



Extreme Networks FQ4'19 Financial Results

July 31, 2019

Cautionary Statement on Financial Measures

Non-GAAP Measures:

In preparing the accompanying information, the Company has excluded, where applicable, the impact of certain Non-GAAP costs as listed at the end of this presentation. The Company believes these Non-GAAP measures provide both management and investors with additional insight into its current operations, the trends affecting the Company, the Company's marketplace performance, and the Company's ability to generate cash from operations. Management believes these items allow readers to better correlate the Company's operating activities with the Company's ability to generate cash from operations. Accordingly, management uses these Non-GAAP measures along with comparable GAAP information when evaluating the Company's historical performance and future business activities. The Company's Non-GAAP measures may be different than those used by other companies and should be considered in conjunction with, and not as a substitute for, the Company's financial information presented in accordance with GAAP. Please refer to our earnings press release, which is posted on the "Investor Relations" section of our website and to pages 11-14 and 18 of this presentation for the required reconciliation to the most comparable GAAP financial measures.

Forward-Looking Statements:

This presentation contains forward-looking statements including, but not limited to: the expected financial performance of the Company. These forward-looking statements involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by these statements. You should not place undue reliance on forward-looking statements, which are based on current beliefs, assumptions and expectations, speak only as of the date of this presentation. We undertake no obligation to update these statements. For a detailed description of these risks and uncertainties please refer to our most recent reports on Form 10-K, Form 10-Q, and Form 8-K filed with the SEC.



FQ4'19 Financial Results



Financial Highlights – Financial Operations

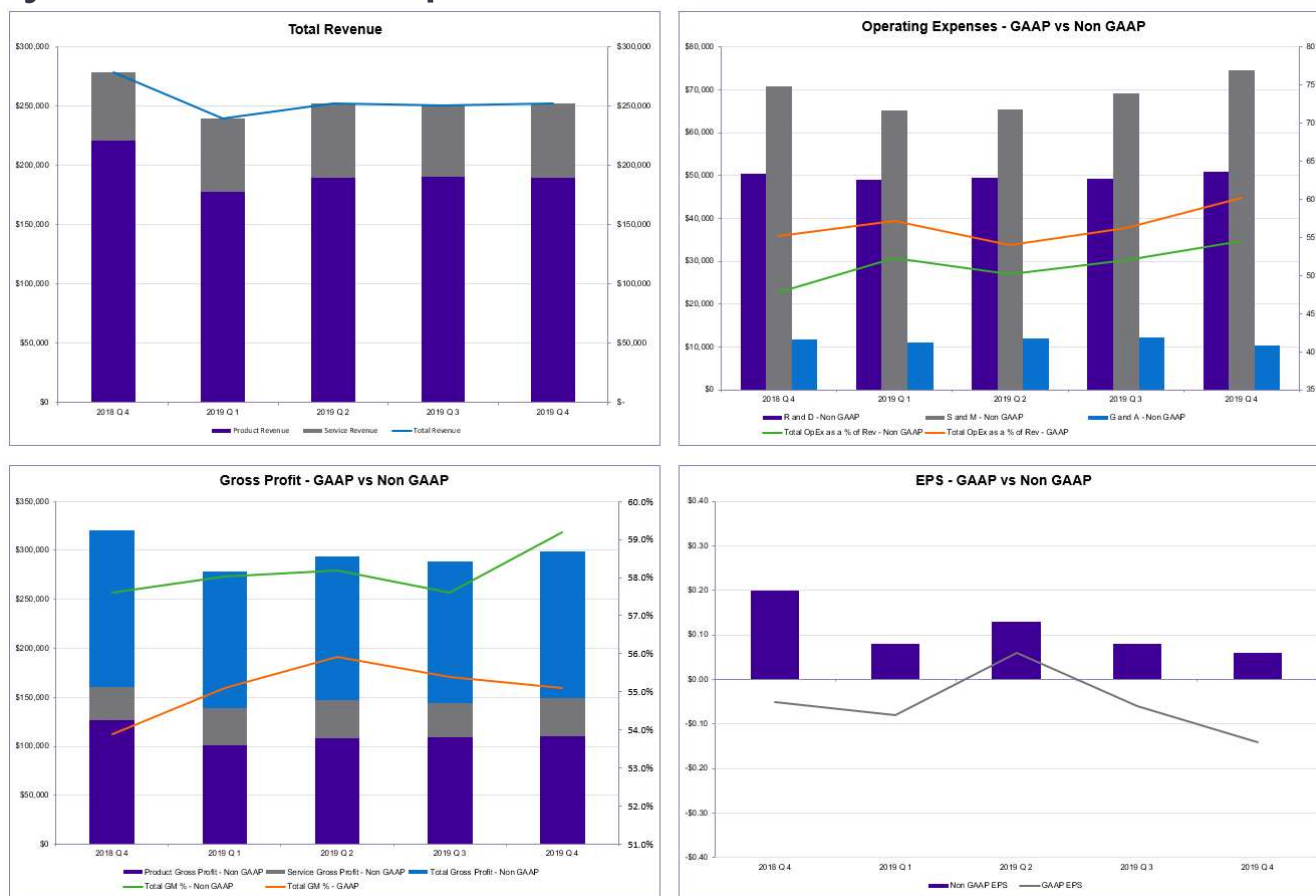
(in M's except EPS)

