



# Extreme Networks FQ4'21 Financial Results

July 28, 2021

# 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 28, 2021, 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.*



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# FQ4'21 Financial Results

# GAAP Financial Highlights – Financial Operations



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

	Quarter			Full Year	
	FQ4'20	FQ3'21	FQ4'21	FY20	FY21
<b>GAAP</b>					
Product Revenue	\$141.5	\$176.3	\$195.8	\$653.6	\$699.4
Services Revenue	\$74.0	\$77.1	\$82.3	\$294.4	\$310.0
Total Revenue	\$215.5	\$253.4	\$278.1	\$948.0	\$1,009.4
Total GM %	56.0%	58.7%	57.9%	54.6%	58.0%
Operating Income (Loss) \$	(\$13.1)	\$11.1	\$17.6	(\$98.9)	\$34.4
Operating Margin %	(6.1%)	4.4%	6.3%	(10.4%)	3.4%
Net Income (Loss)	(\$21.2)	\$3.5	\$10.3	(\$126.8)	\$1.9
EBITDA	\$2.1	\$24.6	\$30.5	(\$34.3)	\$87.9
EPS	(\$0.18)	\$0.03	\$0.08	(\$1.06)	\$0.02

# Non-GAAP Financial Highlights – Financial Operations



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

	FQ4'20	FQ3'21	FQ4'21	FY20	FY21
<b>Non-GAAP<sup>1,2</sup></b>					
Product Revenue	\$141.5	\$176.3	\$195.8	\$653.6	\$699.4
Services Revenue	\$74.0	\$77.1	\$82.3	\$294.4	\$310.0
Total Revenue	\$215.5	\$253.4	\$278.1	\$948.0	\$1,009.4
Total GM %	59.4%	61.5%	60.5%	59.1%	60.8%
Operating Income \$	\$11.2	\$28.6	\$37.4	\$40.6	\$110.3
Operating Margin %	5.2%	11.3%	13.4%	4.3%	10.9%
Net Income	\$3.3	\$20.7	\$24.6	\$14.1	\$72.2
EBITDA	\$17.8	\$34.2	\$42.4	\$70.2	\$131.6
EPS	\$0.03	\$0.16	\$0.19	\$0.12	\$0.57

