/Six Core)	1333/1066/800 MHz	ATX, uATX	Unbuffered DIMM, DDR3	28 models

| H8 Series | Dual/Quad/MP Opteron (Dual/Quad/Six/Eight/ Twelve/Sixteen Core) | Hypertransport/HT3 | Twin, UIO, ATX, EATX | ECC Registered DDR3, Unbuffered DIMM | 80 models |

Chassis and Power Supplies

Our chassis are designed to efficiently house our servers while maintaining interoperability, adhering to industry standards and increasing output efficiency through power supply design. We believe that our latest generation of power supplies achieves the maximum power efficiency available in the industry. In addition, we have developed a remote management system that offers the ability to stagger t