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 March 31, 2023

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	**77-0430270**
[State or other jurisdiction of incorporation or organization]	**[I.R.S. Employer Identification No.]**
2121 RDU Center Drive, Suite 300, Morrisville, North Carolina	**27560**
[Address of principal executive offices]	**[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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 April 21, 2023, the registrant had 128,997,325 shares of common stock, $0.001 par value per share, outstanding.

EXTREME NETWORKS, INC.

FORM 10-Q

QUARTERLY PERIOD ENDED

March 31, 2023

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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)

	March 31, 2023	June 30, 2022
ASSETS		
Current assets:		
Cash	$ 202,996	$ 194,522
Accounts receivable, net	158,637	184,097
Inventories	70,310	49,231
Prepaid expenses and other current assets	70,129	61,239
Total current assets	502,072	489,089
Property and equipment, net	45,230	49,578
Operating lease right-of-use assets, net	36,311	36,454
Intangible assets, net	19,622	32,515
Goodwill	394,668	400,144
Other assets	70,496	60,730
Total assets	$ 1,068,399	$ 1,068,510
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt, net of unamortized debt issuance costs of $2,128 and $2,276, respectively	$ 35,872	$ 33,349
Accounts payable	95,960	84,338
Accrued compensation and benefits	48,055	53,710
Accrued warranty	12,302	10,852
Current portion of operating lease liabilities	11,881	13,956
Current portion of deferred revenue	268,561	238,262
Other accrued liabilities	54,215	65,714
Total current liabilities	526,846	500,181
Deferred revenue, less current portion	195,675	163,357
Long-term debt, less current portion, net of unamortized debt issuance costs of $812 and $2,430, respectively	198,188	270,570
Operating lease liabilities, less current portion	33,446	33,256
Deferred income taxes	7,789	7,717
Other long-term liabilities	3,263	3,086
Commitments and contingencies (Note 9)		
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; 143,296 and 139,742 shares issued, respectively; 128,888 and 129,263 shares outstanding, respectively	143	140
Additional paid-in-capital	1,160,289	1,115,416
Accumulated other comprehensive loss	(12,922)	(3,055)
Accumulated deficit	(881,425)	(934,072)
Treasury stock at cost, 14,408 and 10,479 shares, respectively	(162,893)	(88,086)
Total stockholders' equity	103,192	90,343
Total liabilities and stockholders' equity	$ 1,068,399	$ 1,068,510

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		Nine Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Net revenues:				
Product	$ 241,058	$ 198,373	$ 670,779	$ 574,636
Service and subscription	91,449	87,135	277,765	259,489
Total net revenues	332,507	285,508	948,544	834,125
Cost of revenues:				
Product	108,915	92,582	312,265	264,459
Service and subscription	31,654	31,568	95,978	93,919
Total cost of revenues	140,569	124,150	408,243	358,378
Gross profit:				
Product	132,143	105,791	358,514	310,177
Service and subscription	59,795	55,567	181,787	165,570
Total gross profit	191,938	161,358	540,301	475,747
Operating expenses:				
Research and development	54,837	49,615	158,444	145,461
Sales and marketing	83,962	72,840	242,882	213,932
General and administrative	21,683	17,714	64,315	52,594
Acquisition and integration costs	—	2,833	390	6,456
Restructuring and related charges	1,363	407	2,320	978
Amortization of intangibles	510	638	1,537	2,596
Total operating expenses	162,355	144,047	469,888	422,017
Operating income	29,583	17,311	70,413	53,730
Interest income	774	109	2,055	302
Interest expense	(3,946)	(2,794)	(11,656)	(9,750)
Other income (expense), net	(367)	54	142	297
Income before income taxes	26,044	14,680	60,954	44,579
Provision for income taxes	3,913	1,856	8,307	5,718
Net income	$ 22,131	$ 12,824	$ 52,647	$ 38,861
Basic and diluted income per share:				
Net income per share – basic	$ 0.17	$ 0.10	$ 0.41	$ 0.30
Net income per share – diluted	$ 0.17	$ 0.10	$ 0.39	$ 0.29
Shares used in per share calculation – basic	128,816	129,913	129,864	129,321
Shares used in per share calculation – diluted	133,025	133,415	133,716	133,779

See accompanying notes to condensed consolidated financial statements.

EXTREME NETWORKS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Net income	$ 22,131	$ 12,824	$ 52,647	$ 38,861
Other comprehensive income (loss):				
Derivatives designated as hedging instruments:				
Change in unrealized gains on interest rate swaps	16	908	344	1,169
Reclassification adjustment related to interest rate swaps	(732)	231	(1,567)	797
Change in unrealized gains and losses on foreign currency forward contracts	(315)	275	44	214
Net change from derivatives designated as hedging instruments	(1,031)	1,414	(1,179)	2,180
Net change in foreign currency translation adjustments	1,655	57	(8,688)	(689)
Other comprehensive income (loss)	624	1,471	(9,867)	1,491
Total comprehensive income	$ 22,755	$ 14,295	$ 42,780	$ 40,352

See accompanying notes to condensed consolidated financial statements.

EXTREME NETWORKS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

(Unaudited)

	Common Stock		Additional Paid-	Accumulated Other Comprehensive	Treasury Stock		Accumulated	Total Stockholders'
	Shares	Amount	In-Capital	Loss	Shares	Amount	Deficit	Equity
Balance at December 31, 2021	137,478	$ 137	$ 1,092,646	$ (2,791)	(8,426)	$ (68,087)	$ (952,306)	$ 69,599
Net income	—	—	—	—	—	—	12,824	12,824
Other comprehensive income	—	—	—	1,471	—	—	—	1,471
Issuance of common stock from equity incentive plans, net of tax withholdings	1,637	2	4,514	—	—	—	—	4,516
Share-based compensation	—	—	10,853	—	—	—	—	10,853
Balance at March 31, 2022	139,115	139	$ 1,108,013	$ (1,320)	(8,426)	$ (68,087)	$ (939,482)	$ 99,263
Balance at June 30, 2021	133,279	$ 133	$ 1,078,602	$ (2,811)	$ (6,597)	$ (43,113)	$ (978,343)	$ 54,468
Net income	—	—	—	—	—	—	38,861	38,861
Other comprehensive income	—	—	—	1,491	—	—	—	1,491
Issuance of common stock from equity incentive plans, net of tax withholdings	5,836	6	(3,219)	—	—	—	—	(3,213)
Repurchase of stock	—	—	—	—	(1,829)	(24,974)	—	(24,974)
Share-based compensation	—	—	32,630	—	—	—	—	32,630
Balance at March 31, 2022	139,115	$ 139	$ 1,108,013	$ (1,320)	(8,426)	$ (68,087)	$ (939,482)	$ 99,263
Balance at December 31, 2022	142,137	$ 142	$ 1,139,416	$ (13,546)	(13,057)	$ (137,889)	$ (903,556)	$ 84,567
Net income	—	—	—	—	—	—	22,131	22,131
Other comprehensive income	—	—	—	624	—	—	—	624
Issuance of common stock from equity incentive plans, net of tax withholdings	1,159	1	5,497	—	—	—	—	5,498
Repurchase of stock	—	—	—	—	(1,351)	(25,004)	—	(25,004)
Share-based compensation	—	—	15,376	—	—	—	—	15,376
Balance at March 31, 2023	143,296	$ 143	$ 1,160,289	$ (12,922)	(14,408)	$ (162,893)	$ (881,425)	$ 103,192
Balance at June 30, 2022	139,742	$ 140	$ 1,115,416	$ (3,055)	(10,479)	$ (88,086)	$ (934,072)	$ 90,343
Net income	—	—	—	—	—	—	52,647	52,647
Other comprehensive loss	—	—	—	(9,867)	—	—	—	(9,867)
Issuance of common stock from equity incentive plans, net of tax withholdings	3,554	3	(1,688)	—	—	—	—	(1,685)
Repurchase of stock	—	—	—	—	(3,929)	(74,807)	—	(74,807)
Share-based compensation	—	—	46,561	—	—	—	—	46,561
Balance at March 31, 2023	143,296	$ 143	$ 1,160,289	$ (12,922)	(14,408)	$ (162,893)	$ (881,425)	$ 103,192

See accompanying notes to condensed consolidated financial statements.

EXTREME NETWORKS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended	
	March 31, 2023	March 31, 2022
Cash flows from operating activities:		
Net income	$ 52,647	$ 38,861
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	15,014	15,324
Amortization of intangible assets	11,415	15,670
Reduction in carrying amount of right-of-use asset	9,274	11,641
Provision for doubtful accounts	245	(3)
Share-based compensation	46,561	32,630
Deferred income taxes	338	228
Non-cash interest expense	756	3,611
Other	(6,148)	41
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	25,216	(5,068)
Inventories	(21,989)	(4,925)
Prepaid expenses and other assets	2,226	(28,054)
Accounts payable	12,570	8,481
Accrued compensation and benefits	(6,158)	(28,227)
Operating lease liabilities	(11,172)	(14,524)
Deferred revenue	46,502	16,725
Other current and long-term liabilities	(8,778)	1,644
Net cash provided by operating activities	168,519	64,055
Cash flows from investing activities:		
Capital expenditures	(8,634)	(11,130)
Business acquisition, net of cash acquired	—	(69,517)
Net cash used in investing activities	(8,634)	(80,647)
Cash flows from financing activities:		
Payments on debt obligations	(71,625)	(31,000)
Repurchase of common stock	(74,807)	(24,974)
Payments for tax withholdings, net of proceeds from issuance of common stock	(1,685)	(3,213)
Payment of contingent consideration obligations	—	(1,024)
Deferred payments on an acquisition	(3,000)	(3,000)
Net cash used in financing activities	(151,117)	(63,211)
Foreign currency effect on cash	(294)	(525)
Net increase (decrease) in cash	8,474	(80,328)
Cash at beginning of period	194,522	246,894
Cash at end of period	$ 202,996	$ 166,566

See accompanying notes to the condensed consolidated financial statements.