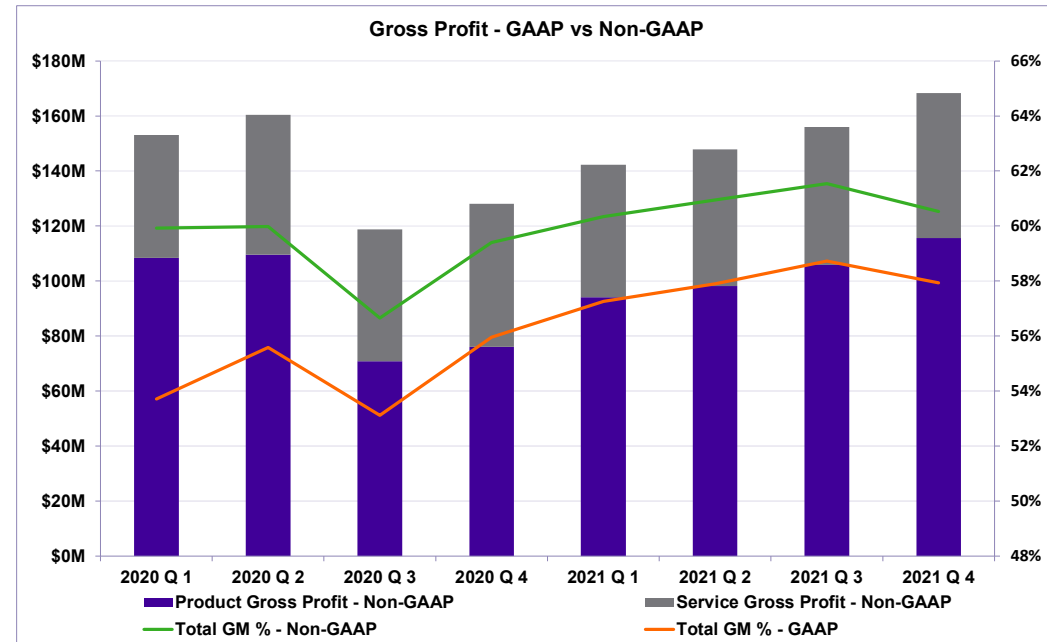
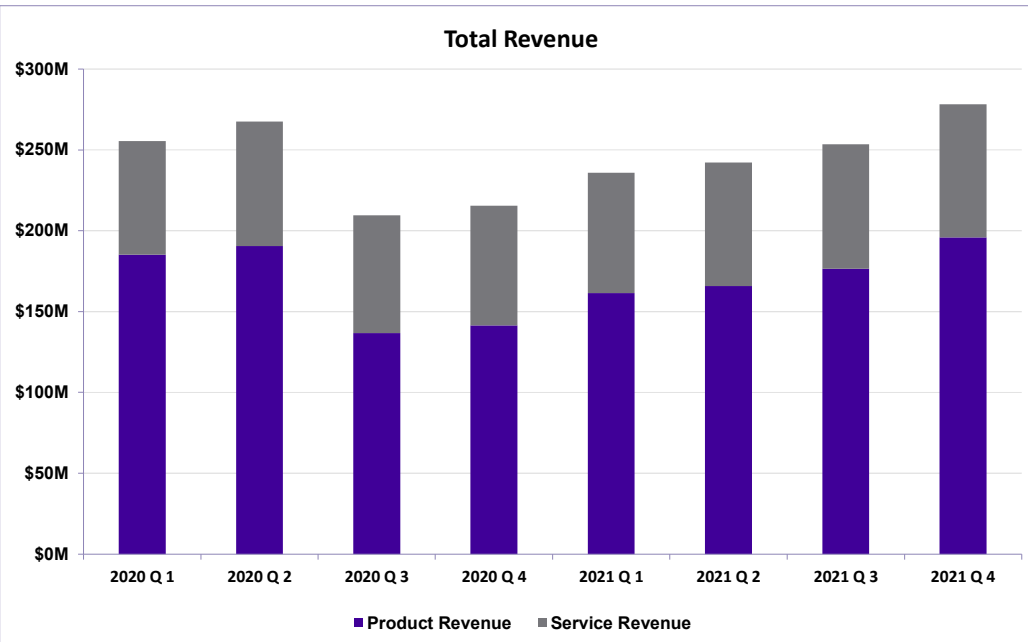
1 See Appendices for GAAP to Non-GAAP reconciliation.

2 In the first quarter of fiscal 2021 we adjusted the fiscal 2020 non-GAAP tax provision to reflect the 2020 non-GAAP operating results to be comparable with fiscal 2021 results. Please refer to first quarter fiscal 2021 8-K and press release and investor deck from 10/28/20 for additional details.

