



Extreme Networks FQ1'19 Financial Results

November 2, 2018

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 10-13 and 17 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.



FQ1'19 Financial Results

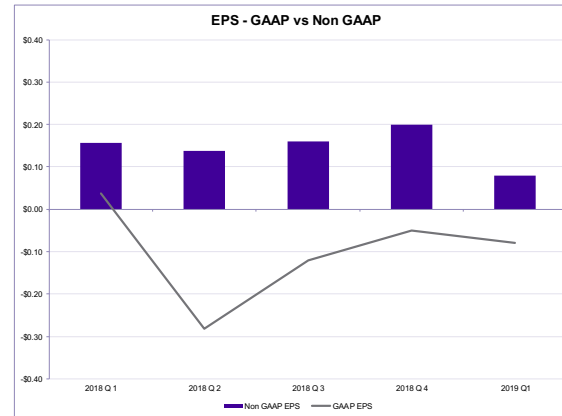
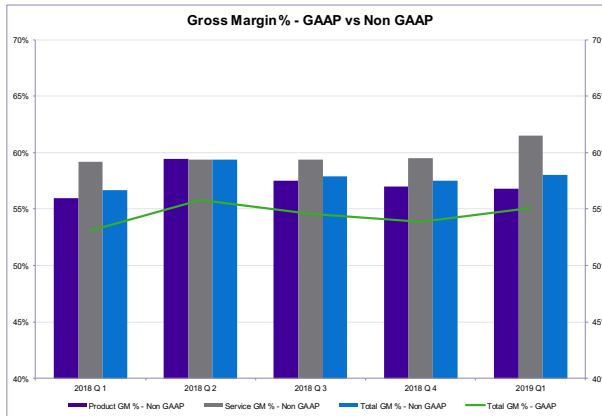
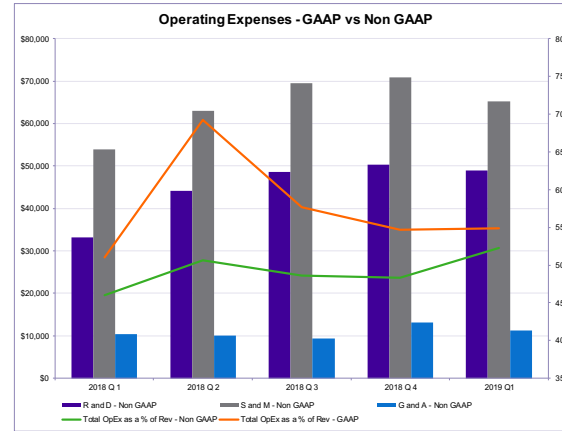
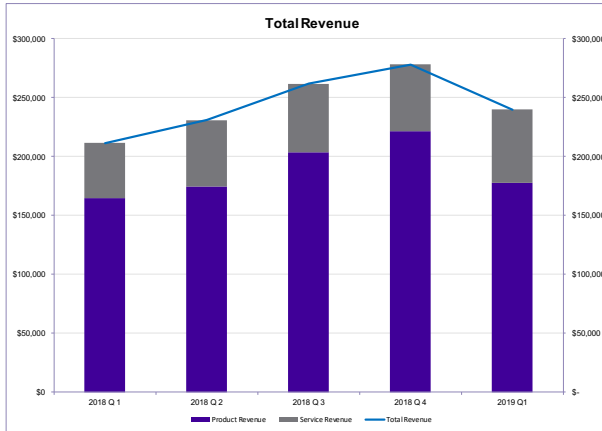


