

EXTREME NETWORKS

FQ2'22 Financial Results

January 27, 2022

Cautionary Statement on Financial Measures



Non-GAAP Measures:

In preparing the accompanying information Extreme Networks Inc. (the "Company") has excluded, where applicable, the impact of certain Non-GAAP costs as listed at the end of this presentation. The Company believes these Non-GAAP measures provide both management and investors with additional insight into its current operations, the trends affecting the Company, the Company's marketplace performance, and the Company's ability to generate cash from operations. Accordingly, management uses these Non-GAAP measures along with comparable GAAP information when evaluating the Company's historical performance and future business activities. The Company's Non-GAAP measures may be different than those used by other companies and should be considered in conjunction with, and not as a substitute for, the Company's financial information presented in accordance with GAAP. Please refer to our most recent earnings press release dated January 27, 2022, which is posted on the "Investor Relations" section of our website and to pages 17-20 and 24 of this presentation for the required reconciliation to the most comparable GAAP financial measures.

Forward-Looking Statements:

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



FQ'22 Financial Results



Q2 2022 Results Summary

Double-Digit Growth Fueled by Strong Demand and Execution



Continued Strong Growth

- Sustained Double-Digit Y/Y Bookings Growth
- Record Quarterly Revenue on 16% Y/Y Revenue Growth
- Backlog Grew to ~\$300 million



Cloud SaaS Subscriptions

- Total Subscription Bookings Growth of 47% Y/Y
- Annualized Cloud SaaS Bookings of ~\$122 million
- Ending ARR of \$88 million, up 55% Y/Y



Robust Profitability and Free Cash Flow

- Record quarterly GAAP and Non-GAAP Income
- \$19.0 million in FCF
- Net Debt of \$149.4 million
- Repurchased 1.8 million shares for a total of \$25 million

Results and Guidance Provide Greater Confidence in Double-Digit Revenue Growth and 10-15% Non-GAAP Operating Margin Outlook for FY22

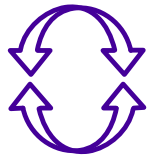
FQ2'22 Highlights



CLOUD ADOPTION

SaaS ARR²
\$88M

Recurring
Revenue 30%



\$136M

SaaS Deferred
Revenue²



Product Book
to Bill Ratio
1.12x

Service Book
to Bill Ratio
1.16x

² See Appendices for ARR & SaaS Deferred Revenue Definition



Driving Growth

Backlog ~\$300M

Total Revenue
Growth (Y/Y %) **16.0%**

Product Revenue
Growth (Y/Y %) **15.2%**

Service &
Subscription Revenue
Growth (Y/Y %) **17.8%**

SaaS Subscription
Bookings Growth (Y/Y %) **47%**

Large Customers
(Over \$1M in bookings for the Quarter) **38**



PROFITABILITY & CASH FLOW

Non-GAAP
Gross Margin %¹ **58.2 %**

Non-GAAP
Operating
Margin %¹
13.1%

Non-
GAAP
EPS (\$) ¹
\$0.21



Free Cash Flow

\$19.0M



\$149M

Net
Debt



¹ See Appendices for GAAP to Non-GAAP reconciliation.

Vertical Trends

Strong double-digit growth across nearly all major verticals



INDUSTRY	Extreme Exposure	Demand Outlook	Tailwinds	Headwinds
	<p>Government & Education</p>	~35%		Solid Education spending supported by E-rate and Higher Ed
<p>Healthcare</p>	>10%		Robust demand and outlook on wireless and campus switching upgrades cycles	Some existing customers awaiting switching product refresh that is supply chain constrained
<p>Sports / Entertainment & Hospitality</p>	~5%		Hospitality / casinos latest sub-segment to recover, adding to strong outlook for sports venues.	Pace of additional recovery depends on further easing of restrictions for live event attendance and projects
<p>Manufacturing</p>	~10%		Strong growth in manufacturing activity globally for both switching and wireless solutions	Macroeconomic trends to drive further recovery
<p>Retail Logistics / Transport</p>	>10%		Easier year-over-year comparisons in retail and strength in transportation / logistics.	Retail still recovering gradually
<p>Telco / Service Provider</p>	<10%		Core 5G related products general available, awaiting 5G spending to ramp up	Growth depends on timing of projects and budget cycles

