

EXTREME NETWORKS

# FQ4'22 Financial Results

July 27, 2022

# Cautionary Statement on Financial Measures



## Non-GAAP Measures:

*In preparing the accompanying information Extreme Networks Inc. (the “Company”) has excluded, where applicable, the impact of certain Non-GAAP costs as listed at the end of this presentation. The Company believes these Non-GAAP measures provide both management and investors with additional insight into its current operations, the trends affecting the Company, the Company's marketplace performance, and the Company's ability to generate cash from operations. Accordingly, management uses these Non-GAAP measures along with comparable GAAP information when evaluating the Company's historical performance and future business activities. The Company's Non-GAAP measures may be different than those used by other companies and should be considered in conjunction with, and not as a substitute for, the Company's financial information presented in accordance with GAAP. Please refer to our most recent earnings press release dated July 27, 2022, which is posted on the “Investor Relations” section of our website and to pages 16-19 and 23 of this presentation for the required reconciliation to the most comparable GAAP financial measures.*

## Forward-Looking Statements:

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



# FQ4'22 Financial Results



# FY22 Results Summary

Double-Digit Growth Fueled by Strong Demand and Execution



## Continued Strong Growth

- 24% Bookings Growth Y/Y
- Record Fiscal Year Revenue on 10% Y/Y Revenue Growth
- Product Backlog Grew to \$513 million
- Record 208 Customers >\$1 million in Bookings for FY22



## Cloud SaaS Subscriptions

- Total Subscription Bookings Growth of 58% Y/Y
- Annualized Cloud SaaS Bookings of Over \$170 million
- Ending ARR of \$103 million, up 47% Y/Y



## Robust Profitability and Free Cash Flow

- GAAP Operating Income grew 87% Y/Y and Non-GAAP Operating Income grew 23% Y/Y.
- EPS grew over 30% Y/Y (GAAP and Non-GAAP)
- Net Debt of \$114.1 million

**Reiterate 10-15% Revenue Growth and  
10-15% Non-GAAP Operating Margin Outlook for FY23**

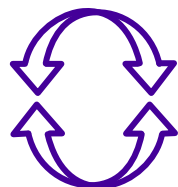
# FY22 Highlights



## CLOUD ADOPTION

SaaS ARR<sup>2</sup>  
\$103M

Recurring  
Revenue 30%



**\$157M**

SaaS Deferred  
Revenue<sup>2</sup>



Product Book  
to Bill Ratio

**1.29x**

Service Book  
to Bill Ratio

**1.29x**



## Driving Growth

Product  
Backlog **\$513M**

Revenue  
Growth (Y/Y %) **10.2%**

Product Revenue  
Growth (Y/Y %) **8.9%**

Service &  
Subscription Revenue  
Growth (Y/Y %) **13.1%**

Total SaaS Subscription  
Bookings Growth (Y/Y %) **58.1%**

Large Customers  
(Over \$1M in bookings for the Year) **208**



## PROFITABILITY & CASH FLOW

Non-GAAP  
Gross Margin %<sup>1</sup> **58.4 %**

Non-GAAP  
Operating  
Margin %<sup>1</sup>  
**12.2%**

Non-  
GAAP  
EPS (\$) <sup>1</sup>  
**\$0.77**



**\$103.5M**

Non-GAAP  
Net Income<sup>1</sup>



**\$114M**

Net  
Debt



<sup>2</sup> See Appendices for ARR & SaaS Deferred Revenue Definition

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



# Vertical Trends

Strong double-digit growth across nearly all major verticals in FY22



	Extreme Exposure	Demand Outlook	Tailwinds	Headwinds
 Government & Education	~40%		Strong Government spending across subsectors	E-rate spending cycle stable
 Healthcare	>10%		Rising demand and outlook on wireless and campus switching upgrades cycles	Some existing customers awaiting switching refresh coming in 2HCY22
 Sports / Entertainment & Hospitality	<5%		Continued recent new logo wins	Seasonality of sports league deployments
 Manufacturing	~10%		Solid trends in manufacturing	Macroeconomic activity and difficult comparisons to prior quarter
  Retail      Logistics / Transport	~10%		Retailers investing in customer experience and solid demand in transportation / logistics.	Retail demand is deal-driven
 Telco / Service Provider	<10%		Strong demand and 5G related products ramping up	Additional growth depends on timing of projects and budget cycles

# GAAP Financial Highlights – Financial Operations

(In M's except percentages and EPS)



GAAP	Quarter			Full Year	
	FQ4'21	FQ3'22	FQ4'22	FY21	FY22
Product Revenue	\$195.8	\$198.4	\$187.1	\$699.4	\$761.7
Services Revenue	\$82.3	\$87.1	\$91.1	\$310.0	\$350.6
Total Revenue	\$278.1	\$285.5	\$278.2	\$1,009.4	\$1,112.3
Total GM %	57.9%	56.5%	55.4%	58.0%	56.6%
Operating Income \$	\$17.6	\$17.3	\$10.5	\$34.4	\$64.2
Operating Margin %	6.3%	6.1%	3.8%	3.4%	5.8%
Net Income	\$10.3	\$12.8	\$5.4	\$1.9	\$44.3
EBITDA	\$30.5	\$26.7	\$19.7	\$88.0	\$104.7
EPS	\$0.08	\$0.10	\$0.04	\$0.02	\$0.33