Financial Highlights – Financial Operations

	FQ1'18	FQ4'18	FQ1'19
GAAP			
Product Revenue	\$164.8	\$221.3	\$177.7
Services Revenue	\$46.9	\$57.0	\$62.2
Total Revenue	\$211.7	\$278.3	\$239.9
Total GM %	53.1%	54.0%	55.1%
Operating Income (Loss) \$	\$4.5	(\$3.4)	(\$5.0)
Operating Margin %	2.1%	(1.2%)	(2.1%)
Net Income (Loss)	\$4.4	(\$5.6)	(\$9.1)
EBITDA	\$15.2	\$13.0	\$9.3
EPS	\$0.04	(\$0.05)	(\$0.08)
Non GAAP			
Product Revenue	\$164.8	\$221.3	\$177.7
Services Revenue	\$46.9	\$57.0	\$62.2
Total Revenue	\$211.7	\$278.3	\$239.9
Total GM %	56.7%	57.6%	58.0%
Operating Income \$	\$22.5	\$27.4	\$13.9
Operating Margin %	10.6%	9.8%	5.8%
Net Income	\$18.6	\$24.0	\$9.4
EBITDA	\$25.2	\$35.8	\$21.3
EPS	\$0.16	\$0.20	\$0.08



Quarterly Results of Operations

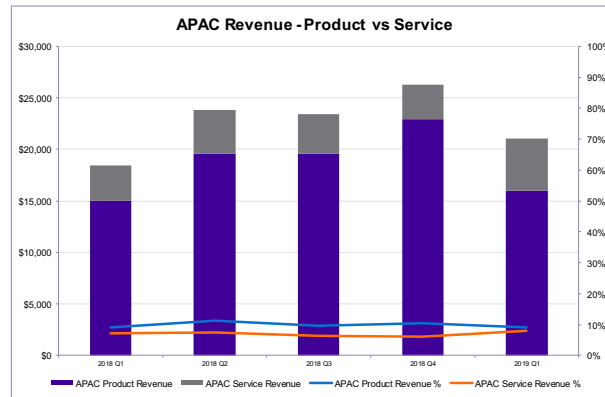
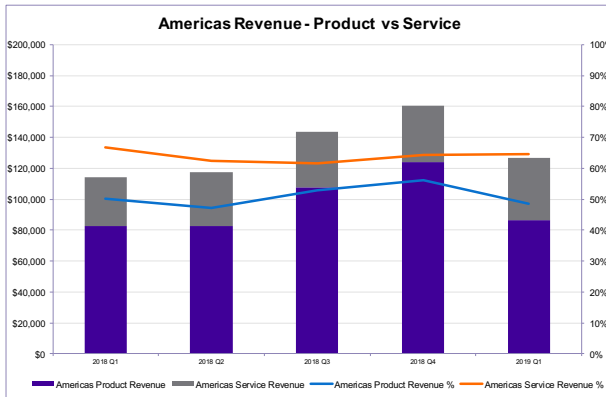
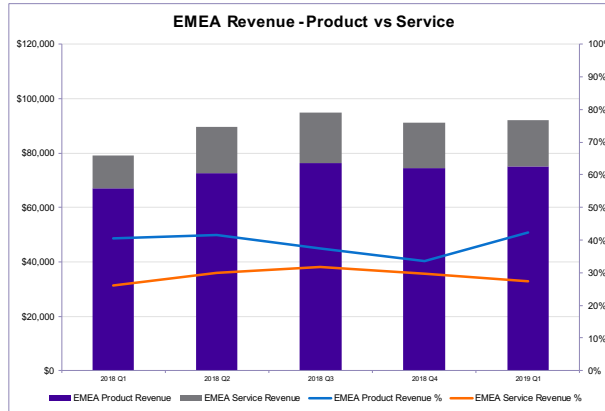
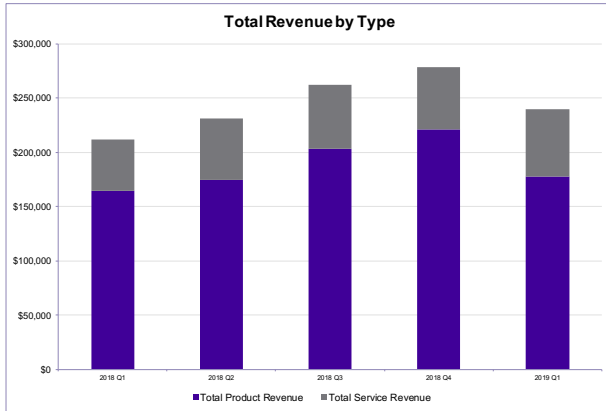


