

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D. C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-25711

EXTREME NETWORKS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

[State or other jurisdiction
of incorporation or organization]

77-0430270

[I.R.S. Employer
Identification No.]

**2121 RDU Center Drive, Suite 300,
Morrisville, North Carolina**

[Address of principal executive offices]

27560

[Zip Code]

Registrant's telephone number, including area code: (408) 579-2800

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	EXTR	NASDAQ Global Select Market

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§-232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
	.	Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 25, 2024, the registrant had 132,134,921 shares of common stock, \$0.001 par value per share, outstanding.

EXTREME NETWORKS, INC.
FORM 10-Q
QUARTERLY PERIOD ENDED
September 30, 2024

INDEX

	<u>PAGE</u>
<u>PART I. CONDENSED CONSOLIDATED FINANCIAL INFORMATION</u>	
Item 1. <u>Condensed Consolidated Financial Statements (Unaudited)</u>	3
<u>Condensed Consolidated Balance Sheets as of September 30, 2024 and June 30, 2024</u>	3
<u>Condensed Consolidated Statements of Operations for the three months ended September 30, 2024 and 2023</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three months ended September 30, 2024 and 2023</u>	5
<u>Condensed Consolidated Statements of Stockholders' Equity for the three months ended September 30, 2024 and 2023</u>	6
<u>Condensed Consolidated Statements of Cash Flows for the three months ended September 30, 2024 and 2023</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	34
Item 4. <u>Controls and Procedures</u>	35
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	36
Item 1A <u>Risk Factors</u>	36
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	36
Item 3. <u>Defaults Upon Senior Securities</u>	36
Item 4. <u>Mine Safety Disclosure</u>	36
Item 5. <u>Other Information</u>	36
Item 6. <u>Exhibits</u>	37
<u>Signatures</u>	38

PART I. CONDENSED CONSOLIDATED FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements (Unaudited)

EXTREME NETWORKS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

(Unaudited)

	<u>September 30, 2024</u>	<u>June 30, 2024</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 159,546	\$ 156,699
Accounts receivable, net	97,213	89,518
Inventories	143,555	141,032
Prepaid expenses and other current assets	76,453	79,677
Total current assets	<u>476,767</u>	<u>466,926</u>
Property and equipment, net	34,393	43,744
Operating lease right-of-use assets, net	43,561	44,145
Goodwill	396,345	393,709
Intangible assets, net	9,762	10,613
Other assets	95,695	83,457
Total assets	<u>\$ 1,056,523</u>	<u>\$ 1,042,594</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 65,769	\$ 51,423
Accrued compensation and benefits	45,533	42,064
Accrued warranty	10,239	10,942
Current portion of deferred revenue	304,785	306,114
Current portion of long-term debt, net of unamortized debt issuance costs of \$761 and \$674, respectively	10,489	9,326
Current portion of operating lease liabilities	11,045	10,547
Other accrued liabilities	78,549	87,172
Total current liabilities	<u>526,409</u>	<u>517,588</u>
Deferred revenue, less current portion	272,092	268,909
Long-term debt, less current portion, net of unamortized debt issuance costs of \$1,819 and \$1,735, respectively	174,431	178,265
Operating lease liabilities, less current portion	40,137	41,466
Deferred income taxes	8,073	7,978
Other long-term liabilities	2,660	3,106
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Convertible preferred stock, \$0.001 par value, issuable in series, 2,000 shares authorized; none issued	—	—
Common stock, \$0.001 par value, 750,000 shares authorized; 150,265 and 148,503 shares issued, respectively; 132,046 and 130,284 shares outstanding, respectively	150	149
Additional paid-in-capital	1,234,220	1,220,379
Accumulated other comprehensive loss	(11,382)	(15,483)
Accumulated deficit	(952,466)	(941,962)
Treasury stock at cost, 18,219 and 18,219 shares, respectively	(237,801)	(237,801)
Total stockholders' equity	<u>32,721</u>	<u>25,282</u>
Total liabilities and stockholders' equity	<u>\$ 1,056,523</u>	<u>\$ 1,042,594</u>

See accompanying notes to condensed consolidated financial statements.

EXTREME NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	September 30, 2024	September 30, 2023
Net revenues:		
Product	\$ 162,284	\$ 253,483
Subscription and support	106,920	99,654
Total net revenues	<u>269,204</u>	<u>353,137</u>
Cost of revenues:		
Product	69,402	108,536
Subscription and support	30,295	31,665
Total cost of revenues	<u>99,697</u>	<u>140,201</u>
Gross profit:		
Product	92,882	144,947
Subscription and support	76,625	67,989
Total gross profit	<u>169,507</u>	<u>212,936</u>
Operating expenses:		
Research and development	54,451	58,016
Sales and marketing	81,383	91,920
General and administrative	36,601	23,873
Restructuring and related charges	1,277	2,717
Amortization of intangible assets	512	511
Total operating expenses	<u>174,224</u>	<u>177,037</u>
Operating income (loss)	(4,717)	35,899
Interest income	846	1,226
Interest expense	(4,422)	(4,318)
Other income (expense), net	(721)	432
Income (loss) before income taxes	(9,014)	33,239
Provision for income taxes	1,490	4,563
Net income (loss)	<u>\$ (10,504)</u>	<u>\$ 28,676</u>
Basic and diluted income (loss) per share:		
Net income (loss) per share – basic	\$ (0.08)	\$ 0.22
Net income (loss) per share – diluted	\$ (0.08)	\$ 0.21
Shares used in per share calculation – basic	131,176	128,782
Shares used in per share calculation – diluted	131,176	133,463

See accompanying notes to condensed consolidated financial statements.

EXTREME NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended	
	September 30, 2024	September 30, 2023
Net income (loss)	\$ (10,504)	\$ 28,676
Other comprehensive income (loss):		
Net change in foreign currency translation adjustments	4,101	(2,904)
Other comprehensive income (loss):	4,101	(2,904)
Total comprehensive income (loss)	<u>\$ (6,403)</u>	<u>\$ 25,772</u>

See accompanying notes to condensed consolidated financial statements.

EXTREME NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

(Unaudited)

	Common Stock		Additional Paid-In- Capital	Accumulated Other Comprehensive Loss	Treasury Stock		Accumulat ed Deficit	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
Balance at June 30, 2023	143,629	\$ 144	\$ 1,173,744	\$ (13,192)	(15,854)	\$ (187,946)	\$ (855,998)	\$ 116,752
Net income	—	—	—	—	—	—	28,676	28,676
Other comprehensive loss	—	—	—	(2,904)	—	—	—	(2,904)
Issuance of common stock from equity incentive plans, net of tax withholdings	2,635	2	(29,074)	—	—	—	—	(29,072)
Repurchase of stock	—	—	—	—	(880)	(24,889)	—	(24,889)
Share-based compensation	—	—	19,919	—	—	—	—	19,919
Balance at September 30, 2023	<u>146,264</u>	<u>\$ 146</u>	<u>\$ 1,164,589</u>	<u>\$ (16,096)</u>	<u>(16,734)</u>	<u>\$ (212,835)</u>	<u>\$ (827,322)</u>	<u>\$ 108,482</u>
Balance at June 30, 2024	148,503	\$ 149	\$ 1,220,379	\$ (15,483)	(18,219)	\$ (237,801)	\$ (941,962)	\$ 25,282
Net loss	—	—	—	—	—	—	(10,504)	(10,504)
Other comprehensive income	—	—	—	4,101	—	—	—	4,101
Issuance of common stock from equity incentive plans, net of tax withholdings	1,762	1	(5,926)	—	—	—	—	(5,925)
Share-based compensation	—	—	19,767	—	—	—	—	19,767
Balance at September 30, 2024	<u>150,265</u>	<u>\$ 150</u>	<u>\$ 1,234,220</u>	<u>\$ (11,382)</u>	<u>(18,219)</u>	<u>\$ (237,801)</u>	<u>\$ (952,466)</u>	<u>\$ 32,721</u>

See accompanying notes to condensed consolidated financial statements.

EXTREME NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended	
	September 30, 2024	September 30, 2023
Cash flows from operating activities:		
Net income (loss)	\$ (10,504)	\$ 28,676
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	3,941	4,865
Amortization of intangible assets	1,136	1,944
Reduction in carrying amount of right-of-use asset	2,449	2,931
Provision for credit losses	14	75
Share-based compensation	19,767	19,919
Deferred income taxes	39	(65)
Provision for excess and obsolete inventory ⁽¹⁾	(624)	13,485
Non-cash interest expense	282	266
Other	746	(144)
Changes in operating assets and liabilities:		
Accounts receivable, net	(7,709)	50,459
Inventories ⁽¹⁾	(8,669)	(25,431)
Prepaid expenses and other assets	3,096	(6,841)
Accounts payable	14,492	(20,097)
Accrued compensation and benefits	2,844	(19,488)
Operating lease liabilities	(2,757)	(3,297)
Deferred revenue	3,823	21,978
Other current and long-term liabilities	(3,781)	6,400
Net cash provided by operating activities	<u>18,585</u>	<u>75,635</u>
Cash flows from investing activities:		
Capital expenditures	(6,916)	(4,314)
Net cash used in investing activities	<u>(6,916)</u>	<u>(4,314)</u>
Cash flows from financing activities:		
Net payments on revolving facility	—	(25,000)
Payments on debt obligations	(2,500)	(2,500)
Payments on debt financing costs	(695)	—
Repurchase of common stock	—	(24,889)
Payments for tax withholdings, net of proceeds from issuance of common stock	(5,926)	(29,072)
Net cash used in financing activities	<u>(9,121)</u>	<u>(81,461)</u>
Foreign currency effect on cash and cash equivalents	299	(252)
Net increase (decrease) in cash and cash equivalents	<u>2,847</u>	<u>(10,392)</u>
Cash and cash equivalents at beginning of period	<u>156,699</u>	<u>234,826</u>
Cash and cash equivalents at end of period	<u>\$ 159,546</u>	<u>\$ 224,434</u>

⁽¹⁾ The prior period amounts have been reclassified to conform to the current period presentation

See accompanying notes to the condensed consolidated financial statements.

EXTREME NETWORKS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Description of Business and Basis of Presentation

Extreme Networks, Inc., together with its subsidiaries (collectively referred to as “Extreme” or the “Company”), is a leader in providing software-driven networking solutions for enterprise customers. The Company conducts its sales and marketing activities on a worldwide basis through distributors, resellers, and the Company’s field sales organization. Extreme was incorporated in California in 1996 and reincorporated in Delaware in 1999.

The unaudited condensed consolidated financial statements of Extreme included herein have been prepared under the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted under such rules and regulations. The condensed consolidated balance sheet at June 30, 2024 was derived from audited financial statements as of that date but does not include all disclosures required by generally accepted accounting principles for complete financial statements. These interim financial statements and notes should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

The unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the results of operations and cash flows for the interim periods presented and the financial condition of Extreme at September 30, 2024. The results of operations for the three months ended September 30, 2024 are not necessarily indicative of the results that may be expected for fiscal 2025 or any future periods.

Fiscal Year

The Company uses a fiscal calendar year ending on June 30. All references herein to “fiscal 2025” represent the fiscal year ending June 30, 2025. All references herein to “fiscal 2024” represent the fiscal year ended June 30, 2024.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of Extreme and its wholly owned subsidiaries. All inter-company accounts and transactions have been eliminated.

The Company predominantly uses the United States Dollar as its functional currency. The functional currency for certain of its foreign subsidiaries is the local currency. For those subsidiaries that operate in a local functional currency environment, all assets and liabilities are translated to United States Dollars at current month end rates of exchange and revenues, and expenses are translated using the monthly average rate.

Accounting Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

2. Summary of Significant Accounting Policies

For a description of significant accounting policies, see Note 2, Summary of Significant Accounting Policies, to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2024. There have been no material changes to the Company’s significant accounting policies since the filing of the Annual Report on Form 10-K.

Recently Adopted Accounting Pronouncements

There were no recently adopted accounting standards which would have a material effect on our condensed consolidated financial statements and accompanying disclosures.

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses and information used to assess segment performance. All disclosure requirements of ASU 2023-07 are required for entities with a single reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods for fiscal years beginning after December 15, 2024, and should be applied on a retrospective basis to all periods presented. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2023-07 on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740), Improvements to Income Tax Disclosures* to enhance income tax disclosures primarily through changes in the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024 on a prospective basis. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2023-09 on its consolidated financial statements and related disclosures.

3. Revenues

The Company accounts for revenues in accordance with Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*. The Company derives the majority of its revenues from sales of its networking equipment, with the remaining revenues generated from sales of subscription and support, which primarily includes software subscriptions delivered as software as a service (“SaaS”) and additional revenues from maintenance contracts, professional services and training for its products. The Company sells its products, SaaS and maintenance contracts direct to customers and partners in two distribution channels, or tiers. The first tier consists of a limited number of independent distributors that stock the Company's products and sell primarily to resellers. The second tier of the distribution channel consists of non-stocking distributors and value-added resellers that sell directly to end-users. Products and subscription and support may be sold separately or in bundled packages.