	Quarter			Full Year	
	FQ4'18	FQ3'19	FQ4'19	FY18	FY19
GAAP					
Product Revenue	\$221.3	\$190.8	\$189.6	\$764.4	\$747.6
Services Revenue	\$57.0	\$60.1	\$62.8	\$218.7	\$248.2
Total Revenue	\$278.3	\$250.9	\$252.4	\$983.1	\$995.8
Total GM %	54.0%	55.4%	55.1%	54.4%	55.4%
Operating Income (Loss) \$	(\$3.4)	(\$2.3)	(\$12.2)	(\$38.2)	(\$14.7)
Operating Margin %	(1.2%)	(0.9%)	(4.8%)	(3.9%)	(1.5%)
Net Income (Loss)	(\$5.6)	(\$6.9)	(\$17.1)	(\$46.8)	(\$25.9)
EBITDA	\$13.0	\$10.1	\$0.4	\$13.5	\$37.6
EPS	(\$0.05)	(\$0.06)	(\$0.14)	(\$0.41)	(\$0.22)
Non GAAP¹					
Product Revenue	\$221.3	\$190.8	\$189.6	\$764.5	\$747.6
Services Revenue	\$57.0	\$60.1	\$62.8	\$218.7	\$248.2
Total Revenue	\$278.3	\$250.9	\$252.4	\$983.1	\$995.8
Total GM %	57.6%	57.6%	59.2%	57.9%	58.2%
Operating Income \$	\$27.4	\$13.9	\$12.5	\$94.6	\$60.6
Operating Margin %	9.8%	5.6%	4.9%	9.6%	6.1%
Net Income	\$24.0	\$9.3	\$7.6	\$78.0	\$41.8
EBITDA	\$35.8	\$20.2	\$19.0	\$117.0	\$87.2
EPS	\$0.20	\$0.08	\$0.06	\$0.65	\$0.35

