



# THE CLOUD-DRIVEN END-TO-END ENTERPRISE NETWORK

EXTREME NETWORKS  
INVESTOR OVERVIEW

November 2020

# Cautionary Statement on Financial Measures



## Non-GAAP Measures:

In preparing the accompanying information, Extreme Networks, Inc. (the “Company”) has excluded, where applicable, the impact of certain Non-GAAP costs as listed at the end of this presentation. The Company believes these Non-GAAP measures provide both management and investors with additional insight into its current operations, the trends affecting the Company, the Company's marketplace performance, and the Company's ability to generate cash from operations. Management believes these items allow readers to better correlate the Company's operating activities with the Company's ability to generate cash from operations. Accordingly, management uses these Non-GAAP measures along with comparable GAAP information when evaluating the Company's historical performance and future business activities. The Company's Non-GAAP measures may be different than those used by other companies and should be considered in conjunction with, and not as a substitute for, the Company's financial information presented in accordance with GAAP. Please refer to our most recent earnings press release dated October 28, 2020, which is posted under SEC Filings on the “Investor Relations” section of our website for the required reconciliation and to pages 22-26 of this presentation for the required reconciliation to the most comparable GAAP financial measures to the most comparable Non-GAAP financial measures.

## Forward-Looking Statements:

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



## Who We Are



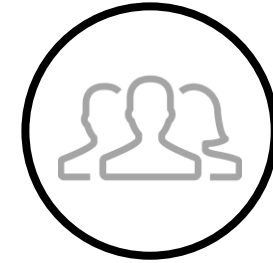
- Founded 1996
- FY20 Revs: ~\$950m
- 2,500+ employees
- NASDAQ: EXTR
- HQ in San Jose, CA
- 100% Insourced Service & Support

## What We Do



- 20+ years of networking innovation
- Cloud-Driven End-to-End Networking Solutions
- 1,100+ active patents

## Who We Serve



- ~50,000 Customers
- 9,000+ Partners
- 1.4 million cloud-managed devices
- Business in 80+ countries

\*Source: Gartner, IHS Markit, Dell'Oro Group

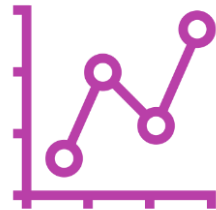


## Extreme is the Second largest Cloud Management Networking Provider Globally by Revenue\*



**13%**  
BY 2024

Share of Cloud-Managed Networking Market



**9x**  
TRADITIONAL

Cloud Networking Growth Rate  
(over traditional networking)



**\$7B+**  
BY 2023

Market vs  
\$2.6B Today



**\$20B+**

Large Service Addressable Market

# More Opportunities Today Than Every Before



## FY 20

- Aerohive Integration
- Product Refresh
- Enterprises Adapting to New Normal
- Cloud Subscriptions
- Digital Transformation
- Cost Realignment in R&D

## FY 21

- Tiered Sales Motions Acceleration of SLED / Mid-Market
- Growth in eRate
- Major Acct's (e.g. MLB)
- Universal Platform
- Digital Marketing and Lead Automation
- Channel Self Service