GAAP Financial Highlights – Financial Operations

(In M's except percentages and EPS)



	Quarter		
	FQ2'21	FQ1'22	FQ2'22
GAAP			
Product Revenue	\$165.8	\$185.2	\$191.1
Services Revenue	\$76.3	\$82.5	\$89.8
Total Revenue	\$242.1	\$267.7	\$280.9
Total GM %	57.9%	58.1%	56.5%
Operating Income \$	\$5.7	\$18.3	\$18.1
Operating Margin %	2.4%	6.9%	6.4%
Net Income (Loss)	(\$3.1)	\$12.7	\$13.3
EBITDA	\$18.7	\$30.2	\$28.2
EPS	(\$0.02)	\$0.10	\$0.10

Non-GAAP Financial Highlights – Financial Operations

(In M's except percentages and EPS)



Non-GAAP ¹	Quarter		
	FQ2'21	FQ1'22	FQ2'22
Product Revenue	\$165.8	\$185.2	\$191.1
Services Revenue	\$76.3	\$82.5	\$89.8
Total Revenue	\$242.1	\$267.7	\$280.9
Total GM %	61.0%	60.3%	58.2%
Operating Income \$	\$24.6	\$37.0	\$36.7
Operating Margin %	10.2%	13.8%	13.1%
Net Income	\$16.0	\$28.0	\$28.4
EBITDA	\$29.4	\$42.4	\$41.9
EPS	\$0.13	\$0.21	\$0.21

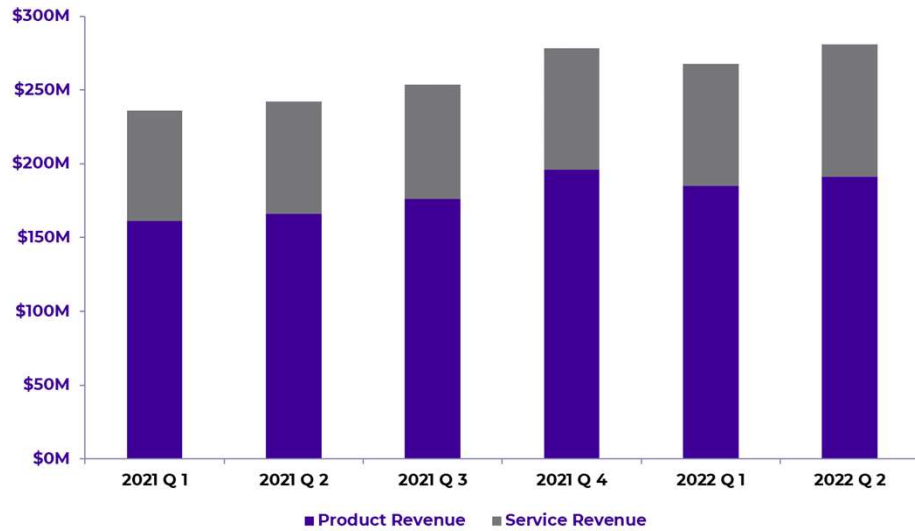
¹ See Appendices for GAAP to Non-GAAP reconciliation.