¹ See Appendices for GAAP to Non-GAAP reconciliation



Quarterly Results of Operations

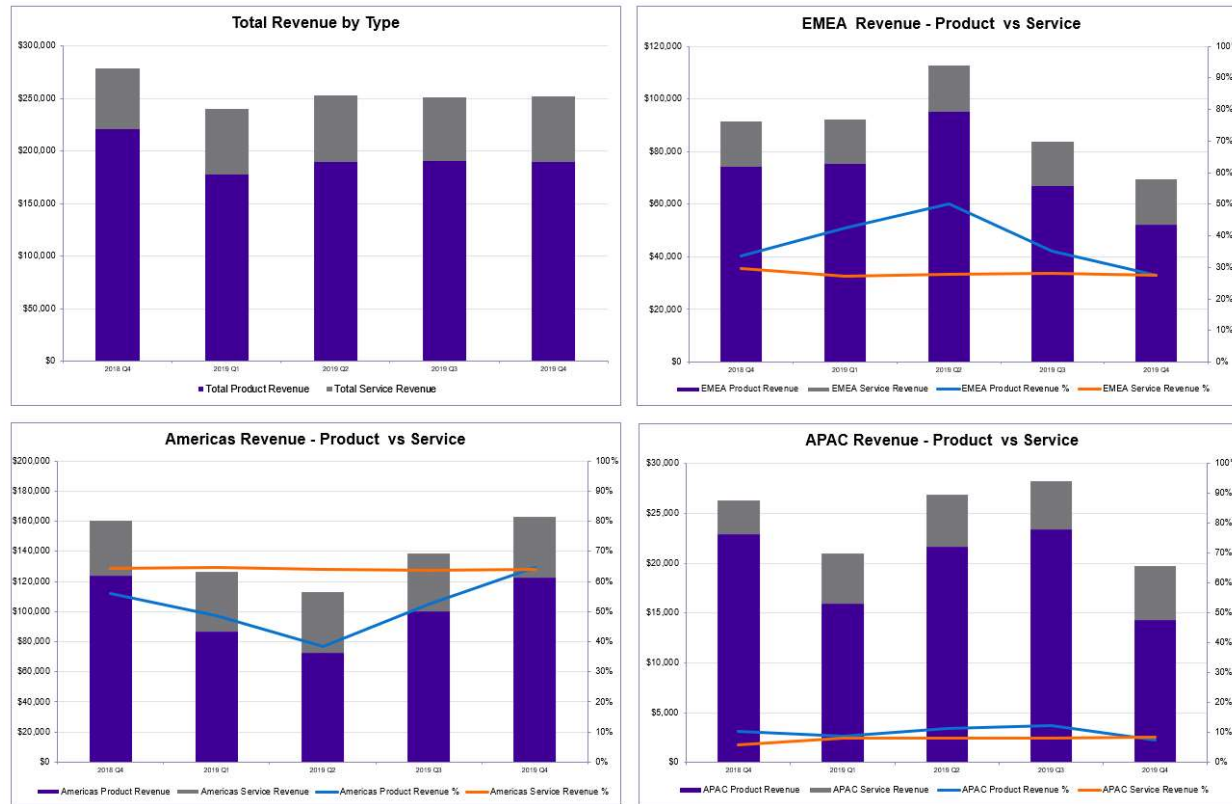


Historical Revenue by Geography (GAAP):

	Quarter					Full Year		
	FQ4'18	FQ3'19	FQ4'19	YoY % Change	QoQ % Change	FY18	FY19	YoY % Change
Product								
Americas	\$ 124.0	\$ 100.4	\$ 122.9	-1%	22%	\$ 396.8	\$ 382.6	-4%
EMEA	74.4	67.0	52.4	-30%	-22%	290.3	289.7	0%
APAC	22.9	23.4	14.3	-38%	-39%	77.3	75.3	-3%
Total Product	\$ 221.3	\$ 190.8	\$ 189.6	-14%	-1%	\$ 764.4	\$ 747.6	-2%
Service								
Americas	\$ 36.7	\$ 38.3	\$ 40.2	10%	5%	\$ 139.3	\$ 159.0	14%
EMEA	16.9	16.9	17.2	2%	2%	64.6	68.6	6%
APAC	3.4	4.9	5.4	59%	10%	14.8	20.6	39%
Total Service	\$ 57.0	\$ 60.1	\$ 62.8	10%	4%	\$ 218.7	\$ 248.2	13%
Total Revenue								
Americas	\$ 160.7	\$ 138.7	\$ 163.1	1%	18%	\$ 536.1	\$ 541.6	1%
EMEA	91.3	83.9	69.6	-24%	-17%	354.9	358.3	1%
APAC	26.3	28.3	19.7	-25%	-30%	92.1	95.9	4%
Total Revenue	\$ 278.3	\$ 250.9	\$ 252.4	-9%	1%	\$ 983.1	\$ 995.8	1%



Revenue by Type and by Geography



Financial Highlights – Financial Position (GAAP)

	FQ4'18	FQ3'19	FQ4'19
Cash	\$121.1	\$156.8	\$169.6
AR	\$212.4	\$141.5	\$174.4
DSO	69	51	63
Inventories	\$63.9	\$57.6	\$63.6
DOI	56	60	69
Accounts Payables	\$75.7	\$49.1	\$65.7
DPO	60	51	71
Debt Payable	\$200.0	\$182.9	\$180.5