# Quarterly Results of Operations



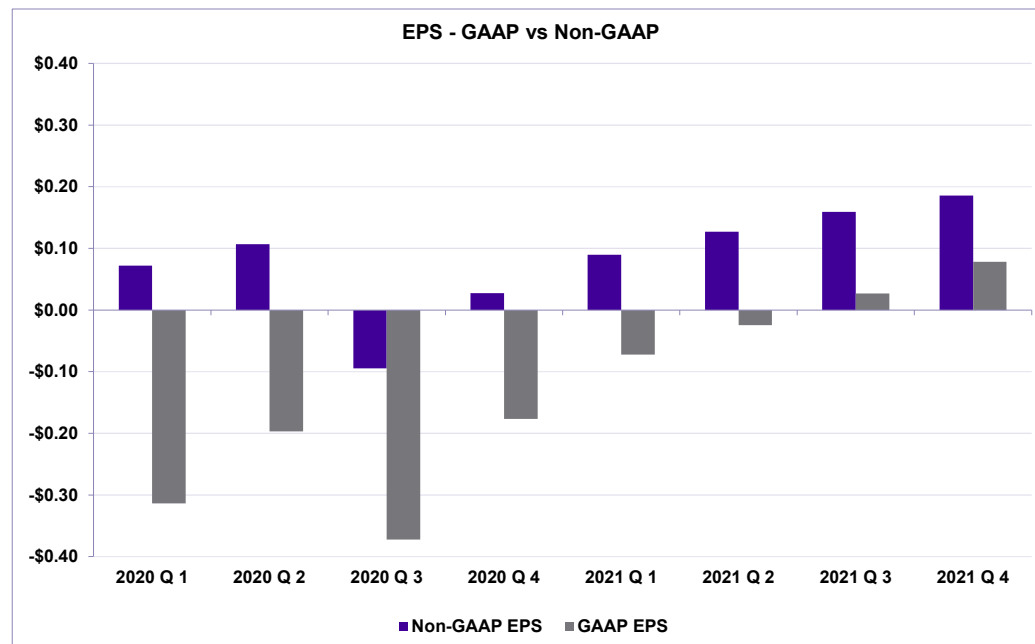
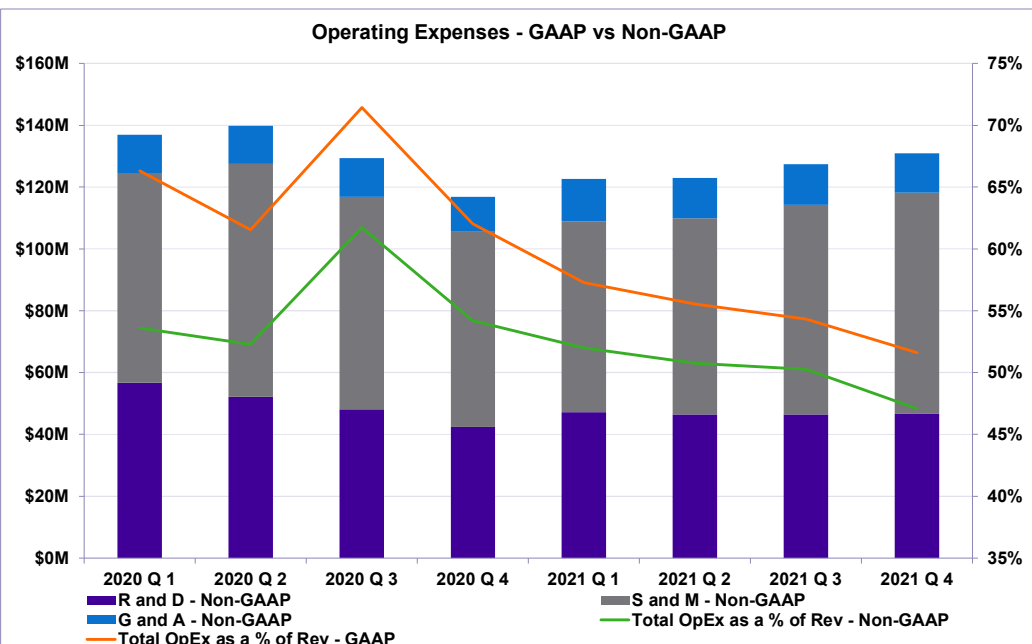
(In \$M's except percentages)



# Quarterly Results of Operations



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



# Revenue by Geography



(In \$M's except percentages)

