



The Cloud-Driven End-to-End **ENTERPRISE NETWORK**

FEBRUARY 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 January 29, 2020, which is posted under SEC Filings on the “Investor Relations” section of our website for the required reconciliation and to pages 26-29 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 they are made. 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.

BY 2025

75B



10x as Many Devices as
People in the World

CLOUD



#1 Network Management
by 2023

5.1B



Number of
Mobile Users

\$2 Trillion



Projected
Digital Transformation
Spend by 2020

50%



of Organizations Are Adopting
Cloud Networking

463EB



Data Generated
per DAY



40%

of CIOs State Security
is their #1 investment

Extreme Networks: A Leader in Cloud Driven Networking

Who We Are



- Founded **1996**
- Revenue: **\$1.1 Billion**
- **2,800+** employees
- NASDAQ: **EXTR**
- HQ in **San Jose, CA**

What We Do



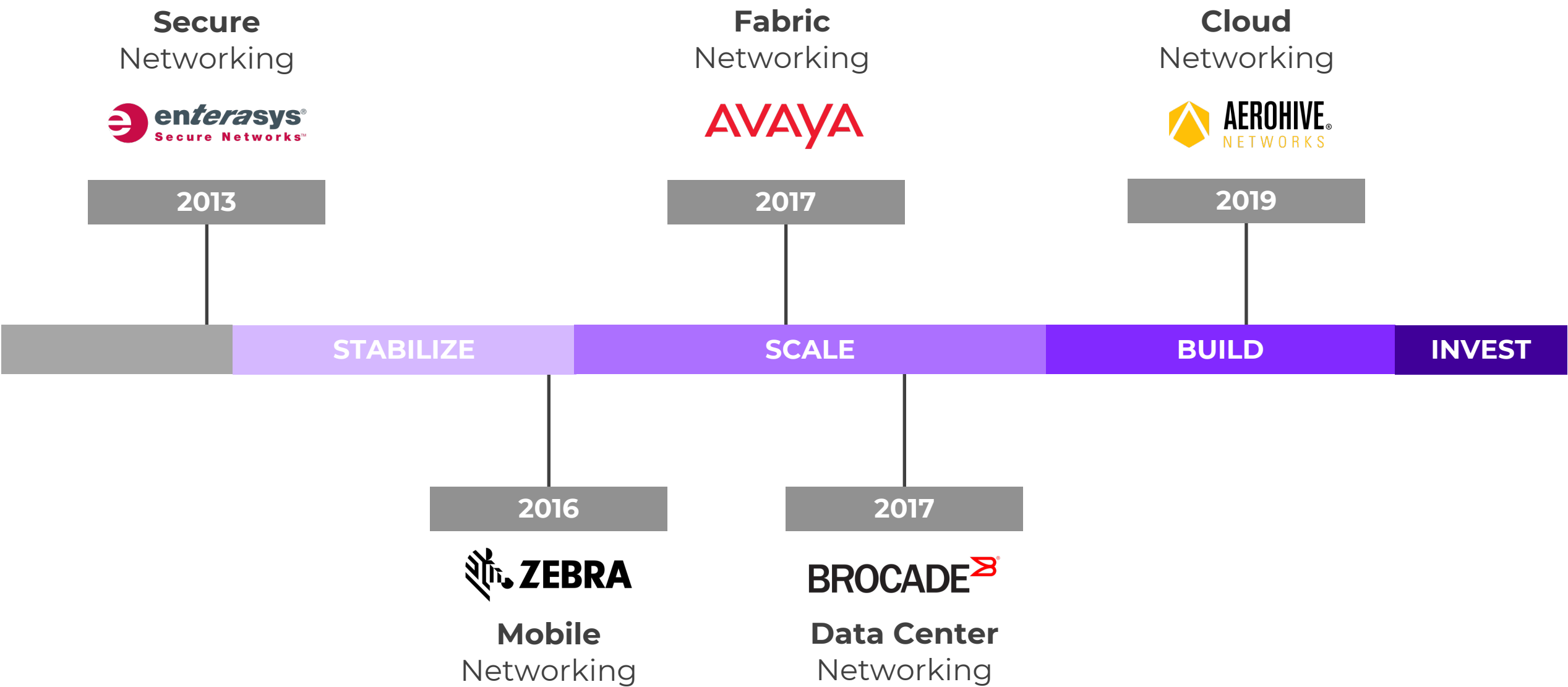
- **20+ years** of networking innovation
- Cloud-Driven End-to-End Networking **Solutions**
- **1,100+** active patents

Who We Serve



- **~50,000** Customers
- **7,000+** Partners
- Business in **80+** countries
- **100% Insourced** Service & Support

