

# Extreme Networks FQ4'17 Financial Results

August 14, 2017

# 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 9-12 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.*





# FQ4'17 Financial Results

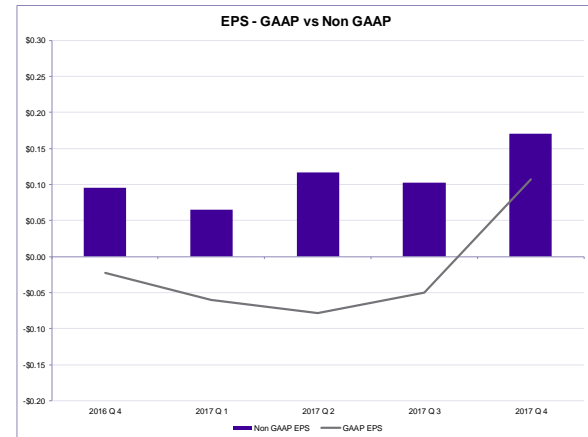
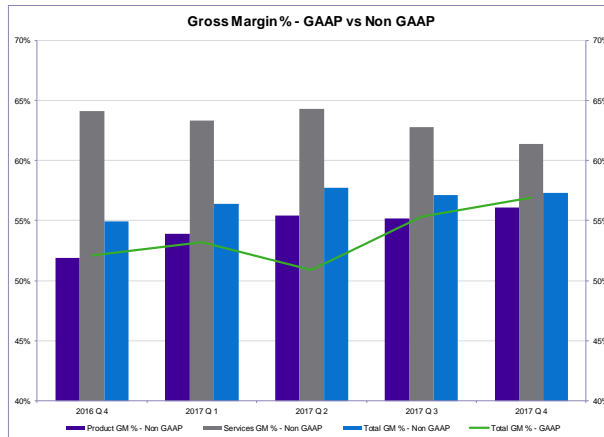
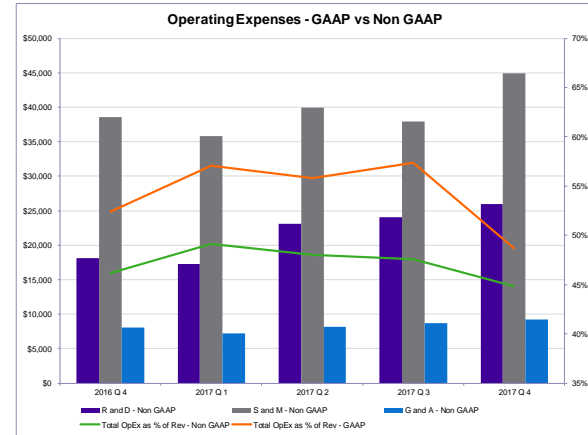
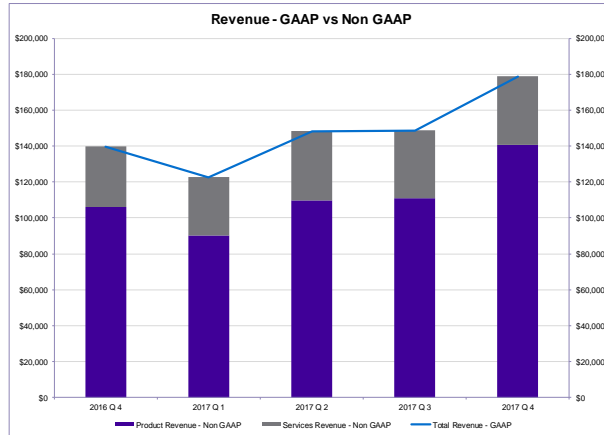