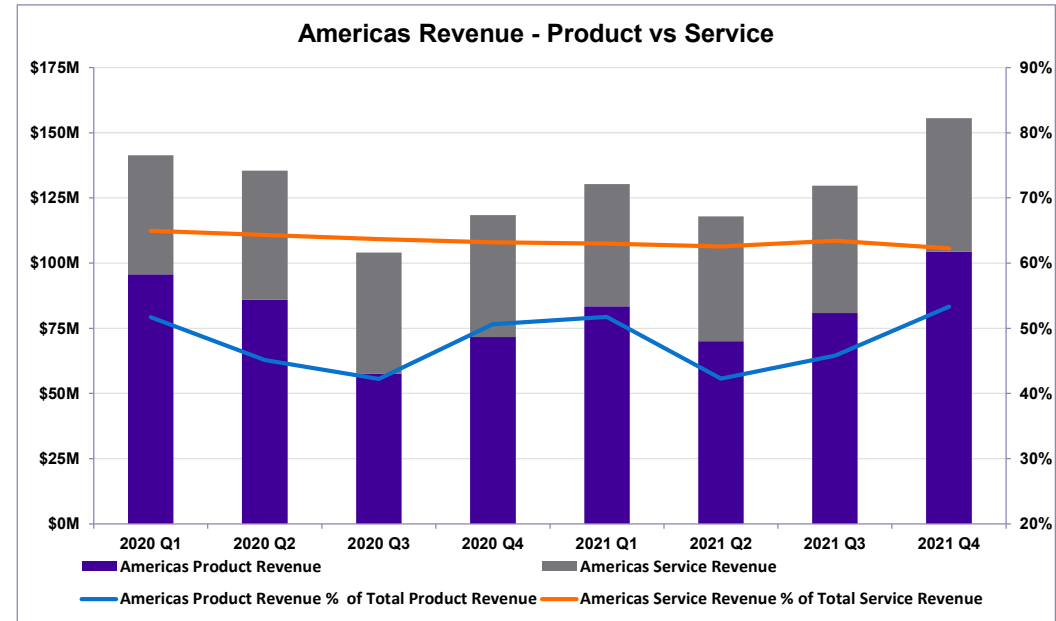
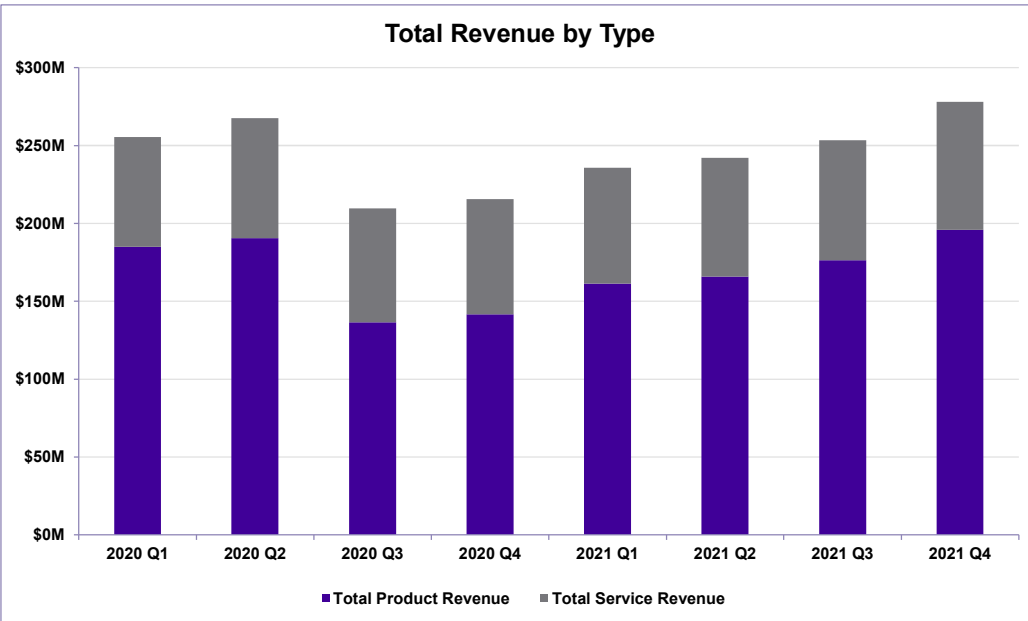
	FQ4'20	FQ3'21	FQ4'21	YoY % Change	QoQ % Change	FY20	FY21	YoY % Change
<b>Product Revenue</b>								
Americas	\$ 71.6	\$ 80.8	\$ 104.4	45.8%	29.2%	\$ 310.9	\$ 338.8	9.0%
EMEA	54.8	76.8	78.5	43.3%	2.1%	273.8	\$ 295.9	8.1%
APAC	15.1	18.7	12.9	(14.1%)	(30.7%)	68.9	\$ 64.7	(6.0%)
<b>Total Product</b>	<b>\$ 141.5</b>	<b>\$ 176.3</b>	<b>\$ 195.8</b>	<b>38.4%</b>	<b>11.1%</b>	<b>\$ 653.6</b>	<b>\$ 699.4</b>	<b>7.0%</b>
<b>Service Revenue</b>								
Americas	46.8	48.9	51.2	9.4%	4.7%	\$ 188.5	\$ 194.6	3.3%
EMEA	21.1	22.5	24.8	17.6%	10.3%	83.4	\$ 91.8	10.0%
APAC	6.1	5.7	6.3	2.0%	10.2%	22.5	\$ 23.6	4.8%
<b>Total Service</b>	<b>74.0</b>	<b>77.1</b>	<b>82.3</b>	<b>11.1%</b>	<b>6.7%</b>	<b>\$ 294.4</b>	<b>\$ 310.0</b>	<b>5.3%</b>
<b>Total Revenue</b>								
Americas	\$ 118.4	\$ 129.7	\$ 155.6	31.4%	20.0%	\$ 499.4	\$ 533.4	6.8%
EMEA	\$ 75.9	\$ 99.3	\$ 103.3	36.1%	4.0%	357.2	\$ 387.6	8.5%
APAC	\$ 21.2	\$ 24.4	\$ 19.2	(9.4%)	(21.1%)	91.4	\$ 88.4	(3.3%)
<b>Total Revenue</b>	<b>\$ 215.5</b>	<b>\$ 253.4</b>	<b>\$ 278.1</b>	<b>29.0%</b>	<b>9.7%</b>	<b>\$ 948.0</b>	<b>\$ 1,009.4</b>	<b>6.5%</b>