Quarterly Results of Operations

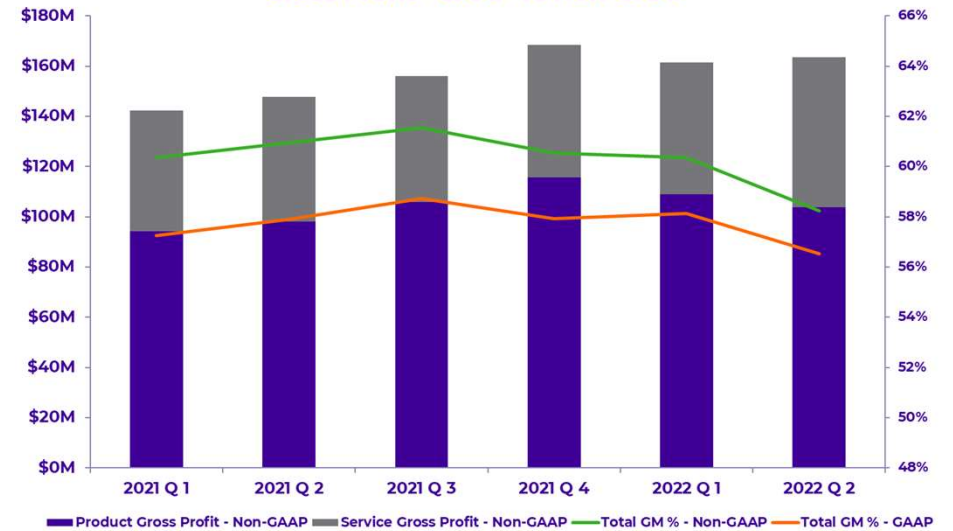
(In M's except percentages)



Total Revenue

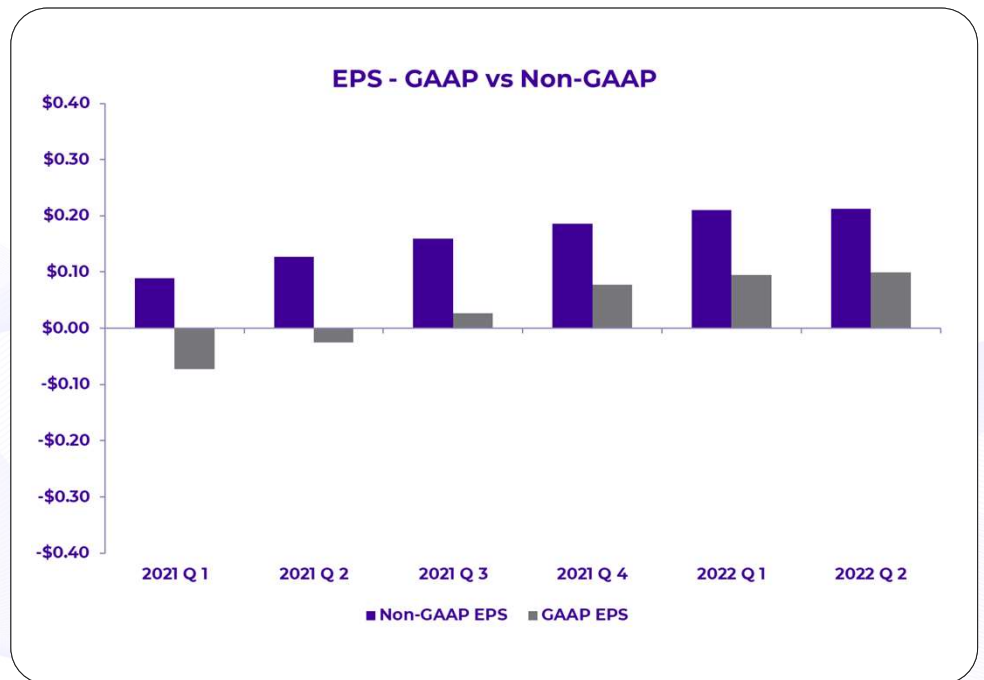
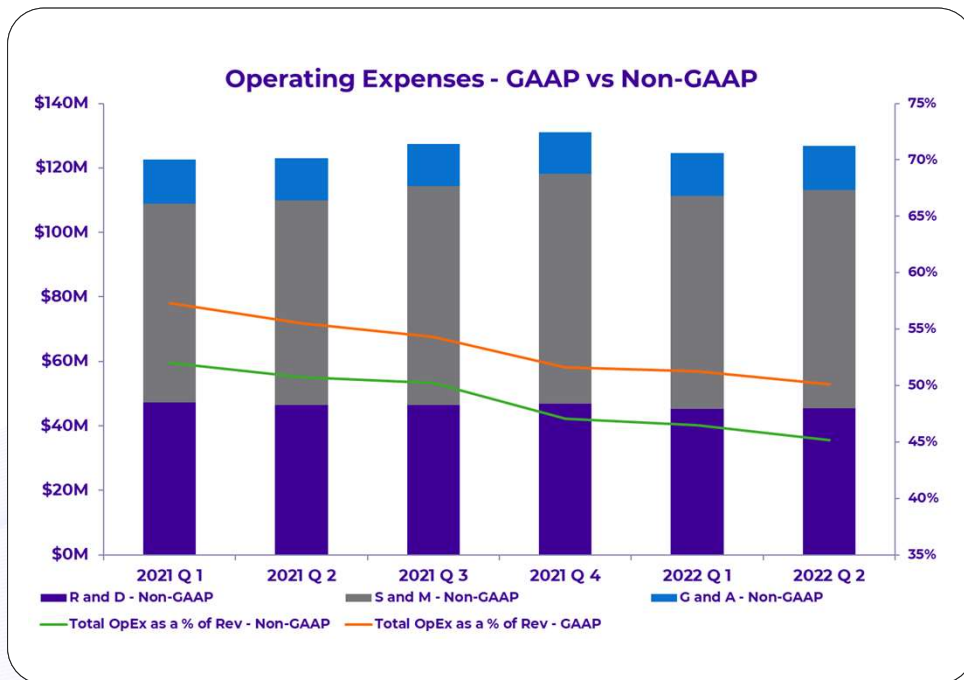