CLOUD-DRIVEN Growth Strategy



Doubling in Size Over Past 4 Years



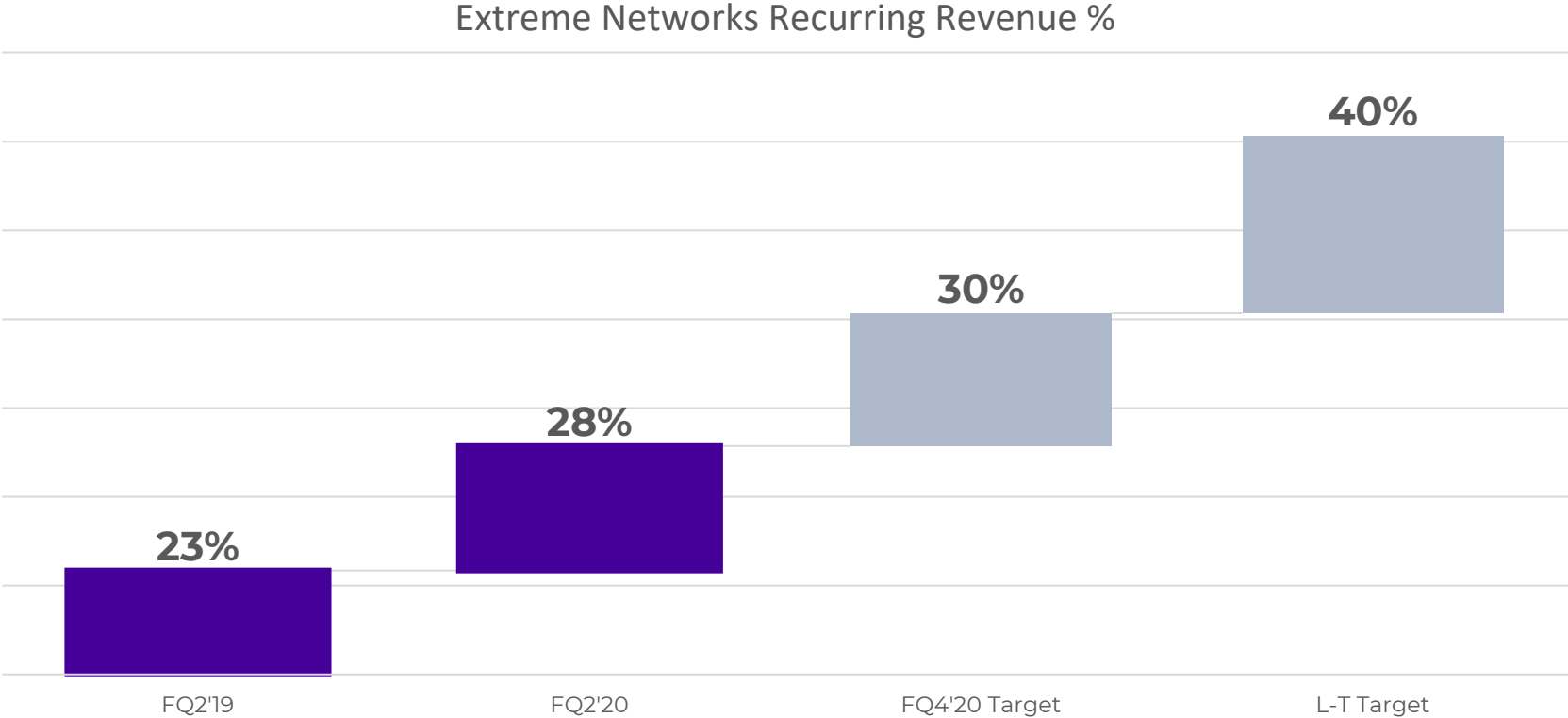
**Line Items not restated following adoption of ASC 606 in FY17; a GAAP Reconciliation is available on our website.
FY20E data represents Consensus estimates for FY20*

Dynamic Growth Opportunity Particularly on Network Edge

Market	Total Market 2019	Total Market CAGR (2019-2022)	Extreme TAM 2019	Extreme TAM CAGR (2019-2022)
Wireless LAN	\$7.0B	9.5%	\$4.9B	8.9%
Data Center	\$14.2B	6.6%	\$9.6B	2.5%
Ethernet Switching and Campus LAN	\$12.2B	2.4%	\$7.7B	1.1%
Enterprise Edge (Campus)	\$10.4B	2.4%	\$6.5B	2.5%
Enterprise Switching (Core)	\$1.8B	-0.9%	\$1.2B	-4.4%
SD-WAN	\$1.6B	18.8%	\$1.0B	18.8%
Total Addressable Market	\$35.0B	5.8%	\$22.2B	4.9%
<i>Total "Edge" (WLAN + Campus Switching)</i>	<i>\$17.4B</i>	<i>5.2%</i>	<i>\$11.3B</i>	<i>5.2%</i>

**Based on Extreme estimates utilizing Gartner, IDC, Dell'Oro Group, and publicly available information*

Growing Recurring Revenue



**FQ2'20 adjusted for deferred revenue and a full quarter's worth of revenue contribution from Aerohive for a full quarter*

Customers Embracing Cloudification



50%

BY 2021

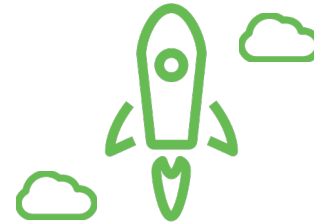
of Deployments Will
Be Cloud-Managed



3x

TRADITIONAL

Cloud Networking
Growth Rate
(over traditional
networking)