## FY 22

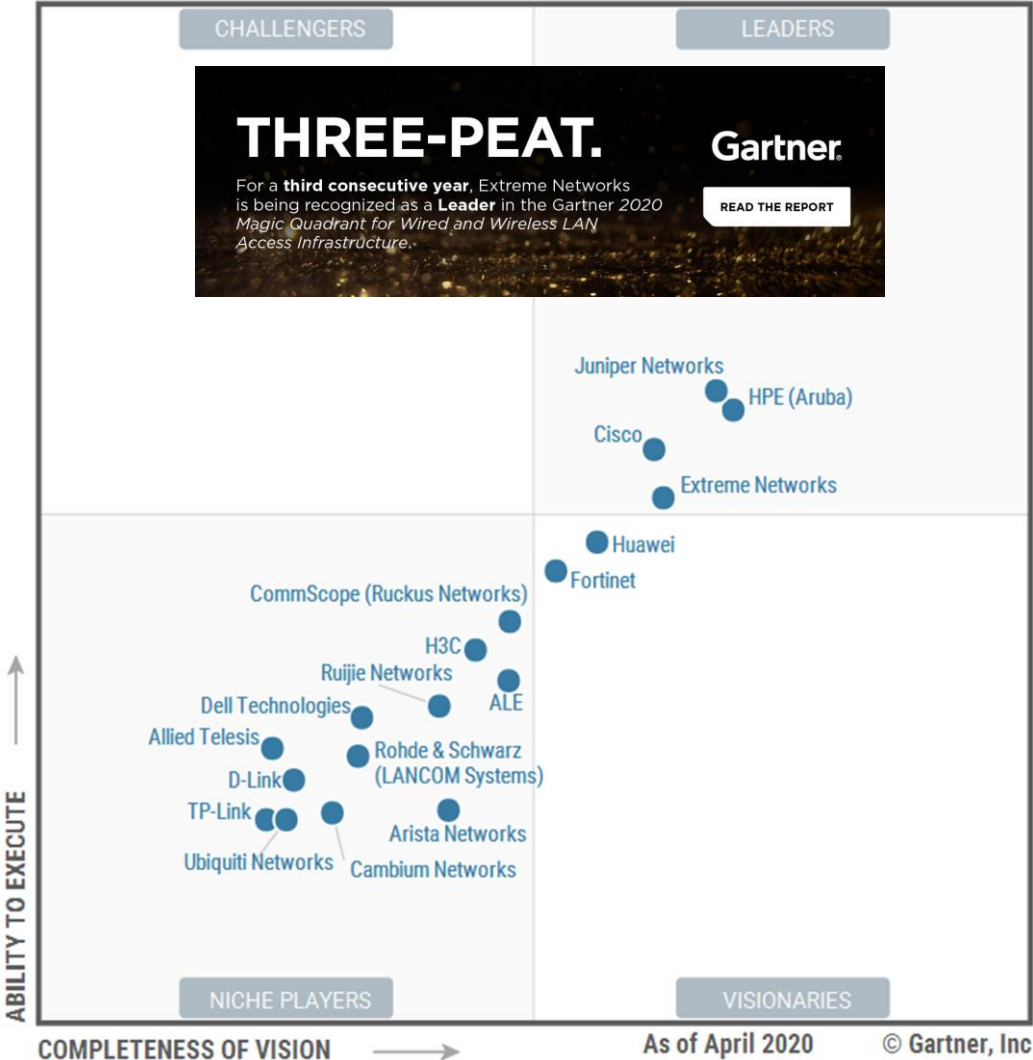
- Managed Service Providers
- Acceleration of Network-as-a-Service
- 5G Related Growth Opportunities
- OEM
- Carrier MSP offer
- Master Agents

# Recognized Industry Leadership



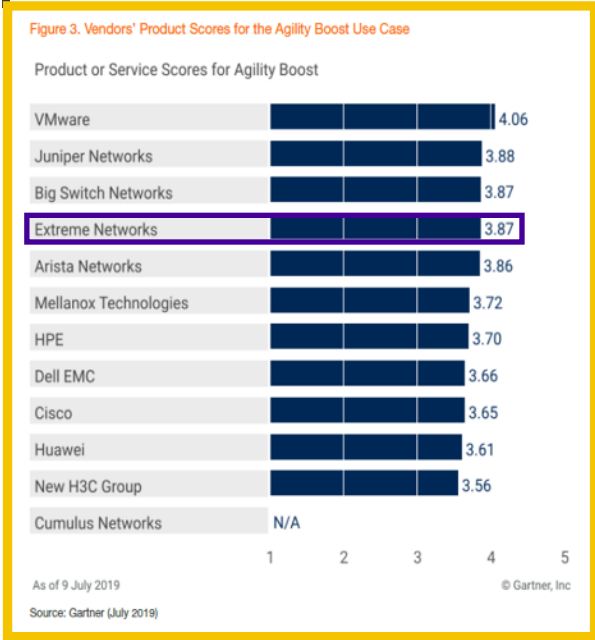
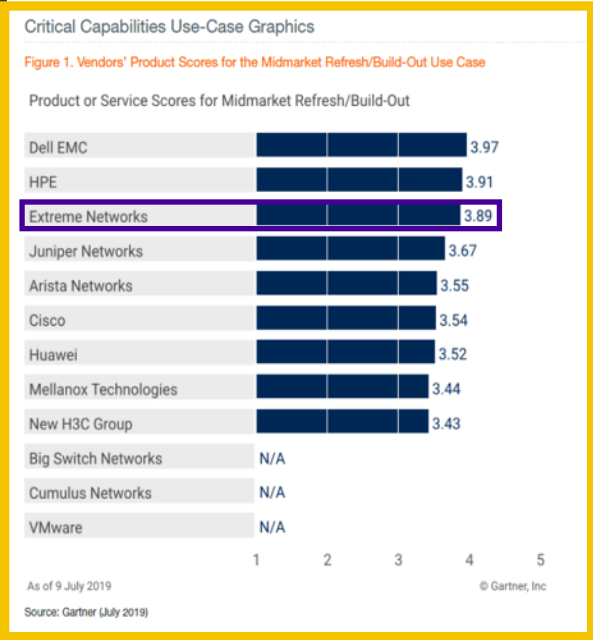
## 2020 LAN/WLAN Magic Quadrant