# Non-GAAP Financial Highlights – Financial Operations

(In M's except percentages and EPS)



Non-GAAP <sup>1</sup>	Quarter			Full Year	
	FQ4'21	FQ3'22	FQ4'22	FY21	FY22
Product Revenue	\$195.8	\$198.4	\$187.1	\$699.4	\$761.7
Services Revenue	\$82.3	\$87.1	\$91.1	\$310.0	\$350.6
Total Revenue	\$278.1	\$285.5	\$278.2	\$1,009.4	\$1,112.3
Total GM %	60.5%	58.0%	57.0%	60.8%	58.4%
Operating Income \$	\$37.4	\$35.7	\$26.8	\$110.3	\$136.2
Operating Margin %	13.4%	12.5%	9.6%	10.9%	12.2%
Net Income	\$24.6	\$27.4	\$19.6	\$72.2	\$103.5
EBITDA	\$42.4	\$40.8	\$31.8	\$131.6	\$156.8
EPS	\$0.19	\$0.21	\$0.15	\$0.57	\$0.77

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

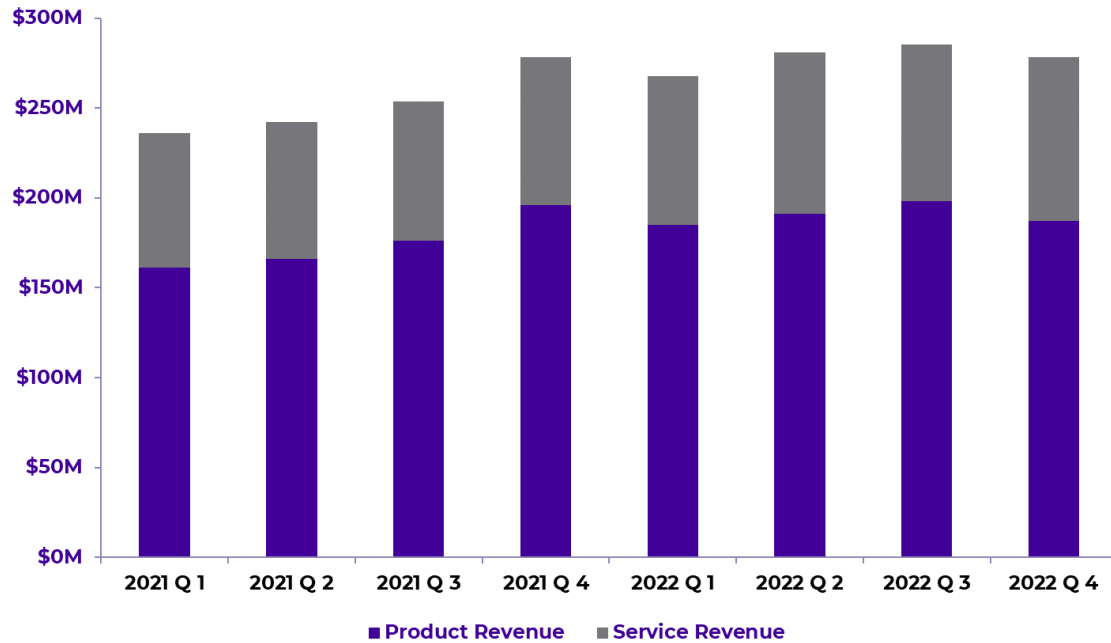


# Quarterly Results of Operations

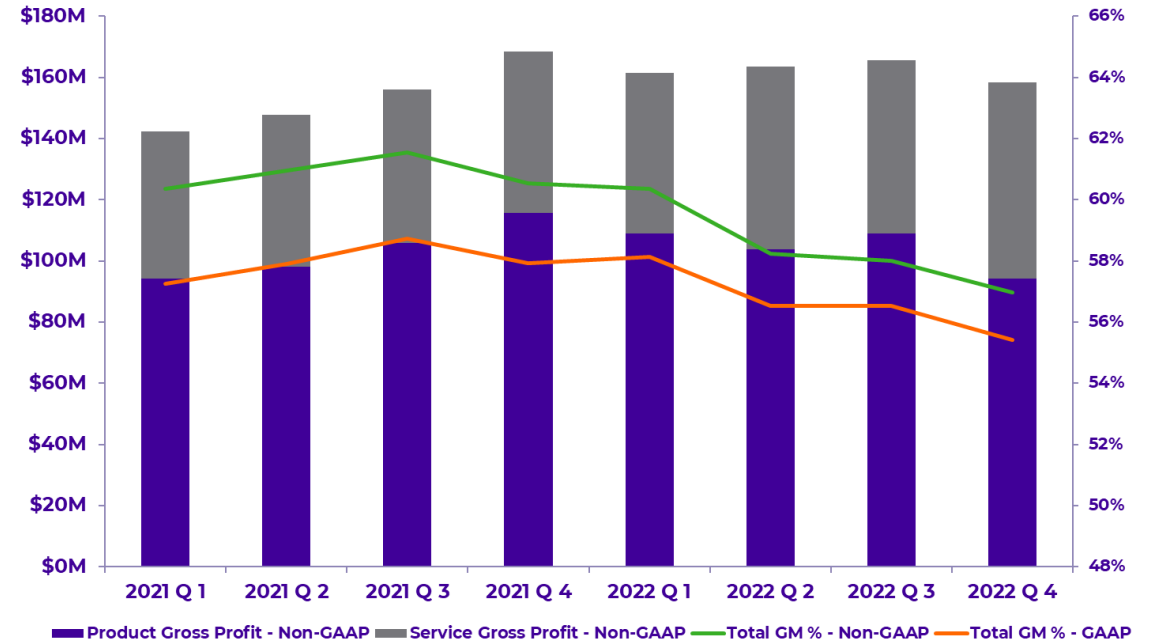
(In M's except percentages)



