

Appendix

GAAP vs Non GAAP Reconciliation

	FY'15	FY'16	FY'17 F Range
Product Revenue - GAAP Basis	\$ 418,047	\$ 395,467	\$ 439,709 - \$449,709
Service Revenue - GAAP Basis	134,895	132,925	147,708 - 147,708
Total Revenue - GAAP Basis	<u>552,942</u>	<u>528,392</u>	<u>587,417 - 597,417</u>
Deferred Service Revenue Adjustment	3,064	1,508	133 - 133
Product Revenue - Non GAAP Basis	418,047	395,467	439,709 - 449,709
Service Revenue - Non GAAP Basis	137,959	134,433	147,841 - 147,841
Total Revenue - Non GAAP Basis	<u>\$ 556,005</u>	<u>\$ 529,900</u>	<u>\$ 587,550 - \$597,550</u>
Gross Margin - GAAP Basis	\$ 279,731	\$ 270,790	\$ 316,148 - \$323,548
Gross Margin % - GAAP Basis	50.6%	51.2%	53.8% - 54.2%
Deferred Revenue Adjustment	3,064	1,508	133 - 133
Adjustment to Acquired Inventories	-	-	5,363 - 5,363
Integration Costs in Product COGS	-	-	5,104 - 5,104
Capitalized Overhead	-	(1,493)	- - -
Amortization of Product Intangibles	17,168	14,834	6,027 - 6,027
Stock Comp in COGS	-	707	1,236 - 1,236
Gross Margin - Non GAAP Basis	<u>\$ 302,099</u>	<u>\$ 287,563</u>	<u>\$ 334,011 - \$341,411</u>
Gross Margin % - Non GAAP Basis	54.3%	54.3%	56.8% - 57.1%

GAAP vs Non GAAP Reconciliation (cont'd)

	FY'15	FY'16	FY'17 F Range	
Operating Income (Loss) - GAAP Basis	\$ (63,003)	\$ (25,549)	\$ (7,966)	- \$ (4,566)
Operating Margin- GAAP Basis	-11.4%	-4.8%	-1.4%	- -0.8%
Deferred Revenue Adjustment	3,064	1,508	133	- 133
Adjustment to Acquired Inventories	-	-	5,363	- 5,363
Integration Costs in Product COGS	-	-	5,104	- 5,104
Capitalized Overhead	-	(1,493)	-	- -
Amortization of Product Intangibles	17,168	14,834	6,027	- 6,027
Stock Comp in Product COGS	1,067	883	562	- 562
Stock Comp in Service COGS	1,069	1,041	674	- 674
Stock Comp in R&D	5,365	4,558	3,593	- 3,593
Stock Comp in Sales and Marketing	5,169	4,633	4,430	- 4,430
Stock Comp in G&A	4,739	3,677	3,870	- 3,870
Total Stock Comp	17,409	14,792	13,129	- 13,129
Executive Transition in R&D	406	-	-	- -
Executive Transition in Sales and Marketing	456	1,076	-	- -
Executive Transition in G&A	1,127	1,090	34	- 34
Total Executive Transition Costs	1,989	2,166	34	- 34
Restructuring Charges, net	9,819	10,990	11,572	- 11,572
Amortization of Non Product Intangibles	17,868	17,001	8,709	- 8,709
Litigation	-	331	219	- 219
Acquisition and Integration Costs	10,206	1,145	12,908	- 12,908
Operating Income - Non GAAP Basis	\$ 14,520	\$ 35,725	\$ 55,232	- \$ 58,632
Operating Margin - Non GAAP Basis	2.6%	6.7%	9.4%	- 9.8%

GAAP vs Non GAAP Reconciliation (cont'd)

	FY'15	FY'16	FY'17 F Range
Net Loss - GAAP Basis	\$ (71,647)	\$ (31,882)	\$ (15,295) - \$(11,895)
Shares - GAAP Basis	99,000	103,074	108,248 - 108,248
EPS - GAAP Basis	\$ (0.72)	\$ (0.31)	\$ (0.14) - \$ (0.11)
Deferred Revenue Adjustment	3,064	1,508	133 - 133
Adjustment to Acquired Inventories	-	-	5,363 - 5,363
Integration Costs in Product COGS	-	-	5,104 - 5,104
Capitalized Overhead	-	(1,493)	- - -
Amortization of Product Intangibles	17,168	14,834	6,027 - 6,027
Stock Comp in Product COGS	1,067	883	562 - 562
Stock Comp in Service COGS	1,069	1,041	674 - 674
Stock Comp in R&D	5,365	4,558	3,593 - 3,593
Stock Comp in Sales and Marketing	5,169	4,633	4,430 - 4,430
Stock Comp in G&A	4,739	3,677	3,870 - 3,870
Total Stock Comp	17,409	14,792	13,129 - 13,129
Executive Transition in R&D	406	-	- - -
Executive Transition in Sales and Marketing	456	1,076	- - -
Executive Transition in G&A	1,127	1,090	34 - 34
Total Executive Transition Costs	1,989	2,166	34 - 34
Restructuring Charges, net	9,819	10,990	11,572 - 11,572
Amortization of Non Product Intangibles	17,868	17,001	8,709 - 8,709
Litigation	-	331	219 - 219
Acquisition and Integration Costs	10,206	1,145	12,908 - 12,908
Net Income - Non GAAP Basis	5,876	29,392	47,903 - 51,303
Shares - Non GAAP Basis	99,773	105,306	111,416 - 111,416
EPS - Non GAAP Basis	0.06	0.28	0.43 - 0.46
Net Non GAAP Adjustments	\$ 77,523	\$ 61,274	\$ 63,198 - \$ 63,198

New Target Operating Model

	FY18 Target Non-GAAP	FY18 GAAP
Revenue	>\$1,000	>\$1,000
Gross Profit % of Revenue	>59%	>56% to >58%
Operating Income % of Revenue	>13%	>6% to >8%

- Gross Margin Adjustments consist of:
 - Stock Compensation 1% - 2%
 - Amortization Expense 1% - 2%
- Operating Income (inclusive of GM items)
 - Stock Compensation 4% – 6%
 - Amortization Expense 1% - 3%

\$ in thousands, except per share amounts



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