



Extreme Networks FQ4'20 Financial Results

Aug 5, 2020

Cautionary Statement on Financial Measures



Non-GAAP Measures:

In preparing the accompanying information Extreme Networks Inc. (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, the Company's marketplace performance, and 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 most recent earnings press release dated August 5, 2020, which is posted on the “Investor Relations” section of our website and to pages 16-19, 23 of this presentation for the required reconciliation to the most comparable GAAP financial measures.

Forward-Looking Statements:

This presentation contains forward-looking statements including, but not limited to: 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 are based on current beliefs, assumptions and expectations, and speak only as of the date of this presentation. 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.



FQ4'20 and FY20 Financial Results

GAAP Financial Highlights – Financial Operations



(In \$M's except percentages and EPS)

	Quarter			Full Year	
	FQ4'19	FQ3'20	FQ4'20	FY19	FY20
GAAP					
Product Revenue	\$189.6	\$136.5	\$141.5	\$747.6	\$653.6
Services Revenue	\$62.8	\$73.0	\$74.0	\$248.2	\$294.4
Total Revenue	\$252.4	\$209.5	\$215.5	\$995.8	\$948.0
Total GM %	55.1%	53.1%	56.0%	55.4%	54.6%
Operating Loss \$	(\$12.2)	(\$38.4)	(\$13.1)	(\$14.7)	(\$98.9)
Operating Margin %	(4.8%)	(18.3%)	(6.1%)	(1.5%)	(10.4%)
Net Loss	(\$17.1)	(\$44.4)	(\$21.2)	(\$25.9)	(\$126.8)
EBITDA	\$0.5	(\$20.9)	\$2.1	\$37.6	(\$34.3)
EPS	(\$0.14)	(\$0.37)	(\$0.18)	(\$0.22)	(\$1.06)

Non-GAAP Financial Highlights – Financial Operations



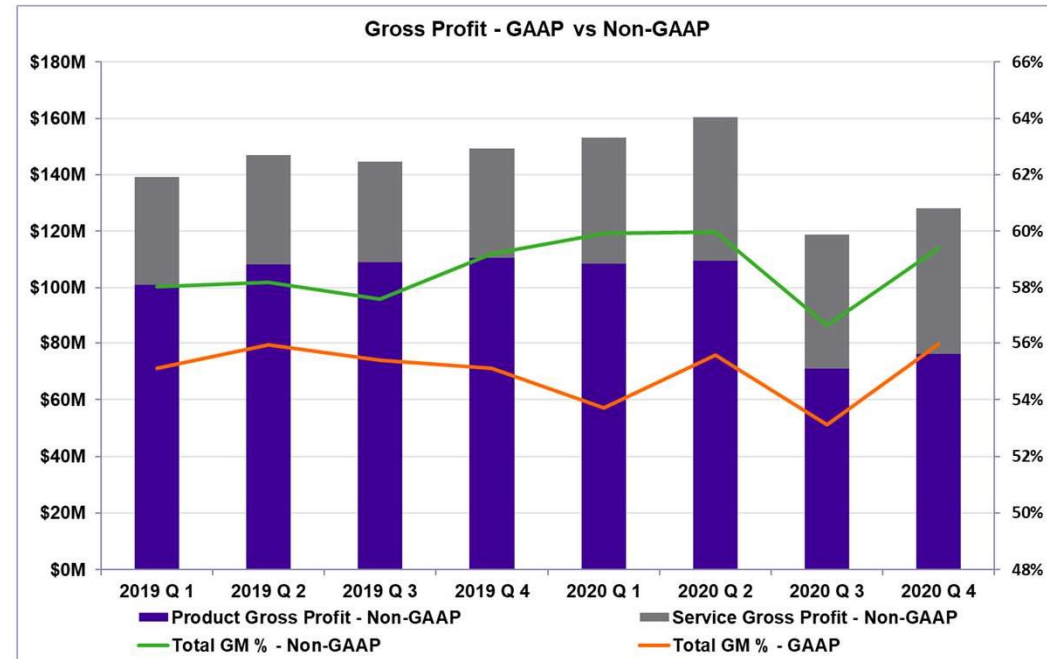
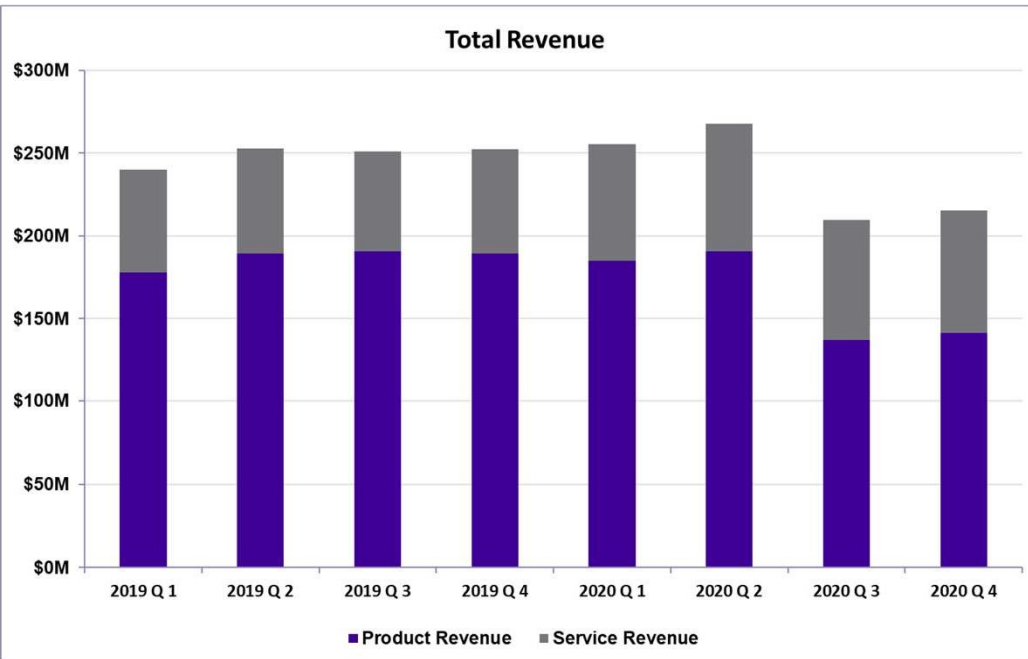
(In \$M's except percentages and EPS)