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, 2022 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, 2022.

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 March 31, 2023. The results of operations for the three and nine months ended March 31, 2023 are not necessarily indicative of the results that may be expected for fiscal 2023 or any future periods.

Fiscal Year

The Company uses a fiscal calendar year ending on June 30. All references herein to "fiscal 2023" represent the fiscal year ending June 30, 2023. All references herein to "fiscal 2022" represent the fiscal year ended June 30, 2022.

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, 2022. 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

In December 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, which extends the period of time entities can utilize the reference rate reform relief guidance under ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* from December 31, 2022 to December 31, 2024. Upon issuance of ASU 2020-04, the Company elected to apply certain of the optional expedients for contract modifications to its financial instruments impacted by the London Interbank Offered Rate ("LIBOR") discontinuance. The Company expects to continue to elect various optional expedients for contract modifications to the Company's financial instruments affected by the reference rate reform through the effective date of December 31, 2024, as extended by ASU 2022-06. The application of this guidance did not have any impact on our consolidated financial statements.

3. Revenues

The Company accounts for revenues in accordance with ASU 2014-09, *Revenue from Contracts from Customers (Topic 606)*. The Company derives the majority of its revenues from sales of its networking equipment, with the remaining revenues generated from sales of services and subscriptions, which primarily includes maintenance contracts and software subscriptions delivered as software as a service (“SaaS”) and additional revenues from professional services, and training for its products. The Company sells its products, maintenance contracts and SaaS direct to customers and to partners in two distribution channels, or tiers. The first tier consists of a limited number of independent distributors that stock its 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 services 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 Topic 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 service, subscription, and SaaS revenues are recognized over time. For revenues recognized over time, the Company uses an input measure, days elapsed, to measure progress.

On March 31, 2023, the Company had $464.2 million of remaining performance obligations, which are primarily comprised of deferred maintenance and deferred SaaS revenues. The Company expects to recognize approximately 20% of its deferred revenue as revenue in the remainder of fiscal 2023, an additional 44% in fiscal 2024 and 36% 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 sometimes 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 March 31, 2023 and 2022 that was included in the deferred revenue balance at the beginning of each period was $81.0 million and $77.3 million, respectively. Revenue recognized for the nine months ended March 31, 2023 and 2022 that was included in the deferred revenue balance at the beginning of each period was $193.7 million and $176.1 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 service and subscription contracts and contract renewals are recoverable and therefore the Company’s condensed consolidated balance sheets included capitalized balances in the amount of $18.2 million and $16.3 million at March 31, 2023 and June 30, 2022, 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 March 31, 2023 and 2022, was $2.3 million and $1.9 million, respectively. Amortization recognized during the nine months ended March 31, 2023 and 2022, was $6.7 million and $5.5 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 revenues disaggregated by sales channel and geographic region based on the billing addresses of its customers (in thousands):

	Three Months Ended					
	March 31, 2023			March 31, 2022		
	Distributor	Direct	Total	Distributor	Direct	Total
Americas:						
United States	$ 74,743	$ 64,337	$ 139,080	$ 59,582	$ 60,852	$ 120,434
Other	14,079	4,523	18,602	7,574	3,513	11,087
Total Americas	88,822	68,860	157,682	67,156	64,365	131,521
EMEA	111,664	40,326	151,990	101,980	36,844	138,824
APAC	5,186	17,649	22,835	40	15,123	15,163
Total net revenues	$ 205,672	$ 126,835	$ 332,507	$ 169,176	$ 116,332	$ 285,508

	Nine Months Ended					
	March 31, 2023			March 31, 2022		
	Distributor	Direct	Total	Distributor	Direct	Total
Americas:						
United States	$ 245,852	$ 203,991	$ 449,843	$ 184,215	$ 196,768	$ 380,983
Other	14,080	4,523	18,603	19,238	11,835	31,073
Total Americas	259,932	208,514	468,446	203,453	208,603	412,056
EMEA	285,066	120,482	405,548	248,812	114,703	363,515
APAC	14,627	59,923	74,550	9,409	49,145	58,554
Total net revenues	$ 559,625	$ 388,919	$ 948,544	$ 461,674	$ 372,451	$ 834,125

For three and nine months ended March 31, 2023 the Company generated 17% and 12% of its revenues from the Netherlands, respectively. For the three and nine months ended March 31, 2022 the Company generated 18% and 12% of its revenues from the Netherlands. No other foreign country accounted for 10% or more of revenue for the three and nine months ended March 31, 2023 and 2022.

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		Nine Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Westcon Group, Inc.	25%	25%	20%	18%
TD Synnex Corporation	19%	17%	19%	20%
Jenne, Inc.	15%	20%	14%	17%

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

	March 31, 2023	June 30, 2022
Jenne, Inc.	25%	28%
Westcon Group, Inc.	21%	*
TD Synnex Corporation	*	11%

* Less than 10% of accounts receivable.

4. Business Combination

Fiscal 2022 Acquisition

Ipanema Acquisition

On September 14, 2021 (the "Acquisition Date"), the Company completed its acquisition (the "Acquisition") of Ipanematech SAS ("Ipanema"), the cloud-native enterprise Software-Defined Wide Area Network ("SD-WAN") business unit of Infovista pursuant to a Sale and Purchase Agreement. Under the terms of the Acquisition, the net consideration paid by Extreme to Ipanema stockholders was $70.9 million, which was funded through cash on hand. The primary reason for the acquisition was to acquire the talent and the technology to allow the Company to expand its portfolio with new cloud-managed SD-WAN and security offerings to support its enterprise customers.

The Acquisition was accounted for using the acquisition method of accounting whereby the acquired assets and liabilities of Ipanema have been recorded at their respective fair values and added to those of the Company including an amount for goodwill calculated as the difference between the acquisition consideration and the fair value of the identifiable net assets. The purchase price has been allocated to tangible and identifiable intangible assets acquired and liabilities assumed. Of the total purchase consideration, $68.9 million was allocated to goodwill, $16.3 million to identifiable intangible assets and the remainder to net tangible liabilities assumed. All valuations were finalized as of June 30, 2022.

The unaudited pro forma results of operations reflect the Acquisition as if it had occurred on July 1, 2020, the beginning of fiscal 2021, after giving effect to purchase accounting adjustments relating to depreciation and amortization of intangibles and acquisition and integration costs.

The pro forma results of operations are not necessarily indicative of the combined results that would have occurred had the acquisition been consummated as of the beginning of fiscal 2021, nor are they necessarily indicative of future operating results. The unaudited pro forma results do not include the impact of synergies, nor any potential impacts on current or future market conditions, which could alter the unaudited pro forma results.

The unaudited pro forma financial information for the three and nine months ended March 31, 2022 combines the historical results for Extreme for that period, which include the results of Ipanema subsequent to the Acquisition Date, and Ipanema's historical results up to the Acquisition Date.

The following table summarizes the unaudited pro forma financial information (in thousands, except per share amounts):

	Three months ended March 31, 2022*	Nine Months Ended March 31, 2022*
Net revenues	$ 285,508	$ 837,251
Net income	$ 15,657	$ 47,201
Net income per share – basic	$ 0.12	$ 0.36
Net income per share – diluted	$ 0.12	$ 0.35
Shares used in per share calculation – basic	129,913	129,321
Shares used in per share calculation – diluted	133,415	133,779

*Amount reflects the adoption of ASU 2021-08, Business Combinations (Topic 805): *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which the Company early adopted the standard in the quarter ended December 31, 2021 and retrospectively applied to the fiscal year beginning July 1, 2021.

5. Balance Sheet Accounts

Inventories

Inventories are stated at the lower of cost, determined on the first-in, first-out ("FIFO") basis, 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.

Inventories consist of the following (in thousands):

	March 31, 2023	June 30, 2022
Finished goods	$ 62,089	$ 40,733
Raw materials	8,221	8,498
Total inventories	$ 70,310	$ 49,231

Property and Equipment, Net

Property and equipment, net consist of the following (in thousands):

	March 31, 2023	June 30, 2022
Computers and equipment	$ 71,218	$ 75,387
Purchased software	50,306	47,161
Office equipment, furniture and fixtures	8,682	9,463
Leasehold improvements	52,104	52,564
Total property and equipment	182,310	184,575
Less: accumulated depreciation and amortization	(137,080)	(134,997)
Property and equipment, net	$ 45,230	$ 49,578

Deferred Revenue

Deferred revenue represents invoiced amounts for deferred maintenance, support, 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 three and nine months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended		Nine Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Balance beginning of period	$ 11,820	$ 11,137	$ 10,852	$ 11,623
Warranties assumed due to acquisition	—	—	—	41
New warranties issued	4,161	3,104	11,976	9,636
Warranty expenditures	(3,679)	(3,665)	(10,526)	(10,724)
Balance end of period	$ 12,302	$ 10,576	$ 12,302	$ 10,576

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 for intellectual property infringement and certain other losses. 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.