\$7B

BY 2023

Market vs
\$2B Today



#1

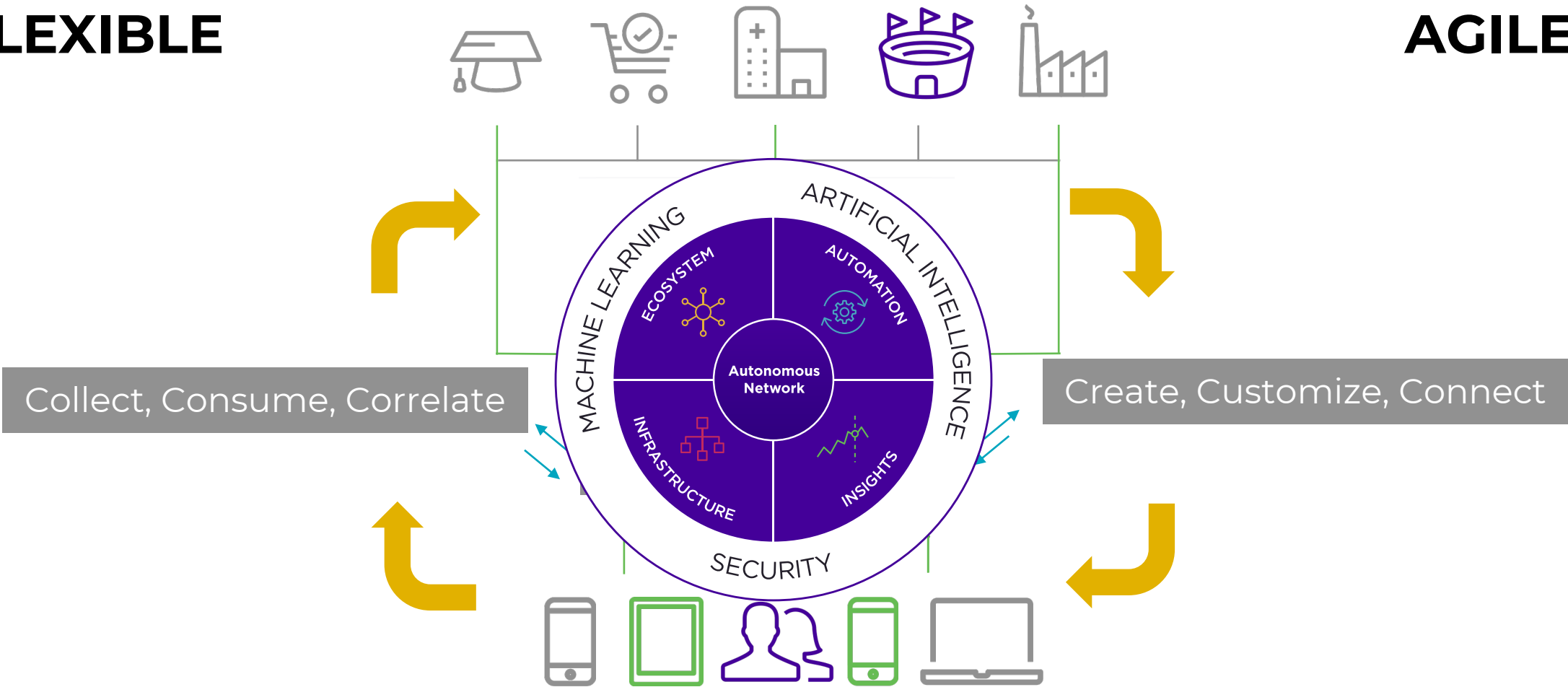
BY 2020

Network Mgmt
Approach

Cloud Enables Autonomous Enterprise Networks

FLEXIBLE

AGILE



SECURE

TECHNOLOGY

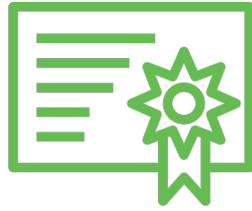
Extreme Has #1 Cloud in the Industry

The Industry's FIRST and BEST Cloud-Driven Solution



End-to-End Solution

Edge to Data Center



Highest Quality

Real Time, ML/AI
Continuous innovation



Cloud Choice

Do it your way...public, private or on-premises



Depth of Capability

Management, Intelligence, Assurance

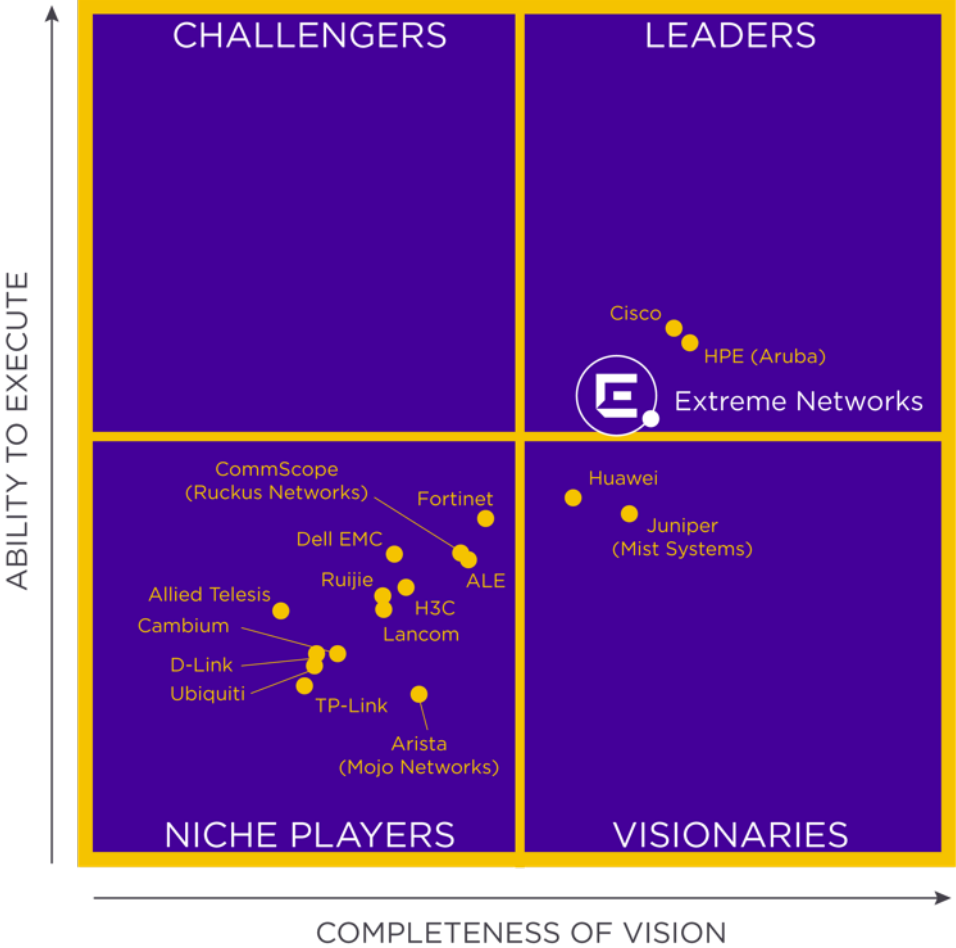


Huge Savings

30% opex savings over any other solution

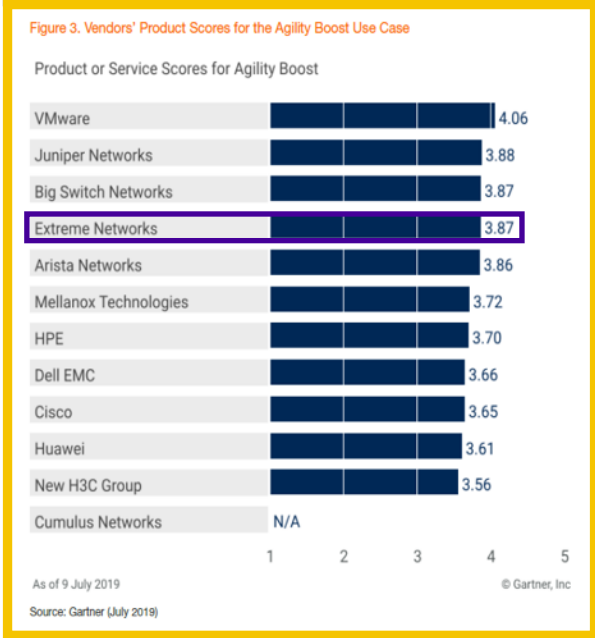
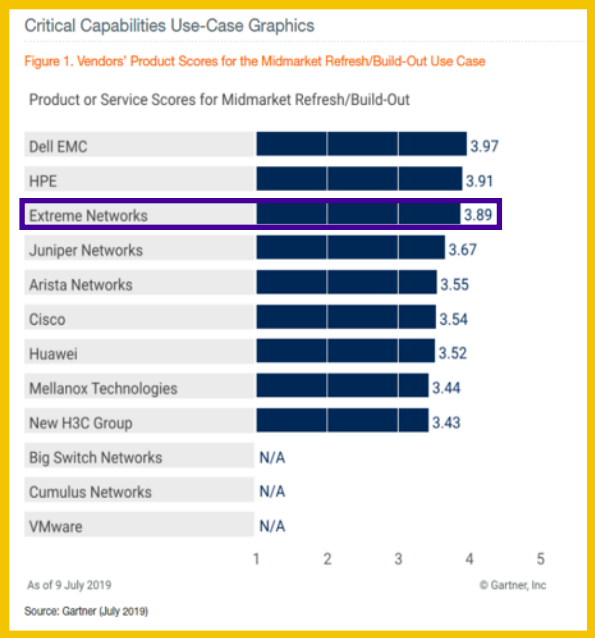
Recognized Industry Leadership