	Quarter			Full Year	
	FQ4'19	FQ3'20	FQ4'20	FY19	FY20
Non-GAAP¹					
Product Revenue	\$189.6	\$136.5	\$141.5	\$747.6	\$653.6
Services Revenue	\$62.8	\$73.0	\$74.0	\$248.2	\$294.4
Total Revenue	\$252.4	\$209.5	\$215.5	\$995.8	\$948.0
Total GM %	59.2%	56.7%	59.4%	58.2%	59.1%
Operating Income (Loss) \$	\$12.5	(\$10.6)	\$11.2	\$60.6	\$40.6
Operating Margin %	4.9%	(5.1%)	5.2%	6.1%	4.3%
Net Income (Loss)	\$7.6	(\$16.6)	\$3.1	\$41.8	\$12.6
EBITDA	\$18.9	(\$1.7)	\$17.8	\$87.2	\$70.2
EPS	\$0.06	(\$0.14)	\$0.03	\$0.35	\$0.10

Quarterly Results of Operations



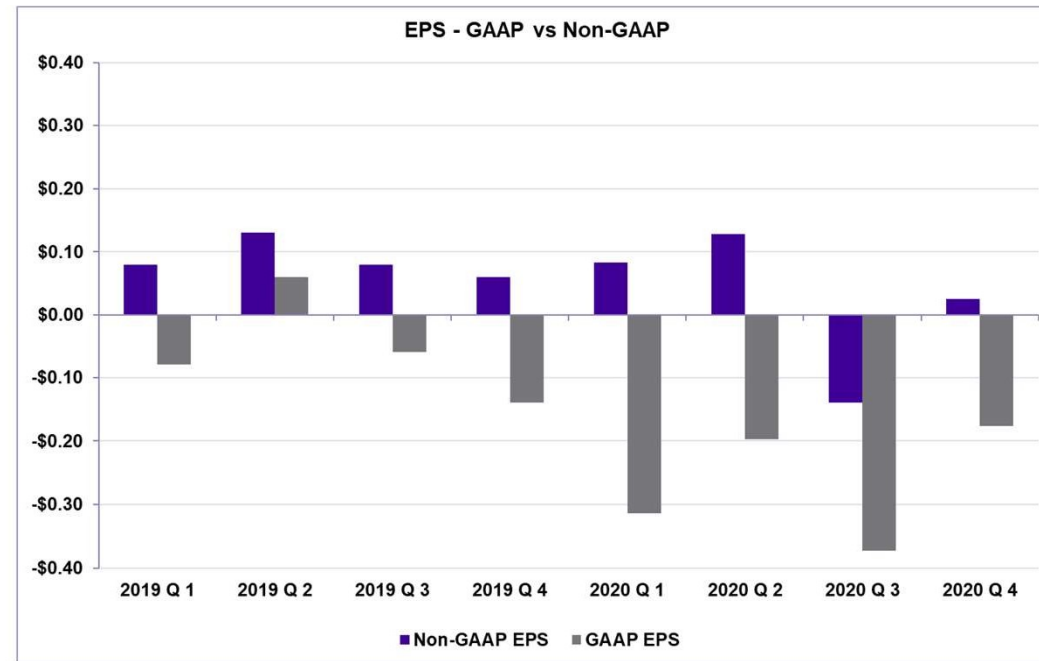
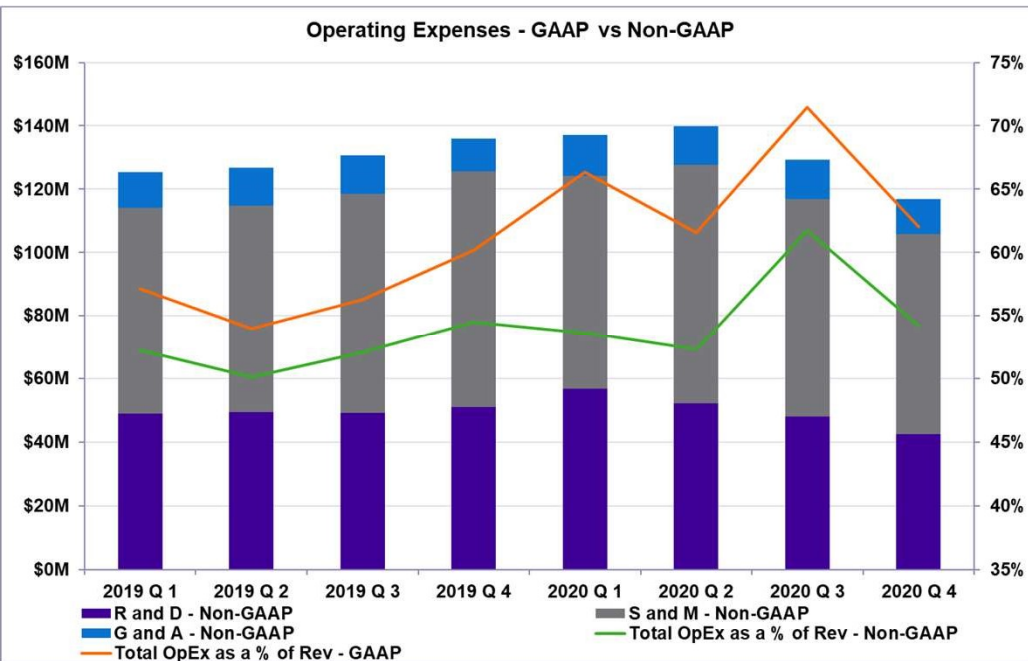
(In \$M's except percentages)



Quarterly Results of Operations



(In \$M's except percentages)