Non-GAAP Free Cash Flow

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

	FQ4'18	FQ3'19	FQ4'19
Free Cash Flow			
Operating Cash Flow	\$20.8	\$17.9	\$25.4
PP&E Capital Expenditures	(\$18.4)	(\$5.0)	(\$6.5)
Free Cash Flow	\$2.4	\$12.8	\$18.9



Appendices- GAAP to Non-GAAP Reconciliations



GAAP to Non GAAP Reconciliations Revenue & Gross Margin

	Quarter			Full Year	
	FQ4'18	FQ3'19	FQ4'19	FY18	FY19
Product Revenue	\$ 221.3	\$ 190.8	\$ 189.6	\$ 764.4	\$ 747.6
Service Revenue	57.0	60.1	62.8	218.7	248.2
Total Revenue - GAAP Basis	\$ 278.3	\$ 250.9	\$ 252.4	\$ 983.1	\$ 995.8
Gross Margin - GAAP Basis	150.2	138.9	138.9	534.5	551.2
Gross Margin % - GAAP Basis	54.0%	55.4%	55.1%	54.4%	55.4%
Adjustment to Acquired Inventories	0.5	-	-	5.3	-
Integration Costs in COGS	3.6	-	-	11.2	1.8
Amortization of Product Intangibles	5.5	4.8	4.8	16.6	19.2
Inventory Valuation Adjustments	-	-	5.3	-	5.3
Stock Comp in COGS	0.5	0.9	0.3	1.7	2.5
Gross Margin - Non GAAP Basis	\$ 160.3	\$ 144.6	\$ 149.3	\$ 569.3	\$ 580.0
Gross Margin % - Non GAAP Basis	57.6%	57.6%	59.2%	57.9%	58.2%



GAAP to Non GAAP Reconciliations

Operating Income (Loss)

	Quarter			Full Year	
	FQ4'18	FQ3'19	FQ4'19	FY18	FY19
Operating Income (Loss) - GAAP Basis	\$ (3.4)	\$ (2.3)	\$ (12.2)	\$ (38.2)	\$ (14.7)
Operating Margin- GAAP Basis	(1.2%)	(0.9%)	(4.8%)	(3.9%)	(1.5%)
Adjustment to Acquired Inventories	0.5	-	-	5.3	-
Integration Costs in COGS	3.6	-	-	11.2	1.8
Amortization of Product Intangibles	5.5	4.8	4.8	16.6	19.2
Inventory Valuation Adjustments	-	-	5.3	-	5.3
Total Stock Comp	8.0	8.8	8.6	27.6	32.9
Restructuring Charges, net	3.2	-	3.8	8.1	5.1
Amortization of Non Product Intangibles	2.3	1.3	1.4	8.7	6.3
Litigation	-	-	-	(0.2)	-
Contingent Consideration Liability	1.5	-	-	1.5	-
Integration Costs in OpEx	6.2	-	0.8	54.0	3.4
Loss on Lease Contracts	-	1.3	-	-	1.3
Operating Income - Non GAAP Basis	\$ 27.4	\$ 13.9	\$ 12.5	\$ 94.6	\$ 60.6
Operating Margin - Non GAAP Basis	9.8%	5.6%	4.9%	9.6%	6.1%



GAAP to Non GAAP Reconciliations

Net Income (Loss)

	Quarter			Full Year	
	FQ4'18	FQ3'19	FQ4'19	FY18	FY19
Net Income (Loss) - GAAP Basis	\$ (5.6)	\$ (6.9)	\$ (17.1)	\$ (46.8)	\$ (25.9)
Shares - GAAP Basis	116.0	117.9	122.2	114.2	118.0
EPS - GAAP Basis	\$ (0.05)	\$ (0.06)	\$ (0.14)	\$ (0.41)	\$ (0.22)
Adjustment to Acquired Inventories	0.5	-	-	5.3	-
Integration Costs in COGS	3.6	-	-	11.2	1.8
Amortization of Product Intangibles	5.5	4.8	4.8	16.6	19.2
Inventory Valuation Adjustments	-	-	5.3	-	5.3
Total Stock Comp	8.0	8.8	8.6	27.6	32.9
Restructuring Charges, net	3.2	-	3.8	8.1	5.1
Amortization of Non Product Intangibles	2.3	1.3	1.4	8.7	6.3
Litigation	-	-	-	(0.2)	-
Tax Adjustment	(3.5)	-	-	(6.7)	(7.6)
Gain on Sale of Investment	(0.2)	-	-	(3.9)	-
Loss on Extinguishment of Debt	1.2	-	-	1.2	-
Contingent Consideration Liability	1.5	-	-	1.5	-
Interest Expense on Contingent Liability	1.4	-	-	1.4	-
Loss on Lease Contracts in G&A	-	1.3	-	-	1.3
Integration and Acquisition Costs in OpEx	6.2	-	0.8	54.0	3.4
Net Non GAAP Adjustments	29.6	16.2	24.7	124.8	67.7
Net Income - Non GAAP Basis	\$ 24.0	\$ 9.3	\$ 7.6	\$ 78.0	\$ 41.8
Shares - Non GAAP Basis	120.4	120.8	122.2	119.8	120.7
EPS - Non GAAP Basis	\$ 0.20	\$ 0.08	\$ 0.06	\$ 0.65	\$ 0.35



