

Extreme Networks

FQ2'17 Financial Results



Cautionary Statement on Financial Measures

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 9-11 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.



FQ2'17 Financial Results

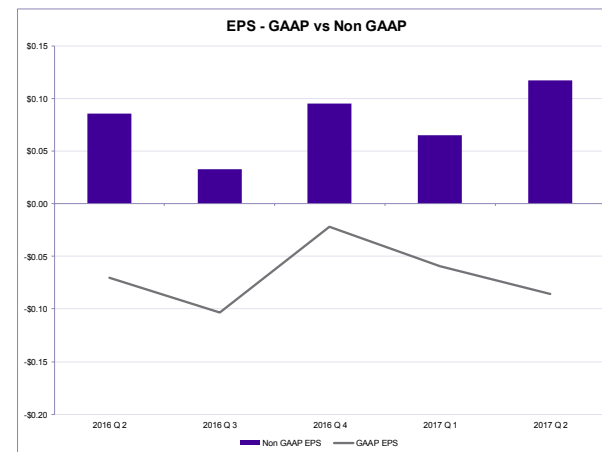
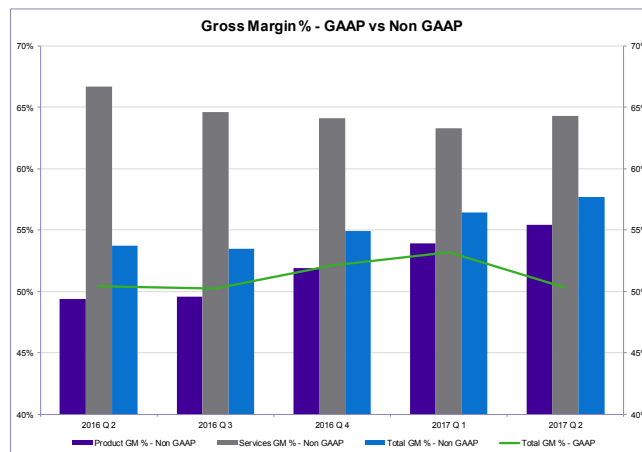
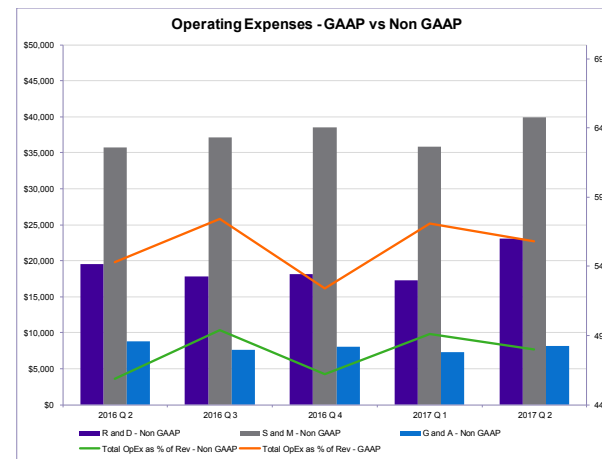
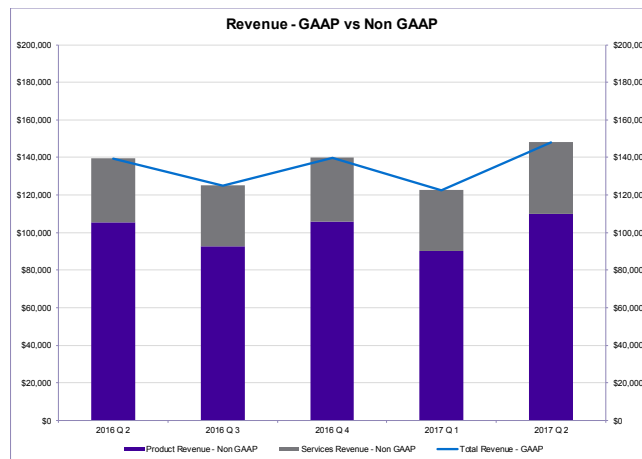