Revenue by Geography



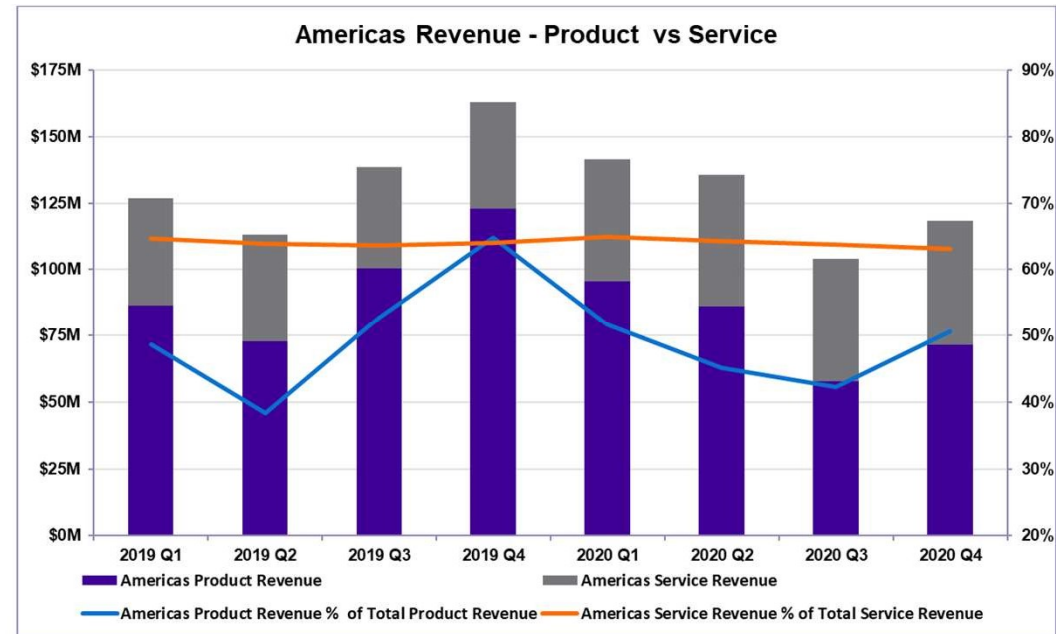
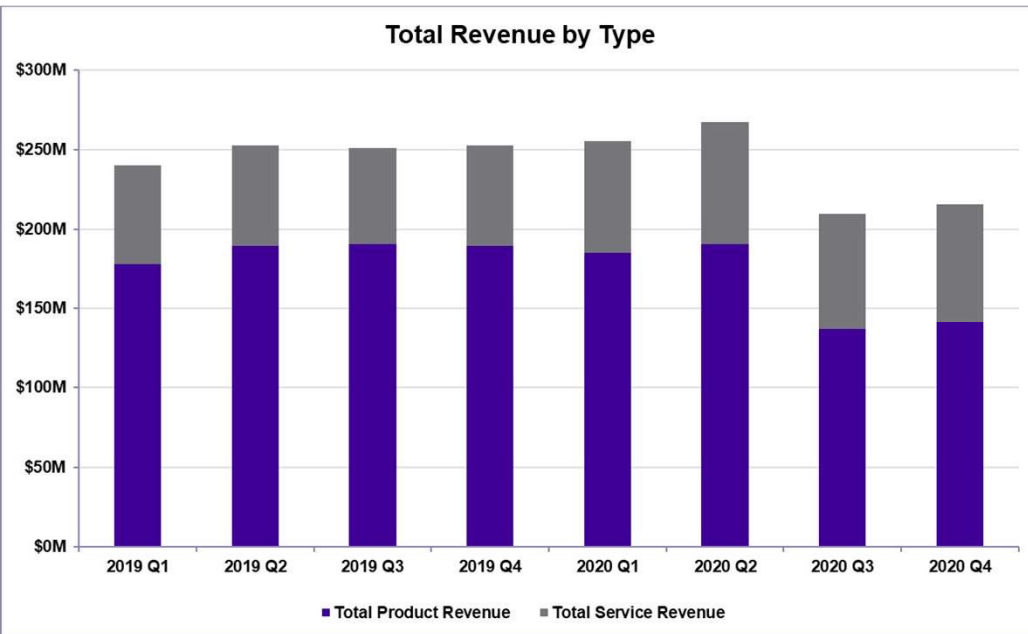
(In \$M's except percentages)

