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BERNSTEIN
SOCIETE GENERALE GROUP

U.S. IT Hardware

SMCI: Preliminary results shows AI Infra strength continues



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Today after the close, SMCI reported preliminary results meaningfully better than guidance and expectations. Shares of SMCI, DELL, and HPE were up 16%, 6% and 5% at time of writing.

Revenue and gross margin materially beat expectations. Supermicro expects F1Q27 revenue of $18.5-19.5bn, materially higher than guidance of $14.5-15.5bn, 27% above Bloomberg consensus and 29% above Bernstein estimates. Gross margin of 12.0-12.5% is also well above the 10.4-10.8% guidance range and 10.6% consensus.

The results suggest AI server growth finally re-accelerated as some delayed orders began converting. AI GPU platform revenue fell from $8.2bn in F3Q26 to $6.7bn in F4Q26 despite record orders, as customer readiness and execution issues delayed deployments. However, the company stated the F1Q27 revenue beat was due to increased demand for AI platforms, signaling some order conversion. The lower gross margin versus 17.6% last quarter also suggests lower-margin AI platforms returned to a larger share of revenue, although the 12.0-12.5% result indicates that higher-margin traditional servers likely remained meaningful and drove the margin beat vs guidance.

This is evidence of initial backlog conversion, not validation of the entire backlog. Supermicro raised substantial equity partly to purchase components against its large order book, but AI revenue showed limited growth over the previous two quarters. F1Q27 suggests some delayed orders are finally shipping, but the backlog remains cancellable and provides less visibility than Dell's firmer customer commitments. We are not yet confident that necessarily 100% of Supermicro's reported backlog will ultimately convert to revenue.

Management credibility remains the key discount, although the CFO change could improve sentiment. Investors have longstanding concerns about Supermicro's guidance reliability following historically repeated earnings misses and shipment delays. However, the recent appointment of former Western Digital CFO, Mark Long, finally implements the Special Committee's December 2024 recommendation to transition to a new CFO. The combination of stronger results and a more credible finance leader could support a positive reassessment, although we need to see more from the company on broader execution and governance concerns.

Positive AI infrastructure read-through, and we continue to prefer Dell. The result reinforces that AI infrastructure demand remains strong and delayed deployments are beginning to convert. Out of the group, Dell remains our preferred exposure given better execution, stronger backlog visibility, share gains and expanding profitability. With Dell down approximately 20% recently, we view Supermicro's results as a positive read-through and an opportunity to buy Dell, our top pick, rather than chase Supermicro.

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.
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on 21-Oct-2026

EXHIBIT 1: **SMCI Q1 27 Preliminary Results**

2027Q1 *($USD Thousands)*	Preliminary (Midpoints)	Bernstein	Delta	Consensus	Delta
Revenue	**$19,000,000**	**$14,760,392**	***28.7%***	**$14,986,235**	***26.8%***
Gross Profit	**$2,327,500**	**$1,535,081**	***51.6%***	**$1,582,238**	***47.1%***
Gross Margin %	12.25%	10.4%	*185bps*	*10.6%*	*169bps*
Op. Profit	**Undisclosed**	**$1,182,307**	***NA***	**$1,242,688**	***NA***
OP Margin %	Undisclosed	8.0%	*NA*	*8.3%*	*NA*
Net Income	**Undisclosed**	**$824,184**	***NA***	**$827,471**	***NA***
EPS ($ per share)	**Undisclosed**	**$1.08**	***NA***	**$1.05**	***NA***

Source: Company reports, Bernstein estimates and analysis, Bloomberg

on 21-Oct-2026

INVESTMENT IMPLICATIONS

We rate SMCI Market-Perform at $42.

We rate Dell Outperform at $650.

We rate HPE Market-Perform at $62.

BERNSTEIN TICKER TABLE

			20 Oct 2026		TTM	Adjusted EPS				Adjusted P/E (x)		
Ticker	Rating	Cur	Closing Price	Price Target	Rel. Perf.	Cur	2026A	2027E	2028E	2026A	2027E	2028E
SMCI (SMCI)	M	USD	32.47	42.00	(55.5)%	USD	3.56	3.99	3.53	9.1	8.1	9.2
DELL (Dell)	O	USD	461.56	650.00	197.6%	USD	10.35	25.88	29.63	44.6	17.8	15.6
HPE (HPE)	M	USD	56.09	62.00	130.7%	USD	1.96	3.84	4.59	28.6	14.6	12.2
SPX			7,712.57									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

DELL estimate is Reported EPS; HPE base year is 2025;

Source: Bloomberg, Bernstein estimates and analysis.

on 21-Oct-2026

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VALUATION METHODOLOGY

Super Micro Computer Inc

We value Super Micro at 12x our FY28 EPS of $3.53= $42.