6. 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 at March 31, 2023 and June 30, 2022 (in thousands).

March 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
Foreign currency derivatives	$ —	$ 35	$ —	$ 35
Interest rate swaps	—	92	—	92
Total assets measured at fair value	$ —	$ 127	$ —	$ 127
Liabilities				
Foreign currency derivatives	$ —	$ 15	$ —	$ 15
Total liabilities measured at fair value	$ —	$ 15	$ —	$ 15

June 30, 2022	Level 1	Level 2	Level 3	Total
Assets				
Interest rate swaps	$ —	$ 1,314	$ —	$ 1,314
Total assets measured at fair value	$ —	$ 1,314	$ —	$ 1,314
Liabilities				
Foreign currency derivatives	$ —	$ 31	$ —	$ 31
Total liabilities measured at fair value	$ —	$ 31	$ —	$ 31

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 fair value of derivative instruments under the Company's foreign exchange forward contracts and interest rate swaps are estimated based on valuations provided by alternative pricing sources supported by observable inputs which is considered Level 2.

As of March 31, 2023 and June 30, 2022, the Company had foreign exchange forward contracts that were not designated as hedging instruments with notional principal amounts of $11.2 million and $9.6 million, respectively. These contracts have maturities of 60 days or less. Changes in the fair value of these foreign exchange forward contracts not designated as hedging instruments are included in other income or expenses in the condensed consolidated statement of operations. For the three and nine months ended March 31, 2023, there were net gains of $0.1 million and net losses of $0.3 million, respectively. For the three and nine months ended March 31, 2022, there were net losses of $0.1 million and $0.4 million, respectively. As of March 31, 2023, the Company had foreign exchange forward contracts that were designated as hedging instruments with a notional principal amount of $5.4 million. These contracts have maturities of less than twelve months. Unrealized gains and losses arising from these contracts designated as hedging instruments are recorded as a component of accumulated other comprehensive loss in the condensed consolidated balance sheet. As of March 31, 2023, these contracts had an unrealized gain of less than $0.1 million. As of June 30, 2022, there were no outstanding foreign exchange forward contracts that were designated as hedging instruments. See Note 13, Derivatives and Hedging, for additional information.

The fair values of the interest rate swaps are based upon inputs corroborated by observable market data which is considered Level 2. As of March 31, 2023 and June 30, 2022, the Company had interest rate swap contracts, designated as cash flow hedges, with the total notional amount of $75.0 million. Changes in the fair value of these contracts are recorded as a component of accumulated other comprehensive loss in the condensed consolidated balance sheet. As of March 31, 2023 and June 30, 2022, these contracts had unrealized gains of $0.1 million and $1.3 million, respectively. See Note 13, Derivatives and Hedging, for additional information.

The fair value of borrowings under the 2019 Credit Agreement (as defined in Note 8) 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 for the 2019 Credit Agreement, the fair value approximates the face amount of the Company's indebtedness of $237.0 million and $308.6 million as of March 31, 2023 and June 30, 2022, 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 March 31, 2023 and June 30, 2022, 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 and Level 3 during the three and nine months ended March 31, 2023 and 2022. There were no impairments recorded for the three and nine months ended March 31, 2023 and 2022.

7. Intangible Assets and Goodwill

Intangible Assets

The following tables summarize the components of gross and net intangible asset balances (dollars in thousands):

	Weighted Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
March 31, 2023				
Developed technology	3.4 years	$ 169,441	$ 156,541	$ 12,900
Customer relationships	3.4 years	64,704	58,249	6,455
Trade names	0.0 years	10,700	10,700	—
License agreements	3.7 years	2,445	2,178	267
Total intangibles, net*		$ 247,290	$ 227,668	$ 19,622

* Foreign intangible assets carrying amounts are affected by foreign currency translation.

	Weighted Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
June 30, 2022				
Developed technology	3.3 years	$ 170,600	$ 146,560	$ 24,040
Customer relationships	3.9 years	64,839	56,704	8,135
Trade names	0.1 years	10,700	10,680	20
License agreements	4.4 years	2,445	2,125	320
Total intangibles, net*		$ 248,584	$ 216,069	$ 32,515

* Foreign intangible assets carrying amounts are affected by foreign currency translation.

The amortization expense of intangibles for the periods presented is summarized below (in thousands):

	Three Months Ended		Nine Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Amortization of intangibles in “Total cost of revenues”	$ 3,052	$ 3,639	$ 9,878	$ 13,074
Amortization of intangibles in “Total operating expenses”	510	638	1,537	2,596
Total amortization expense	$ 3,562	$ 4,277	$ 11,415	$ 15,670

The amortization expense that is recognized in “Total cost of revenues” is comprised of amortization for most of the 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):

For the fiscal year ending:	
2023 (the remainder of fiscal 2023)	$ 3,688
2024	5,250
2025	4,485
2026	3,214
2027	1,440
Thereafter	1,545
Total	$ 19,622

Goodwill

The Company had Goodwill in the amount of $394.7 million and $400.1 million as of March 31, 2023 and June 30, 2022, respectively. The change in goodwill during the nine months ended March 31, 2023 is due to foreign currency translation adjustment that is recorded as a component of accumulated other comprehensive loss.

8. Debt

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

	March 31, 2023	June 30, 2022
Current portion of long-term debt:		
Term Loan	$ 38,000	$ 35,625
Less: unamortized debt issuance costs	(2,128)	(2,276)
Current portion of long-term debt	$ 35,872	$ 33,349
Long-term debt, less current portion:		
Term Loan	$ 199,000	$ 273,000
Less: unamortized debt issuance costs	(812)	(2,430)
Total long-term debt, less current portion	198,188	270,570
Total debt	$ 234,060	$ 303,919

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.

The 2019 Credit Agreement provides for a five-year first lien term loan facility in an aggregate principal amount of $380.0 million and a five-year revolving loan facility in an aggregate principal amount of $75.0 million (the “2019 Revolving Facility”). In addition, the Company may request incremental term loans and/or incremental revolving loan commitments in an aggregate amount not to exceed the sum of $100.0 million, plus an unlimited amount that is subject to pro forma compliance with certain financial tests. On August 9, 2019, the Company used the additional proceeds from the term loan to partially fund the acquisition of Aerohive Networks, Inc. and for working capital and general corporate purposes.

At the Company’s election, the initial term loan under the 2019 Credit Agreement may be made as either base rate loans or Eurodollar loans. The applicable margin for base rate loans ranges from 0.25% to 2.50% per annum and the applicable margin for Eurodollar loans ranges from 1.25% to 3.50%, in each case based on Extreme’s consolidated leverage ratio. All Eurodollar loans are subject to a Base Rate of 0.00%. In addition, the Company is required to pay a commitment fee of between 0.25% and 0.40% quarterly (currently 0.25%) on the unused portion of the 2019 Revolving Facility, also based on the Company’s consolidated leverage ratio. Principal installments are payable on the new term loan in varying percentages quarterly starting December 31, 2019 and to the extent not previously paid, all outstanding balances are to be paid at maturity. The 2019 Credit Agreement is secured by substantially all of the Company’s assets.

The 2019 Credit Agreement requires the Company to maintain certain minimum financial ratios at the end of each fiscal quarter. The 2019 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 2019 Credit Agreement also includes customary events of default which may result in acceleration of the payment of the outstanding balance.

On April 8, 2020, the Company entered into an amendment to the 2019 Credit Agreement (the “First Amendment”) to waive certain terms and financial covenants of the 2019 Credit Agreement through July 31, 2020. On May 8, 2020, the Company entered into a second amendment to the 2019 Credit Agreement (the “Second Amendment”), which superseded the First Amendment and provided certain revised terms and financial covenants through March 31, 2021. The Second Amendment required the Company to maintain certain minimum cash requirement and financial metrics at the end of each fiscal quarter through March 31, 2021 and the Company was restricted from pursuing certain activities such as incurring additional debt, stock repurchases, making acquisitions or declaring a dividend, until the Company was in compliance with the original covenants of the 2019 Credit Agreement.

On November 3, 2020, the Company and its lenders entered into a Third Amendment to the 2019 Credit Agreement (the “Third Amendment”), to increase the sublimit for letters of credit to $20.0 million. On December 8, 2020, the Company and its lenders entered into a fourth amendment to the 2019 Credit Agreement (the “Fourth Amendment”), to waive and amend certain terms and financial covenants within the 2019 Credit Agreement through March 31, 2021.

The Second Amendment provided for the Company to end the covenant Suspension Period early and revert to the covenants and interest rates per the original terms of the 2019 Credit Agreement dated August 9, 2019 by filing a Suspension Period Early Termination Notice and Covenant Certificate demonstrating compliance. For the twelve-month period ended March 31, 2021, the Company’s financial performance was in compliance with the original covenants defined in the 2019 Credit Agreement and, as such, the Company filed a Suspension Early Termination Notice and Covenant Certificate with the administration agent subsequent to filing the Company’s Quarterly Report on Form 10-Q for the period ended March 31, 2021. Returning to compliance, the original terms and financial covenants under the 2019 Credit Agreement dated August 9, 2019 resumed in effect. During the three and nine months ended March 31, 2023, the Company was in compliance with all the terms and financial covenants under the 2019 Credit Agreement.