Financial Highlights – Financial Operations

	FY'16			FY'17		FQ2'17 v FQ1'17	FQ2'17 v FQ2'16
	Q2	Q3	Q4	Q1	Q2		
GAAP							
Product Revenue	\$105,355	\$92,712	\$106,019	\$90,131	\$109,789	\$19,658	\$4,434
Services Revenue	\$33,950	\$32,175	\$33,600	\$32,511	\$38,322	\$5,811	\$4,372
Total Revenue	\$139,305	\$124,887	\$139,619	\$122,642	\$148,111	\$25,469	\$8,806
Total GM %	50.4%	50.2%	52.1%	53.2%	50.9%	-2.3%	0.5%
Operating Income \$	(\$5,363)	(\$8,911)	(\$480)	(\$4,759)	(\$7,362)	(\$2,603)	(\$1,999)
Operating Margin %	-3.8%	-7.1%	-0.3%	-3.9%	-5.0%	-1.1%	-1.2%
Net Income (Loss)	(\$7,233)	(\$10,783)	(\$2,339)	(\$6,479)	(\$8,611)	(\$2,132)	(\$1,378)
EBITDA	\$5,143	\$1,374	\$10,032	\$5,094	\$63	(\$5,031)	(\$5,080)
EPS	(\$0.07)	(\$0.10)	(\$0.02)	(\$0.06)	(\$0.08)	(\$0.02)	(\$0.01)
Non GAAP							
Product Revenue	\$105,355	\$92,712	\$106,019	\$90,131	\$109,789	\$19,658	\$4,434
Services Revenue	\$34,327	\$32,552	\$33,977	\$32,644	\$38,322	\$5,678	\$3,995
Total Revenue	\$139,682	\$125,264	\$139,996	\$122,775	\$148,111	\$25,336	\$8,429
Total GM %	53.6%	53.4%	54.8%	56.3%	57.5%	1.2%	3.9%
Operating Income \$	\$10,835	\$5,366	\$12,065	\$8,790	\$13,988	\$5,198	\$3,153
Operating Margin %	7.8%	4.3%	8.6%	7.2%	9.4%	2.2%	1.6%
Net Income (Loss)	\$8,964	\$3,494	\$10,206	\$7,070	\$12,739	\$5,669	\$3,775
EBITDA	\$13,382	\$8,092	\$15,018	\$11,084	\$17,518	\$6,434	\$4,136
EPS	\$0.09	\$0.03	\$0.10	\$0.07	\$0.12	\$0.05	\$0.03



