



Extreme Networks FQ3'21 Financial Results

April 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 April 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.



FQ3'21 Financial Results

GAAP Financial Highlights – Financial Operations



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

	Quarter		
	FQ3'20	FQ2'21	FQ3'21
GAAP			
Product Revenue	\$136.5	\$165.8	\$176.3
Services Revenue	\$73.0	\$76.3	\$77.1
Total Revenue	\$209.5	\$242.1	\$253.4
Total GM %	53.1%	57.9%	58.7%
Operating Income (Loss) \$	(\$38.4)	\$5.7	\$11.2
Operating Margin %	(18.3%)	2.4%	4.4%
Net Income (Loss)	(\$44.4)	(\$3.1)	\$3.5
EBITDA	(\$20.9)	\$18.7	\$24.6
EPS	(\$0.37)	(\$0.02)	\$0.03

Non-GAAP Financial Highlights – Financial Operations



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

	Quarter		
	FQ3'20	FQ2'21	FQ3'21
Non-GAAP^{1,2}			
Product Revenue	\$136.5	\$165.8	\$176.3
Services Revenue	\$73.0	\$76.3	\$77.1
Total Revenue	\$209.5	\$242.1	\$253.4
Total GM %	56.7%	61.0%	61.5%
Operating Income (Loss) \$	(\$10.6)	\$24.6	\$28.6
Operating Margin %	(5.1%)	10.2%	11.3%
Net Income (Loss)	(\$11.2)	\$16.0	\$20.7
EBITDA	(\$1.7)	\$29.4	\$34.2
EPS	(\$0.09)	\$0.13	\$0.16

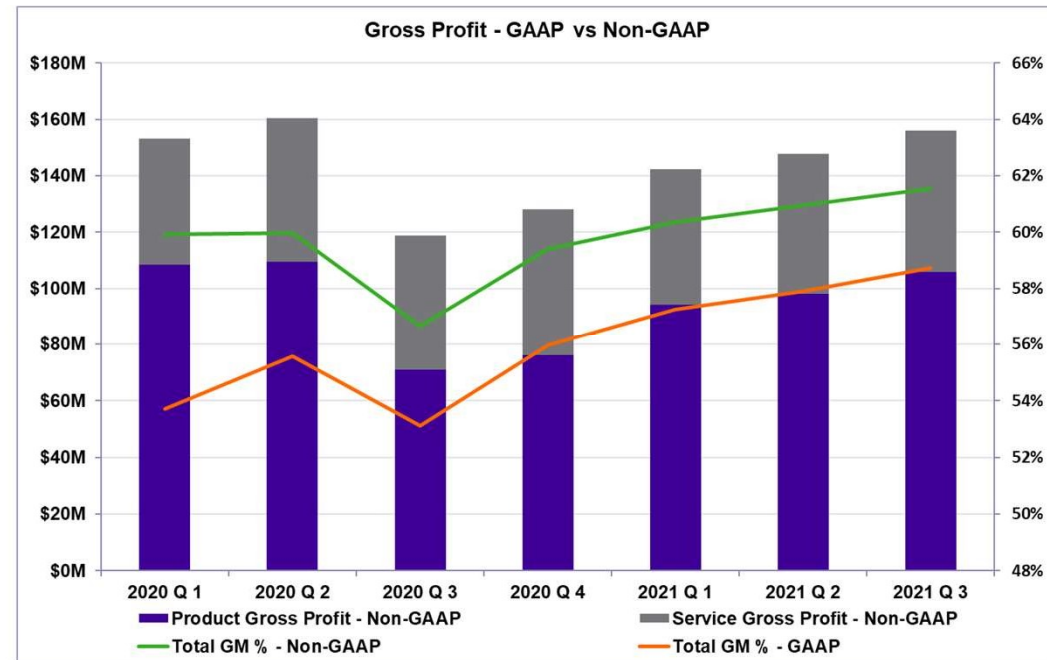
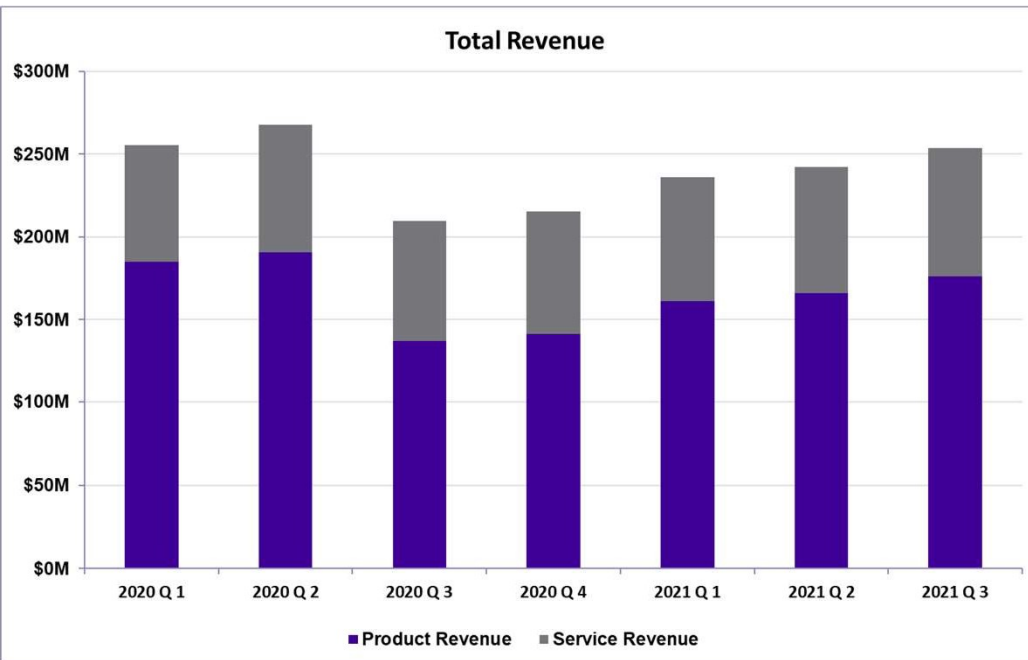
¹ See Appendices for GAAP to Non-GAAP reconciliation.