2019 LAN/WLAN Magic Quadrant

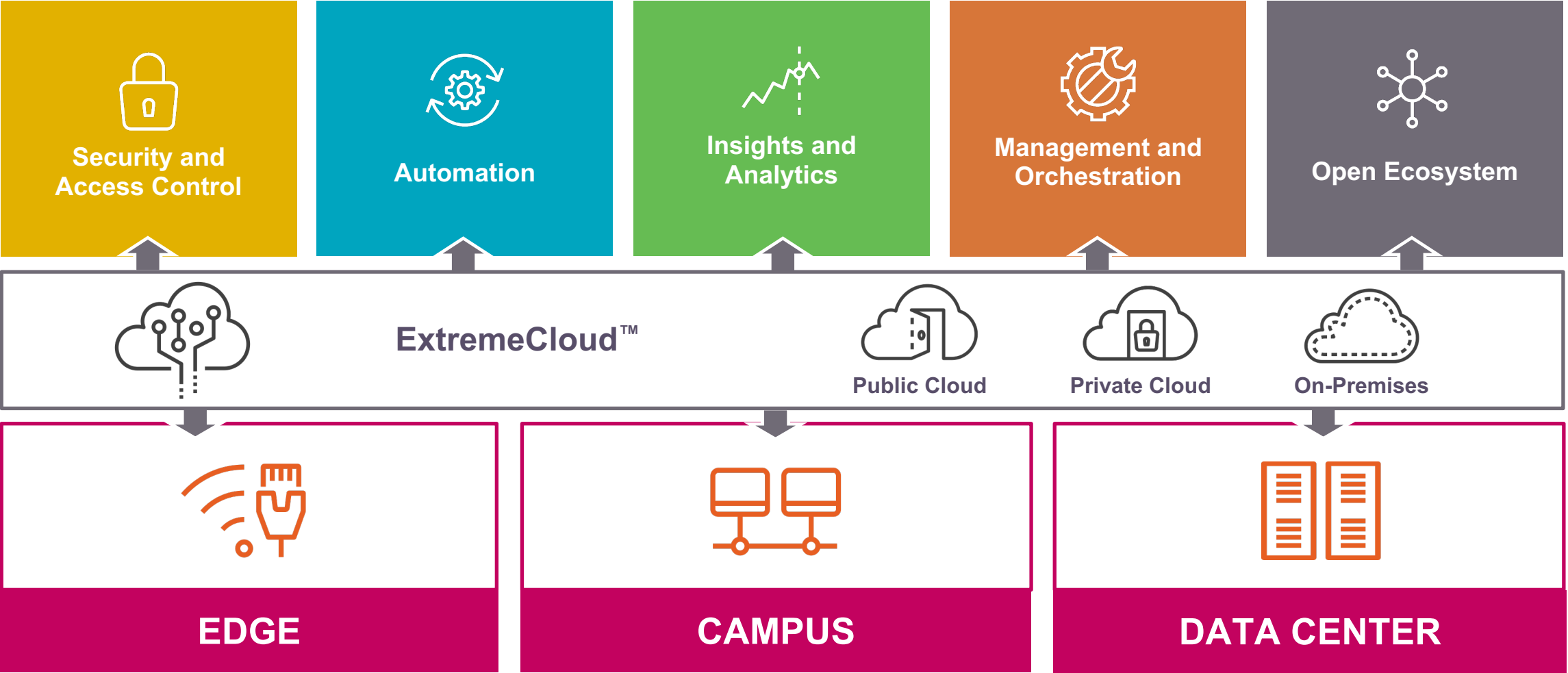


Highest Rated Service and Support in Gartner Peer Insights

Top Three in Data Center Critical Capabilities



CLOUD-DRIVEN End-to-End Portfolio



Extreme Has the Most Advanced Cloud



Quality

Cloud Networking TODAY

CUSTOMER BENEFITS

Flexibility
Scalability
Cost Savings

Security
Analytics
Resiliency



1st Gen



2nd Gen



ARISTA



CLOUD EVOLUTION

Continuous
Integration
Single-tenant
Virtualized

Continuous
Delivery
True Multi-tenant
Microservices

ExtremeCloud™ TODAY

Real-time Innovation
Artificial Intelligence
Machine Learning



3rd Gen



Continuous Deployment
Continuous Operation
