

# Extreme Networks

FQ3'16 Financial Results

## **Non-GAAP Measures:**

*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. The Company believes these Non-GAAP 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 measures along with comparable GAAP information when evaluating the Company's historical performance and future business activities. The Company's Non-GAAP 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. Please refer to our earnings press release, which is posted on the "Investor Relations" section of our website and to pages 9 and 10 of this presentation for the required reconciliation to the most comparable GAAP financial measures.*

## **Forward-Looking Statements:**

*This presentation contains forward-looking statements concerning the expected financial performance of the Company. These forward-looking statements involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by these statements. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update these statements. For a detailed description of these risks and uncertainties please refer to our most recent reports on Form 10-K, Form 10-Q, and Form 8-K filed with the SEC.*

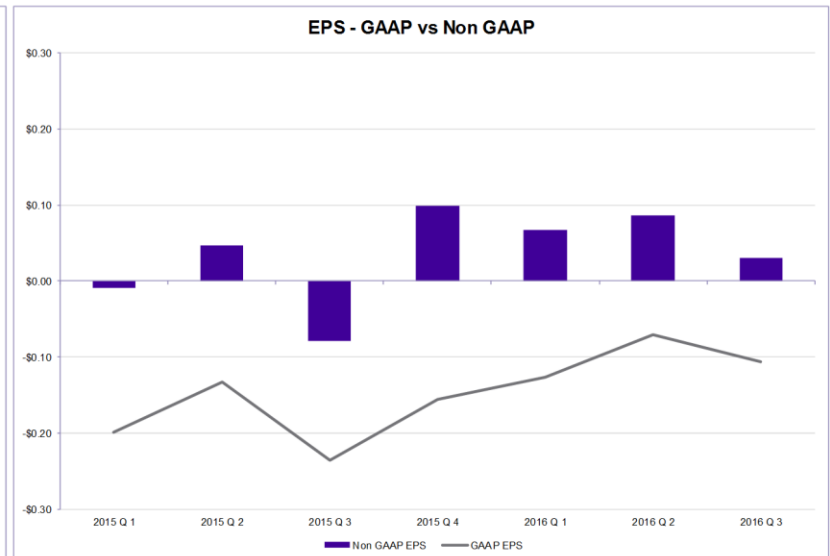
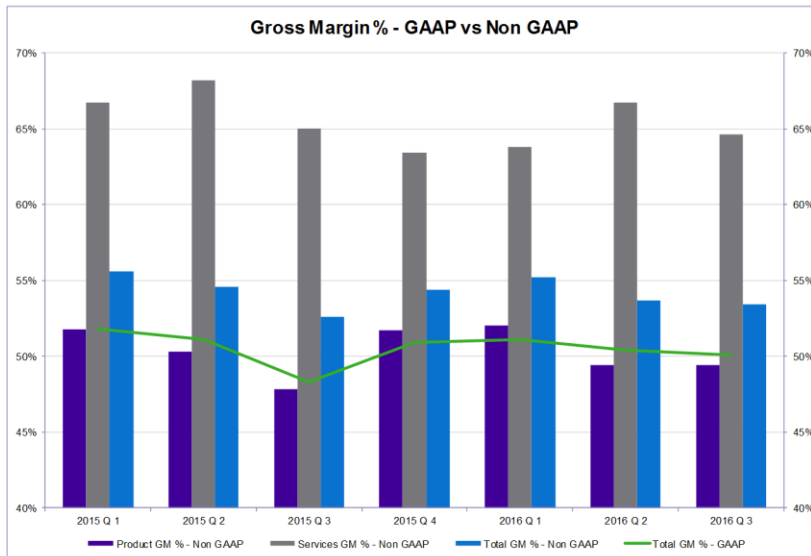
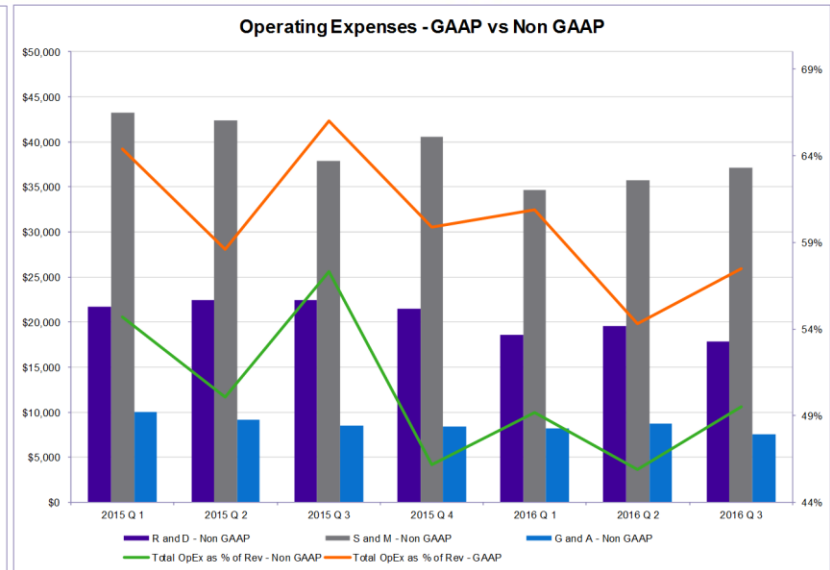
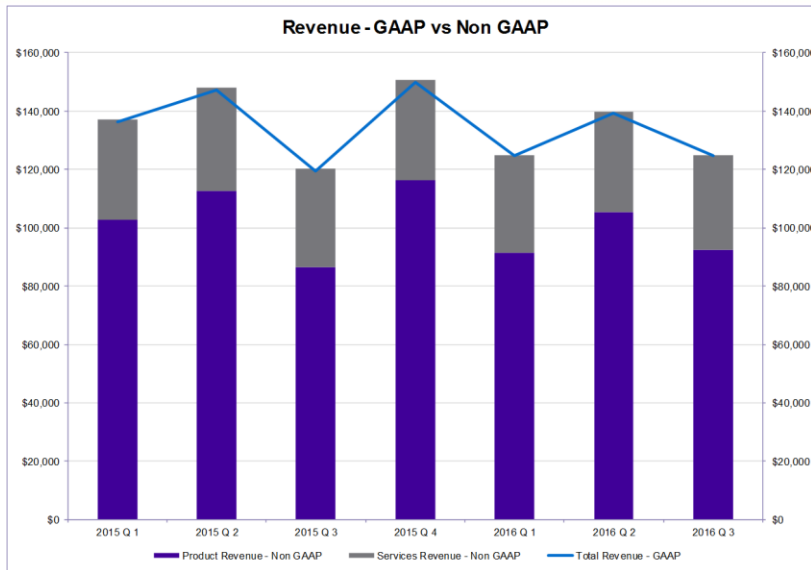
# FQ3'16 Financial Results