Dell Technologies Inc

We rate DELL Outperform, TP = $650, which is 22x FY28E EPS or 19x FY29E EPS

Hewlett Packard Enterprise Co

We value HPE at $62, which is roughly13.5x our FY27 EPS.

RISKS

Super Micro Computer Inc

The biggest risks to the upside on SMCI and to our price target are that:1) Super Micro could leverage its initial traction in AI into building out more established credibility in AI servers, along to sustain its success beyond first mover advantage. This would open doors to sustained market share and revenue growth; 2) Any significant working capital improvements, could meaningfully improve free cash flow (and thus valuation). The biggest risk to the downside is: 3) Any new accounting issues or concerns around circumventing US-China trade restrictions could cause a crisis in confidence.

Dell Technologies Inc

The biggest risks to the downside on Dell and to our price target are that: 1) Aggressive portfolio streamlining and broader cost cutting in storage could alienate customers, driving share loss; 2) AI servers could become even more ODM dominated, squeezing the market position for OEMs like Dell; 3) An AI server market digestion could hurt Dell’s buyer base, which are largely tier 2 clouds exposed to training and startup demand; and 4) PCs and traditional servers are mature and cyclical industries, and the cycle could structurally weaken.

Hewlett Packard Enterprise Co

The biggest risks to the upside on HPE and to our price target are that: 1) HPE has seen new additions to the senior management team, who could improve the company’s operational execution; 2) Revenue and/or cost synergies from the Juniper acquisition could be unexpectedly strong, driving a company transformation. The biggest risks to the downside are that 3) HPE could see continued mis-steps in the server business or in its merger integration with Juniper, not only pressuring results but also opening opportunities for competitors to poach key accounts.

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

EQUITY RATINGS DEFINITIONS

on 21-Oct-2026

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Bernstein brand stock ratings are based on a 12-month time horizon.

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The Autonomous brand rates common stocks as indicated below. As our benchmarks we use the Bloomberg Europe 600 Financials Price Return Index (E600BK) and Bloomberg Europe Dev Mkt Financials Large and Mid Cap Price Ret Index EUR (EDMFI) index for developed European banks and Payments, the Bloomberg Europe 600 Insurance Price Return Index (E600IN) for European insurers, the S&P 500 and S&P Financials for US banks and Payments coverage, S5LIFE for US Insurance, the S&P Insurance Select Industry (SPSIINS) for US Non-Life Insurers coverage, the Bloomberg Emerging Markets Financials Large, Mid and Small Cap Price Return Index (EMLSF) for emerging market banks and insurers and Payments, and the Bloomberg Japan Financials Large & Mid Cap Price Return Index (JPFILM) for Japanese Financials. Ratings are stated relative to the sector (not the market).

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Those denoted as 'Feature' (e.g., Feature Outperform FOP, Feature Under Outperform FUP) are our core ideas.