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



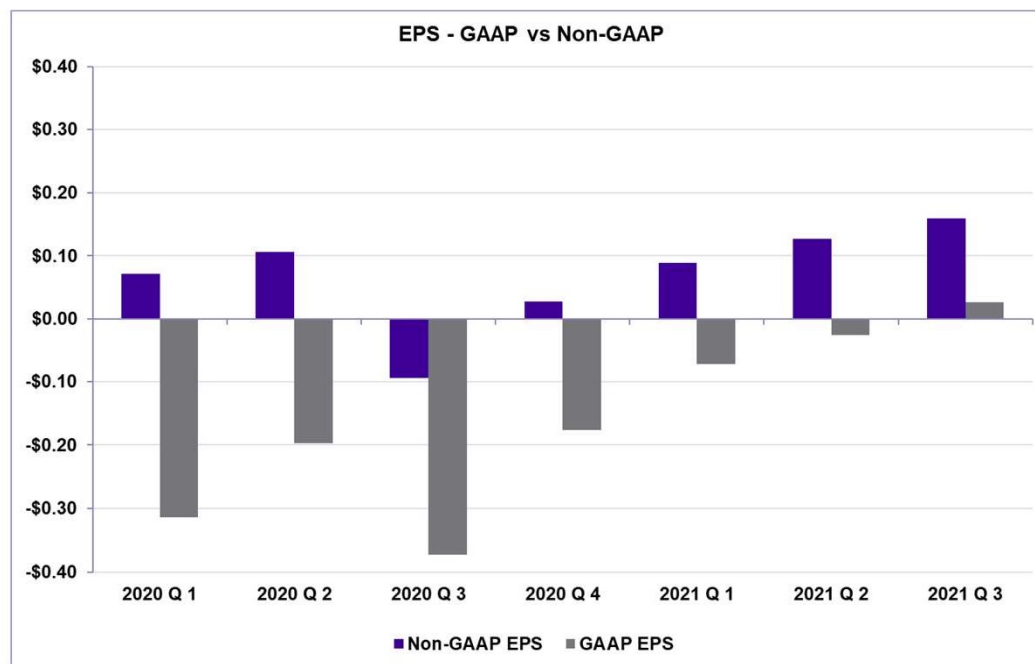
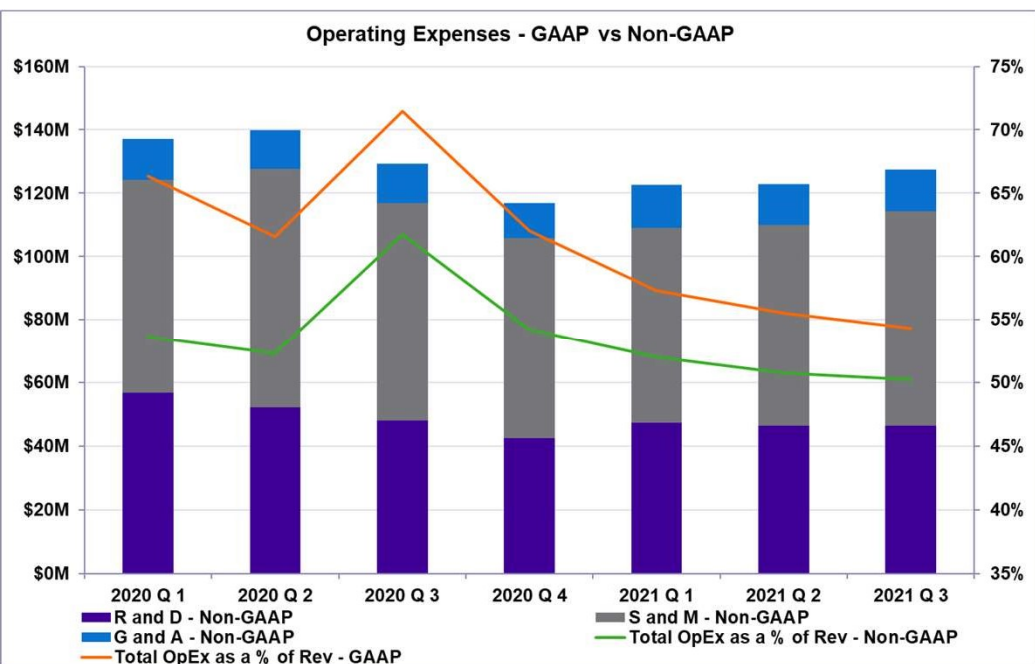
(In \$M's except percentages)