# Financial Highlights – Financial Operations

	FY'16	FY'17				FQ4'17 v	FQ4'17 v
	Q4	Q1	Q2	Q3	Q4	FQ3'17	FQ4'16
<b>GAAP</b>							
Product Revenue	\$106,017	\$90,131	\$109,789	\$110,789	\$140,750	\$29,961	\$34,733
Services Revenue	\$33,600	\$32,511	\$38,322	\$37,875	\$37,951	\$76	\$4,351
Total Revenue	\$139,617	\$122,642	\$148,111	\$148,664	\$178,701	\$30,037	\$39,084
Total GM %	52.1%	53.2%	50.9%	55.3%	56.9%	1.6%	4.8%
Operating Income \$	(\$480)	(\$4,759)	(\$7,362)	(\$3,246)	\$14,634	\$17,880	\$15,114
Operating Margin %	-0.3%	-3.9%	-5.0%	-2.2%	8.2%	10.4%	8.5%
Net Income (Loss)	(\$2,340)	(\$6,479)	(\$8,611)	(\$5,605)	\$12,177	\$17,782	\$14,517
EBITDA	\$10,032	\$5,094	\$63	\$1,572	\$18,858	\$17,286	\$8,826
EPS	(\$0.02)	(\$0.06)	(\$0.08)	(\$0.05)	\$0.11	\$0.16	\$0.13
<b>Non GAAP</b>							
Product Revenue	\$106,017	\$90,131	\$109,789	\$110,789	\$140,750	\$29,961	\$34,733
Services Revenue	\$33,977	\$32,644	\$38,322	\$37,875	\$37,951	\$76	\$3,974
Total Revenue	\$139,994	\$122,775	\$148,111	\$148,664	\$178,701	\$30,037	\$38,707
Total GM %	54.8%	56.3%	57.5%	57.0%	57.1%	0.1%	2.3%
Operating Income \$	\$12,065	\$8,790	\$13,988	\$13,954	\$21,872	\$7,918	\$9,807
Operating Margin %	8.6%	7.2%	9.4%	9.4%	12.2%	2.8%	3.6%
Net Income (Loss)	\$10,206	\$7,070	\$12,739	\$11,594	\$19,414	\$7,820	\$9,208
EBITDA	\$15,018	\$11,084	\$17,518	\$16,689	\$24,270	\$7,581	\$9,252
EPS	\$0.10	\$0.07	\$0.12	\$0.10	\$0.17	\$0.07	\$0.07



# Quarterly Results of Operations

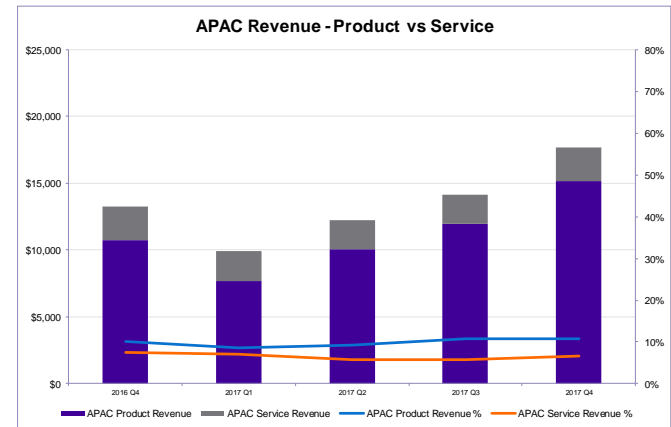
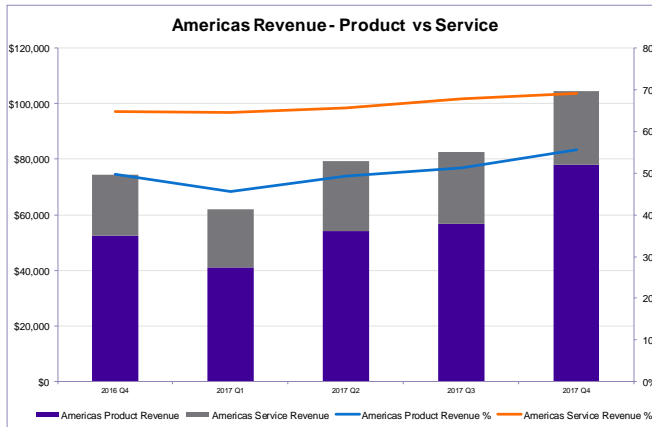
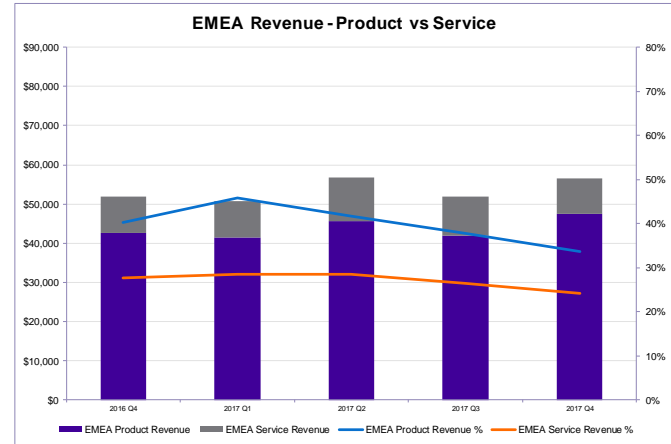
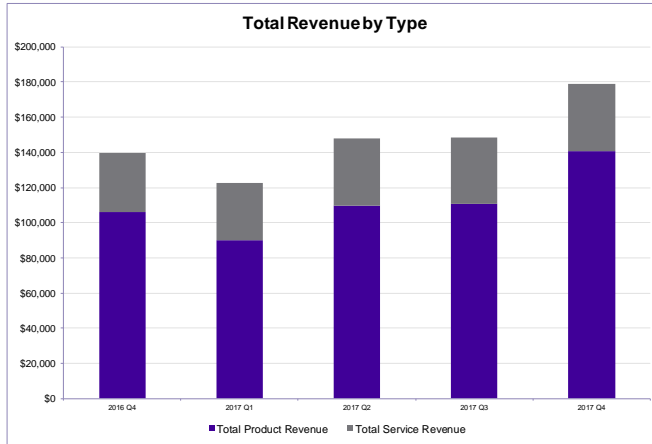