# Revenue by Type and by Geography



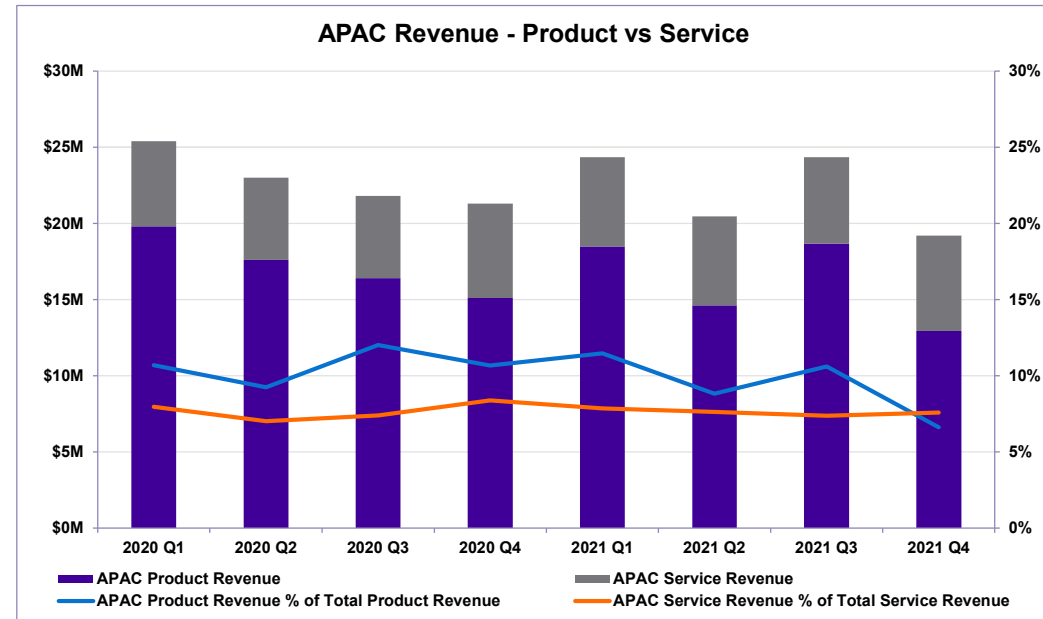
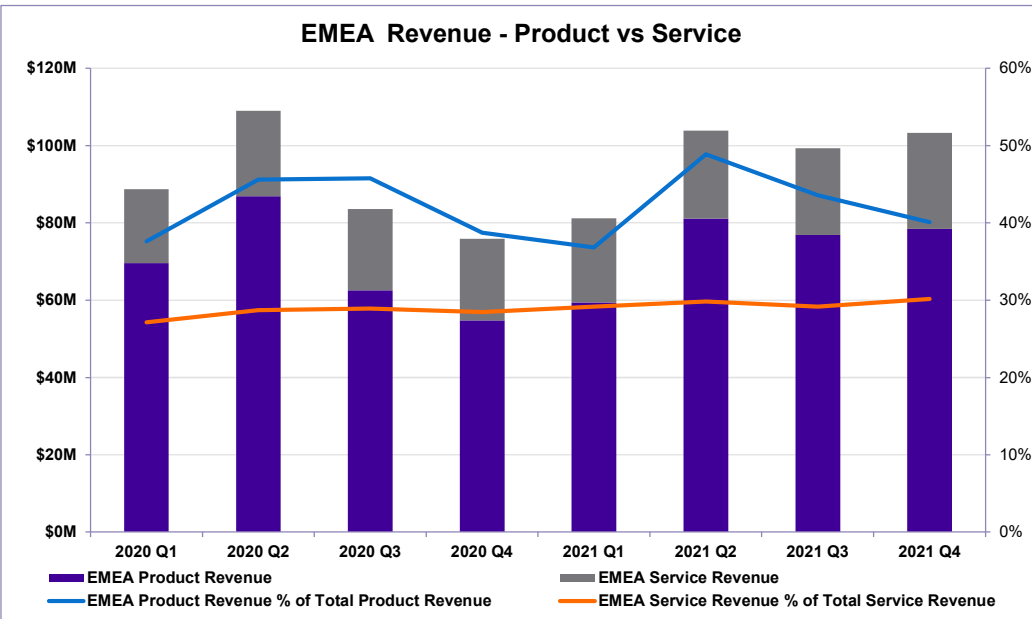
(In \$M's except percentages)