Gross Profit - GAAP vs Non-GAAP



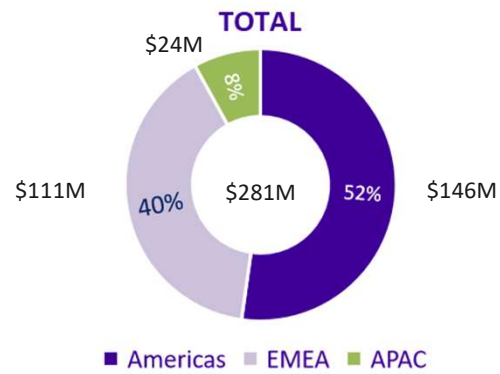
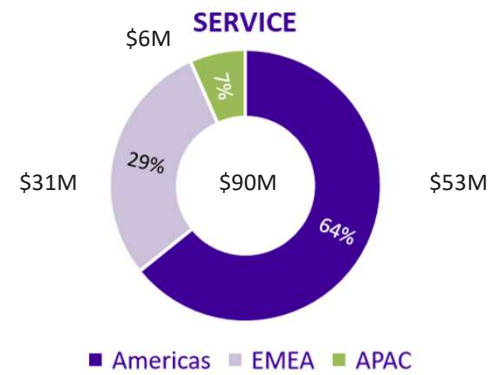
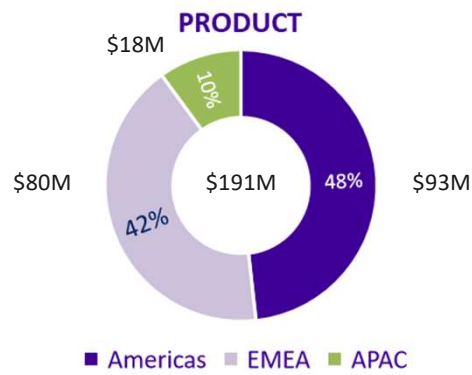
Quarterly Results of Operations

(In M's except percentages and EPS)



Revenue by Geography

(In M's except percentages)



Financial Highlights – Balance Sheet

(In M's except days)



Balance Sheet Highlights

	FQ2'21	FQ1'22	FQ2'22
Cash	\$184.0	\$191.3	\$173.5
Accounts Receivable	\$128.2	\$129.6	\$133.3
Inventories	\$49.8	\$32.4	\$37.2
Accounts Payables	\$53.7	\$63.4	\$58.8
Gross Debt*	\$356.3	\$330.0	\$322.9
Net Debt**	\$172.3	\$138.7	\$149.4

Cash Conversion Cycle Table

	FQ2'21	FQ1'22	FQ2'22
Days Sales Outstanding	49	45	44
Days of Inventory	62	37	38
Days Payable Outstanding	67	72	60
Cash Conversion Cycle	44	9	22

*Gross Debt is defined as long-term and current portion of long-term debt as shown on the balance sheet plus unamortized debt issuance costs, if any.

