

Super Micro Computer, Inc.

Keeping it green and growing

SMCI (Super Micro Computer, Inc.) is uniquely positioned to capture rapid growth in AI and global data centre markets. Management projects revenue to rise from \$22 billion in 2025 to \$40 billion in 2026, driven by surging demand for liquid-cooled and AI-optimised servers. Despite recent margin pressures in 2024/25, the company's operational leverage and strong market positioning support a compelling long-term growth trajectory.

SMCI powers AI and cloud infrastructure with its high-performance, energy-efficient servers. Despite past accounting issues, the company is improving financial controls and transparency. SMCI stands out with innovations like liquid cooling and modular server designs, enabling rapid deployment for data centres. As demand for AI solutions grows, SMCI's focus on cutting-edge technology and financial integrity positions it for strong future growth.

Analysis

Super Micro Computer, Inc. (SMCI) has demonstrated exceptional growth momentum, with FY2024 revenue doubling to \$14.9 billion and a remarkable 41% three-year CAGR, driven by strong AI and cloud data centre demand. This trend continued into FY2025, where year-to-date revenues reached \$16.2 billion by the end of Q3, despite temporary order delays.

SMCI's leadership in Direct Liquid Cooling (DLC) technology and Data Centre Building Block Solutions (DCBBS) positions it at the forefront of next-generation green data centre build-outs. Management estimates DLC adoption could exceed 30% industry-wide, potentially saving \$10 billion in global energy costs.

While gross margin compression to 9.6% in Q3 FY2025 highlights short-term cost and inventory challenges, SMCI's fundamentals remain solid. Historical EBIT margins have averaged around 12%, though they dipped to ~6% recently due to higher component costs and aggressive scaling investments. Looking forward, we conservatively forecast gross margins around 12% and EBIT margins of 6–7% in 2025–2026 as supply pressures ease and operating leverage improves.

The company's robust cash position (\$2.54 billion) and strong operating cash flow (~\$1.2 billion most recently) provide ample capacity for R&D, global facility expansion, and advanced manufacturing capabilities. CapEx is modelled at approximately 3% of revenue, supporting long-term innovation and growth capacity.

Looking ahead, management targets revenue of \$21.8–\$22.6 billion for FY2025 and an ambitious \$40 billion in FY2026, underpinned by large-scale AI deployments and expanded global manufacturing. With advanced design expertise, strong customer relationships, and aggressive scaling strategies, SMCI is well positioned to maintain high growth rates and improve profitability as delayed orders convert and higher-margin solutions scale. However, careful attention to supply chain risks, customer concentration, and inventory management will remain critical to sustaining long-term value creation.

Valuation

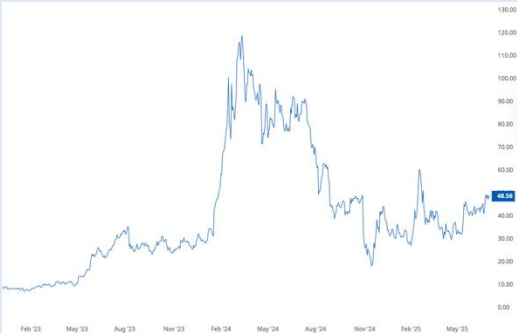
Year End	Revenue (\$bn)	EBIT (\$m)	EPS (\$)	Net Income (\$m)	Target price (\$)
2023	7.1	764	1.14	640	–
2024	14.9	1,233	1.91	1,153	–
2025e	22	1,320	1.92	1,148	57.6
2026e	40	2,800	4.08	2,436	122.4
EPS(\$)/P/E	20x	25x	28x	30x	
1.92 (2025e)	38.4	48	53.76	57.6	
3	60	75	84	90	
4.08 (2026e)	81.6	102	114.24	122.4	
4.5	90	112.5	126	135	

Super Micro Computer is currently trading at \$48.56, which implies a forward P/E of approximately 25x based on our 2025 EPS forecast of \$1.92. Using a more optimistic multiple of 30x, reflecting the company's strong AI-driven growth potential and premium positioning in liquid-cooled server solutions, we estimate a 2025 price target of \$57.6.

Looking ahead to 2026, our EPS forecast of \$4.08 and the same 30x multiple suggest a price target of \$122.4, indicating significant upside potential as earnings grow. The company's valuation is underpinned by solid revenue growth projections (rising from \$22 billion in 2025 to \$40 billion in 2026), increasing EBIT margins, and its leadership in high-performance, energy-efficient data centre solutions. Our EPS sensitivity analysis further demonstrates that even at lower multiples, there is upside to the current share price, reinforcing an attractive risk/reward profile.

Price: \$48.56
Market Cap (\$bn): 28.98

Share price information:



Share details:

Ticker: SMCI
Listing: Nasdaq
Shares in issue: 596.82m

Business description

Super Micro Computer (SMCI) designs high-performance, energy-efficient server and storage systems. The company's modular and customizable solutions are tailored for AI, cloud, and edge workloads, using advanced liquid cooling and green technologies to support next-generation data centres worldwide.

Bull points

- Super Micro Computer designs cutting-edge, high-performance servers optimised for AI, cloud, and edge workloads. Its innovative solutions help power the world's largest data centres and hyperscalers.
- The company is rapidly scaling, targeting \$40 billion in revenue by 2026. This growth is fuelled by surging AI demand and next-generation liquid cooling adoption.
- SMCI leads in energy-efficient, modular server designs, supporting the global shift toward sustainable data centres. Its advanced liquid-cooled systems reduce power usage and operating costs.
- Strategic partnerships with NVIDIA, Intel, and AMD reinforce SMCI's leadership. These collaborations ensure access to the latest chips and acceleration technologies.

Bear points

- SMCI has seen fluctuations in EBIT margins due to rising component costs and supply chain challenges. Future profitability may be impacted if cost control or pricing power weakens.
- The company's growth outlook depends heavily on sustained investment from large AI and cloud customers. A slowdown in AI infrastructure spending or delayed orders could hurt revenue visibility.
- SMCI faces competition from larger, diversified players like Dell, HPE, and Lenovo. Price wars or aggressive new product launches could reduce market share.
- As a global hardware player with manufacturing in Asia and the U.S., SMCI is exposed to trade tensions, tariffs, and changing export restrictions, which may impact costs or customer relationships.