

# Extreme Networks

FQ1'15 Financial Results

## **Non GAAP and Pro Forma Measures:**

*As Reported results reflect the financial results of Extreme Networks, Inc. as previously reported prior to the acquisition of Enterasys Networks Inc.*

*In preparing the accompanying information, the Company has excluded, where applicable, the impact of certain Non GAAP costs as listed at the end of this presentation. In addition the accompanying information includes certain Pro Forma measures for which the company has consolidated the unaudited financial position and results of operations of the former entity Enterasys Networks Inc. The Pro Forma consolidations exclude, where applicable, cash and debt of the former entity but include the impacts of the cash consideration paid and debt assumed for the acquisition.*

*The company believes these Non GAAP and Pro Forma measures provide both management and investors with additional insight into its current operations, the trends affecting the company and the Company's marketplace performance. Management believes these items allow readers to better correlate the company's operating activities with the company's ability to generate cash from operations. Accordingly, management uses these Non GAAP and Pro Forma measures along with comparable GAAP information when evaluating the company's historical performance and future business activities. The company's Non GAAP and Pro Forma measures may be different than those used by other companies and should be considered in conjunction with, and not as a substitute for, the company's financial information presented in accordance with GAAP.*

## **Forward Looking Statements:**

*Actual results, including with respect to the company's financial targets and general business prospects, could differ materially due to a number of factors. More information about potential factors that could affect the company's business and financial results is included in its filings with the Securities and Exchange Commission, including, without limitation, under the captions: "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Risk Factors," which are on file with the Securities and Exchange Commission. Except as required under the U.S. federal securities laws and the rules and regulations of the SEC, Extreme Networks disclaims any obligation to update any forward-looking statements after the date of this release, whether as a result of new information, future events, developments, changes in assumptions or otherwise.*

# Extreme Networks Advancements FY 2015



- Increased Installed Base:
  - 14K customers + 17% increase since the acquisition
- Continued Innovation:
  - 31 new patents issued since the acquisition
- Customer Retention Rate of 90%
- Continued expansion of differentiated, high-performance solutions
  - 6 major product launches; hundreds of new products
- New Leadership Team
  - Added Sales, Finance, HR and Technology
- New and profitable partnership channel
  - Unified Extreme Partner Network

# Increased customer loyalty

*“From day one, Extreme Networks has been an **active and involved** member of our IT operations team” – Seth Weingarten, Vice President of Network Technologies, NCC Media*

*“None of the other solutions could provide the same level of **seamless integration** back into the physical network that the Extreme Networks wireless products could.” - Dustin Hurshman, Information Technology Analyst at Thousand Oaks*

*“The **support from Extreme Networks is phenomenal**...Extreme Networks has a reputation of keeping their customers, and from our experience with our network upgrade, it's obvious to us how they've gained this reputation” - Aaron Howard, computer network systems manager for UNI.*

*“One of the reasons we have been an Extreme Networks customer for so long is they allow us to be more efficient and in control of the network, rather than running around and putting out fires...the **stability of Extreme Networks equipment has allowed us to stay current...** We trust Extreme Networks to help us continue this trend in supporting a successful BYOD environment.” - Scott McCollum, CIO of Sinclair Community College.*



# The Extreme Strategy for Shareholder Value



Develop and Launch  
The Best Hardware &  
Software for the Ethernet  
Switching Industry

Deliver the best Customer  
Service and Support

Make it as easy as possible  
to do business with  
Customers, Partners and  
Distributors

Integration of two leading-edge technology cultures into one

**Focus is on Integration & Revenue Growth**  
*Expansion of Operating Income & Free Cash Flow*

# Core Values - ONExtreme







# The Best Products

Campus switching/routing, data center/high performance computing

Wireless (Wi-Fi) and mobility

Software network management, security and analytics

- Wi-Fi Mobility
- Switching and Routing
- Data Center
- High Performance Computing
- Software Defined Networking
- Cloud and Service Provider
- Management and Security
- Application analytics and Big Data
- Services and award winning customer support