Figure 1. Magic Quadrant for Wired and Wireless LAN Access Infrastructure



In both Wired & WLAN Access Infrastructure and Data Center Networking

## Top Three in Data Center Critical Capabilities

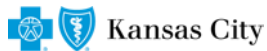


\*Source: Gartner

# Trusted by Over 50,000+ Customers for Critical Infrastructure



## HEALTHCARE



## GOVERNMENT



## EDUCATION



## LARGE PUBLIC VENUES



## MANUFACTURING



## TRANSPORTATION AND LOGISTICS



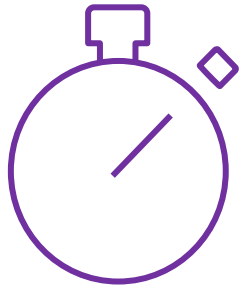
## RETAIL



# Enabling Effortless Experiences for Our Customers



We Remove Complexity So Customers Can Move Faster and More Efficiently



## **SIMPLE**

Easy to Deploy, Maintain  
& Support



## **INTUITIVE**

Self-driving Using  
Real-Time Data



## **CONSISTENT**

Seamless Experience  
Across Your Platform,  
Software & Services



# Extreme Effortless Advantage

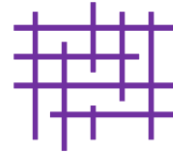


We're The First To Bring One Cloud & One Fabric Together



## ExtremeCloud™

- ✓ Provider, Deployment & Device Agnostic
- ✓ Unlimited Data Duration
- ✓ 100% Uptime
- ✓ 11 x 9s of Data Durability
- ✓ Most Certified Cloud for Security



## Extreme Fabric

- ✓ End to End
- ✓ Industry Leading Footprint
- ✓ Plug & Play in any Topology
- ✓ Never Compromised
- ✓ Faster MTTR and Time to Service