Revenue Recognition

Performance Obligations. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Certain of the Company's contracts have multiple performance obligations, as the promise to transfer individual goods or services is separately identifiable from other promises in the contracts and, therefore, is distinct. For contracts with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation based on its relative standalone selling price. The stand-alone selling prices are determined based on the prices at which the Company separately sells these products. For items that are not sold separately, the Company estimates the stand-alone selling prices using other observable inputs.

The Company's performance obligations are satisfied at a point in time or over time as the customer receives and consumes the benefits provided. Substantially all of the Company's product sales revenues are recognized at a point in time. Substantially all of the Company's subscription and support revenues are recognized over time. For revenues recognized over time, the Company primarily uses an input measure, days elapsed, to measure progress.

As of September 30, 2024, the Company had \$576.9 million of remaining performance obligations, which primarily comprised deferred support and deferred SaaS subscription revenues. The Company expects to recognize approximately 43% of its deferred revenue as revenue in the remainder of fiscal 2025, an additional 28% in fiscal 2026, and the remaining 29% of the balance thereafter.

Contract Balances. The timing of revenue recognition, billings and cash collections results in billed accounts receivable and deferred revenue in the condensed consolidated balance sheets. Services provided under renewable support arrangements of the Company are billed in accordance with agreed-upon contractual terms, which are either billed fully at the inception of contract or at periodic intervals (e.g., quarterly or annually). The Company generally receives payments from its customers in advance of services being provided, resulting in deferred revenues. These liabilities are reported on the condensed consolidated balance sheets on a contract-by-contract basis at the end of each reporting period.

Revenue recognized for the three months ended September 30, 2024 and 2023 that was included in the deferred revenue balance at the beginning of each period was \$100.3 million and \$89.7 million, respectively.

Contract Costs. The Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less. Management expects that commission fees paid to sales representatives as a result of obtaining subscription and support contracts and contract renewals are recoverable and therefore the Company's condensed consolidated balance sheets included capitalized balances in the amount of \$24.2 million and \$24.7 million as of September 30, 2024 and June 30, 2024, respectively. Capitalized commissions are included within other assets in the condensed consolidated balance sheets. Capitalized commission fees are amortized on a straight-line basis over the average period of service contracts of approximately three years, and are included in "Sales and marketing" in the accompanying condensed consolidated statements of operations. Amortization recognized during the three months ended September 30, 2024 and 2023 was \$3.0 million and \$2.6 million, respectively.

Estimated Variable Consideration. There were no material changes in the current period to the estimated variable consideration for performance obligations, which were satisfied or partially satisfied during previous periods.

Revenues by Category

The Company operates in three geographic regions: Americas, EMEA (Europe, Middle East and Africa) and APAC (Asia Pacific). The following table sets forth the Company's net revenues disaggregated by geographic region (in thousands):

	Three Months Ended	
	September 30, 2024	September 30, 2023
Americas:		
United States	\$ 153,253	\$ 182,752
Other	12,182	12,897
Total Americas	165,435	195,649
EMEA	84,918	143,603
APAC	18,851	13,885
Total net revenues	\$ 269,204	\$ 353,137

For the three months ended September 30, 2024, no foreign country accounted for 10% or more of the Company's net revenues. For the three months ended September 30, 2023, the Company generated 14% of its net revenues from the Netherlands. No other foreign country accounted for 10% or more of the Company's net revenues for the three months ended September 30, 2023.

Customer Concentrations

The Company performs ongoing credit evaluations of its customers and generally does not require collateral in exchange for credit.

The following table sets forth customers accounting for 10% or more of the Company's net revenues for the periods indicated below:

	Three Months Ended	
	September 30, 2024	September 30, 2023
TD Synnex Corporation	22%	18%
Jenne, Inc.	21%	27%
Westcon Group, Inc.	15%	25%

The following table sets forth major customers accounting for 10% or more of the Company's net accounts receivable balance:

	September 30, 2024	June 30, 2024
Jenne, Inc.	53%	64%
ScanSource, Inc.	11%	11%
Exclusive Networks	10%	*

* Less than 10% of accounts receivable

The majority of the Company's net accounts receivable balance with Jenne, Inc. as of September 30, 2024 is current and the Company expects to collect this balance by March 31, 2025.

4. Balance Sheet Accounts

Cash and Cash Equivalents

The Company considers highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents.

The following table summarizes the Company's cash and cash equivalents (in thousands):

	September 30, 2024	June 30, 2024
Cash	\$ 159,426	\$ 153,483
Cash equivalents	120	3,216
Total cash and cash equivalents	<u>\$ 159,546</u>	<u>\$ 156,699</u>

Inventories

Inventories are stated at the lower of cost, or net realizable value. Extreme uses a standard cost methodology to determine the cost basis for its inventories. Cost is computed using standard cost, which approximates actual cost, on a first-in, first-out basis. The Company adjusts the carrying value of its inventory when conditions exist that suggest that inventory may be in excess of anticipated demand or is obsolete based upon assumptions about future demand. At the point of loss recognition, a new, lower-cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. Any previously written down or obsolete inventory subsequently sold has not had a material impact on gross margin for any of the periods presented.

The following table summarizes the Company's inventory by category (in thousands):

	September 30, 2024	June 30, 2024
Finished goods	\$ 92,227	\$ 115,813
Raw materials	51,328	25,219
Total inventories	<u>\$ 143,555</u>	<u>\$ 141,032</u>

Property and Equipment, Net

The following table summarizes the Company's property and equipment, net by category (in thousands):

	September 30, 2024	June 30, 2024
Computers and equipment	\$ 73,867	\$ 77,224
Purchased software	52,866	60,717
Office equipment, furniture and fixtures	8,115	8,134
Leasehold improvements	53,506	47,880
Total property and equipment	188,354	193,955
Less: accumulated depreciation and amortization	(153,961)	(150,211)
Property and equipment, net	<u>\$ 34,393</u>	<u>\$ 43,744</u>

Deferred Revenue

Deferred revenue represents invoiced amounts for deferred maintenance, SaaS, and other deferred revenue including professional services and training when the revenue recognition criteria have not been met.

Guarantees and Product Warranties

The majority of the Company's hardware products are shipped with either a one-year warranty or a limited lifetime warranty, and software products receive a 90-day warranty. Upon shipment of products to its customers, the Company estimates expenses for the cost to repair or replace products that may be returned under warranty and accrues a liability in cost of product revenues for this amount. The determination of the Company's warranty requirements is based on actual historical experience with the product or product family, estimates of repair and replacement costs, and any product warranty problems that are identified after shipment. The Company estimates and adjusts these accruals at each balance sheet date in accordance with changes in these factors.

The following table summarizes the activity related to the Company's product warranty liability during the following periods (in thousands):

	Three Months Ended	
	September 30, 2024	September 30, 2023
Balance at beginning of period	\$ 10,942	\$ 12,322
New warranties issued	2,487	3,674
Warranty expenditures	(3,190)	(3,832)
Balance at end of period	\$ 10,239	\$ 12,164

To facilitate sales of its products in the normal course of business, the Company indemnifies its resellers and end-user customers with respect to certain matters. The Company has agreed to hold the customer harmless against losses arising from intellectual property infringement or other claims made against certain parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. It is not possible to estimate the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the Company under these agreements have not had a material impact on its operating results or financial position.

Concentrations

The Company may be subject to concentration of credit risk as a result of certain financial instruments consisting of accounts receivable. See Note 3, Revenues, for the Company's accounts receivable concentration. The Company does not invest an amount exceeding 10% of its combined cash in the securities of any one obligor or maker, except for obligations of the United States government, obligations of United States government agencies, and money market accounts.

5. Fair Value Measurements

A three-tier fair value hierarchy is utilized to prioritize the inputs used in measuring fair value. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels are defined as follows:

- Level 1 Inputs - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 Inputs - quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; and
- Level 3 Inputs - unobservable inputs reflecting the Company's own assumptions in measuring the asset or liability at fair value.

The following table presents the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis (in thousands):

September 30, 2024	Level 1	Level 2	Level 3	Total
Assets				
Certificates of deposit	\$ —	\$ 120	\$ —	\$ 120
Foreign currency derivatives	—	225	—	225
Total assets measured at fair value	\$ —	\$ 345	\$ —	\$ 345

June 30, 2024	Level 1	Level 2	Level 3	Total
Assets				
Certificates of deposit	\$ —	\$ 3,216	\$ —	\$ 3,216
Foreign currency derivatives	—	18	—	18
Total assets measured at fair value	\$ —	\$ 3,234	\$ —	\$ 3,234
Liabilities				
Foreign currency derivatives	\$ —	\$ 71	\$ —	\$ 71
Total liabilities measured at fair value	\$ —	\$ 71	\$ —	\$ 71

Level 1 Assets and Liabilities:

The Company's financial instruments consist of cash, accounts receivable, accounts payable, and accrued liabilities. The Company states accounts receivable, accounts payable, and accrued liabilities at their carrying value, which approximates fair value due to the short time to the expected receipt or payment.

Level 2 Assets and Liabilities:

The Company's level 2 assets consist of certificates of deposit and derivative instruments. Certificates of deposit do not have regular market pricing and are considered Level 2. The fair value of derivative instruments under the Company's foreign exchange forward contracts are estimated based on valuations provided by alternative pricing sources supported by observable inputs, which is considered Level 2.

As of September 30, 2024 and June 30, 2024, the Company had investment in certificates of deposit of \$0.1 million and \$3.2 million, respectively, with maturity of three months at the date of purchase, which are recorded as cash equivalents in the condensed consolidated balance sheets. The Company considers these cash equivalents to be available-for-sale and, as of September 30, 2024 and June 30, 2024, their fair value approximated their amortized cost.

As of September 30, 2024 and June 30, 2024, the Company had foreign exchange forward contracts that were not designated as hedging instruments with notional principal amounts of \$42.6 million and \$31.3 million, respectively. These contracts currently have maturities of 40 days or less. Changes in the fair value of these foreign exchange forward contracts not designated as hedging instruments are included in 'Other income (expense), net' in the condensed consolidated statements of operations. For the three months ended September 30, 2024 and 2023, the net gains and losses recorded in the condensed consolidated statement of operations from these contracts were net gains of \$0.8 million and net losses of less than \$0.1 million, respectively. As of September 30, 2024 and June 30, 2024, there were no outstanding foreign exchange forward contracts that were designated as hedging instruments. See Note 12, *Derivatives and Hedging*, for additional information.

The fair value of borrowings under the 2023 Credit Agreement (as defined in Note 7) is estimated based on valuations provided by alternative pricing sources supported by observable inputs which is considered Level 2. Since the interest rate is variable in the 2023 Credit Agreement, the fair value approximates the face amount of the Company's indebtedness of \$187.5 million and \$190.0 million as of September 30, 2024 and June 30, 2024, respectively.

Level 3 Assets and Liabilities:

Certain of the Company's assets, including intangible assets and goodwill, are measured at fair value on a non-recurring basis if impairment is indicated.

As of September 30, 2024 and June 30, 2024, the Company did not have any assets or liabilities that were considered Level 3.

There were no transfers of assets or liabilities between Level 1, Level 2, or Level 3 during the three months ended September 30, 2024 and 2023. There were no impairments recorded for the three months ended September 30, 2024 and 2023.

6. Intangible Assets and Goodwill

Intangible Assets

The following tables summarize the components of gross and net intangible assets (in thousands, except years):

	Weighted Average			
	Remaining Amortization	Gross Carrying	Accumulated	Net Carrying
	Period	Amount	Amortization	Amount
September 30, 2024				
Developed technology	3.0 years	\$ 169,801	\$ 163,600	\$ 6,201
Customer relationships	1.7 years	64,739	61,338	3,401
Trade names	0.0 years	10,700	10,700	—
License agreements	2.3 years	1,282	1,122	160
Total intangible assets, net*		\$ 246,522	\$ 236,760	\$ 9,762

* The carrying amount of foreign intangible assets are affected by foreign currency translation

	Weighted Average	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	Remaining Amortization Period			
June 30, 2024				
Developed technology	3.0 years	\$ 169,247	\$ 162,708	\$ 6,539
Customer relationships	2.0 years	64,671	60,776	3,896
Trade names	0.0 years	10,700	10,700	—
License agreements	2.4 years	1,282	1,104	178
Total intangible assets, net*		<u>\$ 245,901</u>	<u>\$ 235,288</u>	<u>\$ 10,613</u>

* The carrying amount of foreign intangible assets are affected by foreign currency translation

The following table summarizes the amortization expense of intangible assets for the periods presented (in thousands):

	Three Months Ended	
	September 30, 2024	September 30, 2023
Amortization of intangible assets in “Total cost of revenues”	\$ 624	\$ 1,433
Amortization of intangible assets in “Total operating expenses”	512	511
Total amortization expense	<u>\$ 1,136</u>	<u>\$ 1,944</u>

The amortization expense that is recognized in “Total cost of revenues” primarily consists of amortization related to developed technology and license agreements.