**Net debt is defined as Gross Debt minus Cash.

Financial Highlight – Share Repurchase



FQ2'22

Shares Repurchased	1.8M
Total Cost	\$25M
Average Price	\$13.65
Remaining Authorization	\$30M

Share Repurchase Impact on Net Debt

Q2 Net Debt	\$149.4M
Change in Net Debt	\$10.7M
Cash Used for Repurchase	\$25M
Adjusted Change in Net Debt	(\$14.3M)

Non-GAAP Free Cash Flow



(In \$M's)

Extreme uses the non-GAAP free cash flow metric as a measure of operating performance. Free cash flow represents GAAP net cash provided by operating activities, less purchases of property, plant and equipment. Extreme considers free cash flow as useful information for management and investors regarding the amount of cash generated by the business after the purchases of property, plant and equipment, which can then be used to, among other

things, invest in Extreme's business, make strategic acquisitions, and strengthen the balance sheet. A limitation of the utility of the non-GAAP free cash flow metric as a measure of financial performance is that it does not represent the total increase or decrease in the Company's cash balance for the period. As shown in the table below:

	FQ2'21	FQ1'22	FQ2'22
Operating Cash Flow	\$38.0	\$40.3	\$22.2
PP&E Capital Expenditures	(\$5.0)	(\$3.4)	(\$3.2)
Free Cash Flow	\$33.0	\$36.8	\$19.0

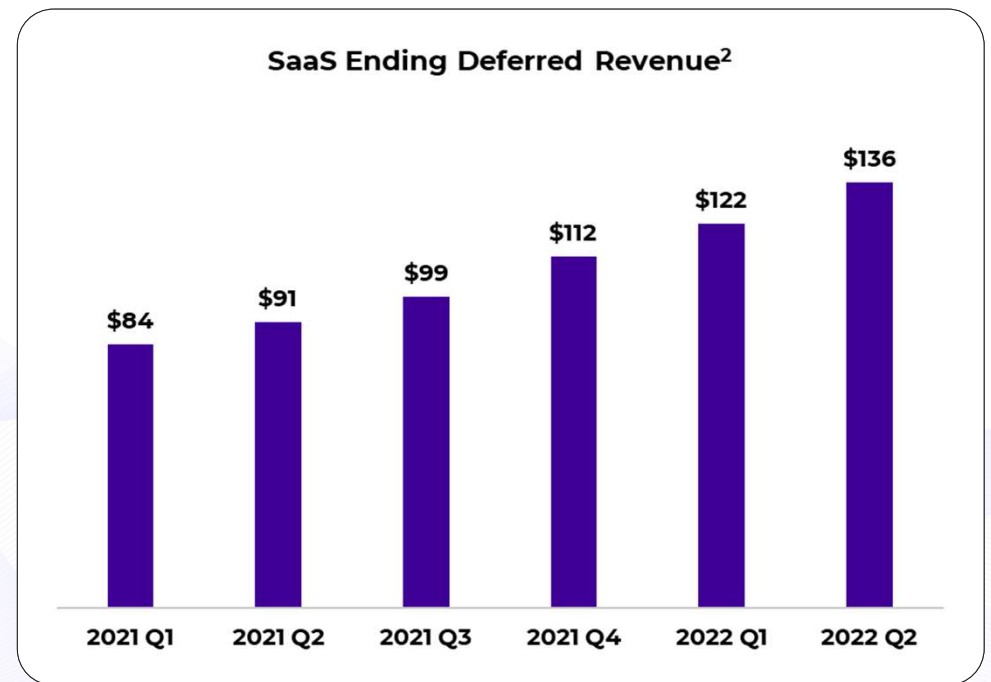
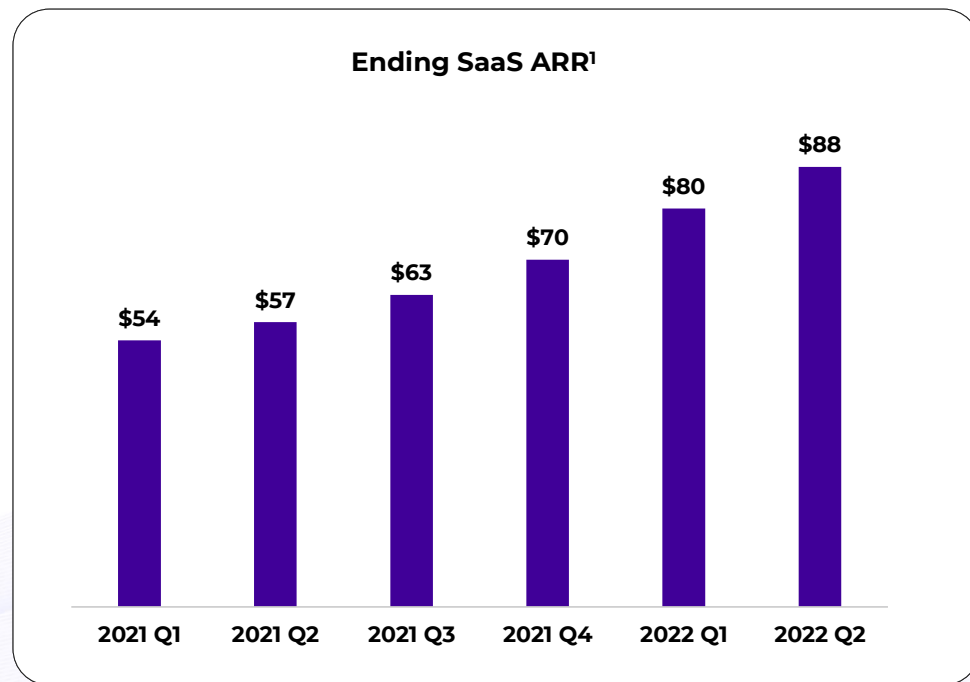
Appendices