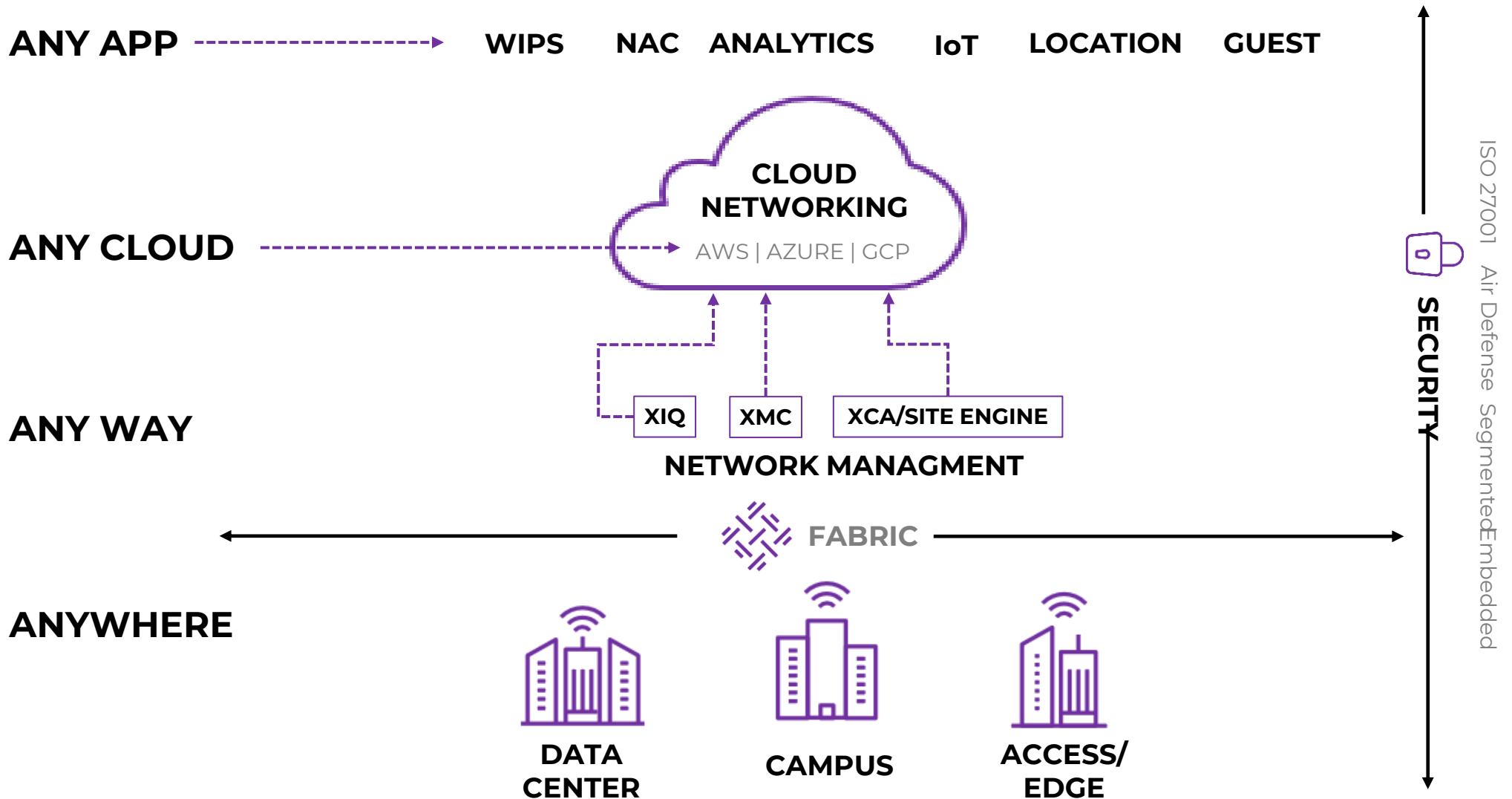
## Consumption Flexibility

- ✓ Flexible Licensing
- ✓ Finance, Lease or Subscription Options
- ✓ Tiers Make it Easy to Grow

# One Enterprise, One Network, One Cloud



Bringing Your Users, Devices and Applications Together





**STREAMLINED SUPPLY  
CHAIN**

**ACCELERATED CLOUD  
ADOPTION &  
SUBSCRIPTION  
GROWTH**

**HIGHER GROSS MARGIN  
CONTRIBUTION**

Extreme  
*EXOS*

Extreme  
*VOSS*

Extreme  
*SLXOS*

Extreme  
*WiNG7*

Extreme  
*IQ-Engine*



## **SIMPLIFY**

Single Hardware SKU

Single Software License SKU

Single Warranty across all SKUs

## **CLOUDIFY**

XIQ Cloud Management

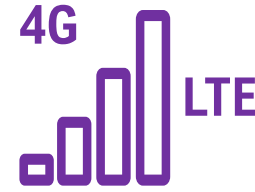
Customize OS Selection from XIQ

Automated License Activation from XIQ

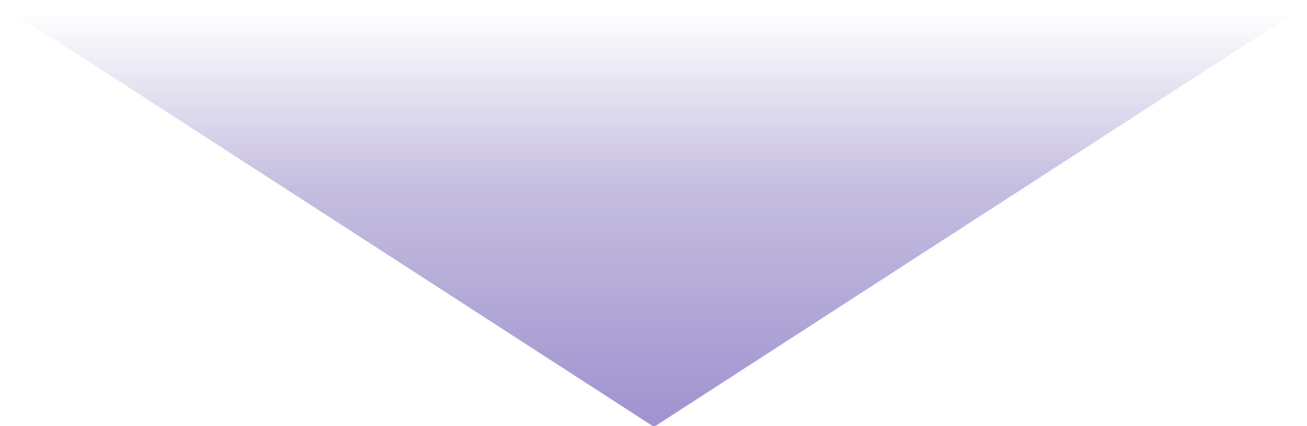
# Service Providers Drive New Growth Opportunities