# Historical Revenue by Geography:

	FY'16	FY'17				FQ4'17 v	FQ4'17 v
	Q4	Q1	Q2	Q3	Q4	FQ3'17	FQ4'16
<b>Product</b>							
Americas	\$ 52,676	\$ 41,068	\$ 54,021	\$ 56,836	\$ 78,148	\$ 21,312	\$ 25,472
EMEA	42,611	41,377	45,728	41,956	47,439	5,483	4,828
APAC	10,730	7,686	10,040	11,997	15,164	3,167	4,434
<b>Total Product</b>	<b>106,017</b>	<b>90,131</b>	<b>109,789</b>	<b>110,789</b>	<b>140,751</b>	<b>29,962</b>	<b>34,734</b>
<b>Service</b>							
Americas	21,770	20,974	25,157	25,698	26,234	536	4,464
EMEA	9,318	9,273	10,955	10,019	9,193	(826)	(125)
APAC	2,512	2,264	2,210	2,158	2,523	365	11
<b>Total Service</b>	<b>33,600</b>	<b>32,511</b>	<b>38,322</b>	<b>37,875</b>	<b>37,950</b>	<b>75</b>	<b>4,350</b>
<b>Total Revenue</b>							
Americas	74,446	62,042	79,178	82,534	104,382	21,848	29,936
EMEA	51,929	50,650	56,683	51,975	56,632	4,657	4,703
APAC	13,242	9,950	12,250	14,155	17,687	3,532	4,445
<b>Total Revenue</b>	<b>\$ 139,617</b>	<b>\$ 122,642</b>	<b>\$ 148,111</b>	<b>\$ 148,664</b>	<b>\$ 178,701</b>	<b>\$ 30,037</b>	<b>\$ 39,084</b>



# Revenue by Type



# Financial Highlights – Financial Position (GAAP)

	FY'16	FY'17			
	Q4	Q1	Q2	Q3	Q4
Cash and Securities Available for Sale	\$94,122	\$102,265	\$103,786	\$117,280	\$130,450
AR	\$81,419	\$68,246	\$117,819	\$101,960	\$120,770
DSO	53	51	73	62	61
Inventories	\$40,989	\$43,395	\$47,394	\$47,689	\$45,880
DOI	68	89	74	82	67
Debt Payable	\$55,500	\$51,890	\$97,147	\$94,924	\$92,702
<b>Free Cash Flow</b>					
Operating Cash Flow	\$11,453	\$9,575	\$9,713	\$24,834	\$15,161
Capital Expenditures	(\$2,530)	(\$1,635)	(\$3,027)	(\$3,170)	(\$2,593)
Free Cash Flow	\$8,922	\$7,940	\$6,686	\$21,664	\$12,568