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on 21-Oct-2026

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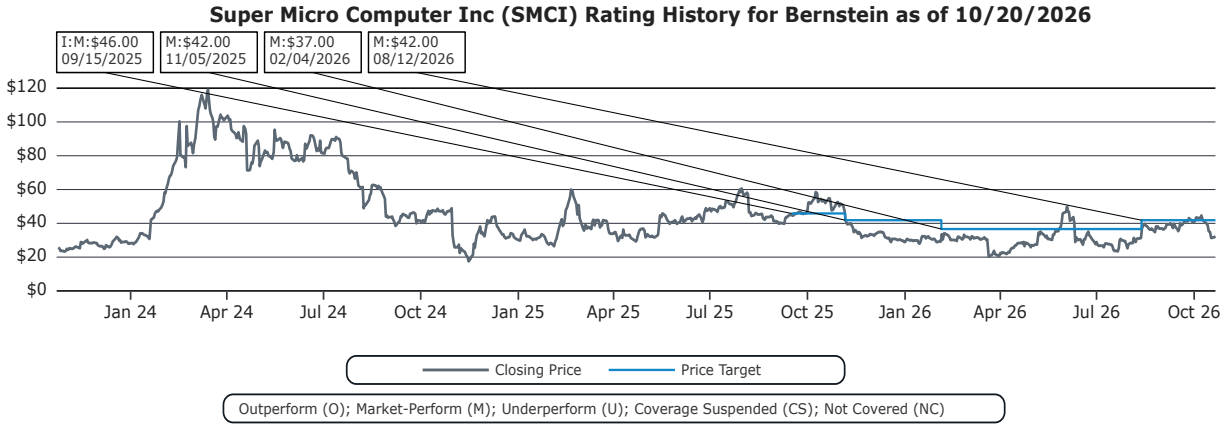
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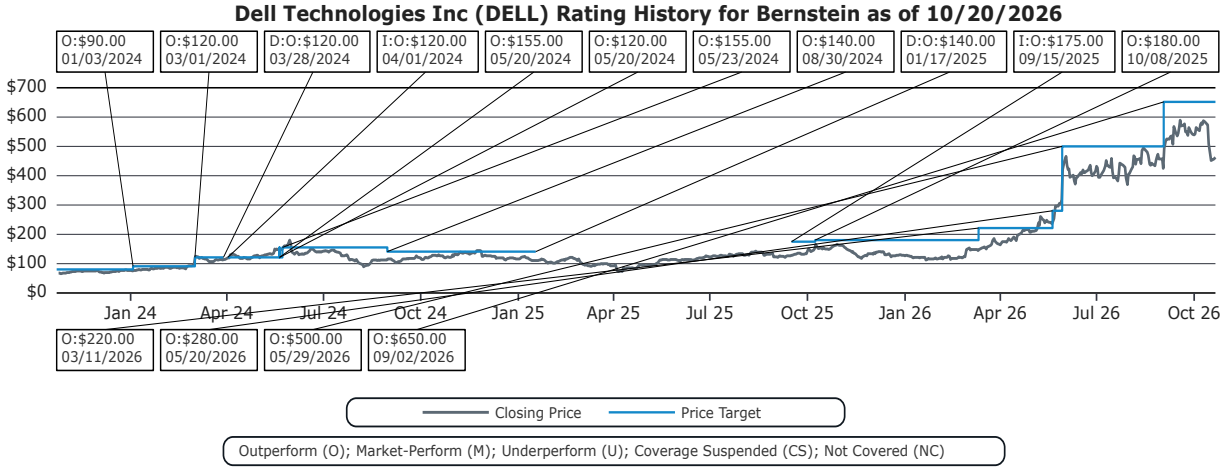
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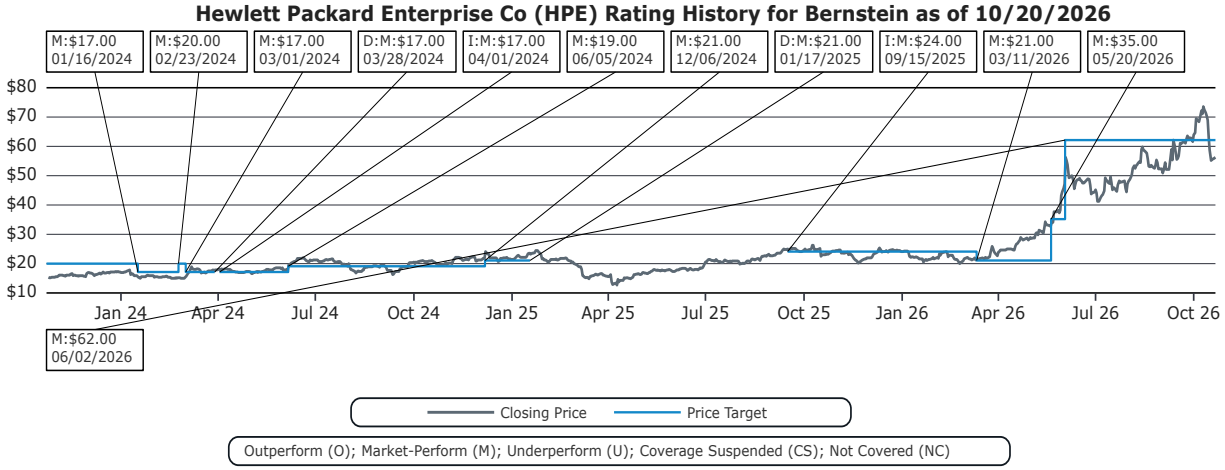
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on 21-Oct-2026

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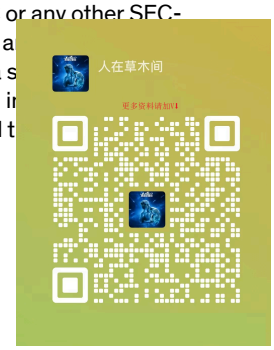
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on 21-Oct-2026

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