# Financial Highlights – Financial Operations



	FY'15				FY'16			FQ3'16 v FQ2'16	FQ3'16 v FQ3'15
	Q1	Q2	Q3	Q4	Q1	Q2	Q3		
Product Revenue - Non GAAP	\$102,672	\$112,501	\$86,527	\$116,346	\$91,381	\$105,355	\$92,712	(\$12,643)	\$6,185
Services Revenue - Non GAAP	\$34,368	\$35,473	\$33,829	\$34,288	\$33,577	\$34,327	\$32,552	(\$1,775)	(\$1,277)
Total Revenue - Non GAAP	\$137,040	\$147,974	\$120,356	\$150,634	\$124,958	\$139,682	\$125,264	(\$14,418)	\$4,908
Total GM % - Non GAAP	55.6%	54.6%	52.6%	54.4%	55.2%	53.6%	53.4%	-0.2%	0.8%
Operating Income \$ - Non GAAP	\$1,198	\$6,693	(\$5,641)	\$12,278	\$7,459	\$10,835	\$5,366	(\$5,469)	\$11,007
Operating Margin % - Non GAAP	0.9%	4.5%	-4.7%	8.2%	6.0%	7.8%	4.3%	-3.5%	9.0%
Net Income (Loss) - Non GAAP	(\$934)	\$4,670	(\$7,925)	\$10,068	\$6,729	\$8,964	\$3,494	(\$5,470)	\$11,419
EBITDA - Non GAAP	\$4,043	\$10,235	(\$2,709)	\$15,498	\$11,633	\$13,382	\$8,092	(\$5,290)	\$10,801
EPS - Non GAAP	(\$0.01)	\$0.05	(\$0.08)	\$0.10	\$0.07	\$0.09	\$0.03	(\$0.06)	\$0.11
EPS - GAAP	(\$0.20)	(\$0.13)	(\$0.24)	(\$0.16)	(\$0.11)	(\$0.07)	(\$0.10)	(\$0.03)	\$0.14