Quarterly Results of Operations



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



Revenue by Geography



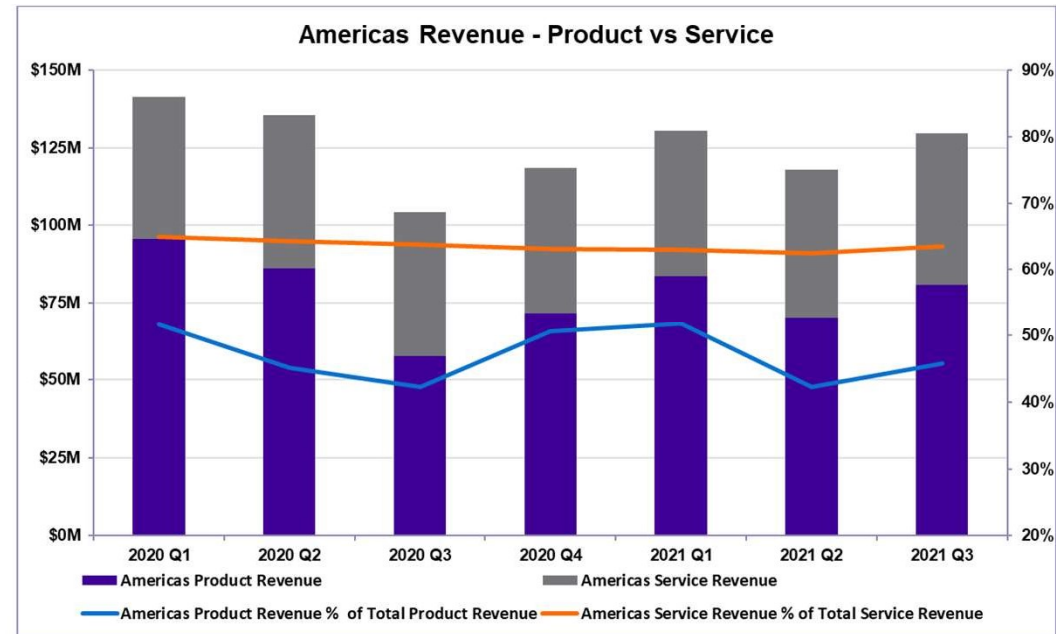
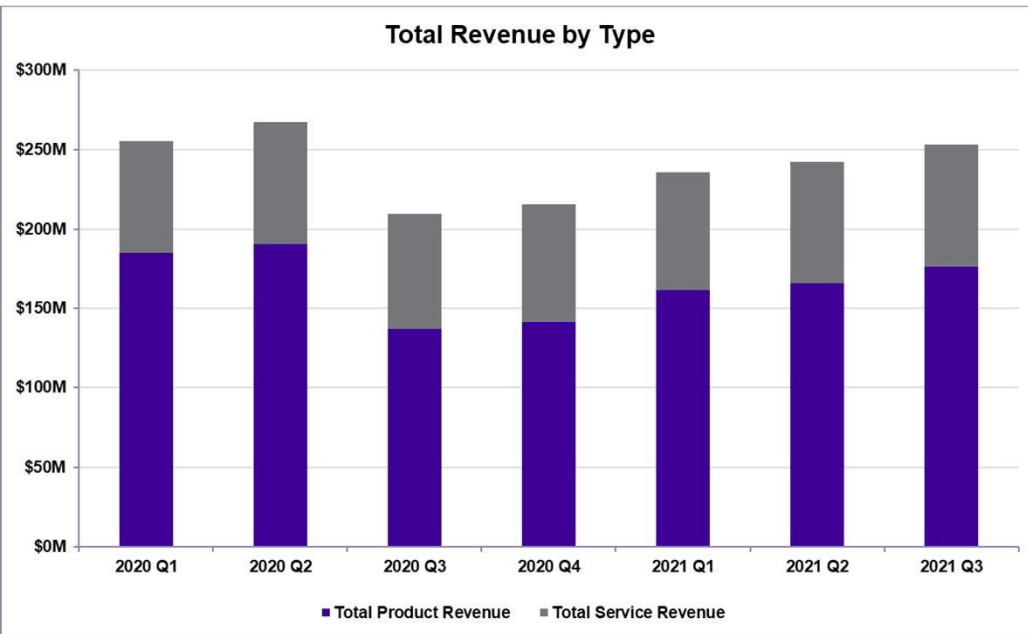
(In \$M's except percentages)

	FQ3'20	FQ2'21	FQ3'21	YoY % Change	QoQ % Change	FY19	FY20	YoY % Change
Product Revenue								
Americas	\$ 57.6	\$ 70.1	\$ 80.8	40.3%	15.2%	\$ 382.6	\$ 310.9	(18.7%)
EMEA	62.5	81.1	76.8	23.0%	(5.2%)	289.7	273.8	(5.5%)
APAC	16.4	14.6	18.7	13.9%	27.7%	75.4	68.9	(8.6%)
Total Product	\$ 136.5	\$ 165.8	\$ 176.3	29.2%	6.3%	\$ 747.7	\$ 653.6	(12.6%)
Service Revenue								
Americas	\$ 46.5	\$ 47.7	48.9	5.2%	2.6%	\$ 159.0	\$ 188.5	18.6%
EMEA	21.1	22.7	22.5	6.4%	(1.3%)	68.6	83.4	21.6%
APAC	5.4	5.9	5.7	5.1%	(3.0%)	20.6	22.5	9.3%
Total Service	\$ 73.0	\$ 76.3	\$ 77.1	5.6%	1.0%	\$ 248.2	\$ 294.4	18.6%
Total Revenue								
Americas	\$ 104.1	\$ 117.8	\$ 129.7	24.6%	10.1%	\$ 541.6	\$ 499.4	(7.8%)
EMEA	83.6	103.8	99.3	18.8%	(4.4%)	358.3	357.2	(0.3%)
APAC	21.8	20.5	24.4	11.7%	18.9%	96.0	91.4	(4.7%)
Total Revenue	\$ 209.5	\$ 242.1	\$ 253.4	20.9%	4.6%	\$ 995.9	\$ 948.0	(4.8%)