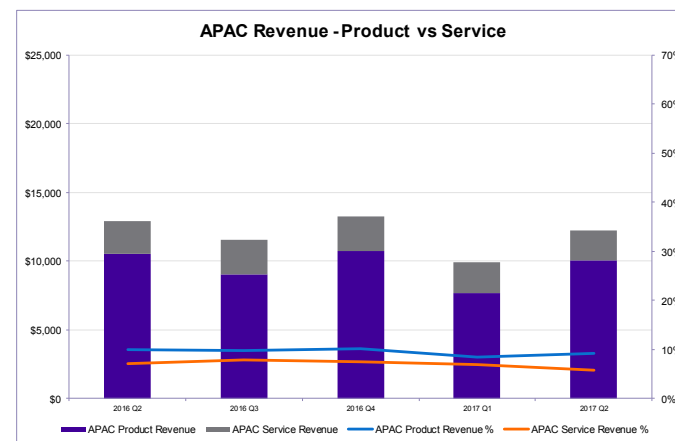
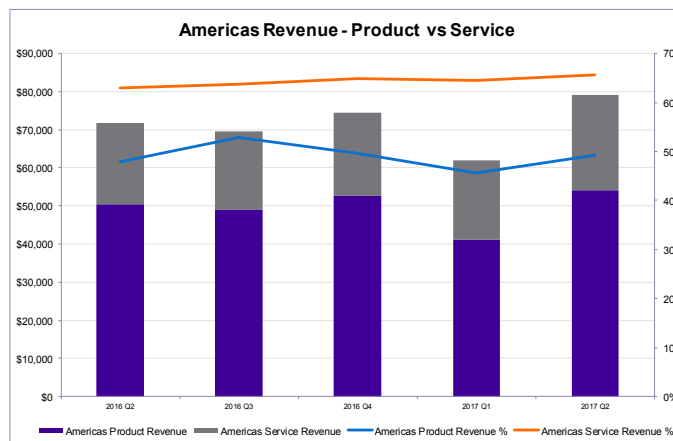
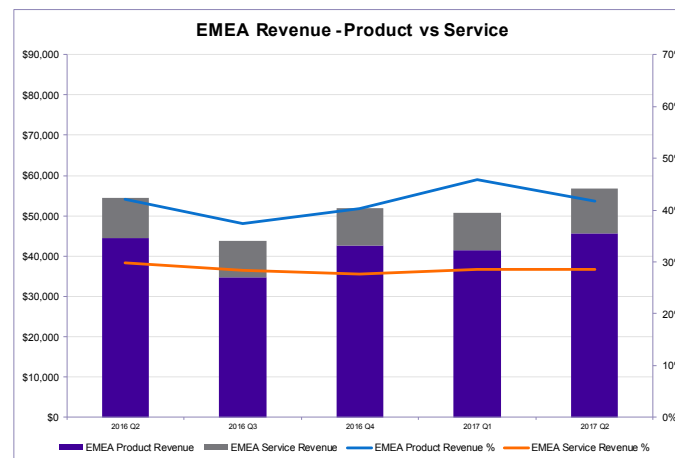
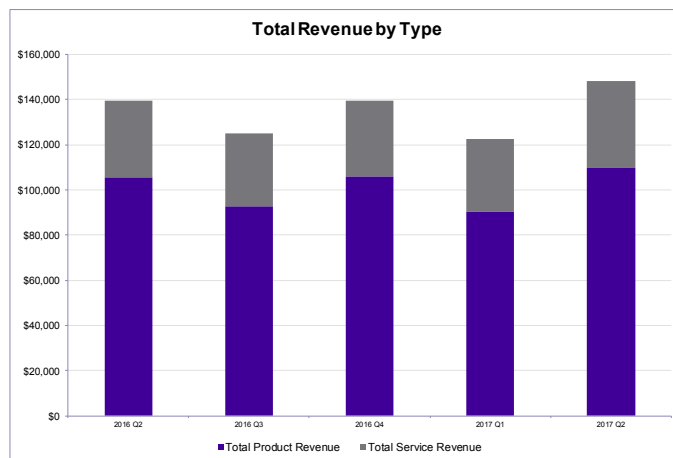
Quarterly Results of Operations



Historical Revenue by Geography:

	FY'16			FY'17		FQ2'17 v	FQ2'17 v
	Q2	Q3	Q4	Q1	Q2	FQ1'17	FQ2'16
Product							
Americas	\$ 50,467	\$ 48,974	\$ 52,676	\$ 41,068	\$ 54,021	\$ 12,953	\$ 3,554
EMEA	44,369	34,693	42,611	41,377	45,728	4,351	1,359
APAC	10,519	9,045	10,730	7,686	10,040	2,354	(479)
Total Product	105,355	92,712	106,017	90,131	109,789	19,658	4,434
Service							
Americas	21,372	20,510	21,770	20,974	25,157	4,183	3,785
EMEA	10,150	9,138	9,318	9,273	10,955	1,682	805
APAC	2,428	2,527	2,512	2,264	2,210	(54)	(218)
Total Service	33,950	32,175	33,600	32,511	38,322	5,811	4,372
Total Revenue							
Americas	71,839	69,484	74,446	62,042	79,178	17,136	7,339
EMEA	54,519	43,831	51,929	50,650	56,683	6,033	2,164
APAC	12,947	11,572	13,242	9,950	12,250	2,300	(697)
Total Revenue	\$ 139,305	\$ 124,887	\$ 139,617	\$ 122,642	\$ 148,111	\$ 25,469	\$ 8,806

Revenue by Type



Financial Highlights – Financial Position (GAAP)

	FY'16			FY'17	
	Q2	Q3	Q4	Q1	Q2
Cash and Securities Available for Sale	\$85,865	\$88,334	\$94,122	\$102,265	\$103,786
AR	\$73,110	\$62,670	\$81,419	\$68,246	\$117,819
DSO	48	46	53	51	73
Inventories	\$56,601	\$52,755	\$40,989	\$43,395	\$47,394
DOI	91	96	68	89	74
Debt Payable	\$62,000	\$58,750	\$55,500	\$51,890	\$97,147
Free Cash Flow					
Operating Cash Flow	\$7,441	\$4,946	\$11,451	\$9,575	\$9,713
Capital Expenditures	(\$776)	(\$1,388)	(\$2,529)	(\$1,635)	(\$3,027)
Free Cash Flow	\$6,665	\$3,558	\$8,922	\$7,940	\$6,686