# GAAP to Non GAAP Reconciliations Revenue & Gross Margin

	FY'16	FY'17			
	Q4	Q 1	Q2	Q3	Q4
Product Revenue - GAAP Basis	\$ 106,019	\$ 90,131	\$ 109,789	\$ 110,789	\$ 140,750
Service Revenue - GAAP Basis	33,600	32,511	38,322	37,875	37,951
<b>Total Revenue - GAAP Basis</b>	<b>139,619</b>	<b>122,642</b>	<b>148,111</b>	<b>148,664</b>	<b>178,701</b>
Deferred Service Revenue Adjustment	377	133	-	-	-
Product Revenue - Non GAAP Basis	106,019	90,131	109,789	110,789	140,750
Service Revenue - Non GAAP Basis	33,977	32,644	38,322	37,875	37,951
<b>Total Revenue - Non GAAP Basis</b>	<b>\$ 139,996</b>	<b>\$ 122,775</b>	<b>\$ 148,111</b>	<b>\$ 148,664</b>	<b>\$ 178,701</b>
<b>Gross Margin - GAAP Basis</b>	<b>\$ 72,677</b>	<b>\$ 65,246</b>	<b>\$ 75,354</b>	<b>\$ 82,148</b>	<b>\$ 101,739</b>
<b>Gross Margin % - GAAP Basis</b>	<b>52.1%</b>	<b>53.2%</b>	<b>50.9%</b>	<b>55.3%</b>	<b>56.9%</b>
Deferred Revenue Adjustment	377	133	-	-	-
Adjustment to Acquired Inventories	-	-	2,300	1,963	-
Integration Costs in Product COGS	-	-	5,517	(413)	(579)
Amortization of Product Intangibles	3,417	3,417	1,719	891	633
Stock Comp in Product COGS	105	68	122	72	71
Stock Comp in Service COGS	174	232	186	56	114
Stock Comp in COGS	279	300	308	128	185
<b>Gross Margin - Non GAAP Basis</b>	<b>\$ 76,750</b>	<b>\$ 69,096</b>	<b>\$ 85,198</b>	<b>\$ 84,717</b>	<b>\$ 101,978</b>
<b>Gross Margin % - Non GAAP Basis</b>	<b>54.8%</b>	<b>56.3%</b>	<b>57.5%</b>	<b>57.0%</b>	<b>57.1%</b>



# GAAP to Non GAAP Reconciliations

## Operating Income (Loss)

	FY'16	FY'17			
	Q4	Q 1	Q2	Q3	Q4
<b>Operating Loss - GAAP Basis</b>	\$ (480)	\$ (4,759)	\$ (7,362)	\$ (3,246)	\$ 14,634
<b>Operating Margin - GAAP Basis</b>	-0.3%	-3.9%	-5.0%	-2.2%	8.2%
Deferred Revenue Adjustment	377	133	-	-	-
Adjustment to Acquired Inventories	-	-	2,300	1,963	-
Integration Costs in Product COGS	-	-	5,517	(413)	(579)
Capitalized Overhead	-	-	-	-	-
Amortization of Product Intangibles	3,417	3,417	1,719	891	633
Stock Comp in Product COGS	105	68	122	72	71
Stock Comp in Service COGS	174	232	186	56	114
Stock Comp in R&D	768	1,062	906	625	720
Stock Comp in Sales and Marketing	777	1,141	1,180	809	1,122
Stock Comp in G&A	849	972	987	911	1,277
<b>Total Stock Comp</b>	<b>2,673</b>	<b>3,475</b>	<b>3,381</b>	<b>2,473</b>	<b>3,304</b>
Executive Transition in R&D	-	-	-	-	-
Executive Transition in Sales and Marketing	9	-	-	-	-
Executive Transition in G&A	762	34	-	-	-
<b>Total Executive Transition Costs</b>	<b>771</b>	<b>34</b>	<b>-</b>	<b>-</b>	<b>-</b>
Restructuring Charges, net	998	-	1,853	7,719	(676)
Amortization of Non Product Intangibles	4,142	4,142	2,175	1,192	1,192
Litigation	167	27	236	(44)	166
Acquisition and Integration Costs	-	2,321	4,169	3,418	3,197
<b>Operating Income - Non GAAP Basis</b>	<b>\$ 12,064</b>	<b>\$ 8,790</b>	<b>\$ 13,988</b>	<b>\$ 13,954</b>	<b>\$ 21,871</b>
<b>Operating Margin - Non GAAP Basis</b>	<b>8.6%</b>	<b>7.2%</b>	<b>9.4%</b>	<b>9.4%</b>	<b>12.2%</b>