The estimated future amortization expense to be recorded for each of the respective future fiscal years is as follows (in thousands):

	Amount
For the fiscal year ending June 30:	
2025 (the remainder of fiscal 2025)	\$ 3,432
2026	3,282
2027	1,470
2028	1,306
2029	272
Total	<u>\$ 9,762</u>

Goodwill

The Company had goodwill in the amount of \$396.3 million and \$393.7 million as of September 30, 2024 and June 30, 2024, respectively. The change in goodwill during the three months ended September 30, 2024 is due to foreign currency translation adjustments that are recorded as a component of accumulated other comprehensive loss.

7. Debt

The Company’s debt is comprised of the following (in thousands):

	September 30, 2024	June 30, 2024
Current portion of long-term debt:		
Term Loan	\$ 11,250	\$ 10,000
Less: unamortized debt issuance costs	(761)	(674)
Current portion of long-term debt	<u>\$ 10,489</u>	<u>\$ 9,326</u>
Long-term debt, less current portion:		
Term Loan	\$ 176,250	\$ 180,000
Less: unamortized debt issuance costs	(1,819)	(1,735)
Total long-term debt, less current portion	<u>174,431</u>	<u>178,265</u>
Total debt	<u>\$ 184,920</u>	<u>\$ 187,591</u>

On August 9, 2019, the Company entered into an Amended and Restated Credit Agreement (the “2019 Credit Agreement”), by and among the Company, as borrower, several banks and other financial institutions as Lenders, BMO Harris Bank N.A., as an issuing lender and swingline lender, Silicon Valley Bank, as an Issuing Lender, and Bank of Montreal, as administrative agent and collateral agent for the Lenders which was subsequently amended during fiscal 2023.

On June 22, 2023, the Company entered into a Second Amended and Restated Credit Agreement (the “2023 Credit Agreement”), by and among the Company, as borrower, BMO Harris Bank, N.A., as an issuing lender and swingline lender, Bank of America, N.A., JPMorgan Chase Bank, N.A., PNC Bank, National Association, and Wells Fargo Bank, National Association, as issuing lenders, the financial institutions or entities party thereto as lenders, and Bank of Montreal, as administrative agent and collateral agent, which amended and restated the 2019 Credit Agreement. The 2023 Credit Agreement provides for i) a \$200.0 million first lien term loan facility in an aggregate principal amount (the “2023 Term Loan”), ii) a \$150.0 million five-year revolving credit facility (the “2023 Revolving Facility”) and, iii) an uncommitted additional incremental loan facility in the principal amount of up to \$100.0 million.

Borrowings under the 2023 Credit Agreement bear interest, and at the Company’s election, the initial term loan may be made as either a base rate loan or a Secured Overnight Funding Rate (“SOFR”) loan. The applicable margin for base rate loans ranges from 1.00% to 1.75% per annum, and the applicable margin for SOFR loans ranges from 2.00% to 2.75%, in each case based on the Company’s consolidated leverage ratio. All SOFR loans are subject to a floor of 0.00% per annum and spread adjustment of 0.10% per annum. The Company paid other closing fees, arrangement fees, and administration fees associated with the 2023 Credit Agreement.

The 2023 Credit Agreement requires the Company to maintain certain minimum financial ratios at the end of each fiscal quarter. The 2023 Credit Agreement also includes covenants and restrictions that limit, among other things, the Company’s ability to incur additional indebtedness, create liens upon any of its property, merge, consolidate or sell all or substantially all of its assets. The 2023 Credit Agreement also includes customary events of default which may result in acceleration of the outstanding balance.

On August 14, 2024, the Company entered into an Amendment Number One to the 2023 Credit Agreement (the “Amended Credit Agreement”). Under the Amended Credit Agreement, the Company modified the definition of the consolidated EBITDA for the purposes of evaluating compliance with financial covenants under the 2023 Credit Agreement. The amended definition of consolidated EBITDA modifies the amount and type of add-backs that are allowable to better align with the Company’s operations and activities. Further, the Amended Credit Agreement provides a waiver for the Company’s compliance with the consolidated interest charge coverage ratio for each of the quarters ended June 30, 2024, September 30, 2024, and December 31, 2024.

During the three months ended September 30, 2024, the Company was in compliance with all the terms and financial covenants of the Amended Credit Agreement.

Financing costs incurred in connection with obtaining and modifying long-term financing are deferred and amortized over the term of the related indebtedness or credit agreement. Amortization of deferred financing costs are included in “Interest expense” in the accompanying condensed consolidated statements of operations. During the three months ended September 30, 2024, the Company capitalized approximately \$0.7 million of debt cost related to the Amended Credit Agreement. The remaining unamortized debt issuance cost related to the prior arrangement and the newly capitalized costs will be amortized over the remaining term of the loan arrangement. Amortization of debt issuance costs included in “Interest expense” were \$0.3 million for each of the three months ended September 30, 2024 and 2023. The interest rate as of September 30, 2024 was 7.52% and as of September 30, 2023 was 7.45%.

As of September 30, 2024, the Company did not have any outstanding balance against its 2023 Revolving Facility. The Company had \$135.8 million of availability under the 2023 Revolving Facility as of September 30, 2024. During the three months ended September 30, 2024 and 2023, the Company did not make any additional payments against its term loan facility other than the scheduled payments per the terms of the Amended Credit Agreement.

The Company had \$14.2 million of outstanding letters of credit as of September 30, 2024.

8. Commitments and Contingencies

Purchase Commitments

The Company currently has arrangements with contract manufacturers and suppliers for the manufacture of its products. Those arrangements allow the contract manufacturers to procure long lead-time component inventory based upon a rolling production forecast provided by the Company. The Company is obligated to purchase long lead-time component inventory that its contract manufacturer procures in accordance with the forecast, unless the Company gives notice of order cancellation outside of applicable component lead-times. As of September 30, 2024, the Company had commitments to purchase \$37.3 million of inventory.

Legal Proceedings

The Company may from time to time be party to litigation arising in the course of its business, including, without limitation, allegations relating to commercial transactions, business relationships, or intellectual property rights. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources. Litigation in general, and intellectual property litigation in particular, can be expensive and disruptive to normal business operations. Moreover, the results of legal proceedings are difficult to predict.

In accordance with applicable accounting guidance, the Company records accruals for certain of its outstanding legal proceedings, investigations or claims when it is probable that a liability will be incurred, and the amount of loss can be reasonably estimated. The

Company evaluates, at least on a quarterly basis, developments in legal proceedings, investigations or claims that could affect the amount of any accrual, as well as any developments that would result in a loss contingency to become both probable and reasonably estimable. When a loss contingency is not both probable and reasonably estimable, the Company does not record a loss accrual. However, if the loss (or an additional loss in excess of any prior accrual) is at least reasonably possible and material, then the Company would disclose an estimate of the possible loss or range of loss, if such estimate can be made, or disclose that an estimate cannot be made. The assessment whether a loss is probable or a reasonable possibility, and whether the loss or a range of loss is estimable, involves a series of complex judgments about future events. Even if a loss is reasonably possible, the Company may not be able to estimate a range of possible loss, particularly where (i) the damages sought are substantial or indeterminate, (ii) the proceedings are in the early stages, or (iii) the matters involve novel or unsettled legal theories or a large number of parties. In such cases, there is considerable uncertainty regarding the ultimate resolution of such matters, including the amount of any possible loss, fine or penalty. However, an adverse resolution of one or more of such matters could have a material adverse effect on the Company's results of operations in a particular quarter or fiscal year.

Orckit IP, LLC v. Extreme Networks, Inc., Extreme Networks Ireland Ltd., and Extreme Networks GmbH

On February 1, 2018, Orckit IP, LLC (“Orckit”) filed a patent infringement lawsuit against the Company and its Irish and German subsidiaries in the District Court in Dusseldorf, Germany. The lawsuit alleges direct and indirect infringement of the German portion of a patent (“EP ‘364”) based on the offer, distribution, use, possession and/or importation into Germany of certain network switches that are equipped with the ExtremeXOS operating system. Orckit is seeking injunctive relief, accounting, and an unspecified declaration of liability for damages and costs of the lawsuit. On January 28, 2020, the Court rendered a decision in the infringement case in favor of the Company. On October 17, 2024, Orckit informed the District Court in Dusseldorf, Germany of its intention to withdraw its complaint.

On April 23, 2019, Orckit filed an extension of the patent infringement complaint against the Company and its Irish and German subsidiaries in the District Court in Dusseldorf, Germany. With this extension, Orckit alleges infringement of the German portion of a second patent (“EP ‘077”) based on the offer, distribution, use, possession and/or importation into Germany of certain network switches that the Company no longer sells in Germany. Orckit is seeking injunctive relief, accounting and sales information, and a declaration of liability for damages as well as costs of the lawsuit. On October 13, 2020, the Court issued an infringement decision against the Company and granted Orckit the right to enforce the judgment against the Company, which Orckit has provided notification to the Company that it will enforce the judgment. In the rendering of account, Orckit was informed that the products at issue were in end of sale status prior to the filing of the EP ‘077 complaint. The Company has appealed the infringement decision, and the matter is proceeding through the appellate process.

The Company filed a nullity action related to the EP ‘364 patent on May 3, 2018, and one related to the EP ‘077 patent on October 31, 2019, both in the Federal Patent Court in Munich. The Federal Patent Court in Munich found the EP ‘364 patent to be valid and the Company filed an appeal, which was dismissed on October 12, 2023. On October 25, 2022 the Federal Patent Court in Munich issued an opinion partially invalidating the EP ‘077 patent and the Company and Orckit have filed appeals. An oral hearing has been set for December 10, 2024.

SNMP Research, Inc. and SNMP Research International, Inc. v. Broadcom Inc., Brocade Communications Systems LLC, and Extreme Networks, Inc.

On October 26, 2020, SNMP Research, Inc. and SNMP Research International, Inc. (collectively, “SNMP”) filed a lawsuit against the Company in the Eastern District of Tennessee for copyright infringement, alleging that the Company was not properly licensed to use its software. SNMP is seeking actual damages and profits attributed to the infringement, as well as equitable relief. The Company filed a motion to transfer the case to the Northern District of California. The motion to dismiss was denied in part and denied without prejudice in part. On March 2, 2023, SNMP filed an amended complaint adding claims against Extreme on additional products for copyright infringement, breach of contract, and fraud. On March 16, 2023, the Company filed a motion to dismiss, challenging multiple claims from the amended complaint, which was denied on January 30, 2024. On March 20, 2023, the Company filed a motion to refer questions to the U.S. Copyright Office on the invalidity of SNMP’s copyrights, which was denied on March 18, 2024. The trial date and all other dates were vacated and the court ordered mandatory mediation, which took place in September 2024.

Mala Technologies Ltd. v. Extreme Networks GmbH, Extreme Networks Ireland Ops Ltd., and Extreme Networks, Inc.

On April 15, 2021, Mala Technologies Ltd. (“Mala”) filed a patent infringement lawsuit against the Company and its Irish and German subsidiaries in the District Court in Dusseldorf, Germany. The lawsuit alleges indirect infringement of the German portion of a patent (“EP ‘498”) based on the offer and sale in Germany of certain network switches equipped with the ExtremeXOS operating system. Mala is seeking injunctive relief, accounting, and an unspecified declaration of liability for damages and costs of the lawsuit. On December 20, 2022, the trial court ruled that the Company did not infringe the EP ‘498 patent and dismissed Mala’s complaint entirely. Mala has filed an appeal and an oral hearing has been set for March 27, 2025.

The Company filed a nullity complaint against EP ‘498 with the German Federal Patent Court on September 24, 2021 and a hearing date has been set for November 20, 2024.

Steamfitters Local 449 Pension & Retirement Security Funds v. Extreme Networks, Inc., et al.

On August 13, 2024, a putative securities class action (the “Class Action”) was filed in the United States District Court for the Northern District of California captioned *Steamfitters Local 449 Pension & Retirement Security Funds v. Extreme Networks, Inc., et al.*, Case No. 5:24-cv-05102-TLT, naming the Company and certain of our current and former executive officers as defendants. The lawsuit is purportedly brought on behalf of purchasers of Extreme Networks securities between July 27, 2022 and January 30, 2024 (the “Class Period”). The complaint alleges claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, based on allegedly false and misleading statements about our business and prospects during the Class Period. The lawsuit seeks unspecified damages. It is expected that the Court will select a lead plaintiff on or around January 7, 2025.

Indemnification Obligations

Subject to certain limitations, the Company may be obligated to indemnify its current and former directors, officers, and employees. These obligations arise under the terms of its certificate of incorporation, its bylaws, applicable contracts, and applicable law. The obligation to indemnify, where applicable, generally means that the Company is required to pay or reimburse, and in certain circumstances the Company has paid or reimbursed, the individuals’ reasonable legal expenses and possible damages and other liabilities incurred in connection with certain legal matters. The Company also procures Directors and Officers liability insurance to help cover its defense and/or indemnification costs, although its ability to recover such costs through insurance is uncertain. While it is not possible to estimate the maximum potential amount that could be owed under these governing documents and agreements due to the Company’s limited history with prior indemnification claims, indemnification (including defense) costs could, in the future, have a material adverse effect on the Company’s consolidated financial position, results of operations and cash flows.