Serverless Computing

ExtremeCloud™ June 2020

Dynamic Segmentation
Dynamic Licensing
Dynamic Capacity

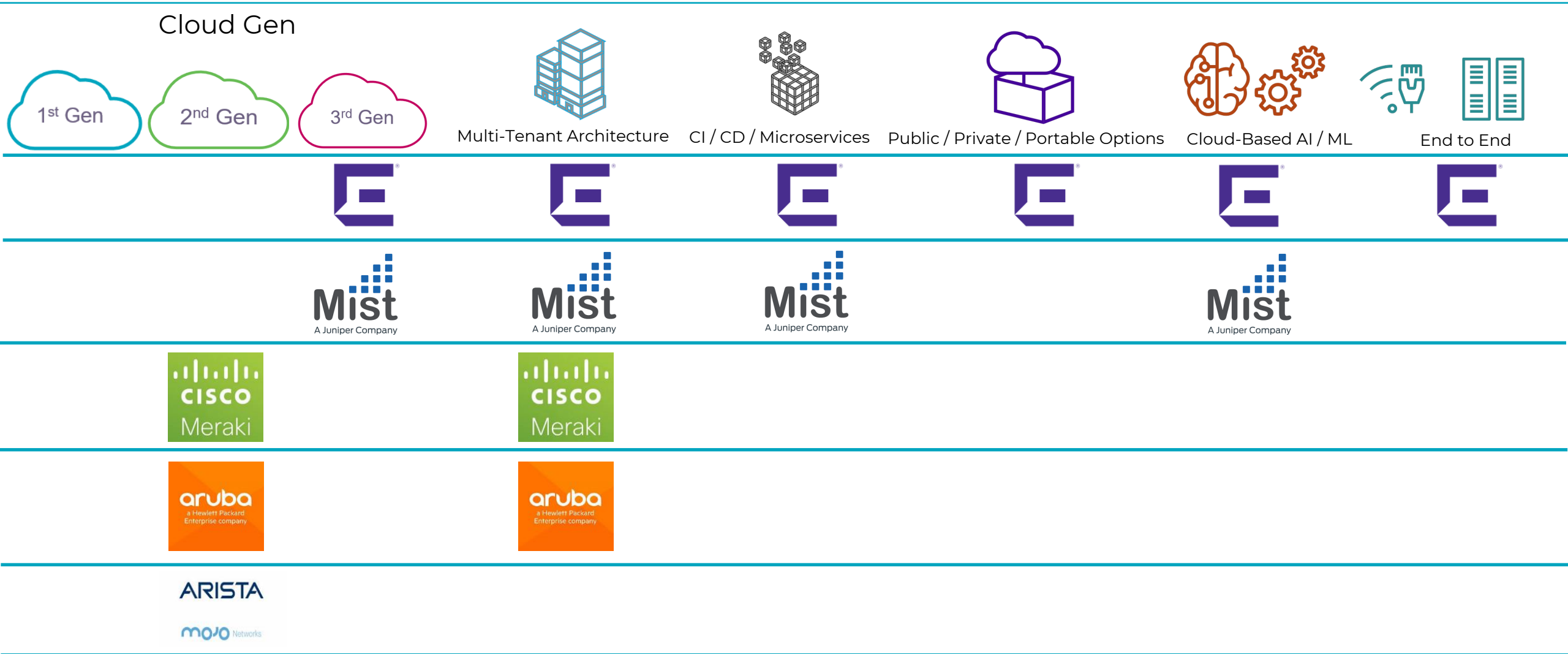


4th Gen



Containerized Microservices
Dynamic Resource Pool
11 9's Data Durability

Extreme Cloud Leads Across Key Requirements



*Source: Company Reports and publicly available information

ExtremeCloud IQ™ Fun Facts

Avg **40 years** of HD video every day

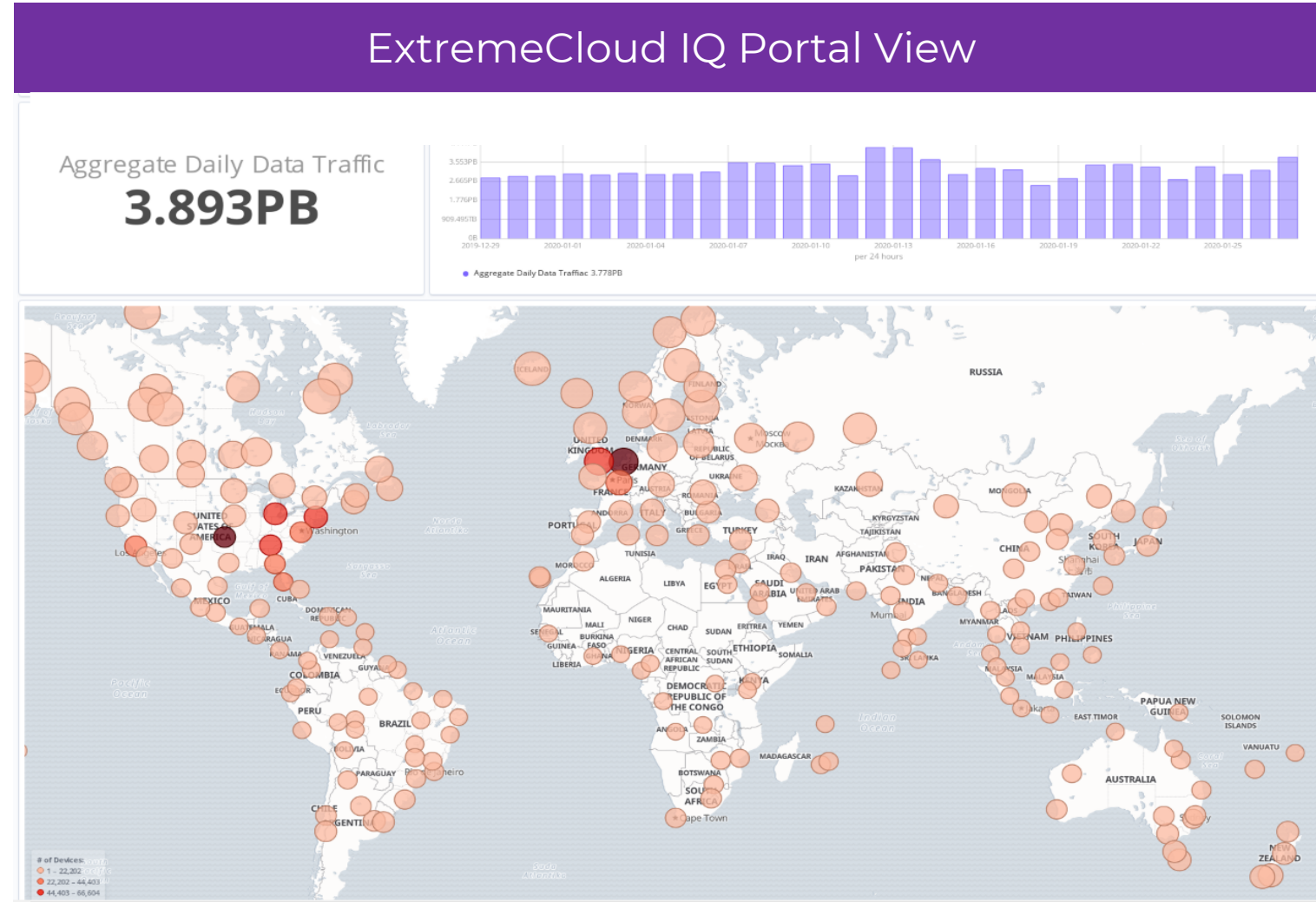
2x number of **Facebook** photos / Day

>1M Managed Devices

6.8M Clients per Day

9.5K Admin Logins / Day

4.1B Mgmt Events / Day



*Source: Company Reports (ExtremeCloud IQ database), and publicly available information