# GAAP to Non GAAP Reconciliations

## Net Income (Loss)

	FY'16	FY'17			
	Q4	Q 1	Q2	Q3	Q4
<b>Net Loss - GAAP Basis</b>	\$ (2,340)	\$ (6,479)	\$ (8,611)	\$ (5,605)	\$ 12,177
Shares - GAAP Basis	104,837	105,955	107,425	109,213	114,524
<b>EPS - GAAP Basis</b>	\$ (0.02)	\$ (0.06)	\$ (0.08)	\$ (0.05)	\$ 0.11
Deferred Revenue Adjustment	377	133	-	-	-
Adjustment to Acquired Inventories	-	-	2,300	1,963	-
Integration Costs in Product COGS	-	-	5,517	(413)	(579)
Amortization of Product Intangibles	3,417	3,417	1,719	891	633
Total Stock Comp	2,673	3,475	3,381	2,473	3,304
Executive Transition in Sales and Marketing	9	-	-	-	-
Executive Transition in G&A	762	34	-	-	-
Total Executive Transition Costs	771	34	-	-	-
Restructuring Charges, net	998	-	1,853	7,719	(676)
Amortization of Non Product Intangibles	4,142	4,142	2,175	1,192	1,192
Litigation	167	27	236	(44)	166
Acquisition and Integration Costs	-	2,321	4,169	3,418	3,197
<b>Net Non GAAP Adjustments</b>	<b>\$ 12,544</b>	<b>\$ 13,549</b>	<b>\$ 21,350</b>	<b>\$ 17,199</b>	<b>\$ 7,237</b>
<b>Net Income - Non GAAP Basis</b>	<b>10,206</b>	<b>7,070</b>	<b>12,739</b>	<b>11,594</b>	<b>19,414</b>
Shares - Non GAAP Basis	107,275	108,637	110,152	112,576	114,524
<b>EPS - Non GAAP Basis</b>	<b>0.10</b>	<b>0.07</b>	<b>0.12</b>	<b>0.10</b>	<b>0.17</b>

# GAAP to Non GAAP Reconciliations

## EBITDA

	FY'16	FY'17			
	Q4	Q 1	Q2	Q3	Q4
<b>Net Loss - GAAP Basis</b>	\$ (2,340)	\$ (6,479)	\$ (8,611)	\$ (5,605)	\$ 12,177
Interest	666	589	1,095	942	773
Taxes	1,369	907	1,184	1,167	1,089
Depreciation/Amortization	10,336	10,077	6,395	5,069	4,819
<b>EBITDA - GAAP</b>	<b>10,033</b>	<b>5,094</b>	<b>63</b>	<b>1,573</b>	<b>18,858</b>
Net Non GAAP Adjustments	12,544	13,549	21,350	17,199	7,237
Amortization included in Net Non GAAP Adjustments	(7,559)	(7,559)	(3,894)	(2,083)	(1,825)
<b>EBITDA - Non GAAP</b>	<b>\$ 15,018</b>	<b>\$ 11,084</b>	<b>\$ 17,518</b>	<b>\$ 16,689</b>	<b>\$ 24,270</b>



# FQ1'18 Financial Guidance



# FQ1'18 Guidance – GAAP (in M's except EPS)

	FQ4'17	FQ1'18 Guidance
Revenue (\$M)	\$178.7	\$200.0 – \$210.0
Gross Margin %	56.9%	53.5% - 55.5%
Net Income (Loss)	\$12.2	(\$1.2) – \$5.5
EPS: GAAP	\$0.11	(\$0.01) – \$0.05



# FQ1'18 Guidance – Non GAAP (in M's except EPS)

	FQ4'17	FQ1'18 Guidance
Revenue (\$M)	\$178.7	\$200.0 – \$210.0
Gross Margin %	57.1%	55.5% - 57.5%
Net Income (Loss)	\$19.4	\$12.5 – \$19.5
EPS: non-GAAP	\$0.17	\$0.11 - \$0.17



# FQ1'18 Guidance - GAAP to Non GAAP Reconciliation

	Gross Margin Rate	Operating Margin Rate	Earnings per Share
<b>GAAP</b>	53.5% - 55.5%	0.5% - 3.7%	(\$0.01) - \$0.05
Estimated adjustments for:			
Amortization of product intangibles	2.1%	2.1%	\$0.03
Stock based compensation	0.1%	1.6%	\$0.03
Amortization of non product intangibles	-	1.0%	\$0.02
Acquisition and integration costs	-	2.3%	\$0.04
<b>Non-GAAP</b>	55.5% - 57.5%	7.5% - 10.4%	\$0.11 - \$0.17

\* The total of percentage rate changes may not equal the total change in all cases due to rounding.





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