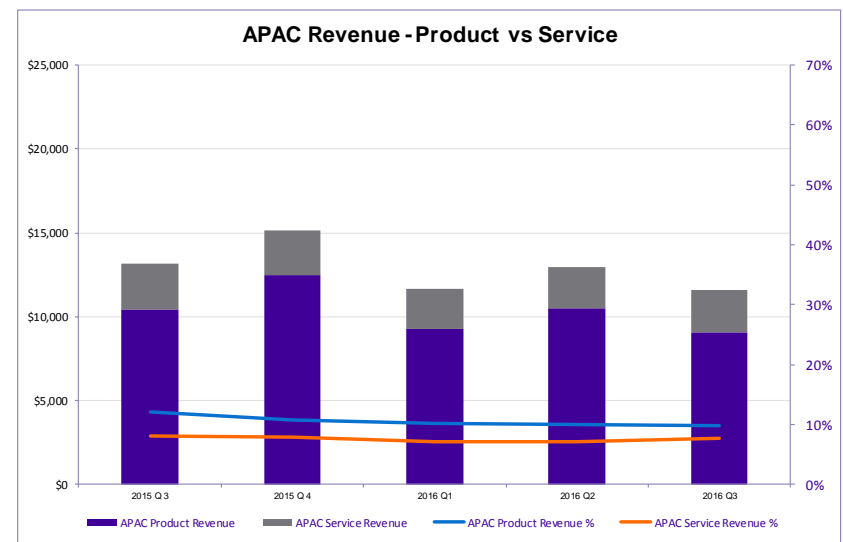
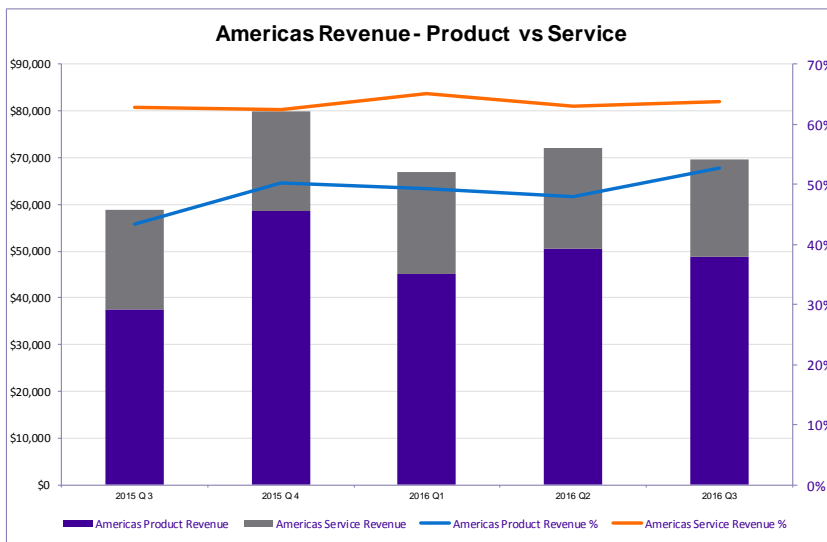
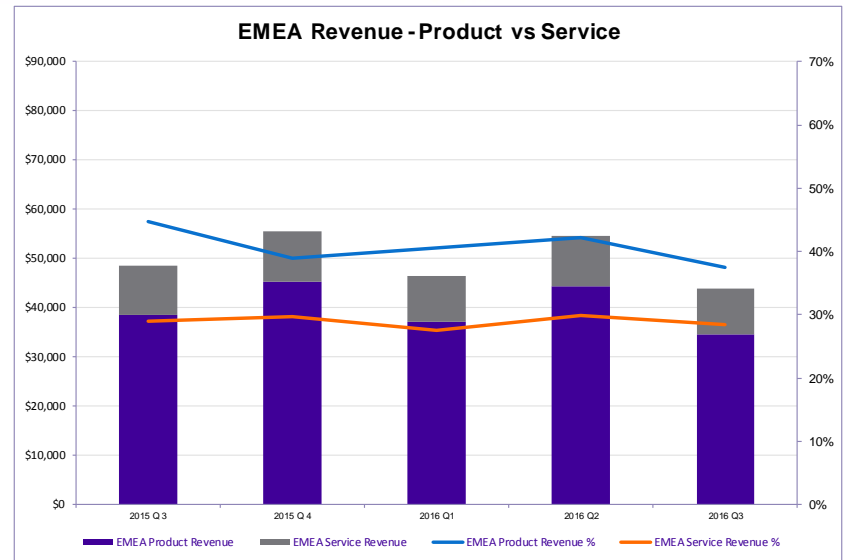
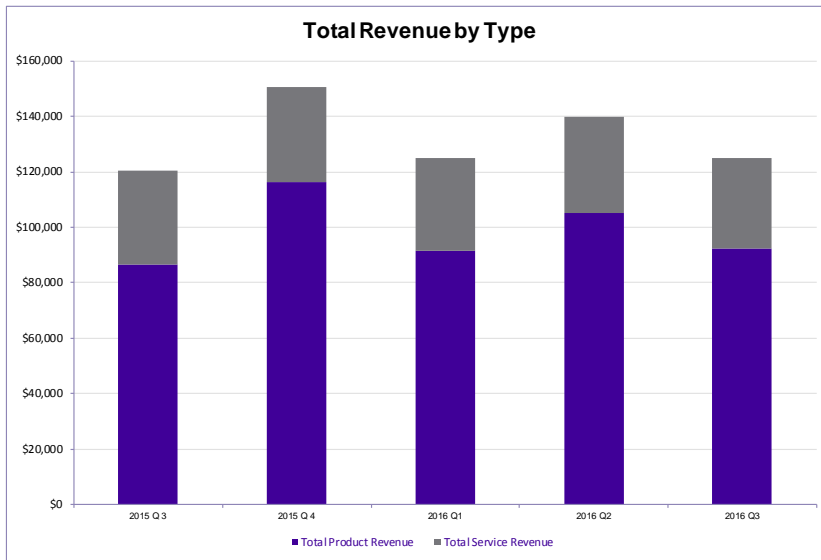
# Quarterly Results of Operations