# Revenue by Type and by Geography Cont.



(In \$M's except percentages)



# Financial Highlights – Balance Sheet



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

<b>Balance Sheet Highlights</b>	<b>FQ4'20</b>	<b>FQ3'21</b>	<b>FQ4'21</b>
<b>Cash</b>	\$193.9	\$203.1	\$246.9
<b>Accounts Receivable</b>	\$122.7	\$130.6	\$156.5
<b>Inventories</b>	\$62.6	\$43.9	\$32.9
<b>Accounts Payables</b>	\$48.4	\$57.2	\$60.1
<b>Gross Debt*</b>	\$420.8	\$351.5	\$346.8
<b>Net Debt**</b>	\$226.9	\$148.4	\$99.9

<b>Cash Conversion Cycle Table</b>	<b>FQ4'20</b>	<b>FQ3'21</b>	<b>FQ4'21</b>
<b>Days Sales Outstanding</b>	52	46	51
<b>Days of Inventory</b>	80	52	35
<b>Days Payable Outstanding</b>	62	67	64
<b>Cash Conversion Cycle</b>	<b>70</b>	<b>31</b>	<b>22</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.

# 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>FQ4'20</b>	<b>FQ3'21</b>	<b>FQ4'21</b>	<b>FY20</b>	<b>FY21</b>
<b>Operating Cash Flow</b>	\$8.8	\$24.7	\$57.0	\$35.9	\$144.5
<b>PP&amp;E Capital Expenditures</b>	(\$2.6)	(\$4.3)	(\$4.8)	(\$15.3)	(\$17.2)
<b>Free Cash Flow</b>	<b>\$6.2</b>	<b>\$20.4</b>	<b>\$52.2</b>	<b>\$20.6</b>	<b>\$127.4</b>

# Key Performance Metrics



Financial Metrics	FQ3'21	FQ4'21
Large Customers (Over \$1M in bookings for the Quarter)	27	32
Recurring Revenue* \$ Total Dollar Amount for the Quarter	\$73.9M	\$78.0M
Recurring Revenue % As a % of Total Revenue for the Quarter	29%	28%
Product Book to Bill Ratio	1.06x	1.18x
Service Book to Bill Ratio	1.14x	1.34x
R&D as a % of Revenue Non-GAAP	18.3%	16.8%
S&M as a % of Revenue Non-GAAP	26.7%	25.7%
G&A as a % of Revenue Non-GAAP	5.2%	4.6%

Cloud Metrics	FQ3'21	FQ4'21
Average Daily Traffic Per Day	~11.1PB	~6.2PB
Managed Devices	1.6M	1.7M
Active Customer Accounts	112K	117K
Average Management Events Per Day	5.5B	6.7B