### Total Revenue

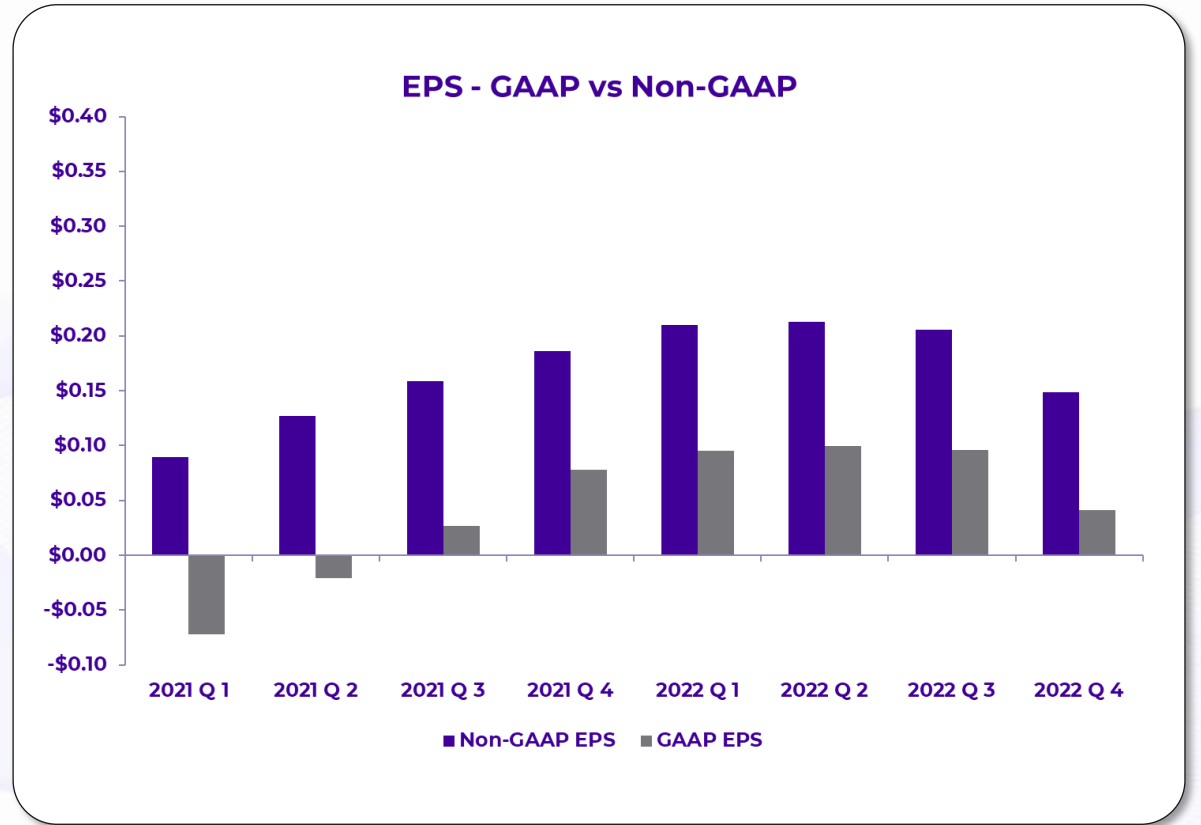
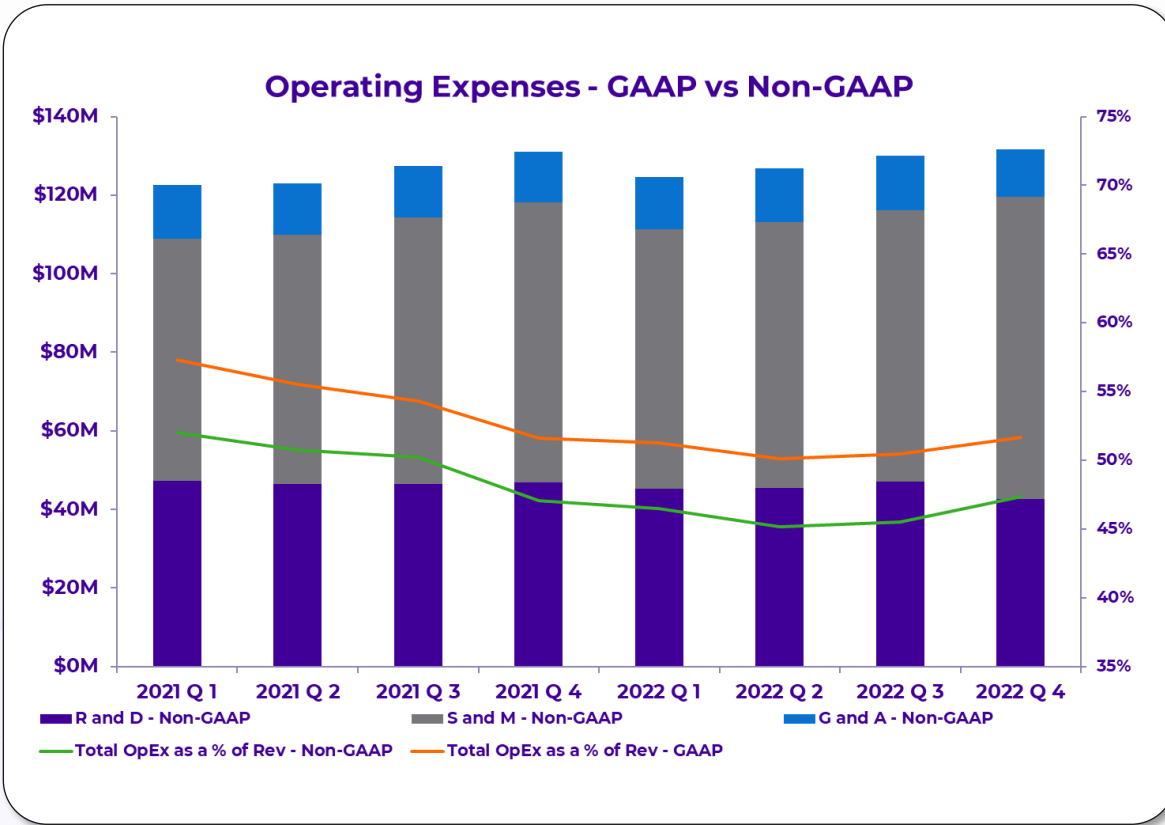