# Historical Revenue by Geography: Non GAAP

	FY'15				FY'16			FQ3'16 v	FQ3'16 v
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	FQ2'16	FQ3'15
<b>Product</b>									
Americas	\$ 44,670	\$ 49,083	\$ 37,474	\$ 58,489	\$ 45,001	\$ 50,467	\$ 48,974	\$ (1,493)	\$ 11,500
EMEA	44,074	52,265	38,621	45,379	37,142	44,369	34,693	(9,676)	(3,928)
APAC	13,928	11,153	10,432	12,478	9,238	10,519	9,045	(1,474)	(1,387)
<b>Total Product</b>	<b>102,672</b>	<b>112,501</b>	<b>86,527</b>	<b>\$ 116,346</b>	<b>91,381</b>	<b>105,355</b>	<b>92,712</b>	<b>(12,643)</b>	<b>6,185</b>
<b>Service</b>									
Americas	21,684	22,180	21,257	21,401	21,888	21,630	20,768	(862)	(489)
EMEA	10,081	10,528	9,827	10,195	9,271	10,259	9,247	(1,012)	(580)
APAC	2,603	2,765	2,745	2,692	2,418	2,438	2,537	99	(208)
<b>Total Service</b>	<b>34,368</b>	<b>35,473</b>	<b>33,829</b>	<b>\$ 34,288</b>	<b>33,577</b>	<b>34,327</b>	<b>32,552</b>	<b>(1,775)</b>	<b>(1,277)</b>
<b>Total Revenue</b>									
Americas	66,354	71,263	58,731	79,890	66,889	72,097	69,742	(2,355)	11,011
EMEA	54,155	62,793	48,448	55,574	46,413	54,628	43,940	(10,688)	(4,508)
APAC	16,531	13,918	13,177	15,170	11,656	12,957	11,582	(1,375)	(1,595)
<b>Total Revenue</b>	<b>\$ 137,040</b>	<b>\$ 147,974</b>	<b>\$ 120,356</b>	<b>\$ 150,634</b>	<b>\$ 124,958</b>	<b>\$ 139,682</b>	<b>\$ 125,264</b>	<b>\$ (14,418)</b>	<b>\$ 4,908</b>