\*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



	Extreme Exposure	Demand Outlook	Tailwinds	Headwinds
 Government & Education	~40%		Strong seasonality in Education supported by E-rate, Higher Ed and State/Local Gov't globally	Budget approvals will dictate future spending increases
 Healthcare	~10%		Global strength in healthcare, particularly with wireless upgrades and positive outlook for switching	Some existing customers awaiting switching product refresh that is supply chain constrained
 Sports / Entertainment & Hospitality	~5%		Hospitality / casinos latest sub-segment to recover, adding to strong outlook for sports venues.	Pace of additional recovery depends on further easing of restrictions for live event attendance and projects
 Manufacturing	~10%		Strong growth in manufacturing activity and seasonality for both switching and wireless solutions	Continued momentum depends on further macroeconomic recovery
 Retail    Logistics / Transport	>10%		Gradual improvement in retail buoyed by strength in transportation / logistics.	Full retail recovery still ahead, capping outlook
 Telco / Service Provider	<10%		Core 5G related products general available, awaiting 5G spending to ramp up	Growth depends on timing of projects and budget cycles



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## 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.

# GAAP to Non-GAAP Reconciliations



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

	Quarter			Full Year	
	FQ4'20	FQ3'21	FQ4'21	FY20	FY 21
Product Revenue	\$ 141.5	\$ 176.3	\$ 195.8	\$ 653.6	\$ 699.4
Service Revenue	74.0	77.1	82.3	294.4	310.0
<b>Total Revenue - GAAP</b>	<b>\$ 215.5</b>	<b>\$ 253.4</b>	<b>\$ 278.1</b>	<b>\$ 948.0</b>	<b>\$ 1,009.4</b>
<b>Gross Margin - GAAP</b>	120.6	148.8	161.1	517.8	585.1
<b>Gross Margin % - GAAP</b>	56.0%	58.7%	57.9%	54.6%	58.0%
Inventory Valuation Adjustments	-	-	-	3.7	-
Integration Costs in COGS	0.1	-	-	2.2	-
Amortization of Product Intangibles	6.6	6.4	6.4	26.4	26.1
Adjustment to Acquired Inventories	-	-	-	7.3	-
Share-Based Compensation in COGS	0.7	0.7	0.8	2.9	2.9
<b>Gross Margin - Non-GAAP</b>	<b>\$ 128.0</b>	<b>\$ 156.0</b>	<b>\$ 168.3</b>	<b>\$ 560.3</b>	<b>\$ 614.1</b>
<b>Gross Margin % - Non-GAAP</b>	59.4%	61.5%	60.5%	59.1%	60.8%



# GAAP to Non-GAAP Reconciliations



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

	Quarter			Full Year	
	FQ4'20	FQ3'21	FQ4'21	FY20	FY 21
<b>Operating Income (Loss) - GAAP</b>	\$ (13.1)	\$ 11.1	\$ 17.6	\$ (98.9)	\$ 34.4
<b>Operating Margin- GAAP</b>	(6.1%)	4.4%	6.3%	(10.4%)	3.4%
Deferred Revenue Adjustment	-	-	-	-	-
Adjustment to Acquired Inventories	-	-	-	7.3	-
Integration Costs in COGS	0.1	-	-	2.2	-
Amortization of Product Intangibles	6.6	6.4	6.4	26.4	26.1
Inventory Valuation Adjustments	-	-	-	3.7	-
Total Share-Based Compensation	10.9	9.2	11.5	37.4	39.1
Restructuring Charges, net	2.6	0.4	0.5	22.0	2.6
Amortization of Non Product Intangibles	2.1	1.4	1.4	8.4	6.1
Integration Costs in OpEx	2.0	-	-	32.1	2.0
<b>Operating Income - Non-GAAP</b>	<u>\$ 11.2</u>	<u>\$ 28.6</u>	<u>\$ 37.4</u>	<u>\$ 40.6</u>	<u>\$ 110.3</u>
<b>Operating Margin - Non-GAAP</b>	5.2%	11.3%	13.4%	4.3%	10.9%