- GAAP to Non-GAAP Reconciliations

Note: The totals for some periods may not foot due to rounding. Please see press release for full reconciliation.

Historical SaaS Disclosures

SaaS ARR & SaaS Deferred Ending Revenue (In \$M's)



¹ SaaS Annual Recurring Revenue (ARR) Extreme uses SaaS annual recurring revenue (“SaaS ARR”) to identify the annual recurring value of customer contracts at the end of a reporting period. SaaS ARR represents the projected annualized revenue run-rate of active ExtremeCloud™ IQ (XIQ) and other subscription contracts along with bookings we received at the end of a reporting period. Each contract (either fulfilled or yet to be fulfilled) is annualized by dividing the contract value by the number of months in the contract term and then multiplying by 12. ARR should be viewed independently of revenue and does not represent our revenue under U.S. GAAP on an annualized basis. It is an operating metric that can be impacted by contract start and end dates, bookings changes and renewal rates. ARR is not intended to be a replacement for forecasts of revenue..

² SaaS Ending Deferred Revenue refers to the ending quarterly balance of advance payments received for SaaS goods or services that are to be delivered or performed in the future.

GAAP to Non-GAAP Reconciliations

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



	Quarter		
	FQ2'21	FQ1'22	FQ2'22
Product Revenue	\$ 165.8	\$ 185.2	\$ 191.1
Service Revenue	76.3	82.5	89.8
Total Revenue - GAAP	\$ 242.1	\$ 267.7	\$ 280.9
Gross Margin - GAAP	140.2	155.6	158.8
Gross Margin % - GAAP	57.9%	58.1%	56.5%
Amortization of Product Intangibles	6.6	5.2	4.1
Share-Based Compensation in COGS	0.8	0.7	0.7
Gross Margin - Non-GAAP	\$ 147.6	\$ 161.5	\$ 163.6
Gross Margin % - Non-GAAP	61.0%	60.3%	58.2%

GAAP to Non-GAAP Reconciliations

Operating Income (In M's except percentages)