	FQ4'19	FQ3'20	FQ4'20	YoY % Change	QoQ % Change	FY19	FY20	YoY % Change
Product Revenue								
Americas	\$ 122.9	\$ 57.6	\$ 71.6	(41.7%)	24.3%	\$ 382.6	\$ 310.9	(18.7%)
EMEA	52.4	62.5	54.8	4.6%	(12.3%)	289.7	273.8	(5.5%)
APAC	14.3	16.4	15.1	5.6%	(7.9%)	75.4	68.9	(8.6%)
Total Product	\$ 189.6	\$ 136.5	\$ 141.5	(25.4%)	3.7%	\$ 747.7	\$ 653.6	(12.6%)
Service Revenue								
Americas	\$ 40.2	\$ 46.5	\$ 46.8	16.4%	0.6%	\$ 159.0	\$ 188.5	18.6%
EMEA	17.2	21.1	21.1	22.7%	0.0%	68.6	83.4	21.6%
APAC	5.4	5.4	6.1	13.7%	13.7%	20.6	22.5	9.3%
Total Service	\$ 62.8	\$ 73.0	\$ 74.0	17.9%	1.4%	\$ 248.2	\$ 294.4	18.6%
Total Revenue								
Americas	\$ 163.1	\$ 104.1	\$ 118.4	(27.4%)	13.7%	\$ 541.6	\$ 499.4	(7.8%)
EMEA	69.6	83.6	75.9	9.1%	(9.2%)	358.3	357.2	(0.3%)
APAC	19.7	21.8	21.2	7.8%	(2.6%)	96.0	91.4	(4.7%)
Total Revenue	\$ 252.4	\$ 209.5	\$ 215.5	(14.6%)	2.9%	\$ 995.9	\$ 948.0	(4.8%)

Revenue by Type and by Geography



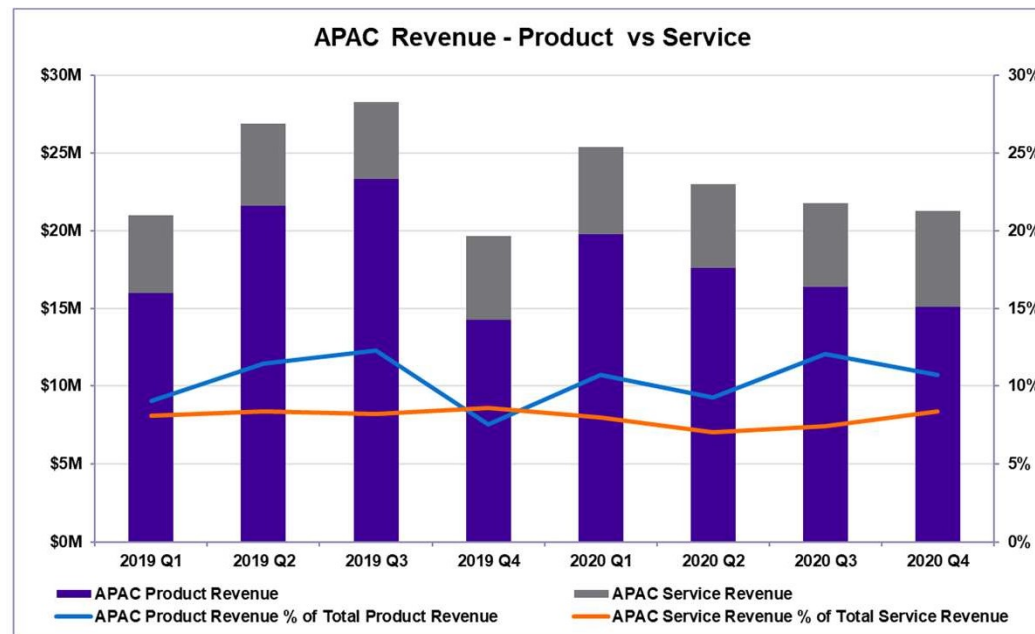
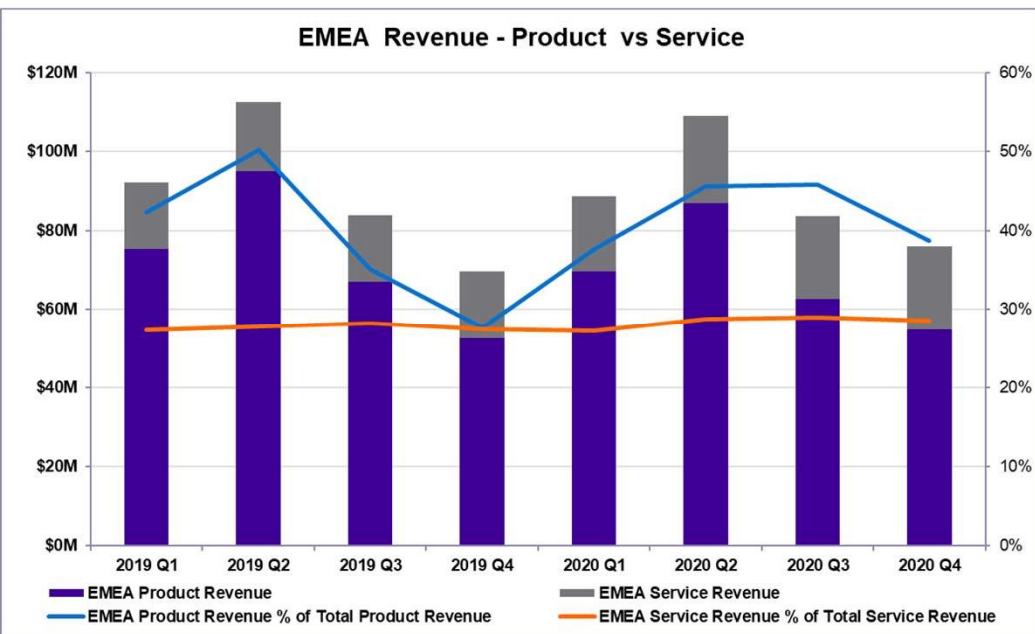
(In \$M's except percentages)