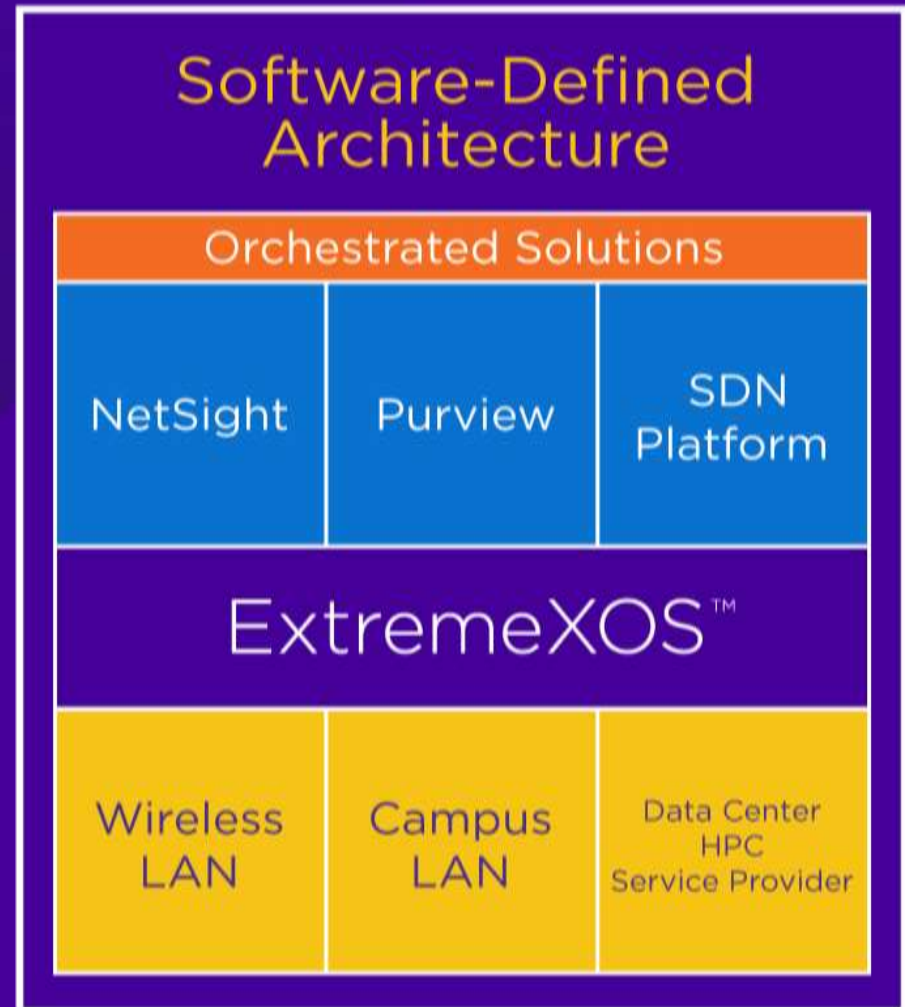




# A Complete Networking Portfolio

- Wired – edge switching/routing, data center/high performance computing
- Wireless – indoor and outdoor Wi-Fi
- Software Defined Architecture – SDN, network management, security and analytics

- Bring simple, fast and smart solutions to market
- Build high performance hardware from Wi-Fi to the data center
- Deliver a consistent operating system across the portfolio
- Offer centralized network management including support for third party
- Provide network-based application analytics for faster, better decisions
- Deliver an open and standards-based Software-Defined Networking platform