Historical Revenue by Geography (GAAP):

	FQ1'18	FQ4'18	FQ1'19
Product			
Americas	\$ 82.9	\$ 124.0	\$ 86.5
EMEA	66.9	74.4	75.2
APAC	15.0	22.9	16.0
Total Product	\$ 164.8	\$ 221.3	\$ 177.7
Service			
Americas	\$ 31.3	\$ 36.7	\$ 40.2
EMEA	12.2	16.9	17.0
APAC	3.4	3.4	5.0
Total Service	\$ 46.9	\$ 57.0	\$ 62.2
Total Revenue			
Americas	\$ 114.2	\$ 160.7	\$ 126.7
EMEA	79.1	91.3	92.2
APAC	18.4	26.3	21.0
Total Revenue	\$ 211.7	\$ 278.3	\$ 239.9



Revenue by Type and by Geography



Illustrative Revenue & Gross Margin Adjusted for Purchase Accounting

	FY'18					FY'19	
	Q1	Q2	Q3	Q4	Total	Q1	Q2
							Guidance
Total GAAP Revenue	\$ 211.7	\$ 231.1	\$ 262.0	\$ 278.3	\$ 983.1	\$ 239.9	
Amortization of Acquisition Related Balances	1.3	3.4	5.1	5.1	14.9	1.7	1.2
Adjusted Total GAAP Revenue	\$ 213.0	\$ 234.5	\$ 267.1	\$ 283.4	\$ 998.0	\$ 241.6	
GAAP Gross Margin	53.1%	55.8%	54.6%	54.0%	54.4%	55.1%	
Non-GAAP Gross Margin	56.7%	59.4%	57.9%	57.6%	57.9%	58.0%	
Adjusted Non-GAAP Gross Margin	56.9%	60.0%	58.7%	58.4%	58.5%	58.3%	



Financial Highlights – Financial Position (GAAP)

	FQ4'18	FQ1'19
Cash and ST Investments	\$122.6	\$141.1
AR	\$212.4	\$164.7
DSO	69	63
Inventories	\$63.9	\$55.6
DOI	56	61
Debt Payable	\$197.8	\$187.6
Free Cash Flow		
Operating Cash Flow	\$20.8	\$34.3
Capital Expenditures	(\$18.4)	(\$7.4)
Free Cash Flow	\$2.4	\$26.9



GAAP to Non GAAP Reconciliations

Revenue & Gross Margin

	FQ1'18	FQ4'18	FQ1'19
Total Revenue - GAAP Basis	\$ 211.7	\$ 278.3	\$ 239.9
Gross Margin - GAAP Basis	112.4	150.2	132.1
Gross Margin %- GAAP Basis	53.1%	54.0%	55.1%
Adjustment to Acquired Inventories	2.9	0.5	-
Integration Costs in COGS	1.8	3.6	1.8
Amortization of Product Intangibles	2.6	5.5	4.8
Stock Comp in COGS	0.2	0.5	0.5
Gross Margin - Non GAAP Basis	\$ 120.0	\$ 160.3	\$ 139.2
Gross Margin %- Non GAAP Basis	56.7%	57.6%	58.0%



GAAP to Non GAAP Reconciliations

Operating Income (Loss)

	FQ1'18	FQ4'18	FQ1'19
Operating Income (Loss) - GAAP Basis	\$ 4.5	\$ (3.4)	\$ (5.0)
Operating Margin- GAAP Basis	2.1%	(1.2%)	(2.1%)
Adjustment to Acquired Inventories	2.9	0.5	-
Integration Costs in COGS	1.8	3.6	1.8
Amortization of Product Intangibles	2.6	5.5	4.8
Total Stock Comp	4.8	8.0	6.8
Restructuring Charges, net	-	3.2	0.8
Amortization of Non Product Intangibles	1.6	2.3	2.1
Contingent Consideration Liability	-	1.5	-
Integration Costs in OpEx	4.2	6.2	2.6
Operating Income - Non GAAP Basis	\$ 22.5	\$ 27.4	\$ 13.9
Operating Margin - Non GAAP Basis	10.6%	9.8%	5.8%