### Gross Profit - GAAP vs Non-GAAP



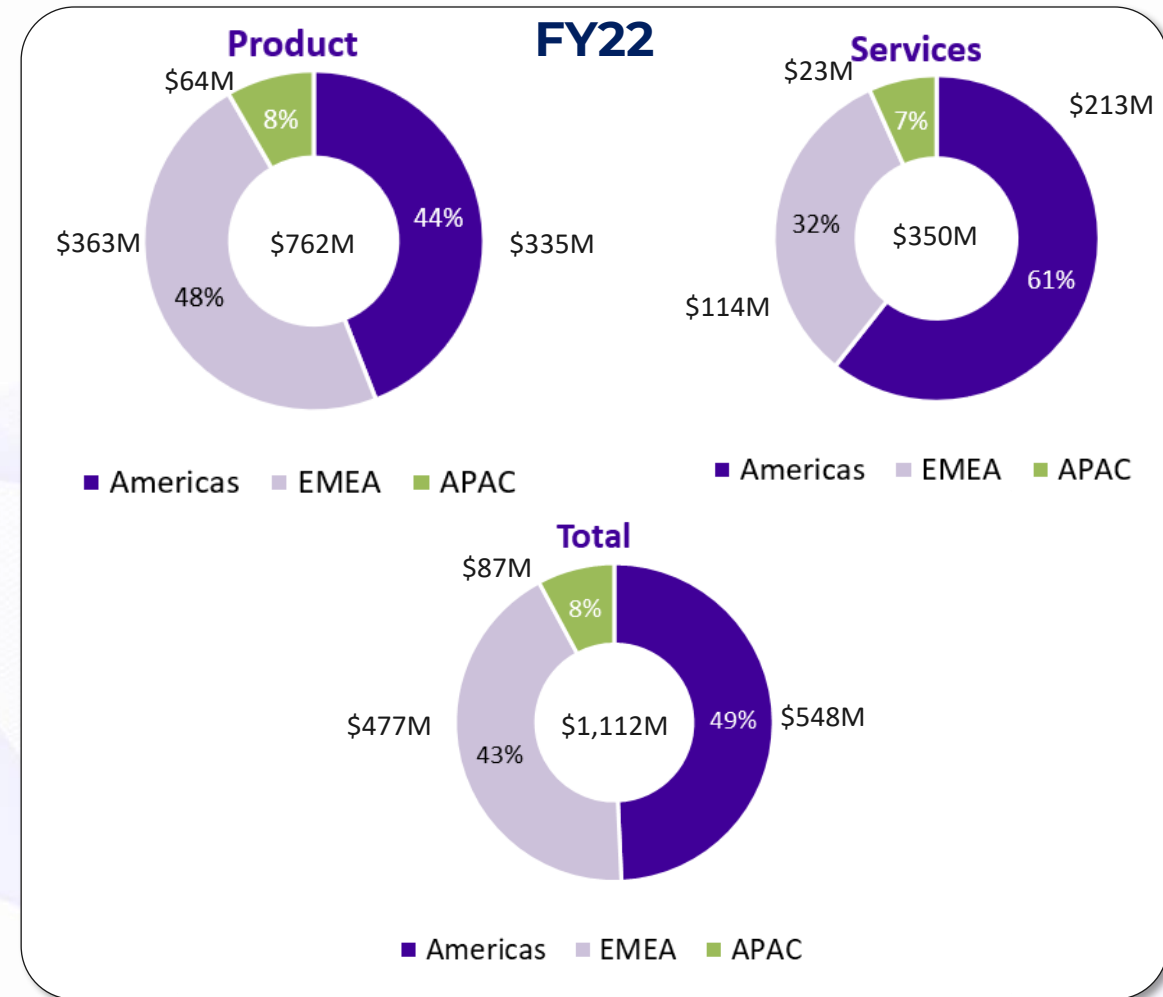
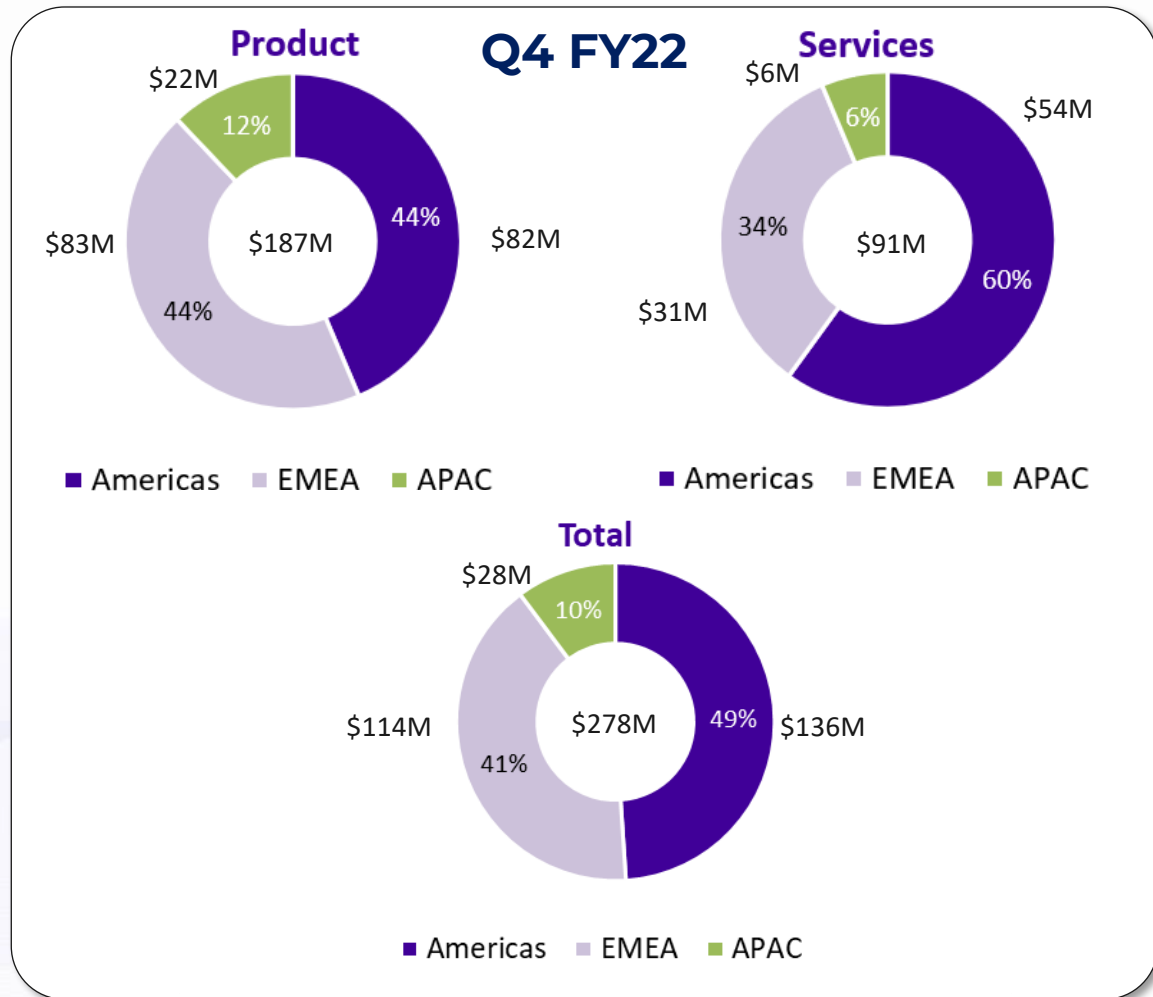
# Quarterly Results of Operations

(In M's except percentages and EPS)



# Revenue by Geography

(In M's except percentages)



# Financial Highlights – Balance Sheet

(In M's except days)