# Global Services

Award winning, fully insourced customer contact center

Professional services for successful implementations

Classroom, virtual training and engaged online community

Extreme Networks' complete portfolio well aligned with high-growth markets

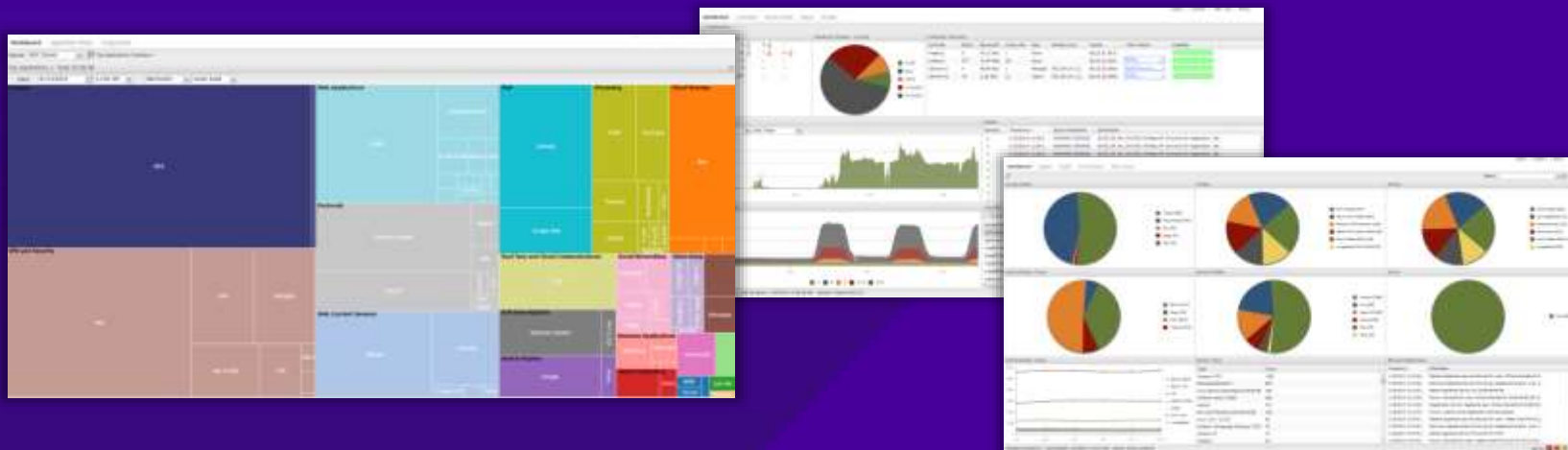
Extreme Networks has demonstrated expertise in emerging markets (**SDN**)

Market	2013 – 2018 CAGR*	Extreme Competitive Edge
Data Center	8.9%	Platform diversity with unprecedented visibility, control, and automation.
Wireless LAN**	10.5%	Fully-integrated product offering. Highest density venues – Patriots, Eagles and Titans
Service Provider Data Center	7.8%	High performance, award winning, and deployment flexibility
Software-Defined Networking (SDN)	67.0%	Award-winning centralized management, control and automation of network and third party systems.
High-Performance Computing	14.8%	Industry-leading performance, low latency, port density and power efficiency

\*Source: Dell'Oro Group – August 2014

\*\*Wireless LAN Enterprise: Indoor + Outdoor + Controller





- Centralized Management – NetSight
  - One tool with one database
- Analytics – Purview
  - Gather intelligence from the source: the network
- Software-Defined Networking – SDN
  - Network and application provisioning under one open and standards-based platform