GAAP to Non GAAP Reconciliations

Net Income (Loss)

	FQ1'18	FQ4'18	FQ1'19
Net Income (Loss) - GAAP Basis	\$ 4.4	\$ (5.6)	\$ (9.1)
Shares - GAAP Basis	118.4	116.0	117.4
EPS - GAAP Basis	\$ 0.04	\$ (0.05)	\$ (0.08)
Adjustment to Acquired Inventories	2.9	0.5	-
Integration Costs in COGS	1.8	3.6	1.8
Amortization of Product Intangibles	2.6	5.5	4.8
Total Stock Comp	4.8	8.0	6.8
Restructuring Charges, net	-	3.2	0.8
Amortization of Non Product Intangibles	1.6	2.3	2.1
Tax Adjustment	-	(3.5)	(0.5)
Gain on Sale of Investment	(3.8)	(0.2)	-
Loss on Extinguishment of Debt	-	1.2	-
Contingent Consideration Liability	-	1.5	-
Interest Expense on Contingent Liability	-	1.4	-
Integration and Acquisition Costs in OpEx	4.2	6.2	2.6
Net Non GAAP Adjustments	14.3	29.6	18.4
Net Income - Non GAAP Basis	\$ 18.6	\$ 24.0	\$ 9.4
Shares - Non GAAP Basis	118.4	120.4	120.2
EPS - Non GAAP Basis	\$ 0.16	\$ 0.20	\$ 0.08



GAAP to Non GAAP Reconciliations

EBITDA

	FQ1'18		FQ4'18		FQ1'19	
Net Income (Loss) - GAAP Basis	\$	4.4	\$	(5.6)	\$	(9.1)
Interest		1.6		4.4		3.1
Taxes		1.7		(1.6)		1.4
Depreciation/Amortization		7.5		15.8		13.9
EBITDA - GAAP		15.2		13.0		9.3
Net Non GAAP Adjustments		14.2		29.6		18.4
Interest included in Net Non GAAP Adjustments		-		(2.6)		-
Income taxes included in Net Non GAAP Adjustments		-		3.5		0.5
Amortization included in Net Non GAAP Adjustments		(4.2)		(7.7)		(6.9)
EBITDA - Non GAAP	\$	25.2	\$	35.8	\$	21.3



FQ2'19 Financial Guidance



FQ2'19 Guidance – GAAP (in M's except EPS)

	FQ1'19	FQ2'19 Guidance
Revenue (\$M)	\$239.9	\$239.0 – \$249.0
Gross Margin %	55.1%	55.1% – 57.1%
Net Income (Loss)	(\$9.1)	(\$7.7) – (\$0.1)
EPS: GAAP	(\$0.08)	(\$0.06) – \$0.00



FQ2'19 Guidance – Non GAAP (in M's except EPS)

	FQ1'19	FQ2'19 Guidance
Revenue (\$M)	\$239.9	\$239.0 – \$249.0
Gross Margin %	58.0%	57.5% – 59.5%
Net Income	\$9.4	\$7.8 – \$15.4
EPS: non-GAAP	\$0.08	\$0.06 – \$0.13



FQ2'19 Guidance - GAAP to Non GAAP Reconciliation

	Gross Margin Rate	Operating Margin Rate	Earnings per Share
GAAP	55.1% - 57.1%	(1.3)% - 1.8%	(\$0.06) - \$0.00
Estimated adjustments for:			
Amortization of product intangibles	2.0%	2.0%	\$0.04
Stock based compensation	0.2%	3.0%	\$0.06
Amortization of non product intangibles	-	0.9%	\$0.02
Acquisition and integration costs	0.2%	0.6%	\$0.01
Non-GAAP	57.5% - 59.5%	5.2% - 8.1%	\$0.06 - \$0.13

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





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