## Balance Sheet Highlights

**Cash**

**Accounts Receivable**

**Inventories**

**Accounts Payable**

**Gross Debt\***

**Net Debt\*\***

**FQ4'21**

**FQ3'22**

**FQ4'22**

\$246.9

\$166.6

\$194.5

\$156.5

\$163.0

\$184.1

\$32.9

\$37.7

\$49.2

\$60.1

\$68.5

\$84.3

\$346.8

\$315.8

\$308.6

\$99.9

\$149.2

\$114.1

## Cash Conversion Cycle Table

**Days Sales Outstanding**

**Days of Inventory**

**Days Payable Outstanding**

**Cash Conversion Cycle**

**FQ4'21**

**FQ3'22**

**FQ4'22**

51

51

60

35

37

47

64

67

80

22

21

27

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

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

# Non-GAAP Free Cash Flow

(In \$M's)



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

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

	<b>FQ4'21</b>	<b>FQ3'22</b>	<b>FQ4'22</b>	<b>FY21</b>	<b>FY22</b>
<b>Operating Cash Flow</b>	\$57.0	\$1.6	\$64.1	\$144.5	\$128.2
<b>PP&amp;E Capital Expenditures</b>	(\$4.8)	(\$4.5)	(\$4.3)	(\$17.2)	(\$15.5)
<b>Free Cash Flow</b>	<b>\$52.2</b>	<b>(\$2.9)</b>	<b>\$59.8</b>	<b>\$127.4</b>	<b>\$112.7</b>

# Appendices

## - GAAP to Non-GAAP Reconciliations

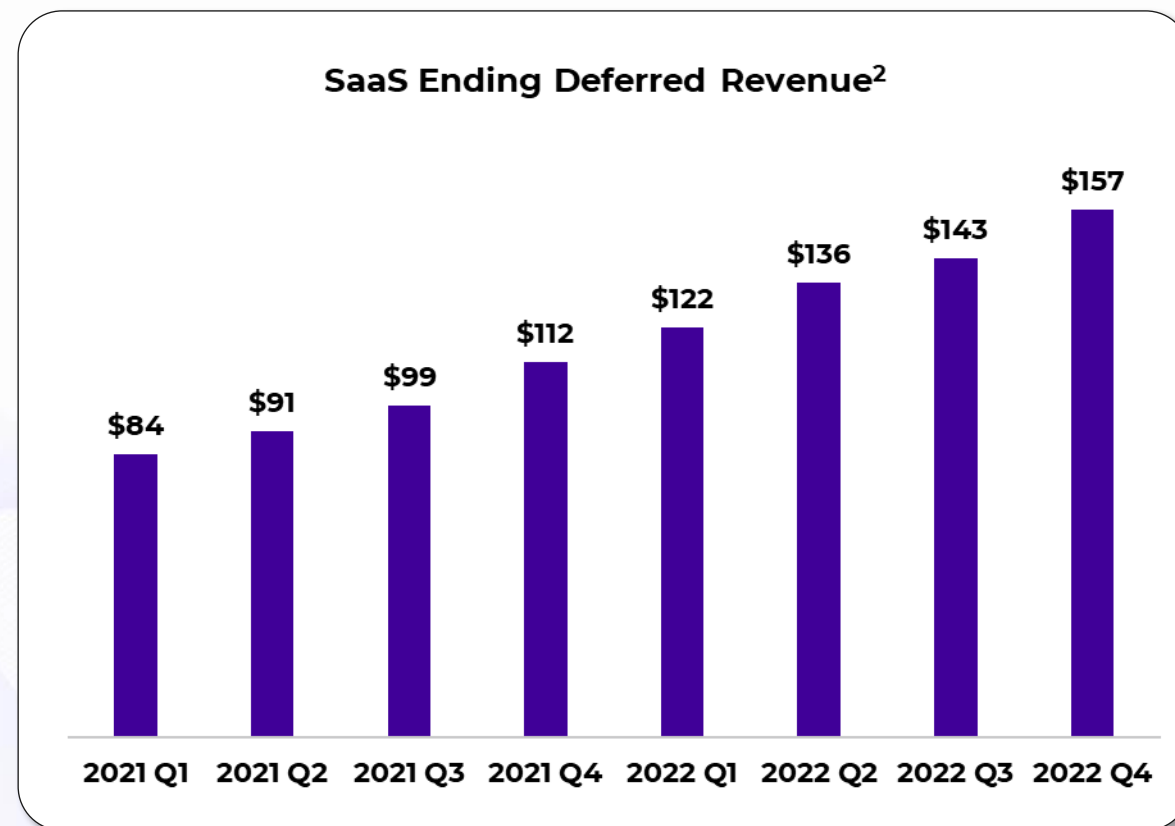
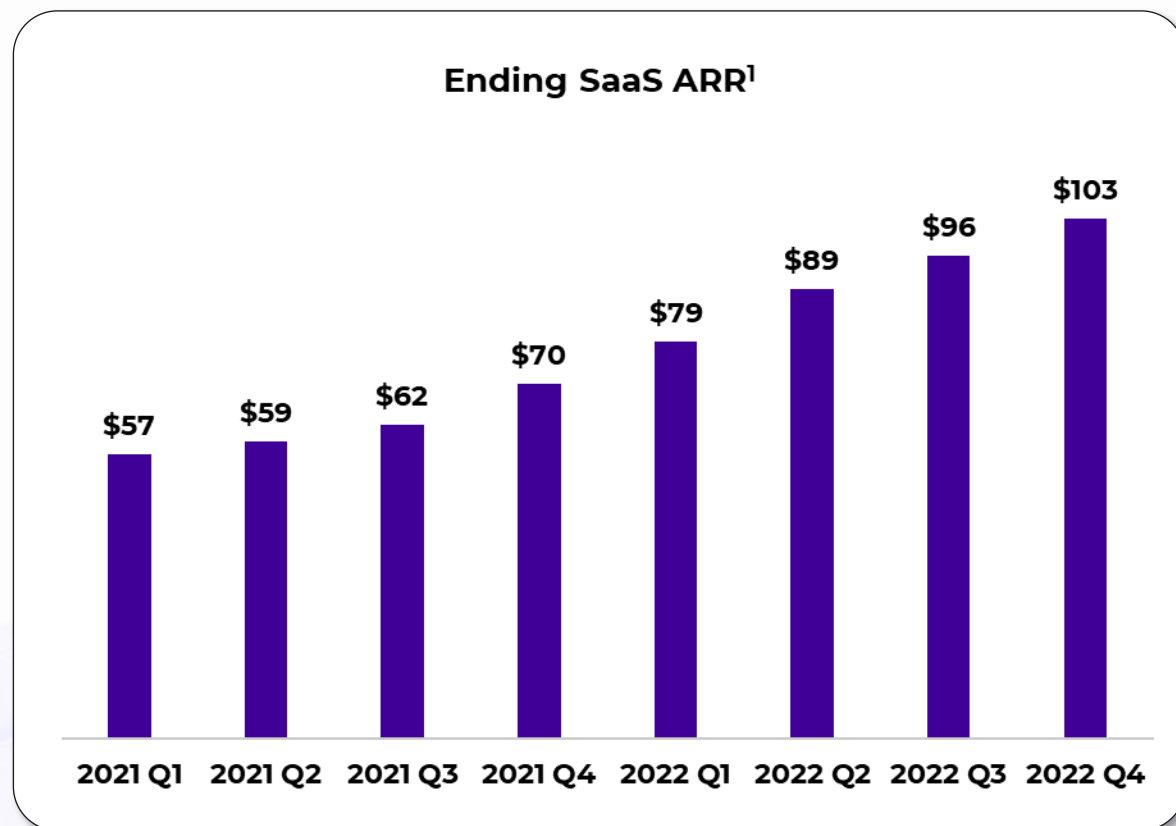
**Note:** The totals for some periods may not foot due to rounding. Please see press release for full reconciliation.