9. Stockholders’ Equity

Equity Incentive Plan

The Compensation Committee of the Board unanimously approved an amendment to the Extreme Networks, Inc. Amended and Restated 2013 Equity Incentive Plan (the “2013 Plan”) on September 14, 2023 to increase the maximum number of available shares by 2.3 million shares, which is pending ratification by the stockholders of the Company at the annual meeting of stockholders to be held on November 14, 2024.

Common Stock Repurchases

On May 18, 2022, the Company announced the Board had authorized management to repurchase up to \$200.0 million shares of the Company’s common stock over a three-year period commencing July 1, 2022 (as amended, the “2022 Repurchase Program”). Initially, under the 2022 Repurchase Program, a maximum of \$25.0 million of shares was authorized to be repurchased in any quarter; however, on November 17, 2022, the Board increased the authorization to repurchase shares in any quarter from up to \$25.0 million of shares per quarter to up to \$50.0 million of shares per quarter. Purchases may be made from time to time in the open market or pursuant to a 10b5-1 plan.

During the three months ended September 30, 2024, the Company did not repurchase any shares of its common stock. During the three months ended September 30, 2023, the Company repurchased a total of 880,215 shares of its common stock on the open market at a total cost of \$24.9 million with an average price of \$28.28 per share. As of September 30, 2024, approximately \$50.3 million remains available for share repurchases under the 2022 Repurchase Program.

As a provision of the Inflation Reduction Act enacted in the U.S., the Company is subject to an excise tax on corporate stock repurchases, which is assessed as one percent of the fair market value of net corporate stock repurchases after December 31, 2022. The Company had no excise tax liability for fiscal 2024 and expects the impact of the excise tax on net corporate stock repurchases will not be material for fiscal 2025.

10. Employee Benefit Plans

Shares Reserved for Issuance

The Company had the following reserved shares of common stock for future issuance as of the dates noted (in thousands):

	September 30, 2024	June 30, 2024
2013 Equity Incentive Plan shares available for grant	8,699	13,414
Employee stock options and awards outstanding	9,281	7,562
2014 Employee Stock Purchase Plan	6,662	7,130
Total shares reserved for issuance	<u>24,642</u>	<u>28,106</u>

Share-based Compensation Expense

Share-based compensation expense recognized in the condensed consolidated financial statements by line-item caption is as follows (in thousands):

	Three Months Ended	
	September 30, 2024	September 30, 2023
Cost of product revenues	\$ 618	\$ 483
Cost of subscription and support revenues	689	866
Research and development	4,213	4,377
Sales and marketing	6,882	6,988
General and administrative	7,365	7,205
Total share-based compensation expense	\$ 19,767	\$ 19,919

Stock Options

The following table summarizes stock option activity for the three months ended September 30, 2024 (in thousands, except per share amount and contractual term):

	Number of Shares	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Options outstanding at June 30, 2024	1,073	\$ 6.58	1.75	\$ 7,376
Granted	—	—		
Exercised	(35)	6.40		
Canceled	—	—		
Options outstanding at September 30, 2024	1,038	\$ 6.58	1.52	\$ 8,764
Vested and expected to vest at September 30, 2024	1,038	\$ 6.58	1.52	\$ 8,764
Exercisable at September 30, 2024	1,038	\$ 6.58	1.52	\$ 8,764

The fair value of each stock option grant under the 2013 Plan is estimated on the date of grant using the Black-Scholes-Merton option valuation model. The expected term of options granted is derived from historical data on employee exercise and post-vesting employment termination behavior. The risk-free interest rate is based upon the estimated life of the option and the U.S. Treasury yield curve in effect at the time of grant. Expected volatility is based on the historical volatility on the Company's stock. There were no stock options granted during the three months ended September 30, 2024 and 2023.

Stock Awards

Stock awards may be granted under the 2013 Plan on terms approved by the Compensation Committee of the Board. Stock awards generally provide for the issuance of restricted stock units ("RSUs") including performance-condition or market-condition RSUs which vest over a fixed period of time or based upon the satisfaction of certain performance criteria or market conditions. The Company recognizes compensation expense on the stock awards over the vesting period based on the awards' fair value as of the date of grant. The Company does not estimate forfeitures, but accounts for them as incurred.

The following table summarizes stock award activity for the three months ended September 30, 2024 (in thousands, except grant date fair value):

	Number of Shares	Weighted- Average Grant Date Fair Value	Aggregate Fair Value
Non-vested stock awards outstanding at June 30, 2024	6,489	\$ 22.65	
Granted	3,903	15.85	
Released	(2,009)	20.84	
Canceled	(140)	24.80	
Non-vested stock awards outstanding at September 30, 2024	8,243	\$ 19.95	\$ 123,893
Stock awards expected to vest at September 30, 2024	8,243	\$ 19.95	\$ 123,893

The RSUs granted under the 2013 Plan vest over a period of time, generally one to three years, and are subject to participant's continued service to the Company. The stock awards granted during the three months ended September 30, 2024 included 1.1 million RSUs including the market condition awards discussed below to the named executive officers and directors.

Market Condition Awards

During the three months ended September 30, 2024 and 2023, the Compensation Committee of the Board granted 0.9 million and 0.7 million RSUs, respectively, with vesting based on market conditions ("MSU") to certain of the Company's executives. The MSUs granted during the three months ended September 30, 2024 were subject to total stockholder return ("TSR"). The MSUs granted during the three months ended September 30, 2023 included 0.4 million MSUs subject to TSR and 0.3 million MSUs subject to certain stock price targets.

The TSR MSUs vest based on the Company's TSR relative to the TSR of the Russell 2000 Index ("Index"). The MSU award represents the right to receive a target number of shares of common stock of up to 150% of the original grant, as indicated in the table below. The MSUs vest based on the Company's TSR relative to the TSR of the Index over performance periods of three years from the grant date, subject to the grantees' continued service through the certification of performance.

Level	Relative TSR	Shares Vested
Below Threshold	TSR is less than the Index by more than 37.5 percentage points	0%
Threshold	TSR is less than the Index by 37.5 percentage points	25%
Target	TSR equals the Index	100%
Maximum	TSR is greater than the Index by 25 percentage points or more	150%

TSR is calculated based on the average closing price for the 30-trading days prior to the beginning and end of the performance periods. Performance is measured based on three periods, with the ability for up to one-third of target shares to vest after years one and two and the ability for up to the maximum of the full award to vest based on the full three-year TSR less any shares vested based on one- and two-year periods. Linear interpolation is used to determine the number of shares vested for achievement between target levels.

The grant date fair value of each MSU was determined using the Monte Carlo simulation model. The weighted-average grant-date fair value of the TSR MSUs granted during the three months ended September 30, 2024 was \$17.22 per share. The assumptions used in the Monte Carlo simulation included the expected volatility of 48%, risk-free interest rate of 3.86%, no expected dividend yield, expected term of three years and possible future stock prices over the performance period based on the historical stock and market prices. The weighted-average grant-date fair value of the TSR MSUs granted during the three months ended September 30, 2023 was \$38.23 per share. The assumptions used in the Monte Carlo simulation included the expected volatility of 50%, risk-free interest rate of 4.59%, no expected dividend yield, expected term of three years, and possible future stock prices over the performance period based on the historical stock and market prices. The Company recognizes the expense related to these MSUs on a graded-vesting method over the estimated term.

The stock price target MSUs vest upon the achievement of a certain stock price target over the defined performance period. The stock price target shall be deemed as achieved if the average closing stock price over any 30 consecutive trading days during the period from grant date through the third anniversary of the grant date equals or exceeds the price target of \$41.38 for the initial performance period. Upon satisfaction of the initial stock price target, 50% of the target shares will vest on the third anniversary of the grant date and the remaining 50% will vest on the fourth anniversary of the grant date, subject to employees continued service through the applicable vesting dates. If the units are not earned on the last day of initial performance period, the units will remain outstanding and be eligible to be earned if the average closing stock price over any 30 consecutive trading days equals or exceeds the price target of \$46.96.

The grant date fair value of these stock price target MSUs was determined using the Monte Carlo simulation model. The weighted-average grant-date fair value of these stock price target MSUs granted during the three months ended September 30, 2023 was \$28.80 per share. The assumptions used in the Monte Carlo simulation included the expected volatility of 63%, risk-free interest rate of 4.45%, no expected dividend yield, expected term of three years based on possible future stock prices over the performance period based on the historical stock prices. The Company recognizes the expense related to these MSUs on a graded-vesting method over the estimated term.

On February 15, 2024 the Company modified certain terms and conditions of the stock price target MSU's for certain executive officers. Under the modified agreement, the stock price target over the initial and fourth year performance periods were revised to \$23.00 and \$26.00, respectively. All other contractual terms remained unchanged. The incremental compensation cost related to the modification was not material and will be recognized ratably over the remaining requisite service period.

Employee Stock Purchase Plan

The fair value of each share purchase option under the ESPP is estimated on the date of grant using the Black-Scholes-Merton option valuation model with the weighted average assumptions noted in the following table. The expected term of the ESPP represents the term of the offering period of each option. The risk-free interest rate is based on the estimated life and on the U.S. Treasury yield curve in effect at the time of grant. Expected volatility is based on the historical volatility on the Company's common stock.

There were 0.5 million and 0.5 million shares issued under the ESPP during the three months ended September 30, 2024 and 2023, respectively. The following assumptions were used to determine the grant-date fair values of the ESPP shares during the following periods:

	Employee Stock Purchase Plan Three Months Ended	
	September 30, 2024	September 30, 2023
Expected term	0.5 years	0.5 years
Risk-free interest rate	5.04 %	5.54 %
Volatility	36 %	42 %
Dividend yield	— %	— %

The weighted-average grant-date fair value of shares under the ESPP during the three months ended September 30, 2024 and 2023 was \$3.74 and \$8.09 per share, respectively.

11. Information about Segments and Geographic Areas

The Company operates in one segment, the development and marketing of network infrastructure equipment and related software. The Company conducts business globally and is managed geographically. Revenues are attributed to a geographical area based on the billing address of customers. The Company operates in three geographical areas: Americas, EMEA, and APAC. The Company's chief operating decision maker, who is its Chief Executive Officer, reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance.

See Note 3, *Revenues*, for the Company's revenues by geographic region.

The Company's long-lived assets are attributed to the geographic regions as follows (in thousands):

	September 30, 2024	June 30, 2024
Americas	\$ 130,166	\$ 136,745
EMEA	42,104	33,715
APAC	11,141	11,499
Total long-lived assets	\$ 183,411	\$ 181,959

12. Derivatives and Hedging

Foreign Exchange Forward Contracts

The Company uses derivative financial instruments to manage exposures to foreign currency risk that may or may not be designated as hedging instruments. The Company's objective for holding derivatives is to use the most effective methods to minimize the impact of these exposures. The Company does not enter into derivatives for speculative or trading purposes. The Company enters into foreign exchange forward contracts to attempt to mitigate the effect of gains and losses generated by foreign currency transactions related to certain operating expenses and re-measurement of certain assets and liabilities denominated in foreign currencies.

For foreign exchange forward contracts not designated as hedging instruments, the fair value of the Company's derivatives in a gain position are recorded in "Prepaid expenses and other current assets" and derivatives in a loss position are recorded in "Other accrued liabilities" in the accompanying condensed consolidated balance sheets. Changes in the fair value of derivatives are recorded in "Other income (expense), net" in the accompanying condensed consolidated statements of operations. As of September 30, 2024 and June 30, 2024, foreign exchange forward contracts not designated as hedging instruments had a total notional principal amount of \$42.6 million and \$31.3 million, respectively. These contracts have maturities of 40 days or less. During the three months ended September 30, 2024 and 2023, the net gains and losses recorded in the condensed consolidated statement of operations from these contracts were net gains of \$0.8 million and net losses of less than of \$0.1 million, respectively. Changes in the fair value of these foreign exchange forward contracts are offset largely by remeasurement of the underlying assets and liabilities.

There were no foreign exchange forward contracts that were designated as hedging instruments as of September 30, 2024 or June 30, 2024.

For the three months ended September 30, 2024 and 2023, the Company recognized foreign currency losses of \$1.4 million and gains of \$0.5 million, respectively, related to the change in fair value of foreign currency denominated assets and liabilities.

13. Restructuring and Related Charges

The Company recorded \$1.3 million and \$2.7 million of restructuring and related charges during the three months ended September 30, 2024 and 2023, respectively, which primarily related to the restructuring plans as noted below.

During the three months ended September 30, 2024, the Company continued to incur additional charges related to the restructuring plans executed in prior years which primarily included severance and benefits costs and professional fees.