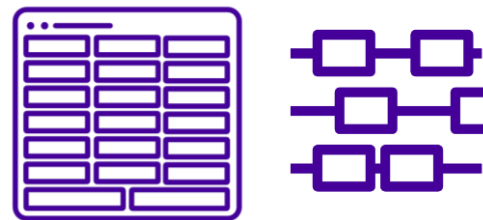
**NO** MPLS Legacy



**NO** installed base in 4G LTE



Leveraged to 5G Rollouts



Differentiated Products

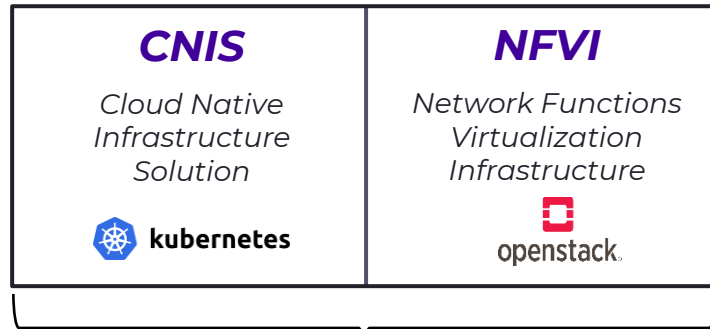


Significant L-T Growth Opportunities

# Two Ways to Participate in 5G Rollouts



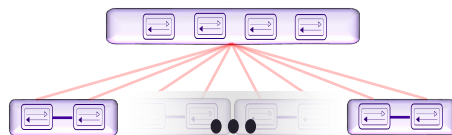
## Network Function Virtualization Infrastructure (NFVi)



Micro Data Center at every Cell Tower



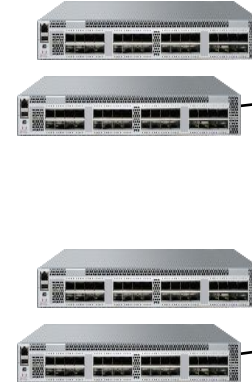
Traditional Data Centers



- Rapid growth based on 5G market adoption
- Targets for 5G Core and containerized apps
- **>\$100M million opportunity over the next 3-5 years**