# Historical SaaS Disclosures



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



<sup>1</sup> Extreme uses SaaS annual recurring revenue ("SaaS ARR") to identify the annual recurring revenue of ExtremeCloud™ IQ (XIQ) and other subscription revenue, based on the annualized value of quarterly subscription revenue and term-based licenses. This is a change to our methodology from last quarter which was based on the annualized value of all active contracts as of the end of the quarter. We believe that SaaS ARR is an important metric because it is driven by our ability to acquire new customers and to maintain and expand our relationship with existing customers. SaaS ARR should be viewed independently of revenue, deferred revenue and other U.S. GAAP accounting. SaaS ARR does not have a standardized meaning and therefore may not be comparable to similarly titled measures presented by other companies. SaaS ARR is not intended to be a replacement for forecasts of revenue.

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

# GAAP to Non-GAAP Reconciliations

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



	Quarter			Full Year	
	FQ4'21	FQ3'22	FQ4'22	FY 21	FY 22
Product Revenue	\$ 195.8	\$ 198.4	\$ 187.1	\$ 699.4	\$ 761.7
Service Revenue	82.3	87.1	91.1	310.0	350.6
<b>Total Revenue - GAAP</b>	<b>\$ 278.1</b>	<b>\$ 285.5</b>	<b>\$ 278.2</b>	<b>\$ 1,009.4</b>	<b>\$ 1,112.3</b>
<b>Gross Margin - GAAP</b>	161.1	161.4	154.2	585.1	629.9
<b>Gross Margin % - GAAP</b>	57.9%	56.5%	55.4%	58.0%	56.6%
Amortization of Product Intangibles	6.4	3.6	3.6	26.1	16.6
Share-Based Compensation in COGS	0.8	0.6	0.7	2.9	2.7
<b>Gross Margin - Non-GAAP</b>	<b>\$ 168.3</b>	<b>\$ 165.6</b>	<b>\$ 158.5</b>	<b>\$ 614.1</b>	<b>\$ 649.2</b>
<b>Gross Margin % - Non-GAAP</b>	60.5%	58.0%	57.0%	60.8%	58.4%

# GAAP to Non-GAAP Reconciliations

Operating Income (In M's except percentages)