Financing costs incurred in connection with obtaining long-term financing are deferred and amortized over the term of the related indebtedness or credit agreement. Amortization of deferred financing costs included in “Interest expense” in the accompanying condensed consolidated statements of operations were $0.7 million each for the three months ended March 31, 2023 and 2022 and totaled $2.2 million and $2.3 million for the nine months ended March 31, 2023 and 2022, respectively. The interest rate as of March 31, 2023 was 5.97% and as of March 31, 2022 was 2.07%.

As of March 31, 2023, the Company did not have any outstanding balance against its 2019 Revolving Facility’s outstanding balance. The Company had $60.2 million of availability under the 2019 Revolving Facility as of March 31, 2023. During the nine months ended March 31, 2023 and 2022, the Company made an additional payment of $45.5 million and $12.0 million, respectively, against its term loan facility, respectively.

The Company had $14.8 million of outstanding letters of credit as of March 31, 2023.

9. 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 March 31, 2023, the Company had commitments to purchase $56.8 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 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.

XR Communications, LLC d/b/a Vivato Technologies v. Extreme Networks, Inc.

On April 19, 2017, XR Communications, LLC (“XR”) (d/b/a Vivato Technologies) filed a patent infringement lawsuit against the Company in the Central District of California. The operative Second Amended Complaint asserts infringement of certain U.S. Patents based on the Company’s manufacture, use, sale, offer for sale, and/or importation into the United States of certain access points and routers supporting multi-user, multiple-input, multiple-output technology. XR seeks unspecified damages, on-going royalties, pre- and post-judgment interest, and attorneys’ fees. The Court dismissed the case without prejudice on January 4, 2022 and on April 18, 2022, entered final judgment in favor of the Company. XR filed a notice of appeal on May 9, 2022 and the Company and other defendants filed a response brief on November 7, 2022.

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. The matter is proceeding through the appellate process.

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 has filed an appeal. 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.

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. On March 20, 2023, the Company filed a motion to refer questions to the US Copyright Office on the invalidity of SNMP’s copyrights. The trial date has been set for October 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.

The Company filed a nullity complaint against EP '498 with the German Federal Patent Court on September 24, 2021. This matter is still pending.

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.

10. Stockholders' Equity

Stockholders' Rights Agreement

On May 17, 2021, the Company entered into the Amended and Restated Tax Benefit Preservation Plan (the "2021 Tax Benefit Preservation Plan"), which amended and restated the Amended and Restated Rights Agreement between the Company and Computershare Shareholder Services LLC, as the rights agent. The 2021 Tax Benefit Preservation Plan was approved by stockholders of the Company at the annual meeting of stockholders held on November 4, 2021. The 2021 Tax Benefit Preservation Plan governs the terms of each right ("Right") that has been issued with respect to each share of common stock of Extreme Networks. Each Right initially represents the right to purchase one one-thousandth of a share of the Company's Preferred Stock.

The Company's Board of Directors (the "Board") adopted the 2021 Tax Benefit Preservation Plan to preserve the value of deferred tax assets, including net operating loss carry forwards of the Company, with respect to its ability to fully use its tax benefits to offset future income which may be limited if the Company experiences an "ownership change" for purposes of Section 382 of the Internal Revenue Code of 1986 as a result of ordinary buying and selling of shares of its common stock. Following its review of the terms of the plan, the Board decided it was necessary and in the best interests of the Company and its stockholders to enter into the 2021 Tax Benefit Preservation Plan.

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 12, 2022 to increase the maximum number of available shares by 6.5 million shares. The amendment was approved by the stockholders of the Company at the annual meeting of stockholders held on November 17, 2022.

Employee Stock Purchase Plan

The Compensation Committee of the Board unanimously approved an amendment to the 2014 Employee Stock Purchase Plan (the "ESPP") on September 9, 2021 to increase the maximum number of shares that will be available for sale thereunder by 7.5 million shares. The amendment was approved by the stockholders of the Company at the annual meeting of stockholders held on November 4, 2021.

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 March 31, 2023, the Company repurchased a total of 1,350,568 shares of its common stock on the open market at a total cost of $25.0 million with an average price of $18.51 per share. During the nine months ended March 31, 2023, the Company repurchased a total of 3,928,743 shares of its common stock on the open market at a total cost of $74.8 million with an average price of $19.04 per share. During the nine months ended March 31, 2022, the Company repurchased a total of 1,829,333 shares of its common stock on the open market at total cost of $25.0 million with an average price of $13.65 per share pursuant to a share repurchase authorization that was replaced by the 2022 Repurchase Program. As of March 31, 2023, approximately $125.2 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 expects that the impact of the excise tax on net corporate stock repurchases will not be material for fiscal 2023.

11. 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):

	March 31, 2023	June 30, 2022
2013 Equity Incentive Plan shares available for grant	10,701	11,430
Employee stock options and awards outstanding	9,995	7,616
2014 Employee Stock Purchase Plan	8,467	9,961
Total shares reserved for issuance	29,163	29,007

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		Nine Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Cost of product revenues	$ 492	$ 291	$ 1,365	$ 904
Cost of service and subscription revenues	930	343	2,568	1,056
Research and development	3,883	2,446	10,935	7,568
Sales and marketing	5,777	3,832	16,326	11,267
General and administrative	4,294	3,941	15,367	11,835
Total share-based compensation expense	$ 15,376	$ 10,853	$ 46,561	$ 32,630

Stock Options

The following table summarizes stock option activity for the nine months ended March 31, 2023 (in thousands, except per share 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, 2022	1,187	$ 6.56	3.70	$ 2,801
Granted	—	—		
Exercised	—	—		
Canceled	—	—		
Options outstanding at March 31, 2023	1,187	$ 6.56	2.95	$ 14,909
Vested and expected to vest at March 31, 2023	1,187	$ 6.56	2.95	$ 14,909
Exercisable at March 31, 2023	1,108	$ 6.55	2.91	$ 13,921

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 and nine months ended March 31, 2023 and 2022. There were no stock options exercised during the three and nine months ended March 31, 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 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 nine months ended March 31, 2023 (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, 2022	6,429	$ 9.57	
Granted	6,400	14.65	
Released	(3,285)	8.42	
Canceled	(736)	12.70	
Non-vested stock awards outstanding at March 31, 2023	8,808	$ 13.43	$ 168,413
Stock awards expected to vest at March 31, 2023	8,808	$ 13.43	$ 168,413

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 nine months ended March 31, 2023 included 1.4 million RSUs including the market condition awards discussed below to named executive officers and directors.

Market Condition Awards

During the nine months ended March 31, 2023 and 2022, the Compensation Committee of the Board granted 1.0 million and 0.7 million RSUs, respectively, with vesting based on market conditions ("MSU") to certain of the Company's executive officers. These MSUs vest based on the Company's total shareholder return ("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%

Total shareholder return 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 MSUs granted during the nine months ended March 31, 2023 was $16.57 per share. The assumptions used in the Monte Carlo simulation included the expected volatility of 67%, risk-free interest rate of 3.12%, 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 weighted-average grant-date fair value of the MSUs granted during the nine months ended March 31, 2022 was $12.69 per share. The assumptions used in the Monte Carlo simulation included the expected volatility of 66%, risk-free rate of 0.44%, 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.

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 upon 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 0.8 million and 1.0 million shares issued under the ESPP during the three months ended March 31, 2023 and 2022, respectively. There were 1.5 million and 2.0 million shares issued under the ESPP during the nine months ended March 31, 2023 and 2022, 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		Employee Stock Purchase Plan Nine Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Expected term	0.5 years	0.5 years	0.5 years	0.5 years
Risk-free interest rate	4.98 %	0.67 %	3.84 %	0.33 %
Volatility	49 %	45 %	55 %	49 %
Dividend yield	— %	— %	— %	— %

The weighted-average grant-date fair value of shares under the ESPP during the three months ended March 31, 2023 and 2022 was $5.63 and $3.49 per share, respectively. The weighted-average grant-date fair value of shares under the ESPP during the nine months ended March 31, 2023 and 2022 was $4.87 and $3.32 per share, respectively.

12. 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 CEO, 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 regions and channel based on the customer's billing address.

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

	March 31, 2023	June 30, 2022
Americas	$ 123,937	$ 130,715
EMEA	36,064	36,792
APAC	11,658	11,770
Total long-lived assets	$ 171,659	$ 179,277

13. Derivatives and Hedging

Interest Rate Swaps

The Company is exposed to interest rate risk on its debt. The Company enters into interest rate swap contracts to effectively manage the impact of fluctuations of interest rate changes on its outstanding debt which has a floating interest rate. The Company does not enter into derivative contracts for trading or speculative purposes.

At the inception date of the derivative contract, the Company performs an assessment of these contracts and has designated these contracts as cash flow hedges. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreement without exchange of the underlying notional amount. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, by performing qualitative and quantitative assessment, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items. Changes in the fair value of a derivative that is qualified, designated and highly effective as a cash flow hedge are recorded in other comprehensive income (loss). When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively. In accordance with ASC 815 "Derivatives and Hedging," the Company may prospectively discontinue the hedge accounting for an existing hedge if the applicable criteria are no longer met, the derivative instrument expires, is sold, terminated or exercised or if the Company removes the designation of the respective cash flow hedge. In those circumstances, the net gain or loss remains in accumulated other comprehensive income (loss) and is reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings, unless the forecasted transaction is no longer probable in which case the net gain or loss is reclassified into earnings immediately.