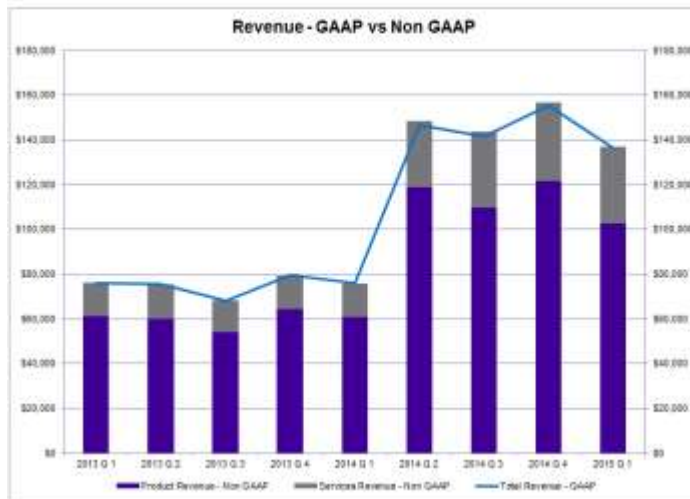
# FQ1'15 Financial Results

# Financial Highlights – Financial Operations

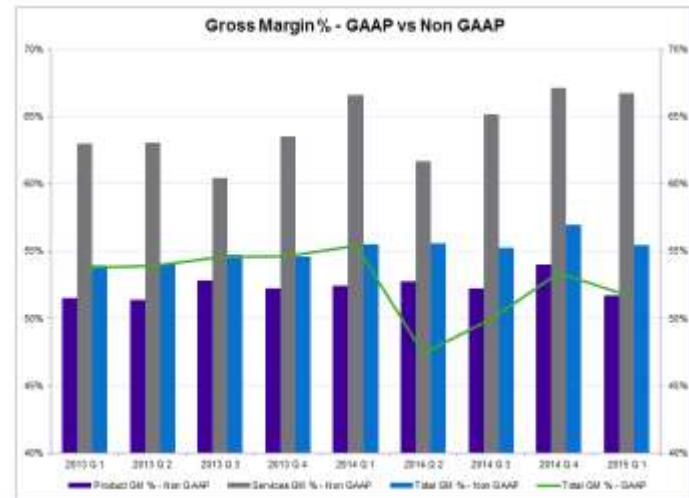
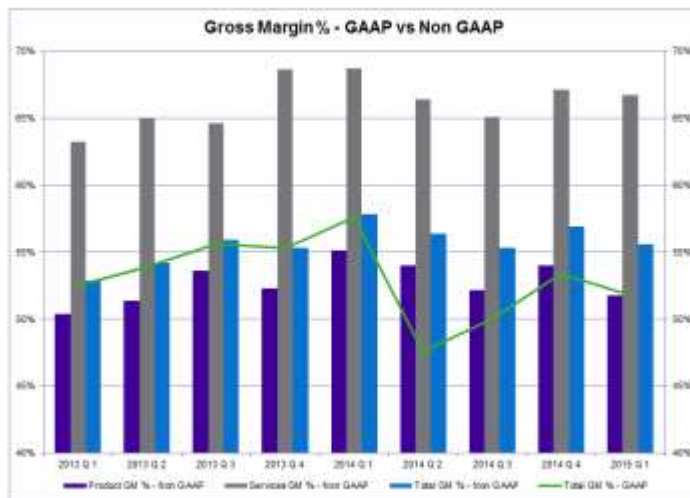
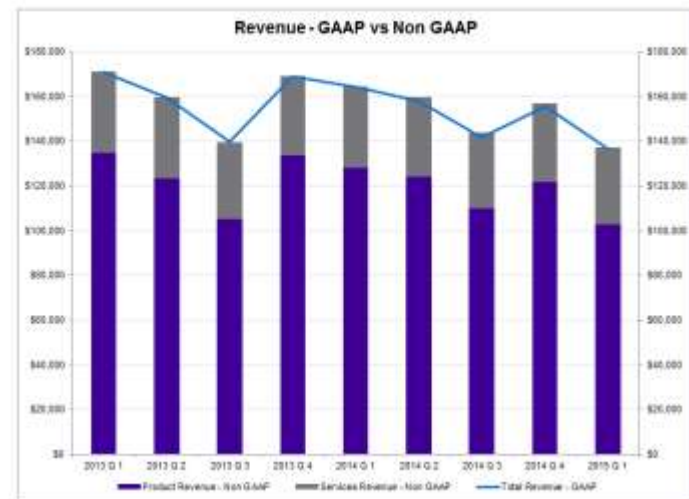
	2014 Q 1	2014 Q 2	2014 Q 3	2014 Q 4	2015 Q 1	FQ1'15 v FQ4'14	FQ1'15 v FQ1'14
Product Revenue - Non	\$61,045	\$119,065	\$109,891	\$121,761	\$102,672	(\$19,089)	\$41,627
Services Revenue - Non	\$14,871	\$29,282	\$33,783	\$35,111	\$34,368	(\$743)	\$19,497
Total Revenue - Non GAAP	\$75,916	\$148,347	\$143,674	\$156,872	\$137,040	(\$19,832)	\$61,124
Total GM % - Non GAAP	57.8%	56.5%	55.3%	56.9%	55.6%	-1.3%	-2.2%
Operating Margin % - Non	7.5%	11.0%	2.3%	7.2%	0.9%	-6.3%	-6.6%
Net Income (Loss) - Non	\$5,310	\$14,061	\$1,633	\$8,455	(\$934)	(\$9,389)	(\$6,244)
EBITDA - Non GAAP	\$7,389	\$18,459	\$7,172	\$14,314	\$4,043	(\$10,271)	(\$3,346)
EPS - Non GAAP	\$0.06	\$0.14	\$0.02	\$0.09	(\$0.01)	(\$0.10)	(\$0.07)
EPS - GAAP	\$0.00	(\$0.17)	(\$0.26)	(\$0.17)	(\$0.20)	(\$0.03)	(\$0.20)