Revenue by Type and by Geography



(In \$M's except percentages)



Financial Highlights – Balance Sheet



(GAAP, BS in \$M's except days)

Balance Sheet Highlights	FQ4'19	FQ3'20	FQ4'20
Cash and Cash Equivalents	\$169.6	\$196.4	\$193.9
AR	\$174.4	\$96.2	\$122.7
Inventories	\$63.6	\$66.2	\$62.6
Accounts Payables	\$65.7	\$53.0	\$48.4
Gross Debt*	\$180.5	\$425.5	\$420.8
Net Debt*	\$10.9	\$229.1	\$226.9

Cash Conversion Cycle Table	FQ4'19	FQ3'20	FQ4'20
DSO	63	42	52
DOI	65	84	80
DPO	67	67	62
Cash Conversion Cycle	61	59	70

*Gross debt is defined as long-term and current portion of long-term debt as shown on the balance sheet plus unamortized debt issuance costs. Net debt is defined as gross debt minus cash and cash equivalents.

Non-GAAP Free Cash Flow



(In \$M's)

Extreme uses the non-GAAP free cash flow metric as a measure of operating performance. Free cash flow represents GAAP net cash provided by operating activities, less purchases of property, plant and equipment. Extreme considers free cash flow as useful information for management and investors regarding the amount of cash generated by the business after the purchases of property, plant and equipment, which can then be used to, among other things, invest in Extreme's business, make strategic acquisitions, and strengthen the balance sheet. A limitation of the utility of the non-GAAP free cash flow metric as a measure of financial performance is that it does not represent the total increase or decrease in the Company's cash balance for the period. As shown in the table below (in millions):

	FQ4'19	FQ3'20	FQ4'20	FY19	FY20
Operating Cash Flow	\$25.4	\$5.2	\$8.8	\$104.9	\$35.9
PP&E Capital Expenditures	(\$6.5)	(\$3.2)	(\$2.6)	(\$22.7)	(\$15.3)
Free Cash Flow	\$18.9	\$2.0	\$6.2	\$82.2	\$20.6

Key Performance Metrics



Financial Metrics	FQ3'20	FQ4'20
Large Customers (Over \$1M in bookings for the Quarter)	24	23
Recurring Revenue* \$ Total Dollar Amount for the Quarter	\$72.1M	\$73.5M
Recurring Revenue % As a % of Total Revenue for the Quarter	34%	34%
Product Book to Bill Ratio	1.2x	1.1x
Service Book to Bill Ratio	0.9x	1.3x
R&D as a % of Revenue Non-GAAP	22.9%	19.7%
S&M as a % of Revenue Non-GAAP	32.8%	29.4%
G&A as a % of Revenue Non-GAAP	6.0%	5.1%













Cloud Metrics	FQ3'20	FQ4'20
Average Daily Traffic Per Day	~6PB	~3PB
Managed Devices	1.05M	1.14M
Active Customer Accounts	92K	98K
Average Management Events Per Day	4.4B	3.5B

*Recurring Revenue is defined as the sum, without duplication, of subscription revenue, maintenance revenue and services revenue, including subscription and services revenue from the Aerohive business acquired by the Company in August 2019.