GAAP to Non GAAP Reconciliations

EBITDA

	Quarter			Full Year	
	FQ4'18	FQ3'19	FQ4'19	FY18	FY19
Net Income (Loss) - GAAP Basis	\$ (5.6)	\$ (6.9)	\$ (17.1)	\$ (46.8)	\$ (25.9)
Interest	4.4	2.4	2.4	11.1	10.6
Taxes	(1.6)	1.9	2.0	0.1	(0.0)
Depreciation/Amortization	15.8	12.7	13.1	49.1	52.9
EBITDA - GAAP	13.0	10.1	0.4	13.5	37.6
Net Non GAAP Adjustments	29.6	16.2	24.7	124.8	67.7
Interest included in Net Non GAAP Adjustments	(2.6)	-	-	(2.5)	-
Income taxes included in Net Non GAAP Adjustments	3.5	-	-	6.7	7.6
Amortization included in Net Non GAAP Adjustments	(7.7)	(6.1)	(6.2)	(25.5)	(25.7)
EBITDA - Non GAAP	\$ 35.8	\$ 20.2	\$ 18.9	\$ 117.0	\$ 87.2



FQ1'20 Financial Guidance



FQ1'20 Guidance – GAAP (in M's except EPS)

	FQ4'19	FQ1'20 Standalone Guidance	FQ1'20 Aerohive Prorated Contribution	FQ1'20 Consolidated Guidance
Revenue (\$M)	\$252.4	\$235.0 – \$245.0	\$15.0	\$250.0 - \$260.0
Gross Margin %	55.1%	55.1% – 57.2%	68.6%	55.9% - 57.9%
Net Income (Loss)	(\$17.1)	(\$15.8) – (\$10.6)	(\$9.2)	(\$24.9) – (\$19.7)
EPS: GAAP	(\$0.14)	(\$0.13) – (\$0.09)	(\$0.08)	(\$0.21) – (\$0.17)



FQ1'20 Guidance – Non GAAP (in M's except EPS)

	FQ4'19	FQ1'20 Standalone Guidance	FQ1'20 Aerohive Prorated Contribution	FQ1'20 Consolidated Guidance
Revenue (\$M)	\$252.4	\$235.0 – \$245.0	\$15.0	\$250.0 - \$260.0
Gross Margin %	59.2%	57.5% – 59.5%	68.6%	58.1% - 60.1%
Net Income (Loss)	\$7.6	\$4.0 – \$9.2	(\$3.5)	\$0.5 – \$5.7
EPS: non-GAAP	\$0.06	\$0.03 –\$0.07	(\$0.03)	\$0.01 – \$0.05



FQ1'20 Guidance - GAAP to Non GAAP Reconciliation

	Gross Margin Rate	Operating Margin Rate	Earnings per Share
GAAP	55.9% - 57.9%	(7.3)% - (5.0)%	(\$0.21) – (\$0.17)
Estimated Adjustments for:			
Amortization of Product Intangibles	2.1%	2.1%	\$0.04
Stock Based Compensation	0.1%	3.0%	\$0.08
Restructuring	-	2.6%	\$0.05
Acquisition	-	1.2%	\$0.03
Amortization of non product intangibles	-	0.9%	\$0.02
Non-GAAP	58.1% - 60.1%	2.9% - 4.8%	\$0.01 - \$0.05

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





Thank You

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