Extreme Delivers Value to Enterprise Customers



Savings



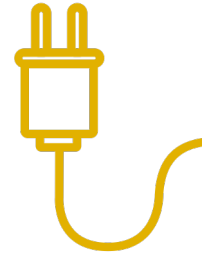
26%
LOWER COST

Hardware and
Software
Purchases



30%
LOWER COST

Support,
Maintenance,
and Pro Services



31%
LOWER COST

Power,
Cooling, and
Floorspace



35%
LOWER COST

Daily
Network
Administration

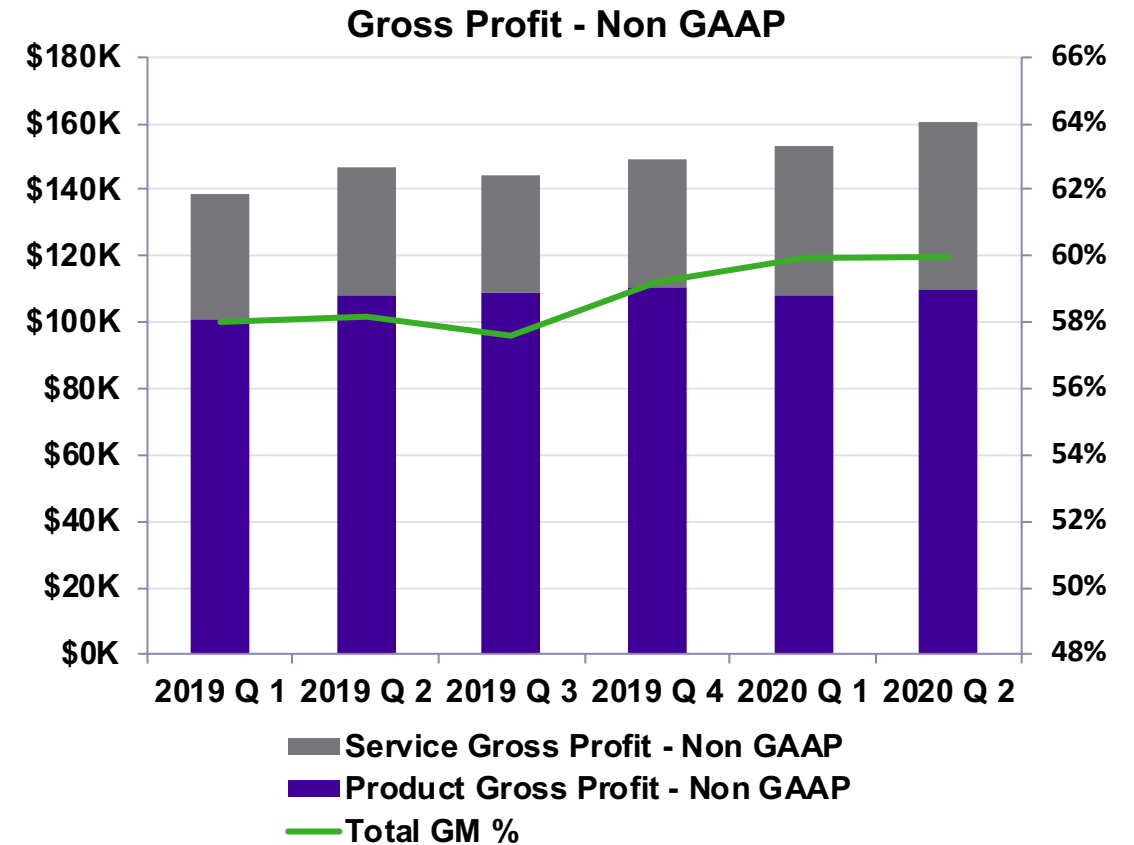
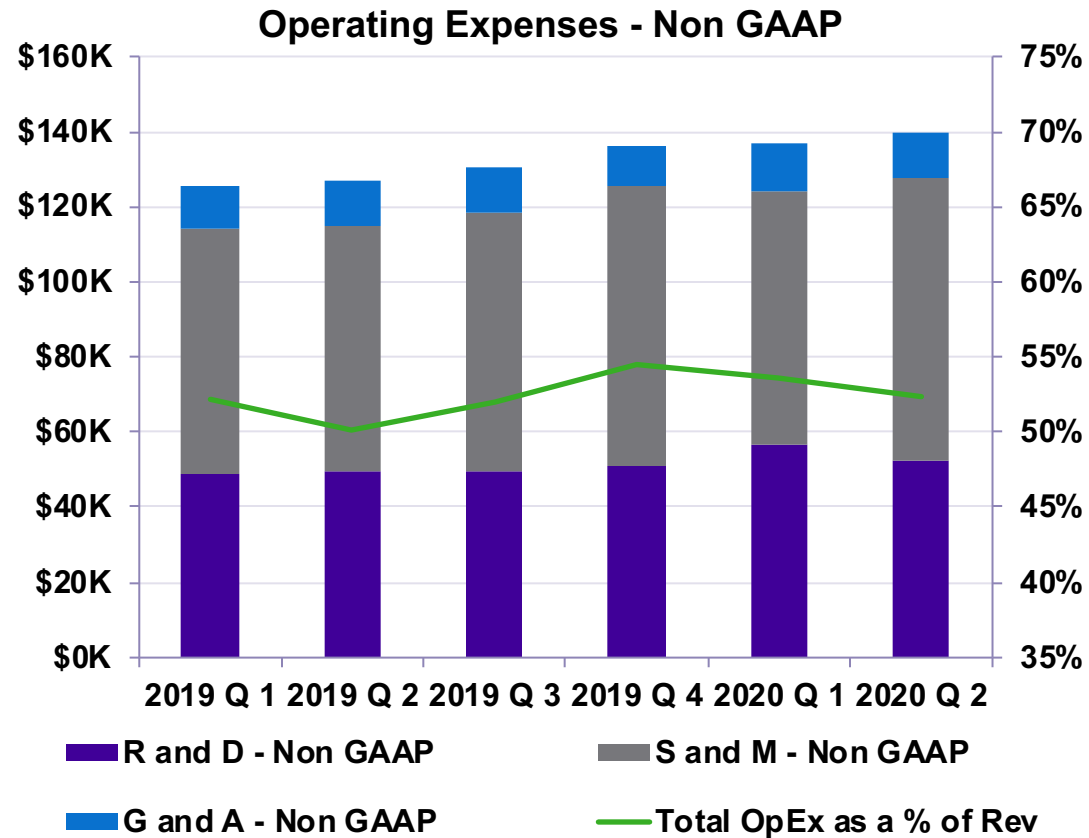
Financial Highlights – Financial Operations