# Quarterly Results of Operations

As Reported



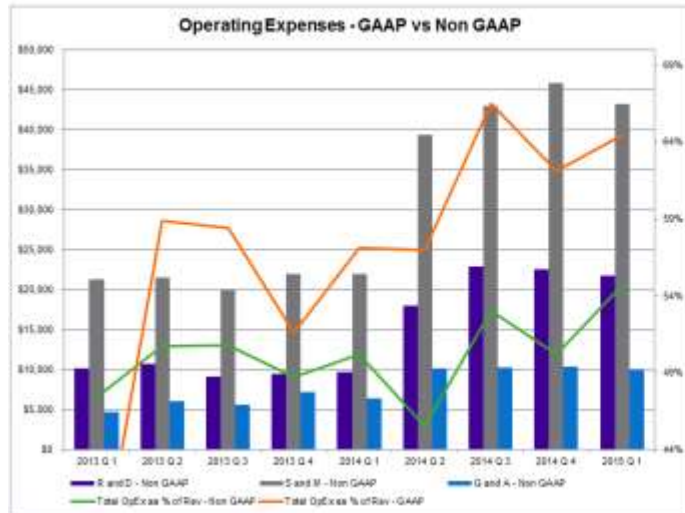
Pro Forma



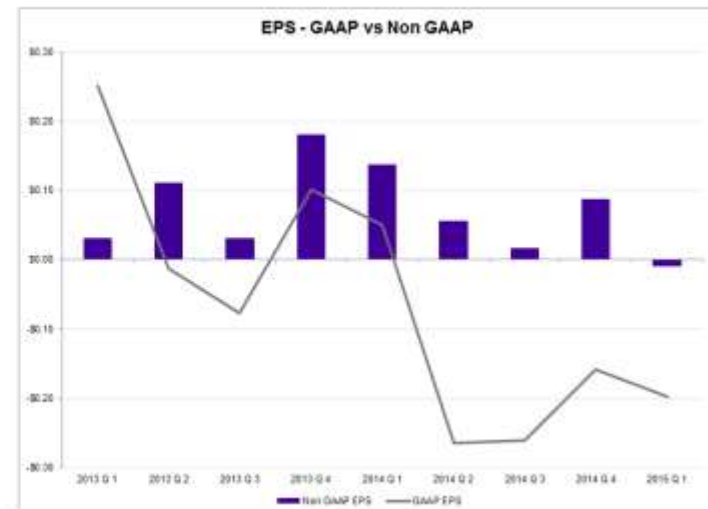
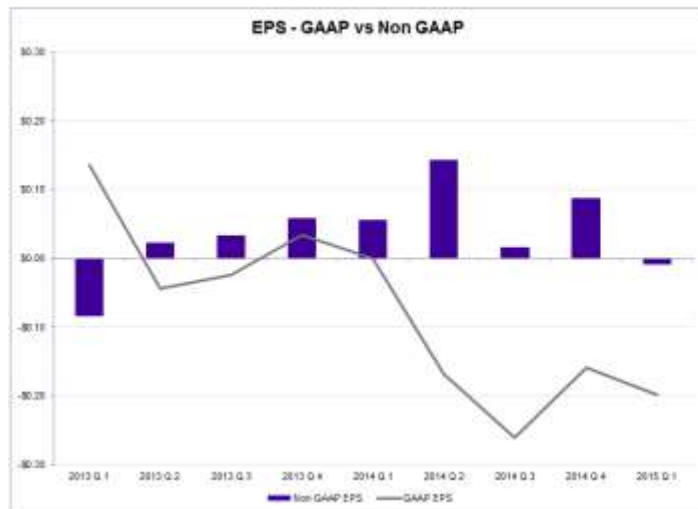
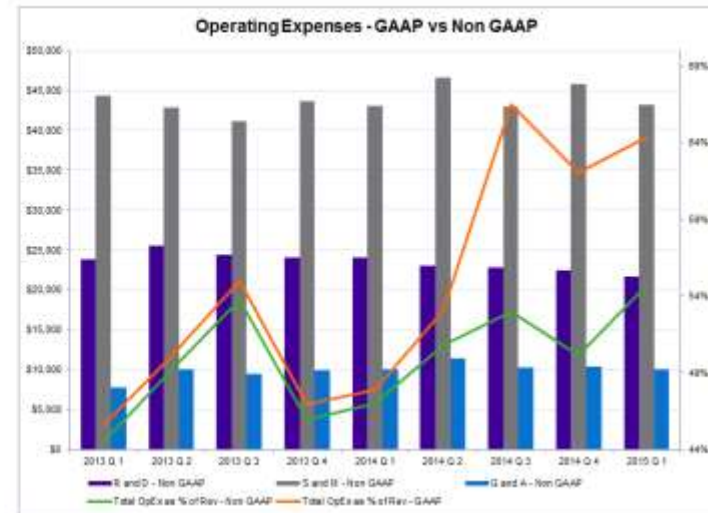