During the third quarter of fiscal 2024, the Company executed a global reduction-in-force plan targeted towards the reorganization of the Company's research and development and sales and marketing functions to align the Company's workforce with its strategic priorities and to focus on specific geographies and industry segments with higher growth opportunities (the "Q3 2024 Plan"). During the three months ended September 30, 2024, the Company recorded restructuring charges of approximately \$0.7 million related to the Q3 2024 Plan, which primarily consisted of severance and benefits expenses.

During the second quarter of fiscal 2024, the Company executed a global reduction-in-force plan to rebalance its workforce to create greater efficiency and improve execution, in alignment with the Company's business and strategic priorities, while reducing its ongoing operating expenses to address reduced revenue and macro-economic conditions (the "Q2 2024 Plan"). During the three months ended September 30, 2024, the Company recorded restructuring charges of approximately \$0.5 million related to the Q2 2024 Plan, which primarily consisted of employee severance and benefits expenses, legal and consulting fees.

The Company expects to complete these ongoing restructuring plans by the end of fiscal year 2025 and expects to incur about \$0.8 million in additional charges for the Q2 2024 Plan and the Q3 2024 Plan.

During the third quarter of fiscal 2023, the Company initiated a restructuring plan to transform its business infrastructure and reduce its facilities footprint and the facilities related charges (the "2023 Plan"). As part of this project, the Company is moving engineering labs from its San Jose, California location to its Salem, New Hampshire location. This move is expected to help reduce the cost of operating the Company's labs. During the three months ended September 30, 2024, the Company recorded restructuring charges of approximately \$0.1 million related to the 2023 Plan. The Company expects that the project will take about 3 to 6 months from September 30, 2024 to complete, and expects to incur charges of approximately \$1.7 million throughout this period, primarily for asset disposals, contractor costs, and other fees.

During the first quarter of fiscal 2024, the Company initiated a reduction-in-force plan to rebalance the workforce to create greater efficiency and improve execution in alignment with the Company's business and strategic priorities (the "Q1 2024 Plan"). It consisted primarily of workforce reduction to drive productivity in research and development, sales and marketing and provide efficiency across operations and general and administrative functions. During the three months ended September 30, 2023, the Company incurred charges of approximately \$2.7 million related to the Q1 2024 Plan. As of June 30, 2024, the plan was completed.

Restructuring liabilities are recorded in "Other accrued liabilities" in the accompanying condensed consolidated balance sheets. As of September 30, 2024 and 2023 the restructuring liability was \$4.4 million and \$0.9 million, respectively related to these restructuring plans.

The following table summarizes the activity related to the Company's restructuring and related liabilities during the following periods (in thousands):

	Three Months Ended	
	September 30, 2024	September 30, 2023
Balance at beginning of period	\$ 11,469	\$ —
Period charges	1,573	2,776
Period reversals	(296)	(85)
Period payments	(8,353)	(1,766)
Balance at end of period	\$ 4,393	\$ 925

14. Income Taxes

For the three months ended September 30, 2024 and 2023, the Company recorded an income tax provision of \$1.5 million and \$4.6 million, respectively.

The income tax provisions for the three months ended September 30, 2024 and 2023, consisted of (1) taxes on the income of the Company's foreign subsidiaries, (2) state taxes in jurisdictions where the Company has no remaining state net operating losses ("NOLs"), (3) foreign withholding taxes, and (4) tax expense associated with the establishment of a U.S. deferred tax liability for amortizable goodwill resulting from the acquisition of Enterasys Networks, Inc., the wireless local area network business from Zebra Technologies Corporation, the Campus Fabric Business from Avaya and the Data Center Business from Brocade. In addition, the income tax provision for the three months ended September 30, 2023, includes US Federal income tax expense of \$1.4 million. The interim

income tax provisions for the three months ended September 30, 2024 and 2023 were calculated using the discrete effective tax rate method as allowed by ASC 740-270-30-18, *Income Taxes – Interim Reporting*. The discrete method is applied when the application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. The discrete method treats the year-to-date period as if it was the annual period and determines the income tax expense or benefit on that basis. The Company believes that, at this time, the use of this discrete method is more appropriate than the annual effective tax rate method as (i) the estimated annual effective tax rate method is not reliable due to the high degree of uncertainty in estimating annual pretax earnings on a jurisdictional basis and (ii) the Company’s ongoing assessment that the recoverability of certain U.S. and Irish deferred tax assets is not more likely than not.

The Company has provided a full valuation allowance against all of its U.S. federal and state deferred tax assets as well as a portion of the deferred tax assets in Ireland. Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, the Company considers all available positive and negative evidence to determine whether it is “more likely than not” that deferred tax assets are recoverable including past operating results, estimates of future taxable income, changes to enacted tax laws, and the feasibility of tax planning strategies; such assessment is required on a jurisdiction-by-jurisdiction basis. The Company’s inconsistent earnings in recent periods, including historical losses, tax attributes expiring unutilized in recent years and the cyclical nature of the Company’s business provides sufficient negative evidence that require a full valuation allowance against its U.S. federal and state net deferred tax assets as well as a portion of the deferred tax assets in Ireland. These valuation allowances will be evaluated periodically and can be reversed partially or in whole if business results and the economic environment have sufficiently improved to support realization of some or all of the Company’s deferred tax assets. In the event the Company changes its determination as to the amount of deferred tax assets that can be realized, it will adjust its valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

The Company had \$18.2 million of unrecognized tax benefits as of September 30, 2024. If fully recognized in the future, \$0.2 million would impact the effective tax rate and \$18.0 million would result in adjustments to deferred tax assets and corresponding adjustments to the valuation allowance with no impact to the effective tax rate. The Company does not anticipate any events to occur during the next twelve months that would materially reduce the unrealized tax benefit as currently stated in the Company’s condensed consolidated balance sheets.

The Company’s policy is to accrue interest and penalties related to the underpayment of income taxes as a component of tax expense in the accompanying condensed consolidated statements of operations.

In general, the Company’s U.S. federal income tax returns are subject to examination by tax authorities for fiscal years 2004 forward due to NOLs and the Company’s state income tax returns are subject to examination for fiscal years 2005 and forward due to NOLs. The Company is currently under audit for income tax purposes in Germany for tax years ended June 30, 2019 through 2022.

15. Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted-average number of shares of common stock outstanding during the period. Diluted net income (loss) per share is calculated by dividing net income (loss) by the weighted-average number of shares of common stock used in the basic net income (loss) per share calculation plus the dilutive effect of shares subject to repurchase, options and unvested RSUs.

The following table presents the calculation of net income (loss) per share of basic and diluted (in thousands, except per share data):

	Three Months Ended	
	September 30, 2024	September 30, 2023
Net income (loss)	\$ (10,504)	\$ 28,676
Weighted-average shares used in per share calculation – basic	131,176	128,782
Options to purchase common stock	—	898
Restricted stock units	—	3,783
Weighted-average shares used in per share calculation – diluted	131,176	133,463
Net income (loss) per share – basic and diluted		
Net income (loss) per share – basic	\$ (0.08)	\$ 0.22
Net income (loss) per share – diluted	\$ (0.08)	\$ 0.21

The following securities were excluded from the computation of net income (loss) per diluted share of common stock for the periods presented as their effect would have been anti-dilutive (in thousands):

	Three Months Ended	
	September 30, 2024	September 30, 2023
Options to purchase common stock	1,063	—
Restricted stock units	5,423	1,071
Employee Stock Purchase Plan shares	376	267
Total shares excluded	<u>6,862</u>	<u>1,338</u>

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q for the first quarter ended September 30, 2024 (this “Report”) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including in particular, our expectations regarding market demands, customer requirements and the general economic environment, future results of operations, and other statements that include words such as “may,” “will,” “should,” “expect,” “plan,” “intend,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue” and similar expressions. These forward-looking statements involve risks and uncertainties. We caution investors that actual results may differ materially from those projected in the forward-looking statements as a result of certain risk factors identified in the section entitled “Risk Factors” in this Report, our Annual Report on Form 10-K for the fiscal year ended June 30, 2024, and other filings we have made with the Securities and Exchange Commission. These risk factors include, but are not limited to: adverse general economic conditions; fluctuations in demand for our products and services; a highly competitive business environment for network switching equipment; our effectiveness in controlling expenses; the possibility that we might experience delays in the development or introduction of new technology and products; customer response to our new technology and products; fluctuations in the global economy, including as a result of political, social, economic, currency and regulatory factors; geopolitical tensions and conflicts; risks related to pending or future litigation and a dependency on third parties for certain components and for the manufacturing of our products.

Business Overview

The following discussion is based upon our unaudited condensed consolidated financial statements included elsewhere in this Report. In the course of operating our business, we routinely make decisions as to the timing of the payment of invoices, the collection of receivables, the manufacturing and shipment of products, the fulfillment of orders, the purchase of supplies, and the building of inventory and service parts, among other matters. Each of these decisions has some impact on the financial results for any given period. In making these decisions, we consider various factors, including contractual obligations, customer satisfaction, competition, internal and external financial targets and expectations, and financial planning objectives. For further information about our critical accounting policies and estimates, see the “Critical Accounting Policies and Estimates” section included in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Extreme Networks, Inc. (“Extreme” or “Company”) is a leading provider of cloud networking solutions and industry leading services and support. Extreme designs, develops, and manufactures wired, wireless, and software-defined wide area-network (“SD-WAN”) infrastructure equipment, software and cloud-based network management solutions. The Company’s cloud solution is a single platform that offers unified network management of wireless access points, switches, and SD-WAN. It leverages machine learning, Artificial Intelligence for Information Technology Operations (“AIOps”) and analytics to help customers deliver secure connectivity at the edge of the network, speed cloud deployments, and uncover actionable insights to save time, lower costs and streamline operations.

Extreme has been pushing the boundaries of networking technology since 1996, driven by a higher purpose of helping our customers connect beyond the network. Extreme’s cloud networking technologies provide flexibility and scalability in deployment, management, and licensing of networks globally. Our global footprint provides service to some of the world’s leading names in business, hospitality, retail, transportation and logistics, education, government, healthcare, manufacturing and service providers. We derive all our revenues from the sale of our networking equipment, software subscriptions, and related maintenance contracts.

Industry Background

Enterprises across every industry are going through unprecedented changes, such as leading digital initiatives, migrating their workloads to cloud-based environments, modernizing applications, finding new ways to leverage generative AI (“GenAI”) technology, and adopting to a distributed workforce. In order to accomplish this, they are adopting new Information Technology (“IT”) delivery models and applications that require fundamental network alterations and enhancements spanning from the access edge to the data center. As networks become more complex and more distributed in nature, we believe IT teams in every industry will need more control and better insights than ever before to ensure secure, distributed connectivity and comprehensive centralized visibility. Networking is mission critical and touches all elements of how services are delivered to customers, employees, students, and patients. Managing networks from cloud-based applications where customers can run their entire end-to-end networks, from wired or wireless infrastructure to SD-WAN, while ensuring full IT management of the business becomes critical. In addition, Machine Learning (“ML”) and GenAI technologies have the potential to vastly improve the network experience in today’s world by collating large data sets to increase accuracy and derive resolutions to improve the operation of the network. When ML and GenAI are applied with cloud-driven networking and automation, administrators can quickly scale to provide productivity, availability, accessibility, manageability, security, and speed, regardless of the distribution of the network.

As the edge of the network continues to expand, our customers are managing more endpoints which comes with a host of challenges. This continued expansion creates issues such as a higher risk of cyberattacks and a need for more bandwidth as a result of an increase in applications running across the network.

Network complexity manifests itself in the form of more endpoints to manage, more applications to monitor, and more services that rely on the network for service delivery and enablement. When performance suffers, and the tug on internal systems and IT staff becomes more intense, technology is often being overworked. Resolving network problems expeditiously and identifying their root cause can improve organizational productivity and result in higher performance of operations.

We believe that the network has never been more vital than it is today. As administrators grapple with more data, coming from more places, more connected devices, and more Software-as-a-Service (“SaaS”) based applications, the cloud is fundamental to managing and maintaining a modern network. Traditional network offerings are not well-suited to fulfill enterprise expectations for rapid delivery of new services, more flexible business models, real-time response, and massive scalability.

As enterprises continue to migrate increasing numbers of applications and services to either private clouds or public clouds offered by third parties and to adopt new IT delivery models and applications, they are required to make fundamental network alterations and enhancements spanning from device access points (“APs”) to the network core. In either case, the network infrastructure must adapt to this new dynamic environment. Intelligence and automation are key if enterprises are to derive maximum benefit from their cloud deployments. With automation applications becoming increasingly critical in manufacturing, warehousing, logistics, healthcare and other key industries, we believe this will continue to create demand for networking technology to serve as a foundation to run these services.

Service providers are investing in network enhancements with platforms and applications that deliver data insights, provide flexibility, and can quickly respond to new user demands and 5G use cases.

We believe Extreme will continue to benefit from the use of its technology to manage distributed campus network architecture centrally from the cloud. Extreme has blended a dynamic fabric attach architecture that delivers simplicity for moves and changes at the edge of the network together with corporate-wide role-based policy. This enables customers to migrate to new cloud managed switching, Wi-Fi, and SD-WAN, agnostic of the existing switching or wireless equipment they already have installed. In the end, we expect these customers to see lower operating and capital expenditures, lower subscription costs, lower overall cost of ownership, and more flexibility along with a more resilient network.