During fiscal 2020, the Company entered into multiple interest rate swap contracts, designated as cash flow hedges, to hedge the variability of cash flows in interest payments associated with the Company's various tranches of floating-rate debt. As of March 31, 2023 and 2022, the total notional amount of these interest rate swaps were $75.0 million and $200.0 million, respectively, and had maturity dates through April 2023. As of March 31, 2023 and 2022, these contracts had unrealized gains of $0.1 million and $0.8 million, respectively, and are recorded in "Accumulated other comprehensive loss" with the associated asset in "Prepaid expenses and other current assets", in the condensed consolidated balance sheets. Cash flows associated with periodic settlements of interest rate swaps are classified as operating activities in the condensed consolidated statement of cash flows. Realized gains and losses are recognized as they accrue in interest expense. Amounts reported in accumulated other comprehensive loss related to these cash flow hedges are reclassified to interest expense over the life of the swap contracts. The Company estimates that $0.1 million will be reclassified to interest income over the next twelve months. The classification and fair value of these cash flow hedges are discussed in Note 6, Fair Value Measurements.

Foreign Exchange Forward Contracts

The Company uses derivative financial instruments to manage exposures to foreign currency 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 primarily 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, net" in the accompanying condensed consolidated statements of operations. As of March 31, 2023 and 2022, foreign exchange forward contracts not designated as hedging instruments had a total notional principal amounts of $11.2 million and $20.2 million, respectively. These contracts have maturities of 60 days or less. The net gains and losses recorded in the condensed consolidated statement of operations from these contracts during the three and nine months ended March 31, 2023 were net gain of $0.1 million and net loss of $0.3 million, respectively, and during the three and nine months ended March 31, 2022 there were net losses of $0.1 million and $0.4 million, respectively. Changes in the fair value of these foreign exchange forward contracts are offset largely by remeasurement of the underlying assets and liabilities.

For foreign exchange forward contracts designated as hedging instruments. These contracts have maturities of less than twelve months, and unrealized gains and losses arising from these contracts are recorded as a component of "accumulated other comprehensive loss" on the condensed consolidated balance sheets. The hedging gains and losses in "accumulated other comprehensive loss" are subsequently reclassified to expenses, as applicable, in the condensed consolidated statements of operations in the same period in which the underlying transactions affect the Company's earnings. As of March 31, 2023 and 2022, foreign exchange forward contracts designated as hedging instruments had the notional amount of $5.4 million and $0.2 million, respectively. As of March 31, 2023 and 2022, these contracts had unrealized gains of less than $0.1 million each.

For the three months ended March 31, 2023 and 2022, the Company recognized total foreign currency loss of $0.3 million and gains of $0.3 million, respectively, and for the nine months ended March 31, 2023 and 2022, the Company recognized total foreign currency gains of $0.5 million and $0.6 million, respectively, related to the change in fair value of foreign currency denominated assets and liabilities.

14. Restructuring and Related Charges

The Company recorded $1.4 million and $2.3 million of restructuring and related charges during the three and nine months ended March 31, 2023, respectively, which primarily included additional facilities charges related to previously impaired facilities and a $0.8 million related to the fiscal 2023 restructuring plan as noted below.

During the third quarter of fiscal 2023, the Company initiated a restructuring plan to transform our business infrastructure and reduce our facilities footprint and the facilities related charges (the "2023 Plan"). As part of this project the Company will move 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 our labs. The Company expects that the project will take about 18 to 24 months for completion and expects to incur charges of approximately $10.0 million throughout this period primarily for asset disposals, contractor costs, severance, relocation and other non-recurring fees.

The Company recorded $0.4 million and $1.0 million of restructuring and related charges during the three and nine months ended March 31, 2022 which primarily included additional facility related expenses related to previously impaired facilities. The Company had minimal activity related to the 2020 Plan during the three months ended March 31, 2022. Severance and benefit restructuring charges consisted primarily of employee severance and benefit expenses incurred under the reduction-in-force action initiated in the third quarter of fiscal 2020 (the “2020 Plan”) to reduce operating costs and enhance financial flexibility as a result of disruptions caused by the COVID-19 global pandemic. With the reduction and realignment of the headcount under the 2020 Plan, the Company relocated certain of its lab test equipment to third-party consulting companies. The Company incurred $9.6 million of charges under the 2020 Plan and completed the 2020 Plan in the fourth quarter of fiscal 2022. As of June 30, 2022, the Company has no restructuring liabilities related to the 2020 Plan in the accompanying condensed consolidated balance sheets.

Restructuring liabilities are recorded in “Other accrued liabilities” in the accompanying condensed consolidated balance sheets. As of March 31, 2023 the restructuring liability was $0.4 million related to the 2023 Plan and as of March 31, 2022, the restructuring liability was less than $0.1 million.

15. Income Taxes

For the three months ended March 31, 2023 and 2022, the Company recorded an income tax provision of $3.9 million and $1.9 million, respectively. For the nine months ended March 31, 2023 and 2022, the Company recorded an income tax provision of $8.3 million and $5.7 million, respectively.

The income tax provisions for the three and nine months ended March 31, 2023 and 2022, 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. The interim income tax provisions for the three and nine months ended March 31, 2023 and 2022 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 a cumulative loss over the last three years, coupled with its difficulty in forecasting future revenue trends by jurisdiction and the cyclical nature of its business represent sufficient negative evidence to require full valuation allowances 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.

On September 14, 2021, the Company completed its acquisition of Ipanema. This acquisition has been treated as a non-taxable stock acquisition and, therefore, Extreme will have carryover tax basis in the assets and liabilities acquired. A deferred tax liability has been established for the non-deductible amortization of the associated intangibles under U.S. GAAP.

The Company had $18.3 million of unrecognized tax benefits as of March 31, 2023. If fully recognized in the future, $0.3 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 2001 forward due to NOLs and the Company's state income tax returns are subject to examination for fiscal years 2000 and forward due to NOLs. The Company is not currently under audit for income tax purposes in any material jurisdictions.

16. Net Income Per Share

Basic net income per share is calculated by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Diluted income per share is calculated by dividing net income by the weighted-average number of shares of common stock used in the basic net income 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 per share of basic and diluted (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Net income	$ 22,131	$ 12,824	$ 52,647	$ 38,861
Weighted-average shares used in per share calculation – basic	128,816	129,913	129,864	129,321
Options to purchase common stock	748	535	678	637
Restricted stock units	3,461	2,967	3,174	3,821
Weighted-average shares used in per share calculation – diluted	133,025	133,415	133,716	133,779
Net income per share – basic and diluted				
Net income per share – basic	$ 0.17	$ 0.10	$ 0.41	$ 0.30
Net income per share – diluted	$ 0.17	$ 0.10	$ 0.39	$ 0.29

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

	Three Months Ended		Nine Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Restricted stock units	143	118	116	57
Employee Stock Purchase Plan shares	238	386	78	127
Total shares excluded	381	504	194	184

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

This Quarterly Report on Form 10-Q for the third quarter ended March 31, 2023 (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, 2022, and other filings we have made with the Securities and Exchange Commission. These risk factors, include, but are not limited to: risks related to supply chain disruptions; 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 political, social, economic, currency and regulatory factors (such as the outbreak of COVID-19); risks related to pending or future litigation; a dependency on third parties for certain components and for the manufacturing of our products and our ability to receive the anticipated benefits of acquired businesses.

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. 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 Operations and analytics to help customers deliver secure connectivity at the edge of the network, speed cloud deployments and uncover actionable insights saves time, lowers costs and streamlines operations. Extreme is currently managing more than two million devices in the cloud.

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 more than 50,000 customers and 10 million daily end users across the world including 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 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. Machine Learning (“ML”) and Artificial Intelligence (“AI”) technologies have the potential to vastly improve the network experience in the post-pandemic world by collating large data sets to increase accuracy and derive resolutions to improve the operation of the network. When ML and AI 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 faced with managing more endpoints. With that comes a host of challenges. This continued expansion creates issues such as: a higher risk of cyberattacks, an increase in applications running across the network which creates a need for more bandwidth.

With more endpoints to manage, application performance suffers, and the tug on internal systems and IT staff becomes more intense. There are more alarms, more IT tickets and often time technology that is being overworked. Most times they have little visibility into the root cause of the problem and are left trying to pinpoint where, when and how these issues exist. Meanwhile, organizational productivity suffers.

We believe that the network has never been more vital and strategic 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 establishing a new normal. 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 ("AP") 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"), and SD-WAN solutions to be approximately $33 billion and growing at approximately 12% annually over the next three years. This comprises $22 billion for campus networking, $4.6 billion for 5G service available market in 5G and data centers, for which Extreme is targeting growing to approximately $50 - $100 million per year over the next three to five years, and a $2.2 billion SD-WAN market. We also participate in the $4 billion networking software market for solutions such as cloud-based network management, network automation, on-premises network management, and other networking related software.

The Extreme Strategy

Extreme makes networking intelligent, flexible, and most importantly a strategic asset. The combination of our solutions provides the connectivity, bandwidth, performance, and insights that organizations of all sizes need to move their organization forward. IT leaders are now tasked with ensuring the global, hybrid workforce is functional and successful no matter where they are and ensure people can work wherever they want. The data that sits in the network provides a goldmine of insights that guide our customers to find new ways to drive better outcomes. Cloud allows customers to gain real-time visibility and insights into areas such as app 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.