	Quarter		
	FQ2'21	FQ1'22	FQ2'22
Operating Income - GAAP	\$ 5.7	\$ 18.3	\$ 18.1
Operating Margin- GAAP	2.4%	6.9%	6.4%
Amortization of Product Intangibles	6.6	5.2	4.1
Total Share-Based Compensation	10.1	10.4	11.3
Restructuring Charges, net	0.7	0.3	0.3
Amortization of Non Product Intangibles	1.5	1.3	0.8
Integration Costs in OpEx	-	1.5	2.1
Operating Income - Non-GAAP	\$ 24.6	\$ 37.0	\$ 36.7
Operating Margin - Non-GAAP	10.2%	13.8%	13.1%

GAAP to Non-GAAP Reconciliations

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



	Quarter		
	FQ2'21	FQ1'22	FQ2'22
Net Income (Loss) - GAAP	\$ (3.1)	\$ 12.7	\$ 13.3
Shares - GAAP	123.3	133.2	133.6
EPS - GAAP (Diluted)	\$ (0.02)	\$ 0.10	\$ 0.10
Amortization of Product Intangibles	6.6	5.2	4.1
Total Share-Based Compensation	10.1	10.4	11.3
Restructuring Charges, net	0.7	0.3	0.3
Amortization of Non Product Intangibles	1.5	1.3	0.8
Tax Effect of non-GAAP Adjustments	0.2	(3.4)	(3.5)
Integration and Acquisition Costs in OpEx	-	1.5	2.1
Net Non-GAAP Adjustments	19.1	15.3	15.1
Net Income - Non-GAAP	\$ 16.0	\$ 28.0	\$ 28.4
Shares - Non-GAAP	125.7	133.2	133.6
EPS - Non-GAAP	\$ 0.13	\$ 0.21	\$ 0.21

GAAP to Non-GAAP Reconciliations

EBITDA (In \$M's)



	Quarter		
	FQ2'21	FQ1'22	FQ2'22
Net Income (Loss) - GAAP	\$ (3.1)	\$ 12.7	\$ 13.3
Interest	\$ 6.0	\$ 3.8	\$ 3.0
Provision for Income Taxes	\$ 1.9	\$ 2.1	\$ 1.8
Depreciation/Amortization	13.9	\$ 11.6	\$ 10.1
EBITDA - GAAP	18.7	30.2	28.2
Net Non-GAAP Adjustments	19.1	15.3	15.1
Income taxes included in Net Non-GAAP Adjustments	(0.2)	3.4	3.5
Amortization included in Net Non-GAAP Adjustments	(8.2)	(6.5)	(4.9)
EBITDA - Non-GAAP	\$ 29.4	\$ 42.4	\$ 41.9



FQ3'22 Financial Guidance



FQ3'22 Guidance – GAAP

(In M's except percentages and EPS)



	FQ2'22	FQ3'22 Guidance
Revenue (\$M)	\$280.9	\$276.0 - \$286.0
Gross Margin %	56.5%	55.8% - 57.8%
Net Income	\$13.3	\$5.1 – \$12.6
EPS	\$0.10	\$0.04 – \$0.09

FQ3'22 Guidance – Non-GAAP

(In M's except percentages and EPS)



	FQ2'22	FQ3'22 Guidance
Revenue (\$M)	\$280.9	\$276.0 - \$286.0
Gross Margin %	58.2%	57.3% - 59.3%
Net Income	\$28.4	\$21.3-\$28.7
EPS	\$0.21	\$0.16 – \$0.21

FQ3'22 Guidance - GAAP to Non-GAAP Reconciliation



	Gross Margin Rate	Operating Margin Rate	Earnings per Share
GAAP	55.8% - 57.8%	3.9%-6.4%	\$0.04-\$0.09
Estimated Adjustments for:			
Amortization of Product Intangibles	1.0%	1.0%	\$0.02
Share-Based Compensation	0.2%	3.8%	\$0.08
Restructuring Charges, net	-	0.1%	\$0.00
Acquisition and Integration Costs	-	1.0%	\$0.02
Amortization of Non-product Intangibles	0.3%	0.5%	\$0.01
Non-GAAP Tax Adjustment	-	-	(\$0.01)
Non-GAAP	57.3% - 59.3%	10.5% - 12.7%	\$0.16 - \$0.21



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