	Quarter			Full Year	
	FQ4'21	FQ3'22	FQ4'22	FY 21	FY 22
<b>Operating Income - GAAP</b>	\$ 17.6	\$ 17.3	\$ 10.5	\$ 34.4	\$ 64.2
<b>Operating Margin- GAAP</b>	6.3%	6.1%	3.8%	3.4%	5.8%
Amortization of Product Intangibles	6.4	3.6	3.6	26.1	16.6
Total Share-Based Compensation	11.5	10.9	10.7	39.1	43.4
Restructuring Charges, net	0.5	0.4	0.8	2.6	1.7
Amortization of Non Product Intangibles	1.4	0.7	0.6	6.1	3.3
Integration Costs in OpEx	-	2.8	0.6	2.0	7.0
<b>Operating Income - Non-GAAP</b>	<b>\$ 37.4</b>	<b>\$ 35.7</b>	<b>\$ 26.8</b>	<b>\$ 110.3</b>	<b>\$ 136.2</b>
<b>Operating Margin - Non-GAAP</b>	<b>13.4%</b>	<b>12.5%</b>	<b>9.6%</b>	<b>10.9%</b>	<b>12.2%</b>

# GAAP to Non-GAAP Reconciliations

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



	Quarter			Full Year	
	FQ4'21	FQ3'22	FQ4'22	FY 21	FY 22
<b>Net Income - GAAP</b>	\$ 10.3	\$ 12.8	\$ 5.4	\$ 1.9	\$ 44.3
Shares - GAAP	132.4	133.4	132.3	127.7	133.5
<b>EPS - GAAP (Diluted)</b>	\$ 0.08	\$ 0.10	\$ 0.04	\$ 0.02	\$ 0.33
Amortization of Product Intangibles	6.4	3.6	3.6	26.1	16.6
Total Share-Based Compensation	11.5	10.9	10.7	39.1	43.4
Restructuring Charges, net	0.5	0.4	0.8	2.6	1.7
Amortization of Non Product Intangibles	1.4	0.7	0.6	6.1	3.3
Tax Effect of non-GAAP Adjustments	(5.5)	(3.8)	(2.1)	(5.6)	(12.8)
Integration and Acquisition Costs in OpEx	-	2.8	0.6	2.0	7.0
<b>Net Non-GAAP Adjustments</b>	14.3	14.6	14.2	70.3	59.2
<b>Net Income - Non-GAAP</b>	\$ 24.6	\$ 27.4	\$ 19.6	\$ 72.2	\$ 103.5
Shares - Non-GAAP	132.4	133.4	132.3	127.7	133.5
<b>EPS - Non-GAAP</b>	\$ 0.19	\$ 0.21	\$ 0.15	\$ 0.57	\$ 0.77

# GAAP to Non-GAAP Reconciliations

EBITDA (In \$M's)



	Quarter			Full Year	
	FQ4'21	FQ3'22	FQ4'22	FY 21	FY 22
<b>Net Income - GAAP</b>	\$ 10.3	\$ 12.8	\$ 5.4	\$ 1.9	\$ 44.3
Interest	\$ 4.5	\$ 2.7	\$ 2.9	\$ 22.5	\$ 12.4
Provision for Income Taxes	\$ 2.7	\$ 1.9	\$ 2.2	\$ 8.3	\$ 7.9
Depreciation/Amortization	\$ 13.0	\$ 9.3	\$ 9.2	\$ 55.3	\$ 40.1
<b>EBITDA - GAAP</b>	30.5	26.7	19.7	88.0	104.7
Net Non-GAAP Adjustments	14.3	14.6	14.2	70.3	59.2
Income taxes included in Net Non-GAAP Adjustments	5.5	3.8	2.1	5.6	12.8
Amortization included in Net Non-GAAP Adjustments	(7.9)	(4.3)	(4.2)	(32.3)	(19.9)
<b>EBITDA - Non-GAAP</b>	\$ 42.4	\$ 40.8	\$ 31.8	\$ 131.6	\$ 156.8



## FQ1'23 Financial Guidance





# FQ1'23 Guidance – GAAP

(In M's except percentages and EPS)



	FQ4'22	FQ1'23 Guidance
Revenue (\$M)	\$278.2	\$279.0 - \$289.0
Gross Margin %	55.4%	55.4% - 57.4%
Net Income	\$5.4	\$6.3 – \$13.8
EPS	\$0.04	\$0.05 – \$0.10

# FQ1'23 Guidance – Non-GAAP

(In M's except percentages and EPS)



	FQ4'22	FQ1'23 Guidance
Revenue (\$M)	\$278.2	\$279.0 - \$289.0
Gross Margin %	57.0%	57.0% - 59.0%
Net Income	\$19.6	\$19.9-\$26.5
EPS	\$0.15	\$0.15 – \$0.20

# FQ1'23 Guidance - GAAP to Non-GAAP Reconciliation



	Gross Margin Rate	Operating Margin Rate	Earnings per Share
GAAP	55.4% - 57.4%	4.6% - 7.0%	\$0.05 - \$0.10
Estimated Adjustments for:			
Amortization of Product Intangibles	1.1%	1.1%	\$0.02
Share-Based Compensation	0.2%	3.7%	\$0.08
Restructuring Charges, net	-	0.1%	\$0.00
Acquisition and Integration Costs	-	-	\$0.00
Amortization of Non-product Intangibles	0.3%	0.6%	\$0.01
Non-GAAP Tax Adjustment	-	-	(\$0.01)
Non-GAAP	57.0% - 59.0%	10.1% - 12.6%	\$0.15 - \$0.20



ADVANCE  
WITH US™