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

- **Infinitely distributed connectivity** is the enterprise-grade reliable connectivity that allows users to connect to 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 a $4.1 billion segment of the networking market comprised of cloud managed services and cloud-managed products, which are largely WLAN access points and ethernet switches, growing at a 13% over the next three years, according to data from 650 Group Market Research. 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:
    - A robust cloud management platform that delivers visibility, intelligence, and assurance from the IoT edge to the core.
    - 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).
    - Enhanced Network Data plans to improve an organization's ability to make smarter, more effective business decisions.
    - Consumption Flexibility: Offer a range of financing and network purchase options. Our value-based subscription tiers (including Connect, Navigator and Pilot) provide customers with flexibility to grow as they go, 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.
    - "No 9s" Reliability and Resiliency to ensure business continuity for our customers.
- **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 them 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 Pilot provides our customers with four key applications enabling organizations to eliminate overlays.
    - Extreme AirDefense™ is a comprehensive wireless intrusion prevention system 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 low energy devices.
    - ExtremeLocation™ delivers proximity, presence and location-based services for advanced contact tracing in support of the location-intelligent enterprise.
    - ExtremeGuest™ is a comprehensive guest engagement solution that enables IT administrators to use analytical insights to engage visitors with personalized engagements.
    - Extreme IoT™ delivers simple and secure onboarding, profiling, segmentation and filtering of IoT devices on a production network.
- **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.
    - **Universal switches (5720/5520/5420/5320)** support fabric or traditional networking with a choice of cloud or on-premises (air-gapped or cloud connected) management.
    - **Universal WiFi 6/6E APs (300/400, 5000 series)** support campus or distributed deployments with a choice of cloud or on-premises (air-gapped or cloud connected) management.
    - **Universal licensing** with one portable management license for any device and for any type of management. For switches, operating system feature licenses are portable, and bulk activated through ExtremeCloud IQ.
- **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.
- **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 devices increases the demand for mobile, 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 5 solutions to Wi-Fi 6 (802.11ax), focused on providing more efficient access to the broad array of connected devices. We believe we have the industry’s broadest Wi-Fi 6 wireless portfolio providing intelligence for the wired/wireless edge and enhanced by our cloud architecture with machine learning and AI-driven 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 (SaaS) 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.
- **Expand our reach with ExtremeCloud SD-WAN**. ExtremeCloud SD-WAN is a software-defined wide area networks solution offered as an all-inclusive subscription, which includes hardware, the cloud-based SD-WAN service, support and maintenance, and customer success support. This helps customers reduce total cost of ownership as they deliver quality user experience for applications used in site-to-site and site-to-cloud environments. This solution detects and optimizes applications automatically and can apply performance-based dynamic WAN selection for quality and reliability. Included also are security options such as a built-in zone-based firewall, EdgeSentry (in partnership with Check Point) for cloud-based firewall as a service and other advanced security capabilities, and integration with Secure Web Gateway partners such as Palo Alto Networks, Zscaler, and Symantec.

Key Financial Metrics

During the third quarter of fiscal 2023, we achieved the following results:

- Net revenues of $332.5 million compared to $285.5 million in the third quarter of fiscal 2022.
- Product revenues of $241.1 million compared to $198.4 million in the third quarter of fiscal 2022.
- Service and subscription revenues of $91.4 million compared to $87.1 million in the third quarter of fiscal 2022.
- Total gross margin of 57.7% of net revenues compared to 56.5% of net revenues in the third quarter of fiscal 2022.
- Operating income of $29.6 million compared to $17.3 million in the third quarter of fiscal 2022.
- Net income of $22.1 million compared to $12.8 million in the third quarter of fiscal 2022.

During the first nine months of fiscal 2023, we reflected the following results:

- Cash flows provided by operating activities of $168.5 million compared to $64.1 million in the nine months ended March 31, 2022.
- Cash of $203.0 million as of March 31, 2023 compared to $194.5 million as of June 30, 2022.

Net Revenues

The following table presents net product and service and subscription revenues for the periods presented (dollars in thousands):

	Three Months Ended				Nine Months Ended			
	March 31, 2023	March 31, 2022	$ Change	% Change	March 31, 2023	March 31, 2022	$ Change	% Change
Net revenues:								
Product	$241,058	$198,373	$42,685	21.5 %	$670,779	$574,636	$96,143	16.7 %
Percentage of net revenues	*72.5%*	*69.5%*			*70.7%*	*68.9%*		
Service and subscription	91,449	87,135	4,314	5.0 %	277,765	259,489	18,276	7.0 %
Percentage of net revenues	*27.5%*	*30.5%*			*29.3%*	*31.1%*		
Total net revenues	$332,507	$285,508	$46,999	16.5 %	$948,544	$834,125	$114,419	13.7 %

Product revenues increased $42.7 million or 21.5% for the three months ended March 31, 2023 as compared to the corresponding period in fiscal 2022. Product revenues increased $96.1 million or 16.7% for the nine months ended March 31, 2023 as compared to the corresponding period in fiscal 2022. The increases in product revenues were primarily due to strong demand for our products and higher shipments resulting from an easing in supply chain constraints which had impacted our ability to fulfill the demand for our products.

Service and subscription revenues increased $4.3 million or 5.0% for the three months ended March 31, 2023 as compared to the corresponding period in fiscal 2022. Service and subscription revenues increased $18.3 million or 7.0% for the nine months ended March 31, 2023 as compared to the corresponding period in fiscal 2022. The increases in service and subscription revenues were primarily due to the growth in our subscription business.

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

	Three Months Ended				Nine Months Ended			
	March 31, 2023	March 31, 2022	$ Change	% Change	March 31, 2023	March 31, 2022	$ Change	% Change
Gross profit:								
Product	$132,143	$105,791	$26,352	24.9 %	$358,514	$310,177	$48,337	15.6 %
Percentage of product revenues	54.8%	53.3%			53.4%	54.0%		
Service and subscription	59,795	55,567	4,228	7.6 %	181,787	165,570	16,217	9.8 %
Percentage of service and subscription revenues	65.4%	63.8%			65.4%	63.8%		
Total gross profit	$191,938	$161,358	$30,580	19.0 %	$540,301	$475,747	$64,554	13.6 %
Percentage of net revenues	57.7%	56.5%			57.0%	57.0%		

Product gross profit increased $26.4 million or 24.9% for the three months ended March 31, 2023 as compared to the corresponding period in fiscal 2022. The increase in product gross profit was primarily due to increased product revenues along with lower amortization of intangibles due to certain intangibles being fully amortized, lower distribution costs due to easing of supply chain constraints, partially offset by higher product costs, higher overhead cost, higher warranty reserve, and higher excess and obsolete inventory.

Product gross profit increased $48.3 million or 15.6% for the nine months ended March 31, 2023 as compared to the corresponding period in fiscal 2022. The increase in product gross profit was primarily due to increased product revenues along with lower amortization of intangibles due to certain intangibles being fully amortized, partially offset by higher product costs, higher overhead costs, higher warranty reserves and higher excess and obsolete inventory.

Service and subscription gross profit increased $4.2 million or 7.6% for the three months ended March 31, 2023 as compared to the corresponding period in fiscal 2022. Service and subscription gross profit increased $16.2 million or 9.8% for the nine months ended March 31, 2023 as compared to the corresponding period in fiscal 2022. The increases in service and subscription gross profits were primarily due to increased service, subscription revenues and lower professional services fees, partially offset by higher cloud services costs.

Operating Expenses

The following table presents operating expenses for the periods presented (dollars in thousands):

	Three Months Ended				Nine Months Ended			
	March 31, 2023	March 31, 2022	$ Change	% Change	March 31, 2023	March 31, 2022	$ Change	% Change
Research and development	$54,837	$49,615	$5,222	10.5 %	$158,444	$145,461	$12,983	8.9 %
Sales and marketing	83,962	72,840	11,122	15.3 %	242,882	213,932	28,950	13.5 %
General and administrative	21,683	17,714	3,969	22.4 %	64,315	52,594	11,721	22.3 %
Acquisition and integration costs	—	2,833	(2,833)	(100.0)%	390	6,456	(6,066)	(94.0)%
Restructuring and related charges	1,363	407	956	234.9 %	2,320	978	1,342	137.2 %
Amortization of intangibles	510	638	(128)	(20.1)%	1,537	2,596	(1,059)	(40.8)%
Total operating expenses	$162,355	$144,047	$18,308	12.7 %	$469,888	$422,017	$47,871	11.3 %

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 increased by $5.2 million or 10.5% for the three months ended March 31, 2023 as compared to the corresponding period in fiscal 2022. The increase in research and development expenses was primarily due to a $3.4 million increase in personnel costs due to higher compensation costs primarily related to share-based compensation, a $0.8 million increase in consultant fees, a $0.4 million increase in software licenses and engineering project costs and a $0.6 million increase in other costs primarily related to travel expenses and equipment costs.

Research and development expenses increased by $13.0 million or 8.9% for the nine months ended March 31, 2023 as compared to the corresponding period in fiscal 2022. The increase in research and development expenses was primarily due to a $6.7 million increase in personnel related costs due to higher compensation costs primarily related to share-based compensation, a $1.5 million increase in consultant fees, a $1.8 million increase in software licenses and engineering project costs, a $1.2 million increase in equipment related costs, a $0.8 increase in facility and information technology costs and a $1.0 million increase in other costs primarily related to travel and recruiting expenses.

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 increased by $11.1 million or 15.3% for the three months ended March 31, 2023 as compared to the corresponding period in fiscal 2022. The increase in sales and marketing expenses was primarily due to a $8.2 million increase in personnel costs due to higher compensation and benefits costs primarily related to higher commissions and share-based compensation, a $1.8 million increase in travel costs and a $1.4 million increase in marketing costs, partially offset by a $0.6 million decrease in equipment and other expenses.