Revenue by Type and by Geography



(In \$M's except percentages)

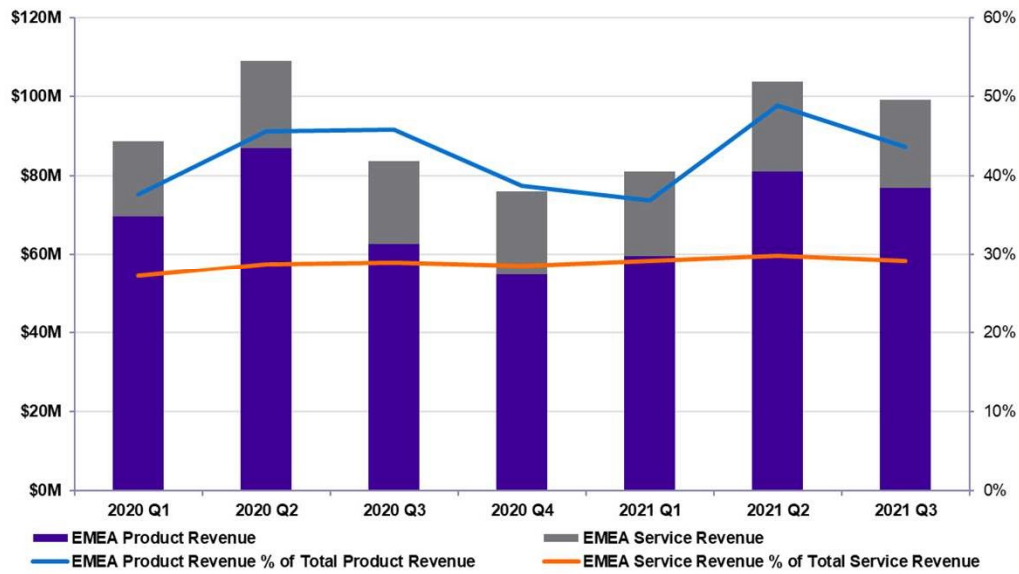


Revenue by Type and by Geography Cont.

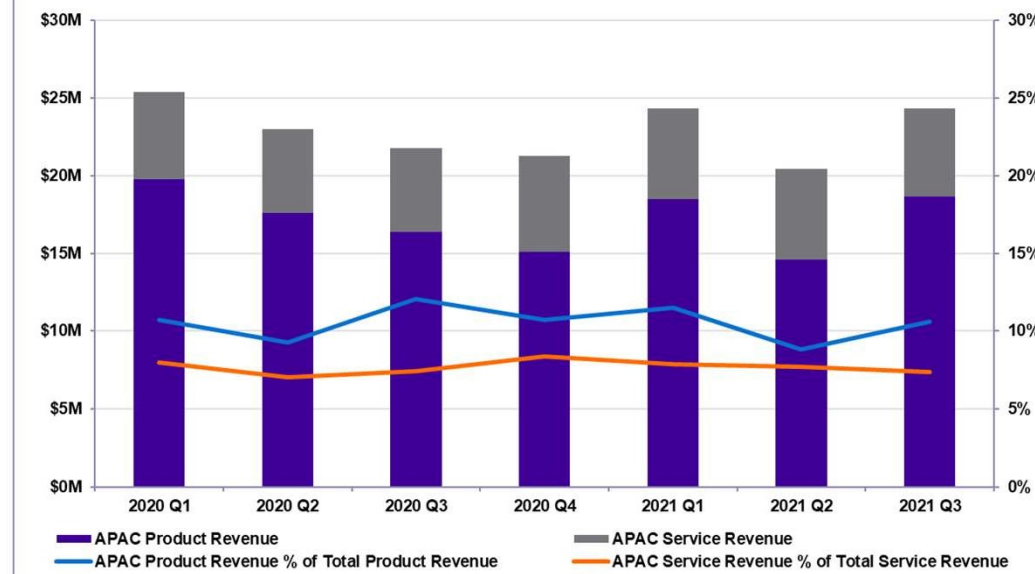


(In \$M's except percentages)