# Quarterly Results of Operations (cont'd)

As Reported



Pro Forma

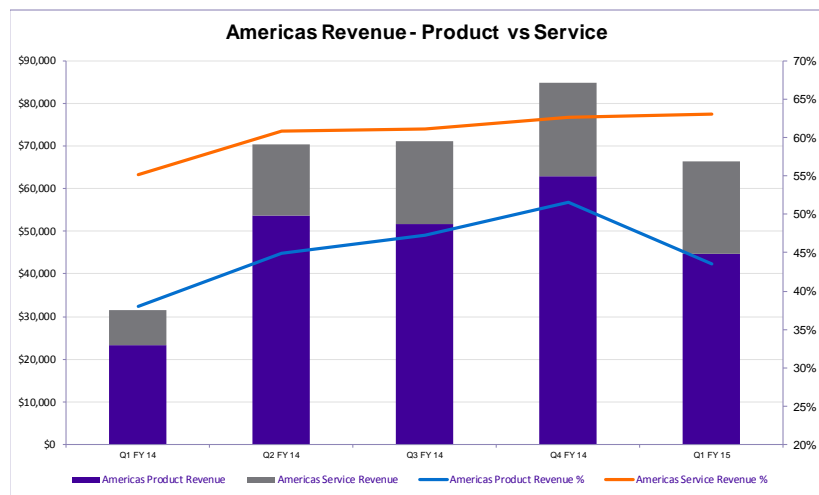


# Historical Revenue by Geography: Pro Forma Non GAAP

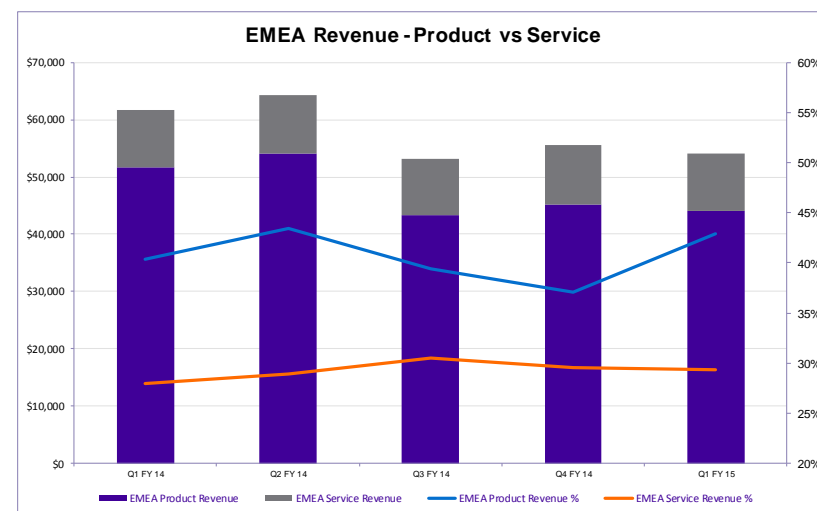
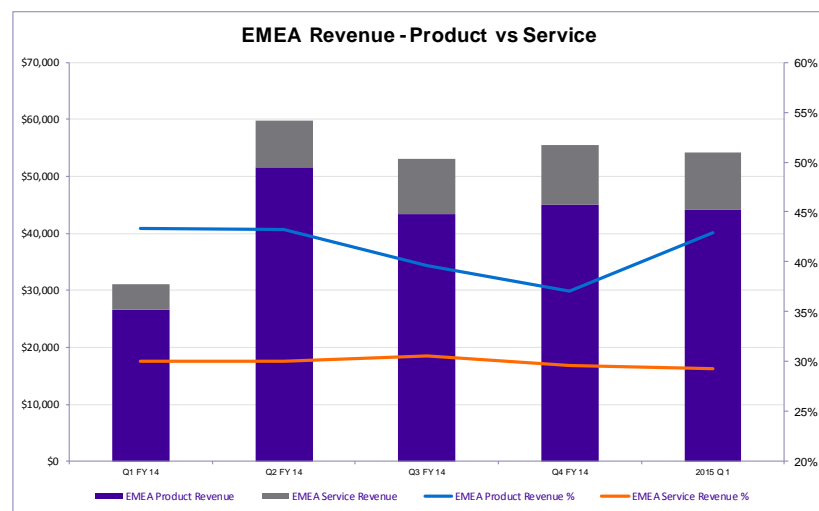
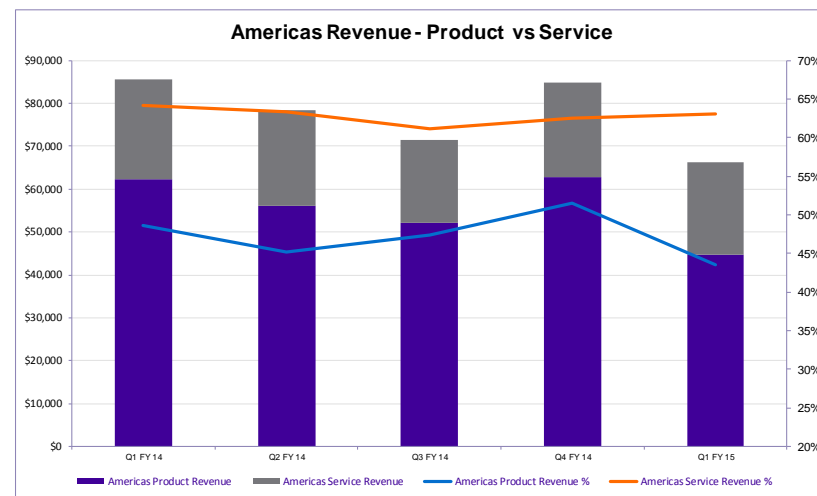
	2014 Q1		2014 Q2		2014 Q3		2014 Q4		2015 Q1		FQ1'15 v FQ4'14	FQ1'15 v FQ1'14		
Product														
Americas	\$	62,309	\$	56,094	\$	51,890	\$	62,599	\$	44,670	\$	(17,929)	\$	(17,639)
EMEA		52,801		55,250		44,790		46,264		44,074		(2,190)		(8,727)
APAC		12,939		12,958		13,211		12,898		13,928		1,030		989
Total Product		128,049		124,302		109,891		121,761		102,672		(19,089)		(25,377)
Service														
Americas		23,183		22,382		21,403		21,969		21,684		(285)		(1,499)
EMEA		10,222		10,408		9,870		10,530		10,081		(449)		(141)
APAC		2,686		2,561		2,510		2,612		2,603		(9)		(83)
Total Service		36,091		35,351		33,783		35,111		34,368		(743)		(1,723)
Total Revenue														
Americas		85,492		78,476		73,293		84,568		66,354		(18,214)		(19,138)
EMEA		63,023		65,658		54,660		56,794		54,155		(2,639)		(8,868)
APAC		15,625		15,519		15,721		15,510		16,531		1,021		906
Total Revenue	\$	164,140	\$	159,653	\$	143,674	\$	156,872	\$	137,040	\$	(19,832)	\$	(27,100)