(Non - GAAP in M's except EPS)

	Quarter		
	FQ2'19	FQ1'20	FQ2'20
Non GAAP¹			
Product Revenue	\$189.6	\$185.1	\$190.5
Services Revenue	\$63.1	\$70.4	\$77.0
Total Revenue	\$252.7	\$255.5	\$267.5
Total GM %	58.2%	59.9%	60.0%
Operating Income \$	\$20.3	\$15.9	\$24.1
Operating Margin %	8.0%	6.2%	9.0%
Net Income	\$15.5	\$10.3	\$15.8
EBITDA	\$26.7	\$23.6	\$30.6
EPS	\$0.13	\$0.08	\$0.13

¹See Appendices for Full Non-GAAP to GAAP Reconciliation

Focusing on Profitability



Strong Balance Sheet and Cash Flow Generation

(in millions except EPS)

	FQ2'19	FQ1'20	FQ2'20
Cash & Equivalents	\$140.6	\$131.4	\$140.4
Short Term Investments	-	\$29.7	-
Cash and Short Term Investments	\$140.6	\$161.1	\$140.4
AR	\$144.9	\$152.3	\$159.8
DSO	53	55	55
Inventories	\$58.3	\$82.4	\$79.7
DOI	62	83	80
Accounts Payables	\$35.0	\$63.5	\$66.0
DPO	37	64	66
Gross Debt Payable	\$185.3	\$380.0	\$375.3

FQ2'20 Non-GAAP Guidance

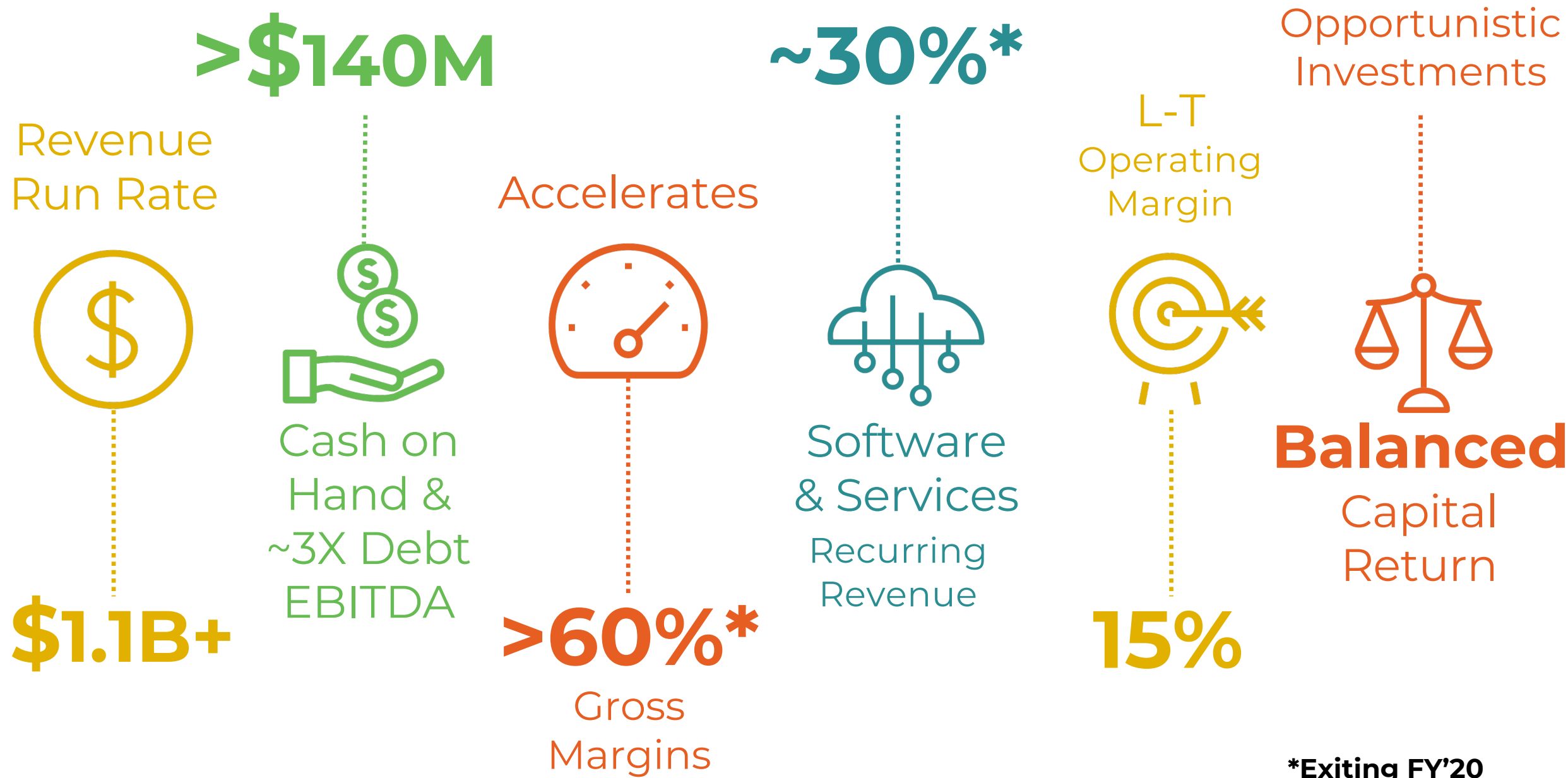
(in millions except EPS)

	FQ2'20	FQ3'20 Consolidated Guidance
Revenue (\$M)	\$267.5	\$255.0 - \$265.0
Gross Margin %	60.0%	59.1% - 61.1%
Net Income (Loss)	\$15.8	\$13.1 – \$18.3
EPS: non-GAAP	\$0.13	\$0.11 – \$0.15

Target Non-GAAP Operating Model*

<i>\$ in millions, except per share amounts</i>	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Outlook	Long- Term Target
Revenue	\$598	\$983	\$996		3-5%
Non-GAAP Gross Profit % of Revenue	\$341 57.0%	\$569 57.9%	\$580 58.2%	60.0%+	60 – 62%
Total Non-GAAP Opex	\$282	\$475	\$519		
(Non-GAAP) Operating Income % of Revenue	\$59 9.8%	\$95 9.6%	\$61 6.1%	12-13%	>15%
Non-GAAP Net Income % of Revenue	\$51 8.5%	\$78 7.9%	\$42 4.2%		
Non-GAAP EPS	\$0.46	\$0.65	\$0.35		