EMEA Revenue - Product vs Service



APAC Revenue - Product vs Service



Financial Highlights – Balance Sheet



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

Balance Sheet Highlights	FQ3'20	FQ2'21	FQ3'21
Cash	\$196.4	\$184.0	\$203.1
Accounts Receivable	\$96.2	\$128.2	\$130.6
Inventories	\$66.2	\$49.8	\$43.9
Accounts Payables	\$53.0	\$53.7	\$57.2
Gross Debt*	\$425.5	\$356.3	\$351.5
Net Debt**	\$229.1	\$172.3	\$148.4

Cash Conversion Cycle Table	FQ3'20	FQ2'21	FQ3'21
Days Sales Outstanding	42	49	46
Days of Inventory	84	62	52
Days Payable Outsanding	67	67	67
Cash Conversion Cycle	59	44	31

*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:

	FQ3'20	FQ2'21	FQ3'21
Operating Cash Flow	\$5.2	\$38.0	\$24.7
PP&E Capital Expenditures	(\$3.2)	(\$5.0)	(\$4.3)
Free Cash Flow	\$2.0	\$33.0	\$20.4

Key Performance Metrics











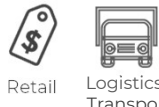



Financial Metrics	FQ2'21	FQ3'21
Large Customers (Over \$1M in bookings for the Quarter)	39	27
Recurring Revenue* \$ Total Dollar Amount for the Quarter	\$74.3M	\$73.9M
Recurring Revenue % As a % of Total Revenue for the Quarter	31%	29%
Product Book to Bill Ratio	1.23x	1.06x
Service Book to Bill Ratio	1.18x	1.14x
R&D as a % of Revenue Non-GAAP	19.2%	18.3%
S&M as a % of Revenue Non-GAAP	26.2%	26.7%
G&A as a % of Revenue Non-GAAP	5.3%	5.2%

Cloud Metrics	FQ2'21	FQ3'21
Average Daily Traffic Per Day	~8.8PB	~11.1PB
Managed Devices	1.5M	1.6M
Active Customer Accounts	107K	112K
Average Management Events Per Day	5.1B	5.5B

*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	>35%		Consistent strength in Education supported by strong e-rate cycle heading into FY22	Demand in state / local government vertical will depend on future budgets and funding
 Healthcare	~10%		Spending improving with positive outlook for 2H'CY21 globally	Some budget challenges persist following disruptions from lockdown globally
 Sports / Entertainment & Hospitality	>5%		New wins with additional sports leagues fueling y/y growth as COVID restrictions ease	Pace of additional recovery depends on further easing of restrictions for live events attendance and projects
 Manufacturing	~10%		Steady manufacturing activity and back to normal seasonality	Continued momentum depends on further macroeconomic activity
 Retail Logistics / Transport	>10%		Slight improvement in Retail and cloud conversions driving spending. Transport / Logistics remains solid.	Full Retail recovery still ahead, capping outlook
 Telco / Service Provider	<10%		Strengthening demand from existing end customers and OEM customers as 5G spending ramps up	While 5G is a catalyst for future spending, growth will begin to ramp in 2H'CY21



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		
	FQ3'20	FQ2'21	FQ3'21
Product Revenue	\$ 136.5	\$ 165.8	\$ 176.3
Service Revenue	73.0	76.3	77.1
Total Revenue - GAAP	\$ 209.5	\$ 242.1	\$ 253.4
Gross Margin - GAAP	111.3	140.2	148.8
Gross Margin % - GAAP	53.1%	57.9%	58.7%
Integration Costs in COGS	0.2	-	-
Amortization of Product Intangibles	6.5	6.6	6.4
Share-Based Compensation in COGS	0.7	0.8	0.7
Gross Margin - Non-GAAP	\$ 118.7	\$ 147.6	\$ 156.0
Gross Margin % - Non-GAAP	56.7%	61.0%	61.5%