# Revenue by Type (Non GAAP)



# Financial Highlights – Financial Position



	FY 2015				FY 2016		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Cash and Securities Available for Sale	\$104,462	\$109,293	\$75,573	\$76,225	\$82,025	\$85,865	\$88,334
AR	\$99,980	\$93,519	\$78,727	\$92,737	\$60,330	\$73,110	\$62,670
DSO	67	57	59	56	45	48	46
Inventories	\$55,341	\$54,431	\$66,811	\$58,014	\$61,679	\$56,601	\$52,755
DOI	92	81	121	86	121	91	96
Debt Payable	\$120,750	\$89,125	\$68,500	\$66,875	\$65,250	\$62,000	\$58,750
Free Cash Flow	(\$1,152)	\$38,643	(\$9,537)	\$2,264	\$5,893	\$6,665	\$3,558
Cap Ex	\$2,784	\$1,178	\$1,648	\$1,595	\$633	\$776	\$1,388



# GAAP to Non GAAP Reconciliations

	FY'15				FY'16		
	Q 1	Q2	Q 3	Q4	Q 1	Q2	Q3
<b>Revenue - GAAP Basis</b>	\$ 136,274	\$ 147,208	\$ 119,590	\$ 149,868	\$ 124,581	\$ 139,305	\$ 124,887
Deferred Revenue Adjustment	766	766	766	766	377	377	377
<b>Revenue - Non GAAP Basis</b>	<u>\$ 137,040</u>	<u>\$ 147,974</u>	<u>\$ 120,356</u>	<u>\$ 150,634</u>	<u>\$ 124,958</u>	<u>\$ 139,682</u>	<u>\$ 125,264</u>
<b>Gross Margin - GAAP Basis</b>	\$ 70,525	\$ 75,160	\$ 57,722	\$ 76,324	\$ 65,117	\$ 70,275	\$ 62,721
Deferred Revenue Adjustment	766	766	766	766	377	377	377
Capitalized Overhead	-	-	-	-	(1,493)	-	-
Amortization of Product Intangibles	4,292	4,292	4,292	4,292	4,292	3,708	3,417
Stock Comp in Product COGS	283	275	265	244	296	277	205
Stock Comp in Service COGS	291	272	254	252	367	277	223
<b>Gross Margin - Non GAAP Basis</b>	<u>\$ 76,157</u>	<u>\$ 80,765</u>	<u>\$ 63,299</u>	<u>\$ 81,878</u>	<u>\$ 68,956</u>	<u>\$ 74,914</u>	<u>\$ 66,943</u>
<b>Operating Loss - GAAP Basis</b>	\$ (17,199)	\$ (11,088)	\$ (21,264)	\$ (13,452)	\$ (10,797)	\$ (5,361)	\$ (8,911)
Deferred Revenue Adjustment	766	766	766	766	377	377	377
Capitalized Overhead	-	-	-	-	(1,493)	-	-
Amortization of Product Intangibles	4,292	4,292	4,292	4,292	4,292	3,708	3,417
Stock Comp in Product COGS	283	275	265	244	296	277	205
Stock Comp in Service COGS	291	272	254	252	367	277	223
Stock Comp in R&D	1,644	1,544	1,423	754	1,629	1,165	996
Stock Comp in Sales and Marketing	1,557	1,566	1,291	755	1,428	1,291	1,137
Stock Comp in G&A	1,038	1,093	1,139	1,469	951	935	942
Total Stock Comp	<u>4,813</u>	<u>4,750</u>	<u>4,372</u>	<u>3,474</u>	<u>4,671</u>	<u>3,945</u>	<u>3,503</u>
Executive Transition in R&D	-	-	-	406	-	-	-
Executive Transition in Sales and Marketing	-	-	-	456	-	-	1,067
Executive Transition in G&A	-	-	-	1,127	-	-	328
Total Executive Transition Costs	-	-	-	1,989	-	-	1,395
Restructuring Charges, net	-	-	-	9,819	5,603	3,031	1,358
Amortization of Non Product Intangibles	4,467	4,467	4,467	4,467	4,467	4,250	4,142
Litigation	-	-	-	-	-	79	85
Acquisition and Integration Costs	4,058	3,500	1,725	923	338	807	-
<b>Operating Income (Loss) - Non GAAP Basis</b>	<u>\$ 1,197</u>	<u>\$ 6,687</u>	<u>\$ (5,642)</u>	<u>\$ 12,278</u>	<u>\$ 7,458</u>	<u>\$ 10,836</u>	<u>\$ 5,366</u>