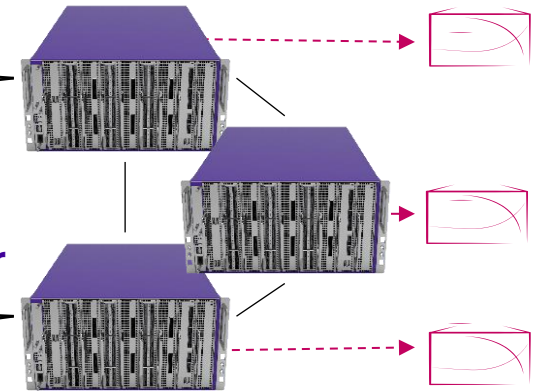
## Network Packet Broker

SLX 9240  
Packet Broker  
Aggregation



**Extreme  
Visibility  
Manager**

Extreme 9920  
Packet Broker Core

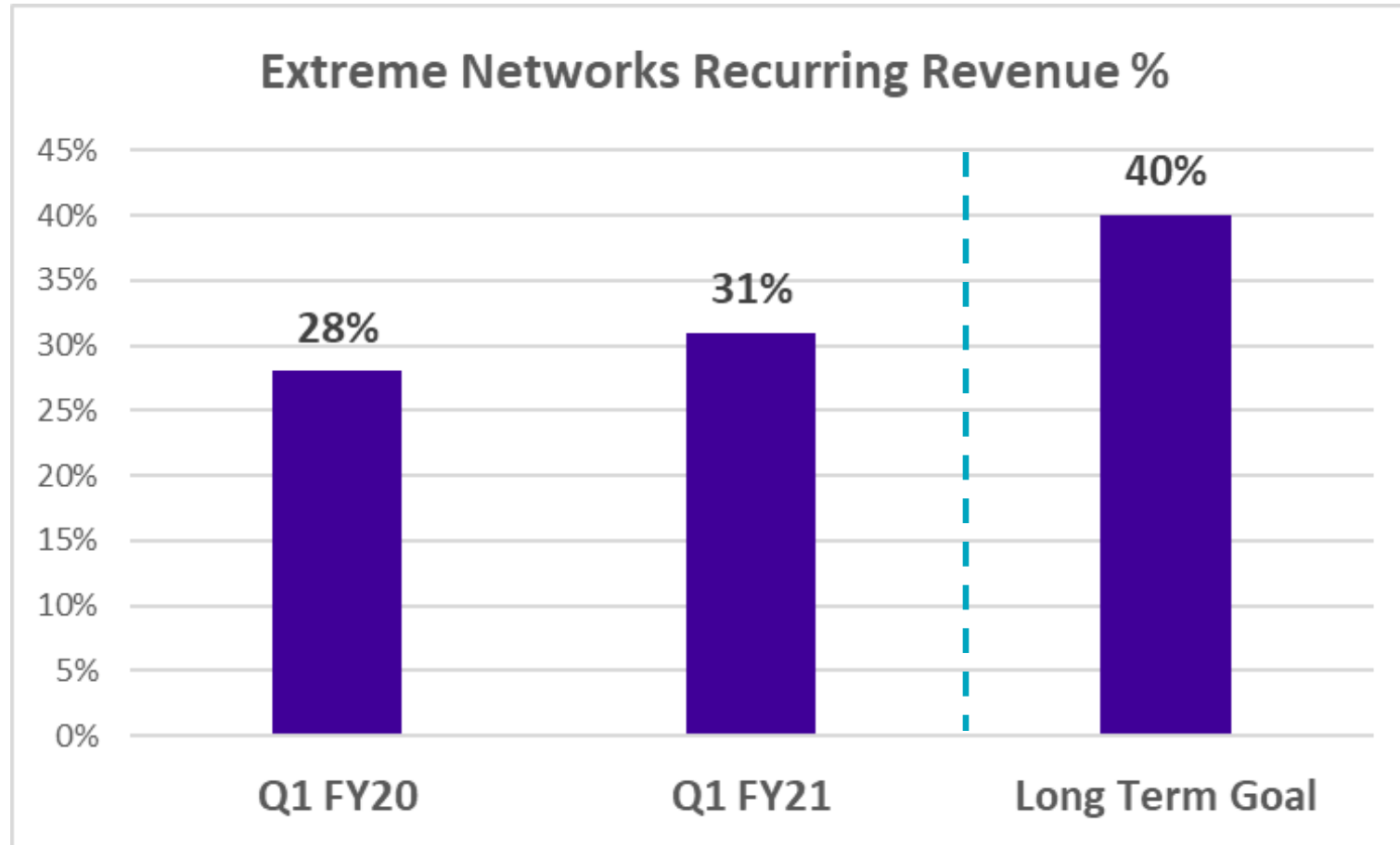


Tools

- Transition from MLXe to 9920 – improves performance, density, power consumption
- Upgrading infrastructure to 100G with Path to increased functionality with NPU and bandwidth with 400G
- Roadmap for Virtual Packet Broker, Virtual Tap, Mobile Edge Computing
- **>\$100M million opportunity over the next 3-5 years**

# Financial Highlights

# Subscriptions Growing Recurring Revenue



# Key Performance Metrics



Financial Metrics	FQ4'20	FQ1'21
Large Customers (Over \$1M in bookings for the Quarter)	23	22
Recurring Revenue* \$ Total Dollar Amount for the Quarter	\$73.5M	\$72.9M
Recurring Revenue % As a % of Total Revenue for the Quarter	34%	31%
Product Book to Bill Ratio	1.12x	1.05x
Service Book to Bill Ratio	1.26x	1.08x
R&D as a % of Revenue Non-GAAP	19.7%	20.0%
S&M as a % of Revenue Non-GAAP	29.4%	26.2%
G&A as a % of Revenue Non-GAAP	5.1%	5.8%

Cloud Metrics	FQ4'20	FQ1'21
Average Daily Traffic Per Day	~3PB	~5PB
Managed Devices	1.14M	1.36M
Active Customer Accounts	98K	103K
Average Management Events Per Day	3.5B	4.7B













\*Recurring Revenue is defined as the sum, without duplication, of subscription revenue, maintenance revenue and services revenue, including subscription and services revenue from the Aerohive business acquired by the Company in August 2019.



# Vertical Trends FQ1'21



INDUSTRY

	Extreme Exposure	Demand Outlook	Tailwinds	Headwinds
 Government & Education	~40%		Strong continued trends in K-12, Higher Ed; Solid State / Local and Fed spending globally	Demand in state / local government dependent on future government budgets and funding
 Healthcare	~10%		Stable spending activity and visibility over multiple quarters globally	Some budget challenges from lack of highly profitable elective procedures at hospitals
 Sports / Entertainment & Hospitality	<5%		Strong pipeline of activity with new logos; Building pipeline of future business	Recovery still depends on social distancing easing for live sporting events and new projects
 Manufacturing	>10%		Manufacturing business continues to grow for second quarter in a row	Continued momentum depends on macroeconomic activity
  Retail    Logistics / Transport	~10%		Stabilization of demand in Retail and cloud conversions driving spending. Logistics activity remains solid	Social distancing and economic activity for in-person shopping in Retail caps near-term outlook
 Telco / Service Provider	<10%		Stable demand from existing customers	5G is a catalyst for future spending, but significant growth is still several quarters ahead

# Non-GAAP Financial Highlights – Financial Operations



(In \$M's except percentages and EPS)

	Quarter		
	FQ1'20	FQ4'20	FQ1'21
<b>Non-GAAP<sup>1,2</sup></b>			
Product Revenue	\$185.1	\$141.5	\$161.4
Services Revenue	\$70.4	\$74.0	\$74.4
Total Revenue	\$255.5	\$215.5	\$235.8
Total GM %	59.9%	59.4%	60.3%
Operating Income \$	\$15.9	\$11.2	\$19.7
Operating Margin %	6.2%	5.2%	8.3%
Net Income	\$8.9	\$3.3	\$11.0
EBITDA	\$23.6	\$17.8	\$25.6
EPS	\$0.07	\$0.03	\$0.09

<sup>1</sup> See Appendices for GAAP to Non-GAAP reconciliation.