# Revenue by Geography (Non GAAP)

As Reported

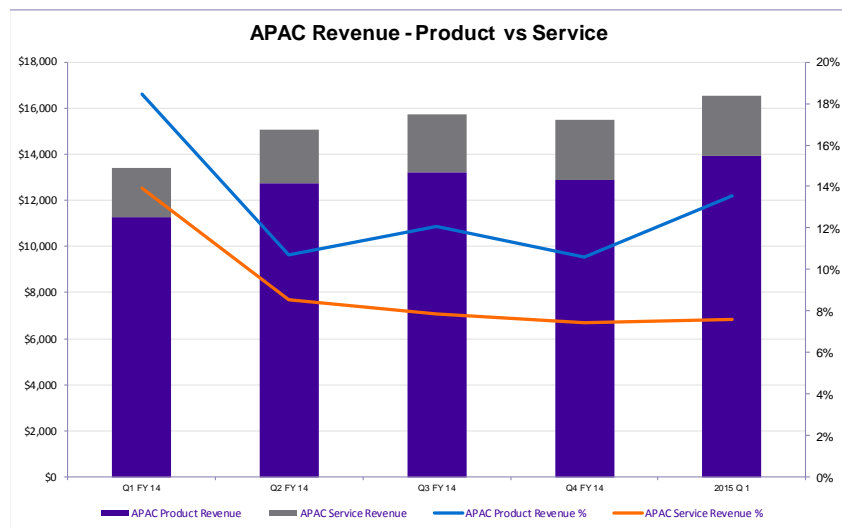


Pro Forma

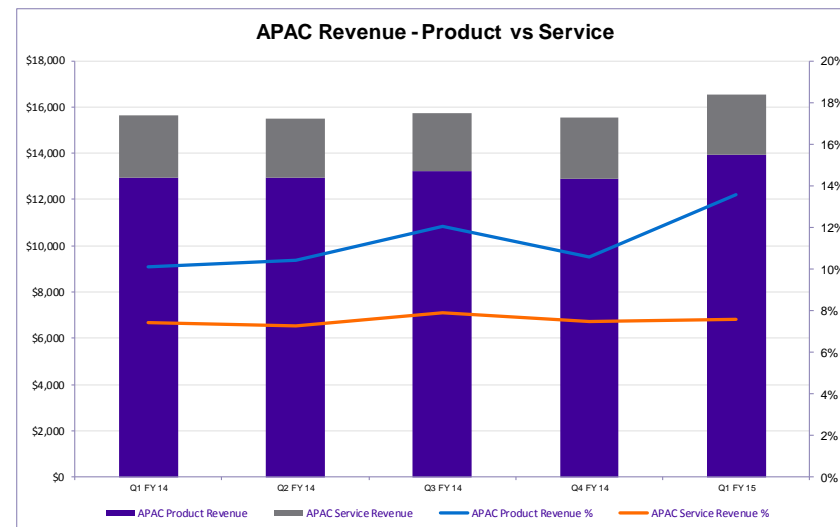


# Revenue by Geography (Non GAAP, cont'd)

As Reported



Pro Forma





# Financial Highlights – Financial Position



	2014 Q 1	2014 Q 2	2014 Q 3	2014 Q 4	2015 Q 1
Cash and Securities Available for Sale	\$199,435	\$112,017	\$106,056	\$105,882	\$104,462
AR	\$39,297	\$94,337	\$94,187	\$124,664	\$99,980
DSO	47	58	59	72	67
Inventories	\$30,389	\$62,935	\$63,142	\$57,109	\$55,341
DOI	99	103	108	92	92
Debt Payable	\$0	\$99,188	\$122,375	\$121,563	\$120,750
Free Cash Flow	(\$7,883)	(\$8,548)	(\$30,569)	(\$1,214)	(\$1,152)
Cap Ex	\$9,808	\$2,754	\$4,822	\$4,988	\$2,784

# Non-GAAP Adjustment Trends

	2014 Q 1	2014 Q 2	2014 Q 3	2014 Q 4	2015 Q 1
Deferred Revenue Adjustment	\$0	\$1,764	\$1,912	\$1,579	\$766
Adjustment to Acquired Inventory	\$0	\$9,236	\$1,891	\$0	\$0
Amortization of Product Intangibles	\$0	\$2,694	\$4,042	\$4,292	\$4,292
Stock Comp in Product COGS	\$102	\$198	\$268	\$268	\$283
Stock Comp in Service COGS	\$40	\$1	\$420	\$272	\$291
Stock Comp in R&D	\$243	\$898	\$1,419	\$1,551	\$1,644
Stock Comp in Sales and Marketing	\$570	\$1,279	\$1,765	\$2,815	\$1,557
Stock Comp in G&A	\$620	\$1,084	\$970	\$1,141	\$1,038
Total Stock Comp	\$1,576	\$3,460	\$4,842	\$6,047	\$4,813
Restructuring Charges, net	\$75	\$430	(\$6)	\$11	\$0
Executive Transition Costs	\$0	\$0	\$0	\$600	\$0
Litigation Settlement	\$0	\$0	(\$100)	\$0	\$0
Amortization of Non Product Intangibles	\$0	\$3,778	\$7,666	\$5,267	\$4,467
Acquisition and Integration Costs	\$3,695	\$8,688	\$6,443	\$6,890	\$4,058
<b>Net Non GAAP Adjustments</b>	<b>\$5,345</b>	<b>\$30,050</b>	<b>\$26,690</b>	<b>\$24,686</b>	<b>\$18,396</b>

# FQ2'15 Financial Guidance

# FQ2'15 Guidance – Non GAAP (in M's except EPS)

	FQ1'15	FQ2'15 Guidance
Revenue (\$M)	\$137.0	\$140 - \$150
Gross Margin %	55.6%	55.5% - 56.0%
Operating Income %	0.9%	3% - 6%
Net Income	(\$0.9)	\$3 – \$7
EPS: non-GAAP	(\$0.01)	\$.03 - \$.07





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