We estimate the total addressable market for our Enterprise Networking solutions consisting of cloud networking, wireless local area networks (“WLAN”), data center networking, ethernet switching, campus local area networks (“LAN”), SD-WAN solutions and management, automation, and elements of the Secure Access Services Edge (“SASE”) market to be over \$47 billion, and growing at approximately 13% annually over the next five years. This comprises over \$36 billion for networking and infrastructure spanning enterprise and service provider (largely 5G) applications, and \$11 billion for networking cloud and security software, which is expected to grow to \$31 billion by 2028.

The Extreme Strategy

We are driven to help our customers find new ways to deliver better outcomes. Connectivity is just the foundation. We make the network a strategic asset. The combination of our solutions provides the connectivity, bandwidth, performance and insights that organizations of all sizes need to move their organizations forward. IT leaders are now tasked with ensuring the global, hybrid workforce is functional and successful no matter where they are, and ensuring people can work wherever they want.

Customers recognize that Extreme offers the simplest and easiest to manage, end-to-end enterprise networking platform in the industry. Our One Network, One Cloud, One Extreme solution, enhanced with our AI Ops capabilities, excels relative to the complex and high total cost of ownership solutions of our competitors. This framework remains a competitive differentiator, particularly at a time when major competitors have created complexity with disjointed solutions and uncertainty in their long-term rationalization of products and solutions. We are focused on helping customers find new ways to deliver better outcomes such as increased IT productivity, reduced operating expenses, or securing their business. Our sole focus on networking allows us to offer a differentiated and integrated portfolio and a clear roadmap to meet customers’ needs.

Cloud networking management allows customers to gain real-time visibility and insights into areas such as application usage, location and workflow patterns across their environment, helping to inform strategic business decisions and create personalized experiences. Customers benefit from visibility, control, and reduced time to resolution. This is the cornerstone of our One Network, One Cloud, One Extreme vision. Subscription services allow us to deliver more value over time to this installed base. Our flexibility in delivering management, AI, security and other capabilities to customers both on premises and in the cloud gives them much more value than our competitors. We have one license per device and compared to the complicated offerings of our competitors, this is a very differentiated value proposition. Extreme’s broad product, solutions, and technology portfolio supports these tenets and continues to innovate and evolve them to help businesses succeed.

Extreme has recognized that the way we and our customers communicate has changed and given rise to these distributed enterprise environments, or in other words, the Infinite Enterprise, which has three tenets:

- **Infinitely distributed connectivity** is the enterprise-grade reliable connectivity that allows users to connect anywhere, from anywhere. It is always present, available and assured, while being secure and manageable.
- **Scalable cloud** allows administrators to harness the power of the cloud to efficiently onboard, manage, orchestrate, troubleshoot the network, and find data and insights of the distributed connectivity at their pace in their way.
- **Consumer-centric experience** designed to deliver a best-in-class experience to users who consume network services.

Extreme's broad product, solutions and technology portfolio supports these three tenets and continues to innovate and evolve them to help businesses succeed.

Key elements of Extreme's strategy and differentiation include:

- **Creating effortless networking solutions that allow all of us to advance.** We believe that progress is achieved when we connect—allowing us to learn, understand, create, and grow. We make connecting simple and easy with effortless networking experiences that enable all of us to advance how we live, work, and share.
- **Provide a differentiated end-to-end cloud architecture.** Cloud networking is estimated to be an \$11 billion segment of the networking market comprising cloud managed services and cloud-managed products, which are largely WLAN access points and ethernet switches, growing at 14% annually over the next five years, according to data from the 650 Group, Gartner, IDC, and Dell'Oro. Cloud management technology has evolved significantly over the past decade. We believe we deliver a combination of innovation, reliability, and security with the leading end-to-end cloud management platform powered by ML and AI that spans from the Internet of Things ("IoT") edge to the enterprise data center. Key characteristics of our cloud architecture include:
 - o A robust cloud management platform that delivers visibility, intelligence, and assurance from the IoT edge to the network core.
 - o Cloud Choice for customers: Our cloud networking solution is available on all major cloud providers (Amazon Web Services ("AWS"), Google Cloud Platform ("GCP") and Microsoft Azure).
 - o Consumption Flexibility: Offer a range of financing and network purchase options. Our value-based subscription tiers provide customers with flexibility to grow, as well as offer pool-able and portable licenses that can be transferred between products (*e.g.* access points and switches) at one fixed price.
 - o "No 9s" Reliability and Resiliency to ensure business continuity for our customers.
 - o Extreme Cloud IQ cloud platform conforms to ISO/ IEC 27017, is certified by DQS to ISO/IEC 27001 and ISO/IEC 27701 set forth by the International Standards Organization ("ISO"), and is CSA STAR certified.
- **Offer customers choice: public or private cloud, or on-premises.** We leverage the cloud where it makes sense for our customers and provide on-premises solutions where customers need it and also have a solution for those who want to harness the power of both. Our hybrid approach gives our customers options to adapt the technology to their business. At the same time, all of our solutions have visibility, control and strategic information built in, all tightly integrated with a single view across all of the installed products. Our customers can understand what is going on across their network and applications in real time – who, when, and what is connected to the network, which is critical for bring your own device ("BYOD") and IoT usage.
- **Highest value of cloud management subscriptions.** ExtremeCloud IQ provides unified cloud-native management driven by AI and ML for wireless access points, network switches, and SD-WAN solutions. It features intuitive configuration workflows, real-time and historical monitoring, comprehensive troubleshooting, and integrated network applications for Extreme customers. The innovative ML technologies of ExtremeCloud IQ analyze and interpret millions of network and user data points, from the edge to the data center, to power actionable business and IT insights. The platform streamlines operations by delivering new levels of network automation and intelligence. The ExtremeCloud IQ Pilot license tier streamlines every aspect of network management from deployment and maintenance to problem resolution. The Pilot license includes key capabilities for guest management, WIPS, and location services with associated services: ExtremeGuest, ExtremeAirDefense, and ExtremeLocation.
 - o ExtremeGuest™ is a comprehensive guest engagement solution that enables IT administrators to use analytical insights to engage visitors with personalized engagements.
 - o Extreme AirDefense™ is a comprehensive wireless intrusion prevention system ("WIPS") that simplifies the protection, monitoring and security of wireless networks. With the added Bluetooth and Bluetooth low energy intrusion prevention, network administrators can address growing threats against Bluetooth and Bluetooth low energy devices.

- o ExtremeLocation™ delivers proximity, presence and location-based services for advanced contact tracing in support of the location-intelligent enterprise.
- **Additional AI Capabilities.** The ExtremeCloud IQ CoPilot license tier is an add-on to the Pilot license tier. It includes all the capabilities of the ExtremeCloud Pilot and Navigator license tiers. CoPilot serves as more than a centralized point of management with AIOps, Digital Twin and other enhancements to network management and automation. It is a trusted digital advisor for your Extreme cloud-managed Wi-Fi networks that proactively reduces risk and provides the fastest time to the best experience. This includes advanced anomaly detection and capabilities to ensure the user experience of wireless and wired devices.
- **Offers universal platforms for enterprise class switching and wireless infrastructure.** Extreme offers universal platforms which support multiple deployment use cases, providing flexibility and investment protection.
 - o **Universal switches (7720/5720/5520/5420/5320)** support fabric or traditional networking with a choice of cloud or on-premises (air-gapped or cloud connected) management.
 - o **Universal Wi-Fi 6/6E APs (300/400, 4000 and 5000 series)** support campus or distributed deployments with a choice of cloud or on-premises (air-gapped or cloud connected) management.
 - o **Universal licensing** with one portable management license for any device and for any type of management. For switches, OS feature licenses are portable, and bulk activated through ExtremeCloud IQ.
- **AI** is a dynamic tool and is leveraged to drive productivity across our company and to offer security and GenAI solutions to our customers. Extreme's journey in AI began in 2020 with the advent of machine learning and purpose-built AI. We then introduced Co-Pilot AIOps in 2022 to further enhance network performance and troubleshooting. Today we have the next exciting chapter – Extreme AI Expert – a GenAI solution that will help optimize networks, provide better design, improve mean time to resolution for technical issues, and create cost savings in the overall design and implementation of networks. We are utilizing AI to improve mean time to resolution for customers, both through our AIOps offerings as well as internal use of Extreme AI Expert. We announced a technology preview of our Extreme AI Expert showcasing its ability to speed up documentation searches and resolution of network performance issues. This allows our customers to optimize their network performance and make it easier to focus on value-added activities.

There are several ways customers will be able to leverage our AI in the future:

- o **Knowledge queries** provide the ability to answer any question in context (*i.e.*, role, application, conversation). Questions are answered with Extreme's product documentation, GTAC knowledge base and selected training, and best practices material.
- o **Intelligent Queries** are answered with customer network data from multiple applications (ExtremeCloud IQ, SD-WAN, etc.). User Manuals, Release Notes, How to Guides, EOSL, EOL, Licensing, Service Contracts, and Company information.
- o **“What-If” Queries** give the ability for the system to work autonomously and optimize itself based on business key performance indicators ("KPIs"). These scenarios work on an on-demand, scheduled, or always-on basis. Predictive and scenario questions that are answered apply further processing to the network data, anomaly detections, pattern recognition, root cause analysis, predictive analytics and network optimization.
- **Enable a common fabric to simplify and automate the network.** Fabric technologies virtualize the network infrastructure (decoupling network services from physical connectivity) which enables network services to be turned up faster, with lower likelihood of error. They make the underlying network much easier to design, implement, manage, and troubleshoot.
- **Offer a frictionless experience for secure hybrid work.** Our layered security approach is managed from one cloud and secure by design. We offer tightly integrated security with network fabric and infrastructure.
 - o **We launched ExtremeCloud Universal ZTNA**, the first network security offering to integrate network, application, and device security within a single solution. By combining Cloud Network Access Control ("NAC") and Zero Trust Network Authentication ("ZTNA") into a single, easy-to-use SaaS offering, we help customers ensure unified observability, frictionless user experiences and a consistent security policy for applications and devices and supports secure hybrid work use cases for customers. As the VPN market transitions to ZTNA, the proliferation of individual applications, each with their own policy and dashboard, is adding complexity and expense for enterprise customers. We expect the broadening of our security offering to drive significant traction for our business with growth opportunities.
 - o **Extreme's unique and highly differentiated fabric** makes it simple to orchestrate applications and policy across the entire campus, from the core to the wireless edge, and across the wide area network. We bring enhanced security, the

ability to segment networks and zero touch provisioning, thus eliminating confusion, complexity and the need for additional IT staff. This is in stark contrast to our competitors' fabric solutions, which were designed for service provider and data center networks and not meant for the campus.

- o **Extreme AirDefense** delivers intrusion detection and prevention capabilities across the wireless portfolio.
- **End-to-End Portfolio.** Our cloud-driven solutions provide visibility, control, and strategic intelligence from the edge to the data center, across networks and applications. Our solutions include wired switching, wireless switching, wireless access points, WLAN controllers, routers, and an extensive portfolio of software applications that deliver AI-enhanced access control, network and application analytics, as well as network management. All can be managed, assessed and controlled from a single pane of glass on premises or from the cloud.
- **Provide high-quality “in-house” customer service and support.** We seek to enhance customer satisfaction and build customer loyalty through high-quality service and support. This includes a wide range of standard support programs to the level of service our customers require, from standard business hours to global 24-hour-a-day, 365-days-a-year real-time responsive support.
- **Extend switching and routing technology leadership.** Our technological leadership is based on innovative switching, routing and wireless products, the depth and focus of our market experience, and our operating systems- the software that runs on all of our networking products. Our products reduce operating expenses for our customers and enable a more flexible and dynamic network environment that will help them meet the upcoming demands of IoT, mobile, and cloud.
- **Expand Wi-Fi technology leadership.** Wireless is today's network access method of choice, and every business must deal with scale, density and BYOD challenges. The network edge landscape is changing as the explosion of mobile and IoT devices increases the demand for high-performance, transparent, and always-on wired to wireless edge services. The unified access layer requires distributed intelligent components to ensure that access control and resiliency of business services are available across the entire infrastructure and manageable from a single console. We are at a technology inflection point with the pending migration from Wi-Fi 6 solutions to 6 GHz Wi-Fi (Wi-Fi 6E and Wi-Fi 7), focused on providing more efficient access to the broad array of connected devices. We believe we have the industry's broadest 6 GHz indoor and outdoor wireless portfolio, providing intelligence and security for wired/wireless networks by leveraging our cloud architecture, end-to-end fabric services, Universal ZTNA, and AIOps management platform with Explainable ML insights.
- **Offer a superior quality of experience.** Our network-powered application analytics provide actionable business insights by capturing and analyzing context-based data about the network and applications to deliver meaningful intelligence about applications, users, locations, and devices. With an easy-to-comprehend dashboard, our applications help businesses turn their network into a strategic business asset that helps executives make faster and more effective decisions.
- **Expand market penetration by targeting high-growth market segments.** Within the campus, we focus on the mobile user, leveraging our automation capabilities and tracking WLAN growth. Our data center approach leverages our product portfolio to address the needs of public and private cloud data center providers. We believe that the cloud networking compound annual growth rate will continue to outpace the compound annual growth rate for on-premises managed networking. Our focus is on expanding our technology foothold in the critical cloud networking segment to accelerate not only cloud management adoption, but also subscription-based licensing consumption.
- **Leverage and expand multiple distribution channels.** We distribute our products through select distributors, a large number of resellers and system-integrators worldwide, as well as several large strategic partners. We maintain a field sales force to support our channel partners and to sell directly to certain strategic accounts. As an independent networking vendor, we seek to provide products that, when combined with the offerings of our channel partners, create compelling solutions for end-user customers.
- **Maintain and extend our strategic relationships.** We have established strategic relationships with a number of industry-leading vendors to both provide increased and enhanced routes to market, and collaboratively develop unique solutions.