Sales and marketing expenses increased by $29.0 million or 13.5% for the nine months ended March 31, 2023 as compared to the corresponding period in fiscal 2022. The increase in sales and marketing expenses was primarily due to a $20.0 million increase in personnel costs due to higher compensation and benefits costs primarily related to higher commission and share-based compensation, a $5.9 million increase in travel costs, a $2.0 million increase in marketing and other professional fees and a $1.0 million increase in other expenses primarily facility and information technology costs.

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 $4.0 million or 22.4% for the three months ended March 31, 2023 as compared to the corresponding period in fiscal 2022. The increase in general and administrative expenses was primarily due to a $1.2 million increase in personnel costs due to higher compensation and benefits costs primarily related to share-based compensation, a $1.7 million increase in legal expenses related to our litigation, a $0.7 million increase in professional service fees and a $0.4 million increase in system transition related costs.

General and administrative expenses increased by $11.7 or 22.3% for the nine months ended March 31, 2023 as compared to the corresponding period in fiscal 2022. The increase in general and administrative expenses was primarily due to a $5.7 million increase in personnel costs due to higher compensation and benefits costs primarily related to share-based compensation, a $1.7 million increase in legal expenses related to our litigation, a $1.6 million increase in professional service fees and a $0.4 million increase in system transition costs.

Acquisition and Integration Costs

During the three months ended March 31, 2023, we did not incur any acquisition and integration costs. During the nine months ended March 31, 2023, we incurred acquisition and integration costs of $0.4 million, which primarily consisted of professional fees and certain compensation charges related to the acquisition of Ipanema.

During the three and nine months ended March 31, 2022, we incurred $2.8 million and $6.5 million, respectively, of acquisition and integration costs, which primarily consisted of professional fees for legal advisory services, system and product integrations and financial services related to the acquisition of Ipanema.

Restructuring and Related Charges

For the three and nine months ended March 31, 2023, we recorded restructuring and related charges of $1.4 million and $2.3 million, respectively, which primarily consisted of facility-related charges related to our previously impaired facilities and $0.8 million in charges associated with our restructuring plan initiated in the third quarter to transform our business and facilities infrastructure.

For the three and nine months ended March 31, 2022, we recorded restructuring charges of $0.4 million and $1.0 million, respectively, which primarily consisted of facility related charges related to our previously impaired facilities.

Amortization of Intangibles

During the three months ended March 31, 2023 and 2022, we recorded $0.5 million and $0.6 million, respectively, of operating expenses for amortization of intangibles. During the nine months ended March 31, 2023 and 2022, we recorded $1.5 million and $2.6 million, respectively. The decreases were primarily due to lower amortization related to certain acquired intangibles from previous acquisitions becoming fully amortized.

Interest Expense

During the three months ended March 31, 2023 and 2022, we recorded $3.9 million and $2.8 million, respectively, in interest expense. During the nine months ended March 31, 2023 and 2022, we recorded $11.7 million and 9.8 million, respectively, in interest expense. The increases in interest expense were primarily driven by rising interest rates on our 2019 Credit Agreement and partially offset by additional principal payment.

Other Income (Expense), Net

During the three months ended March 31, 2023 and 2022, we recorded other loss, net of $0.4 million and other income net of $0.1 million, respectively. During the nine months ended March 31, 2023 and 2022, we recorded other income, net of $0.1 million and $0.3 million, respectively. The changes for the three and nine months ended March 31, 2023 were primarily due to 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 March 31, 2023 and 2022, we recorded an income tax provision of $3.9 million and $1.9 million, respectively. For the nine months ended March 31, 2023 and 2022, we recorded an income tax provision of $8.3 million and $5.7 million, respectively.

The income tax provisions for the three and nine months ended March 31, 2023 and 2022 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, the Campus Fabric Business and the Data Center Business.

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, 2022, 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 (in thousands):

	March 31, 2023	June 30, 2022
Cash	$ 202,996	$ 194,522

As of March 31, 2023, our principal sources of liquidity consisted of cash of $203.0 million, accounts receivable, net of $158.6 million, and available borrowings under our five-year 2019 Revolving Facility of $60.2 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. We believe that our $203.0 million of cash at March 31, 2023, our cash flow from operations and the availability of borrowings from the 2019 Revolving Facility will be sufficient to fund our planned operations for at least the next 12 months.

On May 18, 2022, our Board of Directors authorized management to repurchase up to $200.0 million shares of our common stock over a three-year period commencing July 1, 2022. 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 repurchase program does not obligate Extreme 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 March 31, 2023, the Company repurchased a total of 1,350,568 shares of its common stock on the open market at a total cost of $25.0 million with an average price of $18.51 per share. During the nine months ended March 31, 2023, the Company repurchased a total of 3,928,743 shares of its common stock on the open market at a total cost of $74.8 million with an average price of $19.04 per share. As of March 31, 2023, we have $125.2 million available under our share repurchase program.

On August 9, 2019, we entered into the 2019 Credit Agreement. The 2019 Credit Agreement provides for a five-year first lien term loan facility in an aggregate principal amount of $380.0 million and a five-year revolving loan facility in an aggregate principal amount of $75.0 million ("2019 Revolving Facility"). In addition, we may request incremental term loans and/or incremental revolving loan commitments in an aggregate amount not to exceed the sum of $100.0 million plus an unlimited amount that is subject to pro forma compliance with certain financial tests. On August 9, 2019, we used the proceeds to partially fund the acquisition of Aerohive and for working capital and general corporate purposes.

At our election, the initial term loan (the "Initial Term Loan") under the 2019 Credit Agreement may be made as either base rate loans or Eurodollar loans. The applicable margin for base rate loans ranges from 0.25% to 2.50% per annum and the applicable margin for Eurodollar loans ranges from 1.25% to 3.50%, in each case based on Extreme's Consolidated Leverage Ratio. All Eurodollar loans are subject to a Base Rate floor of 0.00%. The 2019 Credit Agreement is secured by substantially all of our assets.

The 2019 Credit Agreement requires us to maintain certain minimum financial ratios at the end of each fiscal quarter. The 2019 Credit Agreement also includes covenants and restrictions that limit, among other things, our ability to incur additional indebtedness, create liens upon any of our property, merge, consolidate or sell all or substantially all of our assets. The 2019 Credit Agreement also includes customary events of default, which may result in acceleration of the outstanding balance.

Financial covenants under the 2019 Credit Agreement require us to maintain a minimum consolidated fixed charge and consolidated leverage ratio at the end of each fiscal quarter through maturity. The 2019 Credit Agreement also includes covenants and restrictions that limit, among other things, our ability to incur additional indebtedness, create liens upon any of our property, merge, consolidate or sell all or substantially all of our assets. The 2019 Credit Agreement also includes customary events of default which may result in acceleration of the outstanding balance.

On April 8, 2020, we entered into the First Amendment to waive certain terms and financial covenants of the 2019 Credit Agreement through July 31, 2020. On May 8, 2020, we entered into a Second Amendment which superseded the First Amendment and provided certain revised terms and financial covenants through March 31, 2021. The Second Amendment required us to maintain certain minimum cash requirement and financial metrics at the end of each fiscal quarter through March 31, 2021 and we were restricted from pursuing certain activities such as incurring additional debt, stock repurchases, making acquisitions or declaring a dividend, until we came into compliance with the original covenants of the 2019 Credit Agreement. On November 3, 2020, we and our lenders entered into a Third Amendment to increase the sublimit for letters of credit to $20.0 million. On December 8, 2020, we and our lenders entered into a Fourth Amendment to waive and amend certain terms and financial covenants within the 2019 Credit Agreement through March 31, 2021.

The Second Amendment provided for us to end the covenant Suspension Period early and revert to the covenants and interest rates per the original terms of the 2019 Credit Agreement dated August 9, 2019 by filing a Suspension Period Early Termination Notice and Covenant Certificate demonstrating compliance. For the twelve-month period ended March 31, 2021, our financial performance was in compliance with the original covenants defined in the 2019 Credit Agreement and as such we filed a Suspension Early Termination Notice and Covenant Certificate with the administration agent subsequent to filing our Quarterly Report on Form 10-Q for the period ended March 31, 2021. During the three and nine months ended March 31, 2023, we were in compliance with all the original terms and financial covenants under the 2019 Credit Agreement.

Key Components of Cash Flows and Liquidity

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

	Nine Months Ended	
	March 31, 2023	March 31, 2022
Net cash provided by operating activities	$ 168,519	$ 64,055
Net cash used in investing activities	(8,634)	(80,647)
Net cash used in financing activities	(151,117)	(63,211)
Foreign currency effect on cash	(294)	(525)
Net increase (decrease) in cash	$ 8,474	$ (80,328)

Net Cash Provided by Operating Activities

Cash flows provided by operations in the nine months ended March 31, 2023, were $168.5 million, including our net income of $52.6 million and non-cash expenses of $77.5 million for items such as amortization of intangibles, share-based compensation, depreciation, reduction in carrying amount of right-of-use assets, deferred income taxes, and interest. Other sources of cash for the period included a decrease in accounts receivable and increases in accounts payable and deferred revenue. This was partially offset by increases in inventories and decreases in accrued compensation, operating lease liabilities and other current and long-term liabilities.