Vertical Trends



INDUSTRY

	Extreme Exposure	Demand Outlook	Tailwinds	Headwinds
 Government & Education	>35%		Large contracts and strong pipeline in K-12, Higher Ed; State / Local and Fed solid in Americas and Int'l	Demand in state / local government dependent on future government budgets
 Healthcare	>10%		Federal funding sustaining spending. Good visibility over multiple quarters	Some budget challenges from lack of highly profitable procedures at hospitals
 Sports / Entertainment & Hospitality	<5%		Strong pipeline of activity beyond NFL; Building pipeline of future business	Recovery depends on social distancing easing for live sporting events
 Manufacturing	~10%		Manufacturing business recovered as expected and could potentially accelerate	Overall business activity depends on future pace of recovery post COVID
 Retail Logistics / Transport	~10%		Growth of new logos and customers; Logistics activity due to rising demand	Social distancing and limited economic activity in retail
 Telco / Service Provider	<10%		Solid demand from existing customers	Timing of larger scale 5G related business several quarters away



Appendices- GAAP to Non-GAAP Reconciliations

GAAP to Non-GAAP Reconciliations



Revenue & Gross Margin (In M's except percentages)

	Quarter			Full Year	
	FQ4'19	FQ3'20	FQ4'20	FY19	FY20
Product Revenue	\$ 189.6	\$ 136.5	\$ 141.5	\$ 747.6	\$ 653.6
Service Revenue	62.8	73.0	74.0	248.2	294.4
Total Revenue - GAAP Basis	\$ 252.4	\$ 209.5	\$ 215.5	\$ 995.8	\$ 948.0
Gross Margin - GAAP Basis	138.9	111.3	120.6	551.2	517.8
Gross Margin % - GAAP Basis	55.1%	53.1%	56.0%	55.4%	54.6%
Deferred Revenue Adjustment		-	-	-	-
Inventory Valuation Adjustments	5.3	-	-	5.3	3.7
Integration Costs in COGS	-	0.2	0.1	1.8	2.2
Amortization of Product Intangibles	4.8	6.5	6.6	19.2	26.4
Adjustment to Acquired Inventories	-	-	-	-	7.3
Stock Comp in COGS	0.3	0.7	0.7	2.5	2.9
Gross Margin - Non-GAAP Basis	\$ 149.3	\$ 118.7	\$ 128.0	\$ 580.0	\$ 560.3
Gross Margin % - Non-GAAP Basis	59.2%	56.7%	59.4%	58.2%	59.1%

GAAP to Non-GAAP Reconciliations



Operating Income (Loss) (In M's except percentages)

	Quarter			Full Year	
	FQ4'19	FQ3'20	FQ4'20	FY19	FY20
Operating Loss - GAAP Basis	\$ (12.2)	\$ (38.4)	\$ (13.1)	\$ (14.7)	\$ (98.9)
Operating Margin- GAAP Basis	(4.8%)	(18.3%)	(6.1%)	(1.5%)	(10.4%)
Adjustment to Acquired Inventories	-	-	-	-	7.3
Integration Costs in COGS	-	0.2	0.1	1.8	2.2
Amortization of Product Intangibles	4.8	6.5	6.6	19.2	26.4
Inventory Valuation Adjustments	5.3	-	-	5.3	3.7
Total Stock Comp	8.6	7.2	10.9	32.9	37.4
Restructuring Charges, net	3.8	6.6	2.6	5.1	22.0
Amortization of Non Product Intangibles	1.4	2.1	2.1	6.3	8.4
Integration Costs in OpEx	0.8	5.2	2.0	3.4	32.1
Loss on Lease Contracts	-	-	-	1.3	-
Operating Income (Loss) - Non-GAAP Basis	\$ 12.5	(10.6)	\$ 11.2	\$ 60.6	\$ 40.6
Operating Margin - Non-GAAP Basis	4.9%	(5.1%)	5.2%	6.1%	4.3%

GAAP to Non-GAAP Reconciliations



Net Income (Loss) (In \$M's except EPS)