Results of Operations

During the first quarter of fiscal 2025, we achieved the following results:

- Net revenues of \$269.2 million compared to \$353.1 million in the first quarter of fiscal 2023.
- Product revenues of \$162.3 million compared to \$253.5 million in the first quarter of fiscal 2023.
- Subscription and support revenues of \$106.9 million compared to \$99.7 million in the first quarter of fiscal 2023.
- Total gross margin of 63.0% of net revenues compared to 60.3% of net revenues in the first quarter of fiscal 2023.
- Operating loss of \$4.7 million compared to operating income of \$35.9 million in the first quarter of fiscal 2023.
- Net loss of \$10.5 million compared to net income of \$28.7 million in the first quarter of fiscal 2023.

During the first three months of fiscal 2025, we reflected the following results:

- Cash flows provided by operating activities of \$18.6 million compared to \$75.6 million in the three months ended September 30, 2023.
- Cash and cash equivalents of \$159.5 million as of September 30, 2024 compared to \$156.7 million as of June 30, 2024.

Net Revenues

The following table presents net product and subscription and support revenues for the periods presented (in thousands, except percentages):

	Three Months Ended			
	September 30, 2024	September 30, 2023	\$ Change	% Change
Net revenues:				
Product	\$162,284	\$253,483	\$(91,199)	(36.0)%
<i>Percentage of net revenues</i>	60.3%	71.8%		
Subscription and support	106,920	99,654	7,266	7.3 %
<i>Percentage of net revenues</i>	39.7%	28.2%		
Total net revenues	<u>\$269,204</u>	<u>\$353,137</u>	<u>\$(83,933)</u>	(23.8)%

We generate product revenues primarily from sales of our networking equipment. We derive subscription and support revenues primarily from sales of our subscription and support offerings which includes SaaS offerings, maintenance contracts, professional services and training for our products.

Product revenues decreased \$91.2 million or 36.0% for the three months ended September 30, 2024 as compared to the corresponding period in fiscal 2024. The decrease in product revenues was primarily driven by lower bookings, shipments and lower channel sell-through caused by current macroeconomic conditions.

Subscription and support revenues increased \$7.3 million or 7.3% for the three months ended September 30, 2024 as compared to the corresponding period in fiscal 2024. The increase in subscription and support revenues was primarily due to the continued growth in our subscription business.

The following table presents the product and subscription and support gross profit and the respective gross profit percentages for the periods presented (in thousands, except percentages):

	Three Months Ended			
	September 30, 2024	September 30, 2023	\$ Change	% Change
Gross profit:				
Product	\$92,882	\$144,947	\$(52,065)	(35.9)%
<i>Percentage of product revenues</i>	57.2%	57.2%		
Subscription and support	76,625	67,989	8,636	12.7 %
<i>Percentage of subscription and support revenues</i>	71.7%	68.2%		
Total gross profit	<u>\$169,507</u>	<u>\$212,936</u>	<u>\$(43,429)</u>	(20.4)%
<i>Percentage of net revenues</i>	63.0%	60.3%		

Product gross profit decreased \$52.1 million or 35.9% for the three months ended September 30, 2024 as compared to the corresponding period in fiscal 2024. The decrease in product gross profit was primarily due to lower product revenues, partially offset by lower reserves for excess and obsolete inventory, lower intangible asset amortization due to certain intangible assets being fully amortized, lower distribution costs due to lower shipments and lower warranty reserves.

Subscription and support gross profit increased \$8.6 million or 12.7% for the three months ended September 30, 2024 as compared to the corresponding period in fiscal 2024. The increase in subscription and support gross profit was primarily due to increased subscription and support revenues as well as lower personnel costs partially offset by increased subscription costs.

Operating Expenses

The following table presents operating expenses for the periods presented (in thousands, except percentages):

	Three Months Ended			
	September 30, 2024	September 30, 2023	\$ Change	% Change
Research and development	54,451	\$58,016	\$(3,565)	(6.1)%
Sales and marketing	81,383	91,920	(10,537)	(11.5)%
General and administrative	36,601	23,873	12,728	53.3 %
Restructuring and related charges	1,277	2,717	(1,440)	(53.0)%
Amortization of intangible assets	512	511	1	0.2 %
Total operating expenses	<u>174,224</u>	<u>\$177,037</u>	<u>\$(2,813)</u>	<u>(1.6)%</u>

Research and Development Expenses

Research and development expenses consist primarily of personnel costs (which consist of compensation, benefits and share-based compensation), consultant fees and prototype expenses related to the design, development, and testing of our products.

Research and development expenses decreased by \$3.6 million or 6.1% for the three months ended September 30, 2024 as compared to the corresponding period in fiscal 2024. The decrease in research and development expenses was primarily due to a \$2.7 million decrease in personnel costs due to lower compensation and benefits costs and a \$2.6 million decrease in contractor costs partially offset by a \$0.7 million increase in engineering project costs, a \$0.7 million increase in information technology and facilities costs, and \$0.4 million increase in other expenses primarily recruiting and professional fees.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of personnel costs (which consist of compensation, benefits and share-based compensation), as well as trade shows and promotional expenses.

Sales and marketing expenses decreased by \$10.5 million or 11.5% for the three months ended September 30, 2024 as compared to the corresponding period in fiscal 2024. The decrease in sales and marketing expenses was primarily due to a \$9.2 million decrease in personnel costs primarily due to lower headcount, a \$1.0 million decrease in travel costs and a \$0.3 million decrease in professional fees.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel costs (which consist of compensation, benefits and share-based compensation), legal and professional service costs, and facilities and information technology costs.

General and administrative expenses increased by \$12.7 million or 53.3% for the three months ended September 30, 2024 as compared to the corresponding period in fiscal 2024. The increase in general and administrative expenses was primarily due to a \$9.3 million increase in litigation charges due to an additional accrual for an ongoing litigation matter and a \$4.8 million increase in system transition costs, partially offset by a \$1.4 million decrease in equipment related expenses primarily due to lower depreciation and software maintenance costs.

Restructuring and Related Charges

For the three months ended September 30, 2024, we recorded restructuring and related charges of \$1.3 million, which primarily consisted of additional severance and benefits costs and professional services fees associated with the reduction-in-force actions related to the "Q2 2024 Plan", and "Q3 2024 Plan", each as described in Note 13, *Restructuring and Related Charges*, in Notes to the Condensed Consolidated Financial Statements included elsewhere in this Report.

For the three months ended September 30, 2023, we recorded restructuring and related charges of \$2.7 million, which primarily consisted of costs associated with the headcount reduction related to the reduction-in-force plan executed during the first quarter in fiscal 2024.

Amortization of Intangible Assets

During the three months ended September 30, 2024 and 2023, we recorded \$0.5 million of operating expenses for each period related to the amortization of intangible assets.

Interest Income

During the three months ended September 30, 2024 and 2023, we recorded \$0.8 million and \$1.2 million, respectively, in interest income. The decrease in interest income was primarily related to the lower interest earned on our cash accounts due to lower cash and cash equivalents balances held during the first quarter in fiscal 2025.

Interest Expense

During the three months ended September 30, 2024 and 2023, we recorded \$4.4 million and \$4.3 million, respectively, in interest expense. The increase in interest expense was primarily due to higher average rates under the Amended Credit Agreement, as defined below.

Other Income (Expense), Net

During the three months ended September 30, 2024 and 2023, we recorded other expense, net of \$0.7 million and other income, net of \$0.4 million, respectively. The other income (expense), net for each period primarily related to the foreign exchange impact from the revaluation of certain assets and liabilities denominated in foreign currencies into U.S. Dollars.

Provision for Income Taxes

For the three months ended September 30, 2024 and 2023, we recorded income tax provision of \$1.5 million and \$4.6 million, respectively.

The income tax provisions for the three months ended September 30, 2024 and 2023 consisted of (1) taxes on the income of our foreign subsidiaries, (2) state taxes in jurisdictions where we have no remaining state net operating losses, (3) foreign withholding taxes, and (4) tax expense associated with the establishment of a U.S. deferred tax liability for amortizable goodwill resulting from the acquisition of Enterasys Networks, Inc., the WLAN business from Zebra Technologies Corporation, the Campus Fabric Business from Avaya LLC and the Data Center Business from Brocade Communications System. In addition, the income tax provision (benefit) for the three months ended September 30, 2023 includes U.S. federal income tax expense of \$1.4 million.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements and the related notes included elsewhere in this Report are prepared in accordance with accounting principles generally accepted in the United States. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted under SEC rules and regulations. The preparation of these unaudited condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. In many instances, we could have reasonably used different accounting estimates, and in other instances changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from the estimates made by our management. On an ongoing basis, we evaluate our estimates and assumptions. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected.

As discussed in Part II, Item 7, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” of our Annual Report on Form 10-K for the year ended June 30, 2024, we consider the following accounting policies to be the most critical in understanding the judgments that are involved in preparing our consolidated financial statements:

- *Revenue Recognition*
- *Inventory Valuation and Purchase Commitments*

There have been no changes to our critical accounting policies since the filing of our last Annual Report on Form 10-K.

Liquidity and Capital Resources

The following table summarizes information regarding our cash and cash equivalents (in thousands):

	September 30, 2024	June 30, 2024
Cash and cash equivalents	\$ 159,546	\$ 156,699

As of September 30, 2024, our principal sources of liquidity consisted of cash and cash equivalents of \$159.5 million, accounts receivable, net of \$97.2 million, and available borrowings under our 2023 Revolving Facility of \$135.8 million. Our principal uses of cash include the purchase of finished goods inventory from our contract manufacturers, payroll and other operating expenses related to the development and marketing of our products, purchases of property and equipment, and repayments of debt and related interest and share repurchases. We believe that our \$159.5 million of cash and cash equivalents at September 30, 2024, our cash flow from operations and the availability of borrowings from the 2023 Revolving Facility will be sufficient to fund our planned operations for at least the next 12 months and into the foreseeable future.

On May 18, 2022, our Board of Directors (the "Board") authorized management to repurchase up to \$200.0 million shares of our common stock over a three-year period commencing July 1, 2022 (as amended, the "2022 Repurchase Program"). A maximum of \$25.0 million may be repurchased in any quarter. On November 17, 2022, the Board increased the authorization to repurchase in any quarter from \$25.0 million per quarter to \$50.0 million per quarter. Purchases may be made from time to time in the open market or pursuant to 10b5-1 plan. The manner, timing and amount of any future purchases will be determined by our management based on their evaluation of market conditions, stock price, Extreme's ongoing determination that it is the best use of available cash and other factors. The 2022 Repurchase Program does not obligate us to acquire any shares of its common stock, may be suspended or terminated at any time without prior notice and will be subject to regulatory considerations. During the three months ended September 30, 2024, the Company did not repurchase any shares of its common stock. As of September 30, 2024, the Company had \$50.3 million available under the 2022 Repurchase Program.

On August 9, 2019, we entered into an Amended and Restated Credit Agreement (the "2019 Credit Agreement"), by and among Extreme, as borrower, several banks and other financial institutions as Lenders, BMO Harris Bank N.A., as an issuing lender and swingline lender, Silicon Valley Bank, as an Issuing Lender, and Bank of Montreal, as administrative agent and collateral agent for the Lenders.

On June 22, 2023, we entered into the Second Amended and Restated Credit Agreement (the "2023 Credit Agreement") by and among Extreme, as borrower, BMO Harris Bank, N.A., as an issuing lender and swingline lender, Bank of America, N.A., JPMorgan Chase Bank, N.A., PNC Bank, National Association and Wells Fargo Bank, National Association, as issuing lenders, the financial institutions or entities party thereto as lenders, and Bank of Montreal, as an administrative agent and collateral agent, which amended and restated the 2019 Credit Agreement. The 2023 Credit Agreement provides for i) a \$200.0 million first lien term loan facility in an aggregate principal amount (the "Term Facility"), ii) a \$150.0 million five-year revolving credit facility (the "2023 Revolving Facility") and iii) an uncommitted additional incremental loan facility in the principal amount of up to \$100.0 million plus an unlimited amount that is subject to pro forma compliance with a specified Consolidated Leverage Ratio tests. We may use the proceeds of the loans for working capital and general corporate purposes.