GAAP to Non-GAAP Reconciliations



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

	Quarter		
	FQ3'20	FQ2'21	FQ3'21
Operating Income (Loss) - GAAP	\$ (38.4)	\$ 5.7	\$ 11.2
Operating Margin- GAAP	(18.3%)	2.4%	4.4%
Integration Costs in COGS	0.2	-	-
Amortization of Product Intangibles	6.5	6.6	6.4
Total Share-Based Compensation	7.2	10.1	9.2
Restructuring Charges, net	6.6	0.7	0.4
Amortization of Non Product Intangibles	2.1	1.5	1.4
Integration Costs in OpEx	5.2	-	-
Operating Income (Loss) - Non-GAAP	(10.6)	\$ 24.6	\$ 28.6
Operating Margin - Non-GAAP	(5.1%)	10.2%	11.3%

GAAP to Non-GAAP Reconciliations



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

	Quarter		
	FQ3'20	FQ2'21	FQ3'21
Net Income (Loss) - GAAP	\$ (44.4)	\$ (3.1)	\$ 3.5
Shares - GAAP	119.2	123.3	130.0
EPS - GAAP	\$ (0.37)	\$ (0.02)	\$ 0.03
Integration Costs in COGS	0.2	-	-
Amortization of Product Intangibles	6.5	6.6	6.4
Total Share-Based Compensation	7.2	10.1	9.2
Restructuring Charges, net	6.6	0.7	0.4
Amortization of Non Product Intangibles	2.1	1.5	1.4
Tax Effect of non-GAAP Adjustments	5.4	0.2	(0.2)
Integration and Acquisition Costs in OpEx	5.2	-	-
Net Non-GAAP Adjustments	33.1	19.1	17.2
Net Income (Loss) - Non-GAAP	(11.2)	\$ 16.0	\$ 20.7
Shares - Non-GAAP	119.2	125.7	130.0
EPS - Non-GAAP	\$ (0.09)	\$ 0.13	\$ 0.16

GAAP to Non-GAAP Reconciliations



EBITDA (In \$M's)

	Quarter		
	FQ3'20	FQ2'21	FQ3'21
Net Income (Loss) - GAAP	\$ (44.4)	\$ (3.1)	\$ 3.5
Interest	5.8	\$ 6.0	\$ 5.5
Provision for Income Taxes	1.6	\$ 1.9	\$ 2.4
Depreciation/Amortization	16.2	\$ 13.9	\$ 13.2
EBITDA - GAAP	(20.9)	18.7	24.6
Net Non-GAAP Adjustments	33.1	19.1	17.2
Income taxes included in Net Non-GAAP Adjustments	(5.4)	(0.2)	0.2
Amortization included in Net Non-GAAP Adjustments	(8.6)	(8.2)	(7.8)
EBITDA - Non-GAAP	(1.7)	\$ 29.4	\$ 34.2



FQ4'21 Financial Guidance

FQ4'21 Guidance – GAAP



(In M's except percentages and EPS)

	FQ3'21	FQ4'21 Guidance
Revenue (\$M)	\$253.4	\$260.0 - \$270.0
Gross Margin %	58.7%	57.8% - 58.9%
Net Income	\$3.5	\$2.6 - \$9.4
EPS	\$0.03	\$0.02 - \$0.07

FQ3'21 Guidance – Non-GAAP



(In M's except percentages and EPS)

	FQ3'21	FQ4'21 Guidance
Revenue (\$M)	\$253.4	\$260.0 - \$270.0
Gross Margin %	61.5%	60.5% - 61.5%
Net Income	\$20.7	\$20.4 - \$25.7
EPS	\$0.16	\$0.16 - \$0.20

FQ4'21 Guidance - GAAP to Non-GAAP Reconciliation



	Gross Margin Rate	Operating Margin Rate	Earnings per Share
GAAP	57.8% - 58.9%	3.5% - 5.9%	\$0.02 - \$0.07
Estimated Adjustments for:			
Amortization of Product Intangibles	2.1%	2.1%	\$0.04
Share-Based Compensation	0.3%	3.3%	\$0.07
Restructuring Charges, net	-	0.2%	-
Amortization of Non-product Intangibles	0.3%	0.8%	\$0.02
Non-GAAP	60.5% - 61.5%	10.1% - 12.2%	\$0.16 - \$0.20



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