GAAP to Non GAAP Reconciliations Revenue & Gross Margin

	FY'16			FY'17	
	Q2	Q 3	Q4	Q 1	Q2
Product Revenue - GAAP Basis	\$ 105,355	\$ 92,712	\$ 106,019	\$ 90,131	\$ 109,789
Service Revenue - GAAP Basis	33,950	32,175	33,600	32,511	38,322
Total Revenue - GAAP Basis	139,305	124,887	139,619	122,642	148,111
Deferred Service Revenue Adjustment	377	377	377	133	-
Product Revenue - Non GAAP Basis	105,355	92,712	106,019	90,131	109,789
Service Revenue - Non GAAP Basis	34,327	32,552	33,977	32,644	38,322
Total Revenue - Non GAAP Basis	\$ 139,682	\$ 125,264	\$ 139,996	\$ 122,775	\$ 148,111
Gross Margin - GAAP Basis	\$ 70,275	\$ 62,721	\$ 72,677	\$ 65,246	\$ 75,354
Gross Margin % - GAAP Basis	50.4%	50.2%	52.1%	53.2%	50.9%
Deferred Revenue Adjustment	377	377	377	133	-
Adjustment to Acquired Inventories	-	-	-	-	2,300
Integration Costs in Product COGS	-	-	-	-	5,517
Amortization of Product Intangibles	3,708	3,417	3,417	3,417	1,719
Stock Comp in Product COGS	277	205	105	68	122
Stock Comp in Service COGS	277	223	174	232	186
Gross Margin - Non GAAP Basis	\$ 74,914	\$ 66,943	\$ 76,750	\$ 69,096	\$ 85,198
Gross Margin % - Non GAAP Basis	53.6%	53.4%	54.8%	56.3%	57.5%

GAAP to Non GAAP Reconciliations

Operating Income (Loss)

	FY'16			FY'17	
	Q2	Q 3	Q4	Q 1	Q2
Operating Loss - GAAP Basis	\$ (5,361)	\$ (8,911)	\$ (480)	\$ (4,759)	\$ (7,362)
Operating Margin- GAAP Basis	-3.8%	-7.1%	-0.3%	-3.9%	-5.0%
Deferred Revenue Adjustment	377	377	377	133	-
Adjustment to Acquired Inventories	-	-	-	-	2,300
Integration Costs in Product COGS	-	-	-	-	5,517
Amortization of Product Intangibles	3,708	3,417	3,417	3,417	1,719
Stock Comp in Product COGS	277	205	105	68	122
Stock Comp in Service COGS	277	223	174	232	186
Stock Comp in R&D	1,165	996	768	1,062	906
Stock Comp in Sales and Marketing	1,291	1,137	777	1,141	1,180
Stock Comp in G&A	935	942	849	972	987
Total Stock Comp	3,945	3,503	2,673	3,475	3,381
Executive Transition in Sales and Marketing	-	1,067	9	-	-
Executive Transition in G&A	-	328	762	34	-
Total Executive Transition Costs	-	1,395	771	34	-
Restructuring Charges, net	3,031	1,358	998	-	1,853
Amortization of Non Product Intangibles	4,250	4,142	4,142	4,142	2,175
Litigation	79	85	167	27	236
Acquisition and Integration Costs	807	-	-	2,321	4,169
Operating Income - Non GAAP Basis	\$ 10,836	\$ 5,366	\$ 12,065	\$ 8,790	\$ 13,988
Operating Margin - Non GAAP Basis	7.8%	4.3%	8.6%	7.2%	9.4%



GAAP to Non GAAP Reconciliations

Net Income (Loss)