<sup>2</sup> We have adjusted the fiscal 2020 non-GAAP tax provision to reflect the 2020 non-GAAP operating results to be comparable with fiscal 2021 results. Please see slides 18 & 19 for the reconciliation and refer to our 8-K and press release from 10/28/20 for additional details.

# Strengthening Financial Position



(GAAP, BS in \$M's except days)

<b>Balance Sheet Highlights</b>	<b>FQ1'20</b>	<b>FQ4'20</b>	<b>FQ1'21</b>
<b>Cash and Cash Equivalents</b>	\$161.1	\$193.9	\$193.1
<b>Accounts Receivable</b>	\$152.3	\$122.7	\$123.6
<b>Inventories</b>	\$82.4	\$62.6	\$55.8
<b>Accounts Payables</b>	\$63.5	\$48.4	\$59.4
<b>Gross Debt*</b>	\$380.0	\$420.8	\$396.0
<b>Net Debt**</b>	\$218.9	\$226.9	\$202.9

<b>Cash Conversion Cycle Table</b>	<b>FQ1'20</b>	<b>FQ4'20</b>	<b>FQ1'21</b>
<b>Days Sales Outstanding</b>	55	52	48
<b>Days of Inventory</b>	83	80	70
<b>Days Payable Outsanding</b>	64	62	75
<b>Cash Conversion Cycle</b>	<b>74</b>	<b>70</b>	<b>44</b>

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

\*\*Net Debt is defined as Gross Debt minus Cash and Cash Equivalents.

# Target Non-GAAP Operating Model\*



<i>\$ in millions, except per share amounts</i>	<b>FY17 Actual*</b>	<b>FY18 Actual</b>	<b>FY19 Actual</b>	<b>FY20 Actual</b>	<b>FY21 YTD</b>	<b>Long- Term</b>
Revenue	\$598	\$983	\$996	\$948	\$236	
Non-GAAP Gross Profit	\$341	\$569	\$580			
% of Revenue	57.0%	57.9%	58.2%	59.1%	60.3%	>60%
Total Non-GAAP Opex	\$282	\$475	\$519	\$520		
Non-GAAP Operating Income	\$59	\$95	\$61	\$41		
% of Revenue	9.8%	9.6%	6.1%	4.3%	8.3%	15%
Non-GAAP Net Income	\$51	\$78	\$42	\$14	\$11	
% of Revenue	8.5%	7.9%	4.2%	1.5%	4.7%	
Non-GAAP EPS	\$0.46	\$0.65	\$0.35	\$0.12	\$0.09	



# GAAP to Non-GAAP Reconciliations



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

	Quarter		
	FQ1'20	FQ4'20	FQ1'21
Product Revenue	\$ 185.1	\$ 141.5	\$ 161.4
Service Revenue	70.4	74.0	74.4
<b>Total Revenue - GAAP</b>	<b>\$ 255.5</b>	<b>\$ 215.5</b>	<b>\$ 235.8</b>
<b>Gross Margin - GAAP</b>	<b>137.2</b>	<b>120.6</b>	<b>135.0</b>
<b>Gross Margin % - GAAP</b>	<b>53.7%</b>	<b>56.0%</b>	<b>57.3%</b>
Inventory Valuation Adjustments	4.8	-	-
Integration Costs in COGS	0.2	0.1	-
Amortization of Product Intangibles	6.4	6.6	6.6
Adjustment to Acquired Inventories	3.9	-	-
Share-Based Compensation in COGS	0.6	0.7	0.6
<b>Gross Margin - Non-GAAP</b>	<b>\$ 153.1</b>	<b>\$ 128.0</b>	<b>\$ 142.3</b>
<b>Gross Margin % - Non-GAAP</b>	<b>59.9%</b>	<b>59.4%</b>	<b>60.3%</b>

# GAAP to Non-GAAP Reconciliations



Operating Income (Loss) (In M's except percentages)

	Quarter		
	FQ1'20	FQ4'20	FQ1'21
<b>Operating Loss - GAAP</b>	\$ (32.2)	\$ (13.1)	\$ (0.1)
<b>Operating Margin- GAAP</b>	(12.6%)	(6.1%)	(0.0%)
Adjustment to Acquired Inventories	3.9	-	-
Integration Costs in COGS	0.2	0.1	-
Amortization of Product Intangibles	6.4	6.6	6.6
Inventory Valuation Adjustments	4.8	-	-
Total Share-Based Compensation	8.8	10.9	8.3
Restructuring Charges, net	6.1	2.6	1.0
Amortization of Non Product Intangibles	1.9	2.1	1.8
Integration Costs in OpEx	15.9	2.0	2.0
<b>Operating Income - Non-GAAP</b>	\$ 15.9	\$ 11.2	\$ 19.7
<b>Operating Margin - Non-GAAP</b>	6.2%	5.2%	8.3%