	Quarter			Full Year	
	FQ4'19	FQ3'20	FQ4'20	FY19	FY20
Net Loss - GAAP Basis	\$ (17.1)	\$ (44.4)	\$ (21.2)	\$ (25.9)	\$ (126.8)
Shares - GAAP Basis	119.0	119.2	120.3	118.0	119.8
EPS - GAAP Basis	\$ (0.14)	\$ (0.37)	\$ (0.18)	\$ (0.22)	\$ (1.06)
Adjustment to Acquired Inventories	-	-	-	-	7.3
Integration Costs in COGS	-	0.2	0.1	1.8	2.2
Amortization of Product Intangibles	4.8	6.5	6.6	19.2	26.4
Inventory Valuation Adjustments	5.3	-	-	5.3	3.7
Total Stock Comp	8.6	7.2	10.9	32.9	37.4
Restructuring Charges, net	3.8	6.6	2.6	5.1	22.0
Amortization of Non Product Intangibles	1.4	2.1	2.1	6.3	8.4
Tax Adjustment	-	-	-	(7.6)	-
Loss on Lease Contracts in G&A	-	-	-	1.3	-
Integration and Acquisition Costs in OpEx	0.8	5.2	2.0	3.4	32.1
Net Non-GAAP Adjustments	<u>24.7</u>	<u>27.7</u>	<u>24.3</u>	<u>67.7</u>	<u>139.4</u>
Net Income (Loss) - Non-GAAP Basis	<u>\$ 7.6</u>	<u>(16.6)</u>	<u>\$ 3.1</u>	<u>\$ 41.8</u>	<u>\$ 12.6</u>
Shares - Non-GAAP Basis	122.2	119.2	120.8	120.7	122.2
EPS - Non-GAAP Basis	\$ 0.06	\$ (0.14)	\$ 0.03	\$ 0.35	\$ 0.10

GAAP to Non-GAAP Reconciliations



EBITDA (In \$M's)

	Quarter			Full Year	
	FQ4'19	FQ3'20	FQ4'20	FY19	FY20
Net Loss - GAAP Basis	\$ (17.1)	\$ (44.4)	\$ (21.2)	\$ (25.9)	\$ (126.8)
Interest	2.4	5.8	6.3	10.6	22.4
Taxes	2.0	1.6	1.4	(0.0)	6.4
Depreciation/Amortization	13.1	16.2	15.6	52.9	63.8
EBITDA - GAAP	0.5	(20.9)	2.1	37.6	(34.3)
Net Non-GAAP Adjustments	24.7	27.7	24.3	67.7	139.4
Income taxes included in Net Non-GAAP Adjustments	-	-	-	7.6	-
Amortization included in Net Non-GAAP Adjustments	(6.3)	(8.6)	(8.7)	(25.7)	(34.9)
EBITDA - Non-GAAP	\$ 18.9	(1.7)	\$ 17.8	\$ 87.2	\$ 70.2



FQ1'21 Financial Guidance

FQ1'21 Guidance - GAAP



(In M's except percentages and EPS)

	FQ4'20	FQ1'21 Consolidated Guidance
Revenue (\$M)	\$215.5	\$220.0 - \$230.0
Gross Margin %	56.0%	55.8% - 56.8%
Net Income	(\$21.2)	(\$16.9) - (\$13.1)
EPS	(\$0.18)	(\$0.14) - (\$0.11)

FQ1'21 Guidance – Non-GAAP



(In M's except percentages and EPS)

	FQ4'20	FQ1'21 Consolidated Guidance
Revenue (\$M)	\$215.5	\$220.0 - \$230.0
Gross Margin %	59.4%	59.0% - 60.0%
Net Income	\$3.1	\$0.7 - \$4.9
EPS	\$0.03	\$0.01 - \$0.04

FQ1'21 Guidance - GAAP to Non-GAAP Reconciliation



	Gross Margin Rate	Operating Margin Rate	Earnings per Share
GAAP	55.8% - 56.8%	(3.8)% - (2.0)%	(\$0.14) - (\$0.11)
Estimated Adjustments for:			
Amortization of Product Intangibles	2.5%	2.5%	\$0.05
Stock-Based Compensation	0.3%	3.3%	\$0.06
Restructuring Charges, net	-	0.2%	\$0.01
Acquisition and Integration Costs	-	0.5%	\$0.01
Amortization of Non-product Intangibles	0.4%	1.3%	\$0.02
Non-GAAP	59.0% - 60.0%	4.2% - 5.8%	\$0.01 - \$0.04



ADVANCE
WITH US™