	FY'16			FY'17	
	Q2	Q 3	Q4	Q 1	Q2
Net Loss - GAAP Basis	\$ (7,233)	\$ (10,783)	\$ (2,339)	\$ (6,479)	\$ (8,611)
Shares - GAAP Basis	102,369	104,104	104,837	105,955	107,425
EPS - GAAP Basis	\$ (0.07)	\$ (0.10)	\$ (0.02)	\$ (0.06)	\$ (0.08)
Deferred Revenue Adjustment	377	377	377	133	-
Adjustment to Acquired Inventories	-	-	-	-	2,300
Integration Costs in Product COGS	-	-	-	-	5,517
Amortization of Product Intangibles	3,708	3,417	3,417	3,417	1,719
Stock Comp in Product COGS	277	205	105	68	122
Stock Comp in Service COGS	277	223	174	232	186
Stock Comp in R&D	1,165	996	768	1,062	906
Stock Comp in Sales and Marketing	1,291	1,137	777	1,141	1,180
Stock Comp in G&A	935	942	849	972	987
Total Stock Comp	3,945	3,503	2,673	3,475	3,381
Executive Transition in Sales and Marketing	-	1,067	9	-	-
Executive Transition in G&A	-	328	762	34	-
Total Executive Transition Costs	-	1,395	771	34	-
Restructuring Charges, net	3,031	1,358	998	-	1,853
Amortization of Non Product Intangibles	4,250	4,142	4,142	4,142	2,175
Litigation	79	85	167	27	236
Acquisition and Integration Costs	807	-	-	2,321	4,169
Net Income - Non GAAP Basis	8,964	3,494	10,206	7,070	12,739
Shares - Non GAAP Basis	105,087	105,956	107,275	108,637	110,152
EPS - Non GAAP Basis	0.09	0.03	0.10	0.07	0.12
Net Non GAAP Adjustments	\$ 16,197	\$ 14,277	\$ 12,545	\$ 13,549	\$ 21,350



GAAP to Non GAAP Reconciliations EBITDA

	FY'16			FY'17	
	Q2	Q 3	Q4	Q 1	Q2
Net Loss - GAAP Basis	\$ (7,233)	\$ (10,783)	\$ (2,339)	\$ (6,479)	\$ (8,611)
Interest	780	741	666	589	1,095
Taxes	1,203	865	1,369	907	1,184
Depreciation/Amortization	10,393	10,551	10,336	10,077	6,395
EBITDA - GAAP	5,143	1,374	10,032	5,094	63
Net Non GAAP Adjustments	16,197	14,277	12,545	13,549	21,350
Amortization included in Net Non GAAP Adjustments	(7,958)	(7,559)	(7,559)	(7,559)	(3,894)
EBITDA - Non GAAP	\$ 13,382	\$ 8,092	\$ 15,018	\$ 11,084	\$ 17,518



FQ3'17 Financial Guidance



FQ3'17 Guidance – GAAP (in M's except EPS)

	FQ2'17	FQ3'17 Guidance
Revenue (\$M)	\$148.1	\$151.0 – \$161.0
Gross Margin %	50.9%	53.4% - 54.5%
Net Income (Loss)	(\$8.6)	(\$12.0) – (\$7.4)
EPS: GAAP	(\$0.08)	(\$0.11) – (\$0.07)



FQ3'17 Guidance – Non GAAP (in M's except EPS)

	FQ2'17	FQ3'17 Guidance
Revenue (\$M)	\$148.1	\$151.0 – \$161.0
Gross Margin %	57.5%	55.5% - 56.5%
Net Income (Loss)	\$12.7	\$6.6 – \$11.2
EPS: non-GAAP	\$0.12	\$0.06 - \$0.10

FQ3'17 Guidance - GAAP to Non GAAP Reconciliation

	Gross Margin Rate	Operating Margin Rate	Earnings per Share
GAAP	53.4 % - 54.5%	(6.4) % - (3.2)%	\$(0.11) - \$(0.07)
Estimated adjustments for:			
Amortization of product intangibles	1.9%	1.9%	\$ 0.03
Stock based compensation	0.3%	2.4%	\$ 0.03
Restructuring charge, net	-	5.0%	\$ 0.07
Amortization of non product intangible:	-	0.8%	\$ 0.01
Acquisition and integration costs	-	2.3%	\$ 0.03
Non-GAAP	55.5 % - 56.5%	5.9 % - 8.4%	\$0.06 - \$0.10



Thank You

WWW.EXTREMENETWORKS.COM