# GAAP to Non-GAAP Reconciliations



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

	Quarter				Full Year	Quarter
	FQ1'20	FQ2'20	FQ3'20	FQ4'20		
<b>Net Loss - GAAP</b>	\$ (37.7)	\$ (23.5)	\$ (44.4)	\$ (21.2)	\$ (126.8)	\$ (8.8)
Shares - GAAP	120.2	119.6	119.2	120.3	119.8	121.7
<b>EPS - GAAP</b>	\$ (0.31)	\$ (0.20)	\$ (0.37)	\$ (0.18)	\$ (1.06)	\$ (0.07)
Adjustment to Acquired Inventories	3.9	3.4	-	-	7.3	-
Integration Costs in COGS	0.2	1.7	0.2	0.1	2.2	-
Amortization of Product Intangibles	6.4	6.9	6.5	6.6	26.4	6.6
Inventory Valuation Adjustments	4.8	(1.2)	-	-	3.7	-
Total Share-Based Compensation	8.8	10.5	7.2	10.9	37.4	8.3
Restructuring Charges, net	6.1	6.6	6.6	2.6	22.0	1.0
Amortization of Non Product Intangibles	1.9	2.4	2.1	2.1	8.4	1.8
Tax Effect of non-GAAP Adjustments	(1.4)	(2.7)	5.4	0.3	1.5	0.1
Integration and Acquisition Costs in OpEx	15.9	9.0	5.2	2.0	32.1	2.0
<b>Net Non-GAAP Adjustments</b>	46.6	36.7	33.1	24.6	141.0	19.8
<b>Net Income - Non-GAAP</b>	\$ 8.9	\$ 13.1	(11.2)	\$ 3.3	\$ 14.1	\$ 11.0
Shares - Non-GAAP	123.7	123.2	119.2	120.8	122.2	122.6
<b>EPS - Non-GAAP</b>	\$ 0.07	\$ 0.11	\$ (0.09)	\$ 0.03	\$ 0.12	\$ 0.09



# GAAP to Non-GAAP Reconciliations



EBITDA (In \$M's)

	Quarter				Full Year	Quarter
	FQ1'20	FQ2'20	FQ3'20	FQ4'20		
<b>Net Loss - GAAP</b>	\$ (37.7)	\$ (23.5)	\$ (44.4)	\$ (21.2)	\$ (126.8)	\$ (8.8)
Interest	4.5	5.8	5.8	6.3	22.3	6.5
Provision for Income Taxes	1.6	1.8	1.6	1.4	6.4	1.3
Depreciation/Amortization	15.5	16.5	16.2	15.6	63.8	15.2
<b>EBITDA - GAAP</b>	(16.1)	0.5	(20.9)	2.1	(34.3)	14.3
Net Non-GAAP Adjustments	46.6	36.7	33.1	24.6	141.0	19.8
Income taxes included in Net Non-GAAP Adjustments	1.4	2.7	(5.4)	(0.3)	(1.5)	(0.1)
Amortization included in Net Non-GAAP Adjustments	(8.3)	(9.2)	(8.6)	(8.7)	(34.9)	(8.4)
<b>EBITDA - Non-GAAP</b>	\$ 23.6	\$ 30.6	(1.7)	\$ 17.8	\$ 70.2	\$ 25.6

# GAAP Operating Results



(In millions except EPS and percentages)

	<b>FY17 Actual*</b>	<b>FY18 Actual</b>	<b>FY19 Actual</b>	<b>FY20 Actual</b>	<b>FY21 YTD</b>
Revenue	\$607	\$983	\$996	\$948	\$236
GAAP Gross Profit	\$331	\$535	\$551	\$518	\$135
% of Revenue	54.5%	54.4%	55.4%	54.6%	57.3%
Total GAAP Opex	\$325	\$573	\$566	\$617	\$135
GAAP Operating Income (Loss)	\$6	(\$38)	(\$15)	(\$99)	(\$1)
% of Revenue	1.0%	(3.9%)	(1.5%)	(10.4%)	(0.0%)
GAAP Net Loss	(\$2)	(\$47)	(\$26)	(\$127)	(\$9)
% of Revenue	(1.7%)	(4.8%)	(2.6%)	(13.3%)	(3.7%)
GAAP EPS	(\$0.02)	(\$0.41)	(\$0.22)	(\$1.06)	(\$0.07)



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