At our election, the initial term loan (the "Initial Term Loan") under the 2023 Credit Agreement may be made as either a base rate loan or a Secured Overnight Financing Data Rate loan ("SOFR loan"). The applicable margin for base rate loans ranges from 1.00% to 1.75% per annum, and the applicable margin for SOFR loans ranges from 2.00% to 2.75%, in each case based on the Company's Consolidated Leverage Ratio. All SOFR loans are subject to a floor of 0.00% per annum and spread adjustment of 0.10% per annum. We also agreed to pay other closing fees, arrangement fees, and administration fees.

The 2023 Credit Agreement requires us to maintain certain minimum financial ratios at the end of each fiscal quarter. The 2023 Credit Agreement also includes covenants and restrictions that limit, among other things, our ability to incur additional indebtedness, create liens upon any of its property, merge, consolidate or sell all or substantially all of its assets. The 2023 Credit Agreement also includes customary events of default which may result in acceleration of the outstanding balance.

On August 14, 2024, we entered into an Amendment Number One to the 2023 Credit Agreement the "Amended Credit Agreement." Under the Amended Credit Agreement, we modified the definition of the consolidated EBITDA for the purposes of evaluating compliance with financial covenants under the 2023 Credit Agreement. The amended definition of consolidated EBITDA modifies the amount and type of add-backs that are allowable to better align with our operations and activities.

During the three months ended September 30, 2024, the Company was in compliance with the modified terms and financial covenants under the Amended Credit Agreement.

Key Components of Cash Flows and Liquidity

A summary of the sources and uses of cash and cash equivalents is as follows (in thousands):

	Three Months Ended	
	September 30, 2024	September 30, 2023
Net cash provided by operating activities	\$ 18,585	\$ 75,635
Net cash used in investing activities	(6,916)	(4,314)
Net cash used in financing activities	(9,121)	(81,461)
Foreign currency effect on cash and cash equivalents	299	(252)
Net increase (decrease) in cash and cash equivalents	\$ 2,847	\$ (10,392)

Net Cash Provided by Operating Activities

Cash flows provided by operations in the three months ended September 30, 2024 were \$18.6 million, including our net loss of \$10.5 million and non-cash expenses of \$27.8 million for items such as amortization of intangible assets, share-based compensation, depreciation, reduction in carrying amount of right-of-use assets, deferred income taxes, provision for excess and obsolete inventory and interest. Other sources of cash for the period included a decrease in prepaid expenses and other assets and increases in accounts payable, deferred revenue and accrued compensation and benefits. This was partially offset by increases in accounts receivable, inventories as well as decreases in operating lease liabilities and other liabilities.

Cash flows provided by operations in the three months ended September 30, 2023 were \$75.6 million, including our net income of \$28.7 million and non-cash expenses of \$43.3 million for items such as amortization of intangible assets, share-based compensation, depreciation, reduction in carrying amount of right-of-use assets, deferred income taxes, provision for excess or obsolete and interest. Other sources of cash for the period included a decrease in accounts receivable, and an increase in deferred revenue and other accrued liabilities. This was partially offset by increases in inventories, prepaid and other assets and decreases in accounts payable, accrued compensation, operating lease liabilities and other current and long-term liabilities.

Net Cash Used in Investing Activities

Cash flows used in investing activities in the three months ended September 30, 2024 were \$6.9 million for the purchases of property and equipment.

Cash flows used in investing activities in the three months ended September 30, 2023 were \$4.3 million for the purchases of property and equipment.

Net Cash Used in Financing Activities

Cash flows used in financing activities in the three months ended September 30, 2024 were \$9.1 million primarily due to a payment of \$5.9 million for taxes paid on vested and released stock awards net of proceeds from the issuance of shares of our common stock under our Employee Stock Purchase Plan ("ESPP") and exercise of stock options, a payment of \$0.7 million for debt financing costs related to the Amended Credit Agreement, and a debt repayment of \$2.5 million.

Cash flows used in financing activities in the three months ended September 30, 2023 were \$81.5 million primarily due to payment of \$29.1 million for taxes paid on vested and released stock awards net of proceeds from the issuance of shares of our common stock under our ESPP, a \$25.0 million payment against our revolving facility, share repurchase of \$24.9 million under our share repurchase program and debt repayment of \$2.5 million.

Foreign Currency Effect on Cash and cash equivalents

Foreign currency effect on cash and cash equivalents increased in the three months ended September 30, 2024, primarily due to changes in foreign currency exchange rates between the U.S. Dollar and particularly the Indian Rupee, the UK Pound and the Euro.

Contractual Obligations

As of September 30, 2024, we had contractual obligations resulting from our debt arrangement, agreements to purchase goods and services in the ordinary course of business and obligations under our operating lease arrangements.

Our debt obligations relate to amounts owed under our Amended Credit Agreement. As of September 30, 2024, we had \$187.5 million of debt outstanding, which is payable on quarterly installments through our fiscal year 2028. We are subject to interest on our debt obligations and unused commitment fee. See Note 7, *Debt*, in the Notes to Condensed Consolidated Financial Statements in this Report for additional information regarding our debt obligations.

Our unconditional purchase obligations represent the purchase of long lead-time component inventory that our contract manufacturers procure in accordance with our forecast. We expect to honor the inventory purchase commitments within the next 12 months. As of September 30, 2024, we had non-cancelable commitments to purchase \$37.3 million of inventory. See Note 8, *Commitments and Contingencies*, in the Notes to Condensed Consolidated Financial Statements for additional information regarding our purchase obligations.

We have contractual commitments to our suppliers which represent commitments for future services. As of September 30, 2024, we had contractual commitments of \$23.7 million that are due through our fiscal year 2027.

We lease facilities under operating lease arrangements at various locations that expire at various dates through our fiscal year 2033. As of September 30, 2024, the value of our obligations under operating leases was \$60.6 million.

We have immaterial income tax liabilities related to uncertain tax positions and we are unable to reasonably estimate the timing of the settlement of those liabilities.

We did not have any material commitments for capital expenditures as of September 30, 2024.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of September 30, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity

Our exposure to market risk for changes in interest rates relates primarily to debt and foreign currencies.

Debt

At certain points in time, we are exposed to the impact of interest rate fluctuations, primarily in the form of variable rate borrowings from the Amended Credit Agreement, which is described in Note 7, *Debt*, in the Notes to Condensed Consolidated Financial Statements in this Report. At September 30, 2024, we had \$187.5 million of debt outstanding, all of which was from the Amended Credit Agreement. During the quarter ended September 30, 2024, the average daily outstanding amount was \$196.7 million, with a high of \$210.0 million and a low of \$187.5 million.

The following table presents hypothetical changes in interest expense for the quarter ended September 30, 2024, on the outstanding borrowings under the Amended Credit Agreement as of September 30, 2024, that are sensitive to changes in interest rates (in thousands):

Description	Change in interest expense given a decrease in interest rate of X bps*		Average outstanding as of September 30, 2024	Change in interest expense given an increase in interest rate of X bps*	
	(100 bps)	(50 bps)		100 bps	50 bps
Debt	\$ (1,967)	\$ (984)	\$ 196,712	\$ 1,967	\$ 984

* The underlying interest rate was 7.52% as of September 30, 2024.

Exchange Rate Sensitivity

A majority of our sales and expenses are denominated in United States Dollars. While we conduct some sales transactions and incur certain operating expenses in foreign currencies and expect to continue to do so, we do not anticipate that foreign exchange gains or losses will be significant, in part because of our foreign exchange risk management process discussed below.

Foreign Exchange Forward Contracts

We record all derivatives on the balance sheet at fair value. From time to time, we enter into foreign exchange forward contracts to mitigate the effect of gains and losses generated by the foreign currency forecast transactions related to certain operating expenses and re-measurement of certain assets and liabilities denominated in foreign currencies. Changes in the fair value of these foreign exchange forward contracts are offset largely by re-measurement of the underlying foreign currency denominated assets and liabilities. As of September 30, 2024 and 2023 foreign exchange forward contracts not designated as hedging instruments, had a notional amount of \$42.6 million and \$18.7 million, respectively. These contracts have maturities of less than 40 days. Changes in the fair value of derivatives are recognized in "Other income (expense), net."

Foreign currency transaction gains and losses from operations were losses of \$1.4 million and gains \$0.5 million for the three months ended September 30, 2024 and 2023, respectively.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended, such as this Report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to ensure that such information is accumulated and communicated to our management, including the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our CEO and CFO, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Report. Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a – 15(f) and 15d – 15(f) under the Securities Exchange Act of 1934, as amended) during the three months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including the CEO and CFO, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Our controls and procedures are designed to provide reasonable assurance that our control system's objective will be met, and our CEO and CFO have concluded that our disclosure controls and procedures are effective at the reasonable assurance level. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within Extreme Networks have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events. Projections of any evaluation of the effectiveness of controls in future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Notwithstanding these limitations, our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Our CEO and CFO have concluded that our disclosure controls and procedures are, in fact, effective at the “reasonable assurance” level.

PART II. Other Information

Item 1. Legal Proceedings

For information regarding litigation matters required by this item, refer to Part I, Item 3, "*Legal Proceedings*" of our Annual Report on Form 10-K for the fiscal year ended June 30, 2024, and Note 8, *Commitments and Contingencies*, to the Notes to Condensed Consolidated Financial Statements, in this Report, which are incorporated herein by reference.

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties, including those described in Part I, Item 1A, "*Risk Factors*" in our Annual Report on Form 10-K for the year ended June 30, 2024, which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock. There have been no material changes to our risk factors since our Annual Report on Form 10-K for the year ended June 30, 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds - Not Applicable

Item 3. Defaults Upon Senior Securities - Not Applicable

Item 4. Mine Safety Disclosures - Not Applicable

Item 5. Other Information

On September 10, 2024, Katayoun ("Katy") Motiey, the Company's Chief Legal, Administrative & Sustainability Officer, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) for the sale of up to 37,000 shares of the Company's common stock until December 11, 2025.

Item 6. Exhibits

(a) Exhibits:

Exhibit Number	Description of Document	Incorporated by Reference			Filed Herewith
		Form	Filing Date	Number	
3.1	Amended and Restated Certificate of Incorporation of Extreme Networks, Inc.	8-K	11/18/2022	3.1	
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation.	8-K	11/9/2023	3.1	
3.3	Amended and Restated Bylaws of Extreme Networks, Inc.	8-K	6/9/2023	3.1	
10.1	First Amendment to Second Amended and Restated Credit Agreement dated as of August 14, 2024, by and among Extreme Networks, Inc., the several banks and other financial institutions and the Bank of Montreal, as administrative agent.	10-K	8/16/2024	10.34	
31.1	Section 302 Certification of Chief Executive Officer.				X
31.2	Section 302 Certification of Chief Financial Officer.				X
32.1*	Section 906 Certification of Chief Executive Officer.				X
32.2*	Section 906 Certification of Chief Financial Officer.				X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema with Embedded Linkbase Documents.				X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).				

* Furnished herewith. Exhibits 32.1 and 32.2 are being furnished and shall not be deemed to be “filed” for purposes of section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, nor shall such exhibits be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as otherwise specifically stated in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EXTREME NETWORKS, INC.

(Registrant)

/s/ Kevin Rhodes

Kevin Rhodes

**Executive Vice President, Chief Financial Officer
(Principal Accounting Officer)**

October 31, 2024

SECTION 302 CERTIFICATION OF EDWARD B. MEYERCORD III
AS CHIEF EXECUTIVE OFFICER

I, Edward B. Meyercord III, certify that:

1. I have reviewed this Form 10-Q of Extreme Networks, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2024

/s/ EDWARD B. MEYERCORD III

Edward B. Meyercord III
President and Chief Executive Officer

SECTION 302 CERTIFICATION OF KEVIN RHODES
AS CHIEF FINANCIAL OFFICER

I, Kevin Rhodes, certify that:

1. I have reviewed this Form 10-Q of Extreme Networks, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2024

/s/ KEVIN RHODES

Kevin Rhodes
Executive Vice President, Chief Financial Officer
(Principal Accounting Officer)

CERTIFICATION OF EDWARD B. MEYERCORD III AS CHIEF EXECUTIVE OFFICER, PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Extreme Networks, Inc. on Form 10-Q for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and on the date specified below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2024

/s/ EDWARD B. MEYERCORD III

Edward B. Meyercord III

President and Chief Executive Officer

CERTIFICATION OF KEVIN RHODES AS CHIEF FINANCIAL OFFICER, PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Extreme Networks, Inc. on Form 10-Q for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and on the date specified below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2024

/s/ KEVIN RHODES

Kevin Rhodes
Executive Vice President, Chief Financial Officer
(Principal Accounting Officer)