# GAAP to Non GAAP Reconciliations (cont'd)



	FY'15				FY'16		
	Q 1	Q2	Q 3	Q4	Q 1	Q2	Q3
<b>Net Loss - GAAP Basis</b>	\$ (19,328)	\$ (13,110)	\$ (23,547)	\$ (15,662)	\$ (11,527)	\$ (7,233)	\$ (10,783)
Deferred Revenue Adjustment	766	766	766	766	377	377	377
Capitalized Overhead	-	-	-	-	(1,493)	-	-
Amortization of Product Intangibles	4,292	4,292	4,292	4,292	4,292	3,708	3,417
Stock Comp in Product COGS	283	275	265	244	296	277	205
Stock Comp in Service COGS	291	272	254	252	367	277	223
Stock Comp in R&D	1,644	1,544	1,423	754	1,629	1,165	996
Stock Comp in Sales and Marketing	1,557	1,566	1,291	755	1,428	1,291	1,137
Stock Comp in G&A	1,038	1,093	1,139	1,469	951	935	942
<b>Total Stock Comp</b>	<b>4,813</b>	<b>4,750</b>	<b>4,372</b>	<b>3,474</b>	<b>4,671</b>	<b>3,945</b>	<b>3,503</b>
Executive Transition in R&D	-	-	-	406	-	-	-
Executive Transition in Sales and Marketing	-	-	-	456	-	-	1,067
Executive Transition in G&A	-	-	-	1,127	-	-	328
<b>Total Executive Transition Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,989</b>	<b>-</b>	<b>-</b>	<b>1,395</b>
Restructuring Charges, net	-	-	-	9,819	5,603	3,031	1,358
Amortization of Non Product Intangibles	4,467	4,467	4,467	4,467	4,467	4,250	4,142
Litigation	-	-	-	-	-	79	85
Acquisition and Integration Costs	4,058	3,500	1,725	923	338	807	-
<b>Net Income (Loss) - Non GAAP Basis</b>	<b>(932)</b>	<b>4,665</b>	<b>(7,925)</b>	<b>10,068</b>	<b>6,728</b>	<b>8,964</b>	<b>3,494</b>
Shares - Non GAAP Basis	97,314	100,788	99,783	101,205	103,195	105,087	105,955
<b>EPS - Non GAAP Basis</b>	<b>\$ (0.01)</b>	<b>\$ 0.05</b>	<b>\$ (0.08)</b>	<b>\$ 0.10</b>	<b>\$ 0.07</b>	<b>\$ 0.09</b>	<b>\$ 0.03</b>
<b>Non GAAP EBITDA</b>	<b>4,043</b>	<b>10,235</b>	<b>(2,709)</b>	<b>15,498</b>	<b>11,633</b>	<b>13,382</b>	<b>8,092</b>
Net Non GAAP Adjustments	(18,396)	(17,775)	(15,622)	(25,730)	(18,255)	(16,197)	(14,277)
Amortization included in Non GAAP EBITDA	8,759	8,759	8,759	8,759	8,759	7,958	7,559
<b>GAAP EBITDA</b>	<b>\$ (5,594)</b>	<b>\$ 1,219</b>	<b>\$ (9,572)</b>	<b>\$ (1,473)</b>	<b>\$ 2,137</b>	<b>\$ 5,143</b>	<b>\$ 1,374</b>

# FQ4'16 Financial Guidance

# FQ4'16 Guidance – Non GAAP (in M's except EPS)

	FQ3'16	FQ4'16 Guidance
Revenue (\$M)	\$125.3	\$137.0 - \$147.0
Gross Margin %	53.4%	53.5% - 55.0%
Net Income (Loss)	\$3.5	\$8.1 – \$13.3
EPS: non-GAAP	\$0.03	\$0.08 - \$0.12



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