Strengthening Financial Position



*Exiting FY'20

Supplemental Information

Financial Highlights – Financial Operations

(GAAP in millions except EPS)

	Quarter		
	FQ2'19	FQ1'20	FQ2'20
GAAP			
Product Revenue	\$189.6	\$185.1	\$190.5
Services Revenue	\$63.1	\$70.4	\$77.0
Total Revenue	\$252.7	\$255.5	\$267.5
Total GM %	55.9%	53.7%	55.6%
Operating Income (Loss) \$	\$4.8	(\$32.2)	(\$15.2)
Operating Margin %	1.9%	(12.6%)	(5.7%)
Net Income (Loss)	\$7.2	(\$37.7)	(\$23.5)
EBITDA	\$17.5	(\$16.1)	\$0.5
EPS	\$0.06	(\$0.31)	(\$0.20)

GAAP to Non GAAP Reconciliations

Revenue & Gross Margin

(in millions except EPS)

	Quarters		
	FQ2'19	FQ1'20	FQ2'20
Product Revenue	\$ 189.6	\$ 185.1	\$ 190.5
Service Revenue	63.1	70.4	77.0
Total Revenue - GAAP Basis	\$ 252.7	\$ 255.5	\$ 267.5
Gross Margin - GAAP Basis	141.3	137.2	148.7
Gross Margin % - GAAP Basis	55.9%	53.7%	55.6%
Inventory Valuation Adjustments	-	4.8	(1.2)
Integration Costs in COGS	-	0.2	1.7
Amortization of Product Intangibles	4.8	6.4	6.9
Adjustment to Acquired Inventories	-	3.9	3.4
Stock Comp in COGS	0.9	0.6	0.9
Gross Margin - Non GAAP Basis	\$ 147.0	\$ 153.1	\$ 160.4
Gross Margin % - Non GAAP Basis	58.2%	59.9%	60.0%

GAAP to Non GAAP Reconciliations

Operating Income (Loss)

(in millions except EPS)

	Quarters		
	FQ2'19	FQ1'20	FQ2'20
Operating Income (Loss) - GAAP Basis	\$ 4.8	\$ (32.2)	\$ (15.2)
Operating Margin- GAAP Basis	1.9%	(12.6%)	(5.7%)
Adjustment to Acquired Inventories	-	3.9	3.4
Integration Costs in COGS	-	0.2	1.7
Amortization of Product Intangibles	4.8	6.4	6.9
Inventory Valuation Adjustments	-	4.8	(1.2)
Total Stock Comp	8.7	8.8	10.5
Restructuring Charges, net	0.5	6.1	6.6
Amortization of Non Product Intangibles	1.6	1.9	2.4
Litigation	-	-	-
Integration Costs in OpEx	-	15.9	9.0
Loss on Lease Contracts	-	-	-
Operating Income - Non GAAP Basis	\$ 20.3	\$ 15.9	\$ 24.1
Operating Margin - Non GAAP Basis	8.0%	6.2%	9.0%

GAAP to Non GAAP Reconciliations

Net Income (Loss)

(in millions except EPS)

	Quarters		
	FQ2'19	FQ1'20	FQ2'20
Net Income (Loss) - GAAP Basis	\$ 7.2	\$ (37.7)	\$ (23.5)
Shares - GAAP Basis	119.5	120.2	119.6
EPS - GAAP Basis	\$ 0.06	\$ (0.31)	\$ (0.20)
Adjustment to Acquired Inventories	-	3.9	3.4
Integration Costs in COGS	-	0.2	1.7
Amortization of Product Intangibles	4.8	6.4	6.9
Inventory Valuation Adjustments	-	4.8	(1.2)
Total Stock Comp	8.7	8.8	10.5
Restructuring Charges, net	0.5	6.1	6.6
Amortization of Non Product Intangibles	1.6	1.9	2.4
Tax Adjustment	(7.3)	-	-
Integration and Acquisition Costs in OpEx	-	15.9	9.0
Net Non GAAP Adjustments	8.3	48.1	39.3
Net Income - Non GAAP Basis	\$ 15.5	\$ 10.3	\$ 15.8
Shares - Non GAAP Basis	119.5	123.7	123.2
EPS - Non GAAP Basis	\$ 0.13	\$ 0.08	\$ 0.13

GAAP to Non GAAP Reconciliations

EBITDA

(in millions except EPS)

	Quarter		
	FQ1'19	FQ4'19	FQ1'20
Net Income (Loss) - GAAP Basis	\$ (9.1)	\$ (17.1)	\$ (40.5)
Interest	3.1	2.4	4.5
Taxes	1.4	2.0	1.6
Depreciation/Amortization	13.9	13.1	15.5
EBITDA - GAAP	9.3	0.4	(18.9)
Net Non GAAP Adjustments	18.4	24.7	50.8
Income taxes included in Net Non GAAP Adjustments	0.5	-	-
Amortization included in Net Non GAAP Adjustments	(6.9)	(6.2)	(8.3)
EBITDA - Non GAAP	<u>\$ 21.3</u>	<u>\$ 18.9</u>	<u>\$ 23.6</u>

FQ3'20 Guidance – GAAP

(in millions except EPS)

	FQ2'20	FQ3'20 Consolidated Guidance
Revenue (\$M)	\$267.5	\$255.0 - \$265.0
Gross Margin %	55.6%	56.0% - 58.0%
Net Income (Loss)	(\$23.5)	(\$12.8) – (\$8.6)
EPS: GAAP	(\$0.20)	(\$0.11) – (\$0.7)

GAAP Operating Model

(in millions except EPS)

	FY17 Actual	FY18 Actual	FY19 Actual
Revenue	\$598	\$983	\$743
GAAP Gross Profit	\$324	\$535	\$412
% of Revenue	54.3%	54.4%	55.4%
Total GAAP Opex	\$325	\$573	\$415
GAAP Operating Income (Loss)	(\$1)	(\$38)	(\$3)
% of Revenue	(0.1%)	(3.9%)	(0.3%)
GAAP Net Income (Loss)	(\$9)	(\$47)	(\$9)
% of Revenue	(1.4%)	(4.8%)	(-1.2%)
GAAP EPS	(\$0.08)	(\$0.41)	(\$0.07)



ExtremeTM

Customer-Driven Networking

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