# GAAP to Non-GAAP Reconciliations



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

	Quarter			Full Year	
	FQ4'20	FQ3'21	FQ4'21	FY20	FY 21
<b>Net Income (Loss) - GAAP</b>	\$ (21.2)	\$ 3.5	\$ 10.3	\$ (126.8)	\$ 1.9
Shares - GAAP	120.3	130.0	132.4	119.8	127.7
<b>EPS - GAAP</b>	\$ (0.18)	\$ 0.03	\$ 0.08	\$ (1.06)	\$ 0.02
Adjustment to Acquired Inventories	-	-	-	7.3	-
Integration Costs in COGS	0.1	-	-	2.2	-
Amortization of Product Intangibles	6.6	6.4	6.4	26.4	26.1
Inventory Valuation Adjustments	-	-	-	3.7	-
Total Share-Based Compensation	10.9	9.2	11.5	37.4	39.1
Restructuring Charges, net	2.6	0.4	0.5	22.0	2.6
Amortization of Non Product Intangibles	2.1	1.4	1.4	8.4	6.1
Tax Effect of non-GAAP Adjustments	0.3	(0.2)	(5.5)	1.5	(5.6)
Integration and Acquisition Costs in OpEx	2.0	-	-	32.1	2.0
<b>Net Non-GAAP Adjustments</b>	<b>24.6</b>	<b>17.2</b>	<b>14.3</b>	<b>141.0</b>	<b>70.3</b>
<b>Net Income - Non-GAAP</b>	<b>\$ 3.3</b>	<b>\$ 20.7</b>	<b>\$ 24.6</b>	<b>\$ 14.1</b>	<b>\$ 72.2</b>
Shares - Non-GAAP	120.8	130.0	132.4	122.2	127.7
<b>EPS - Non-GAAP</b>	<b>\$ 0.03</b>	<b>\$ 0.16</b>	<b>\$ 0.19</b>	<b>\$ 0.12</b>	<b>\$ 0.57</b>

# GAAP to Non-GAAP Reconciliations



EBITDA (In \$M's)

	Quarter			Full Year	
	FQ4'20	FQ3'21	FQ4'21	FY20	FY 21
<b>Net Income (Loss) - GAAP</b>	\$ (21.2)	\$ 3.5	\$ 10.3	\$ (126.8)	\$ 1.9
Interest	6.3	\$ 5.5	\$ 4.5	22.3	\$ 22.5
Provision for Income Taxes	1.4	\$ 2.4	\$ 2.7	6.4	\$ 8.2
Depreciation/Amortization	15.6	\$ 13.2	\$ 13.0	63.8	\$ 55.3
<b>EBITDA - GAAP</b>	2.1	24.6	30.5	(34.3)	87.9
Net Non-GAAP Adjustments	24.6	17.2	14.3	141.0	70.3
Income taxes included in Net Non-GAAP Adjustments	(0.3)	0.2	5.5	(1.5)	5.6
Amortization included in Net Non-GAAP Adjustments	(8.7)	(7.8)	(7.8)	(34.9)	(32.2)
<b>EBITDA - Non-GAAP</b>	\$ 17.8	\$ 34.2	\$ 42.4	\$ 70.2	\$ 131.6



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## FQ1'22 Financial Guidance

# FQ1'22 Guidance – GAAP



(In M's except percentages and EPS)

	<b>FQ4'21</b>	<b>FQ1'22 Guidance</b>
Revenue (\$M)	\$278.1	\$250.0 - \$265.0
Gross Margin %	57.9%	55.6% - 57.8%
Net Income	\$10.3	\$0.1 – \$12.1
EPS	\$0.08	\$0.00 – \$0.09

## FQ1'22 Guidance – Non-GAAP



(In M's except percentages and EPS)

	FQ4'21	FQ1'22 Guidance
Revenue (\$M)	\$278.1	\$250.0 - \$265.0
Gross Margin %	60.5%	58.0% - 60.0%
Net Income	\$24.6	\$16.7 – \$26.7
EPS	\$0.19	\$0.13 – \$0.20

# FQ1'22 Guidance - GAAP to Non-GAAP Reconciliation



	Gross Margin Rate	Operating Margin Rate	Earnings per Share
GAAP	55.6% - 57.8%	2.6% - 7.0%	\$0.00 - \$0.09
Estimated Adjustments for:			
Amortization of Product Intangibles	1.7%	1.7%	\$0.03
Share-Based Compensation	0.3%	3.9%	\$0.08
Restructuring Charges, net	-	0.3%	\$0.00
Amortization of Non-product Intangibles	0.3%	0.8%	\$0.02
Non-GAAP Tax Adjustment	-	-	(\$0.00)-(\$0.02)
Non-GAAP	58.0% - 60.0%	9.4% - 13.4%	\$0.13 - \$0.20



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