Cash flows provided by operations in the nine months ended March 31, 2022 were $64.1 million, including our net income of $38.9 million and non-cash expenses of $79.1 million for items such as amortization of intangibles, share-based compensation, depreciation, reduction in carrying amount of right-of-use assets, deferred income taxes and interest. Other sources of cash for the period included increases in accounts payable, deferred revenue and other current and long-term liabilities. This was partially offset by increases in accounts receivable, inventories, prepaid expenses and other current assets and decreases in accrued compensation, and operating lease liabilities.

Net Cash Used in Investing Activities

Cash flows used in investing activities in the nine months ended March 31, 2023 were $8.6 million for the purchases of property and equipment.

Cash flows used in investing activities in the nine months ended March 31, 2022 were $80.6 million primarily due to the payment of $69.5 million (net of cash acquired) for the acquisition of Ipanema and $11.1 million for the purchases of property and equipment.

Net Cash Used in Financing Activities

Cash flows used in financing activities in the nine months ended March 31, 2023 were $151.1 million due primarily to debt repayments of $71.6 million, share repurchase of $74.8 million under our share repurchase program, $3.0 million for deferred payments on acquisitions and $1.7 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").

Cash flows used in financing activities in the nine months ended March 31, 2022 were $63.2 million due primarily to debt repayments of $31.0 million, share repurchases of $25.0 million under our share repurchase program, payment of contingent consideration of $1.0 million, $3.0 million for deferred payments on acquisitions and $3.2 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 and exercise of stock options.

Foreign Currency Effect on Cash

Foreign currency effect on cash decreased in the nine months ended March 31, 2023, 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 March 31, 2023, 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 2019 Credit Agreement. As of March 31, 2023, we had $237.0 million of debt outstanding which are payable on quarterly installments through our fiscal year 2025. We are subject to interest rate on our debt obligations and unused commitment fee. See Note 8, *Debt*, in the Notes to Condensed Consolidated Financial Statements 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 March 31, 2023, we had non-cancelable commitments to purchase $56.8 million of inventory. See Note 9, *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 March 31, 2023, we had contractual commitments of $39.6 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 2032. As of March 31, 2023, the value of our obligations under operating leases was $51.2 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 March 31, 2023.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of March 31, 2023.

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 2019 Credit Agreement, which is described in Note 8, *Debt*, in the Notes to Condensed Consolidated Financial Statements in this Report. At March 31, 2023, we had $237.0 million of debt outstanding, all of which was from the 2019 Credit Agreement. During the quarter ended March 31, 2023, the average daily outstanding amount was $261.7 million, with a high of $262.0 million and a low of $237.0 million.

Cash Flow Hedges of Interest Rate Risk

In conjunction with our term loan under the 2019 Credit Agreement, we entered into interest rate swap contracts with large financial institutions. This involves the receipt of variable rate amounts from these institutions in exchange for us making fixed-rate payments without exchange of the underlying notional amount of $200.0 million of our debt. The derivative instruments hedge the impact of the changes in variable interest rates. We record the changes in the fair value of these cash flow hedges of interest rate risk in “accumulated other comprehensive loss” until termination of the derivative agreements. These interest rate swap contracts expired in April 2023.

The following table presents hypothetical changes in interest expense for the quarter ended March 31, 2023, on borrowings under the 2019 Credit Agreement and interest rate swap contracts as of March 31, 2023, that are sensitive to changes in interest rates (in thousands):

	Change in interest expense given a decrease in interest rate of X bps*		Average outstanding	Change in interest expense given an increase in interest rate of X bps*	
Description	(100 bps)	(50 bps)	as of March 31, 2023	100 bps	50 bps
Debt	$ (2,617)	$ (1,309)	$ 261,722	$ 2,617	$ 1,309
Interest Rate Swaps	750	375	(75,000)	(750)	(375)
Net	$ (1,867)	$ (934)	$ 186,722	$ 1,867	$ 934

* Underlying interest rate was 5.97% as of March 31, 2023.

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 March 31, 2023 and 2022 foreign exchange forward contracts not designated as hedging instruments, had a notional amount of $11.2 million and $20.2 million, respectively. These contracts have maturities of less than 60 days. Changes in the fair value of derivatives are recognized in “other income, net”. As of March 31, 2023 and 2022, we had forward foreign currency contracts designated as hedging instruments with a notional amount of $5.4 million and $0.2 million, respectively. These contracts have maturities of less than twelve months. Unrealized gains and losses arising from these contracts designated as hedging instruments are recorded as a component of “accumulated other comprehensive loss” in the condensed consolidated balance sheet. As of March 31, 2023 and 2022, these contracts had unrealized gains of less than $0.1 million, respectively, which are recorded in “accumulated other comprehensive loss” with the associated asset in the accompanying condensed consolidated balance sheets.

Foreign currency transaction gains and losses from operations were losses of $0.3 million and gains of $0.3 million for the three months ended March 31, 2023 and 2022, respectively. Foreign currency transaction gains and losses from operations were gains of $0.5 million and $0.6 million for the nine months ended March 31, 2023 and 2022, 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 and nine months ended March 31, 2023 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, 2022, and Note 9, *Commitments and Contingencies*, to the Notes to Condensed Consolidated Financial Statements, included in Part I, Item 1 of this Report on Form 10-Q 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, 2022, 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, 2022 and our Quarterly Report on Form 10-Q for the three months period ended September 30, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no sales of unregistered equity securities during the three months ended March 31, 2023.

The following table provides stock repurchase activity during the three months ended March 31, 2023 (in thousands, except per share amounts):

	Total Number of Shares Purchased	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)
Beginning available to repurchase				$ 150,204
January 1, 2023 - January 31, 2023	448	$ 17.77	448	142,243
February 1, 2023 - February 28, 2023	903	18.88	903	125,193
March 1, 2023 - March 31, 2023	—	—	—	125,193
Total	1,351	$ 18.51	1,351	
Remaining available to repurchase				$ 125,193

(1) On May 18, 2022, the Company announced that its Board of Directors had authorized management to repurchase up to $200.0 million of its common stock over a three-year period commencing on July 1, 2022. Refer to Note 10, "*Stockholders' Equity*," in Notes to the Consolidated Financial Statements included elsewhere in this Report for further information regarding the Company's share repurchase program.

(2) The aggregate price and the average price per share does not include the effect of the excise tax under the provision of the Inflation Reduction Act.

Item 3. Defaults Upon Senior Securities - Not Applicable

Item 4. Mine Safety Disclosures - Not Applicable

Item 5. Other Information - Not Applicable

Item 6. Exhibits

(a) Exhibits:

Exhibit Number	Description of Document	Incorporated by Reference			Filed Herewith
		Form	Filing Date	Number	
10.1	Appointment Letter, executed January 24, 2023, between Extreme Networks, Inc. and Cristina Tate.				X
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 Document.				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.				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/ Cristina Tate

Cristina Tate
Senior Vice President, Interim Chief Financial Officer (Principal Accounting Officer)

April 27, 2023

January 24, 2023

Cristina Tate
[*****]

Subject: **Appointment to Interim Chief Financial Officer**

Dear Cristina,

This letter is to thank you for your dedication and service to Extreme Networks. In recognition of your efforts to help us build a high performing, successful organization, and in taking on higher level responsibilities, we are delighted to inform you of your appointment to **Interim Chief Financial Officer** and award of increase in compensation.

Effective **January 25, 2023,** your job title will change to **Interim Chief Financial Officer** reporting to the undersigned. Also, effective **January 25, 2023**, you will receive an adjustment in your annual compensation as outlined below:

Annualized Base Salary:	**$ 350,000 USD**
Annualized Bonus Target (EIP):	**45% of eligible earnings**

In addition to base pay increase, you will be awarded a one-time bonus in the amount of **$50,000 USD** payable within **60 days** of the completion of the interim position.

You will also be recommended to receive a promotional RSU grant effective **February 15, 2023**, valued at approximately **$100,000 USD** at the time of grant, with vesting of **1 year**. The exact number of RSUs resulting from this grant will be determined using the average closing price of EXTR stock during the 30 trading days prior to February 10, 2023 and will be communicated to you through your E*Trade account once approved.

All other terms and conditions of your employment with the company remain in effect, including the at-will relationship and your obligation to comply with the company's policies, including the Code of Business Ethics.

On behalf of myself and the entire leadership team, thank you for your ongoing contributions. I am excited about the future and your ability to contribute to this elevated role. It's because of the efforts and dedication of employees like you that we'll be able to achieve our goals.

Sincerely,

/s/ Ed Meyercord

Ed Meyercord
President and CEO
Extreme Networks, Inc.

cc: Oracle HCM Personnel file

Exhibit 31.1

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: April 27, 2023

/s/ EDWARD B. MEYERCORD III
Edward B. Meyercord III
President and Chief Executive Officer

Exhibit 31.2

SECTION 302 CERTIFICATION OF CRISTINA TATE
AS INTERIM CHIEF FINANCIAL OFFICER

I, Cristina Tate, 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: April 27, 2023

/s/ CRISTINA TATE
Cristina Tate
Senior Vice President, Interim Chief Financial Officer
(Principal Accounting Officer)

Exhibit 32.1

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 March 31, 2023, 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: April 27, 2023	/s/ EDWARD B. MEYERCORD III
	Edward B. Meyercord III
	President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF CRISTINA TATE AS INTERIM 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 March 31, 2023, 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: April 27, 2023

/s/ CRISTINA TATE
Cristina Tate
Senior Vice President, Interim Chief Financial Officer
(Principal Accounting Officer)