

EXTREME NETWORKS

# FQ3'22 Financial Results

April 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 April 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.*



## FQ3'22 Financial Results



# Q3 2022 Results Summary

Double-Digit Growth Fueled by Strong Demand and Execution



## Continued Strong Growth

- Sustained Double-Digit Y/Y Bookings Growth
- Record Quarterly Revenue on 13% Y/Y Revenue Growth
- Product Backlog Grew to over \$425 million
- Record 45 Customers >\$1 million in Bookings



## Cloud SaaS Subscriptions

- Total Subscription Bookings Growth of 85% Y/Y
- Annualized Cloud SaaS Bookings of ~\$142 million
- Ending ARR of \$97 million, up 54% Y/Y



## Robust Profitability and Free Cash Flow

- Fifth Consecutive Quarters with >20% Y/Y Operating Income Growth (GAAP and Non-GAAP)
- Seventh Consecutive Quarters of Strong Double-Digit Y/Y EPS Growth (GAAP and Non-GAAP)
- Net Debt of \$149.2 million

**Reiterate Double-Digit Revenue Growth and 10-15% Non-GAAP Operating Margin Outlook for FY22**

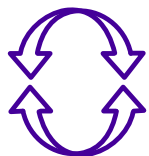
# FQ3'22 Highlights



## CLOUD ADOPTION

SaaS ARR<sup>2</sup>  
\$97M

Recurring  
Revenue 28%



**\$143M**

SaaS Deferred  
Revenue<sup>2</sup>



Product Book  
to Bill Ratio

**1.43x**

Service Book  
to Bill Ratio

**1.21x**



## Driving Growth

Product  
Backlog **\$425M+**

Total Revenue  
Growth (Y/Y %) **12.7%**

Product Revenue  
Growth (Y/Y %) **12.5%**

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

Total SaaS Subscription  
Bookings Growth (Y/Y %) **85%**

Large Customers  
(Over \$1M in bookings for the Quarter) **45**



## PROFITABILITY & CASH FLOW

Non-GAAP  
Gross Margin %<sup>1</sup> **58.0 %**

Non-GAAP  
Operating  
Margin %<sup>1</sup>  
**12.5%**

Non-  
GAAP  
EPS (\$) <sup>1</sup>  
**\$0.21**



**\$27.4M**

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



**\$149M**

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



INDUSTRY	Extreme Exposure	Demand Outlook	Tailwinds	Headwinds
	<p>Government &amp; Education</p>	~35%		Strong Government spending, and growth in Education, supported by Higher Ed and K-12, driving demand
<p>Healthcare</p>	>10%		Rising demand and outlook on wireless and campus switching upgrades cycles	Some existing customers awaiting switching product refresh into 2HCY22
<p>Sports / Entertainment &amp; Hospitality</p>	>5%		Continued strong growth based on recent new logo wins and recovery in spending.	Pace of further acceleration of growth depends on supply chain / project deployment timing
<p>Manufacturing</p>	>10%		Strong growth in manufacturing activity globally continues for both switching and wireless solutions	Macroeconomic trends to watch
<p>Retail      Logistics / Transport</p>	~10%		Signs of growth in retail and continued strength in transportation / logistics.	Retail still recovering gradually
<p>Telco / Service Provider</p>	<10%		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		
	FQ3'21	FQ2'22	FQ3'22
Product Revenue	\$176.3	\$191.1	\$198.4
Services Revenue	\$77.1	\$89.8	\$87.1
Total Revenue	\$253.4	\$280.9	\$285.5
Total GM %	58.7%	56.5%	56.5%
Operating Income \$	\$11.2	\$18.1	\$17.3
Operating Margin %	4.4%	6.4%	6.1%
Net Income	\$3.5	\$13.3	\$12.8
EBITDA	\$24.6	\$28.2	\$26.7
EPS	\$0.03	\$0.10	\$0.10

## Non-GAAP Financial Highlights – Financial Operations

(In M's except percentages and EPS)



Non-GAAP <sup>1</sup>	Quarter		
	FQ3'21	FQ2'22	FQ3'22
Product Revenue	\$176.3	\$191.1	\$198.4
Services Revenue	\$77.1	\$89.8	\$87.1
Total Revenue	\$253.4	\$280.9	\$285.5
Total GM %	61.5%	58.2%	58.0%
Operating Income \$	\$28.6	\$36.7	\$35.7
Operating Margin %	11.3%	13.1%	12.5%
Net Income	\$20.7	\$28.4	\$27.4
EBITDA	\$34.2	\$41.9	\$40.8
EPS	\$0.16	\$0.21	\$0.21

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

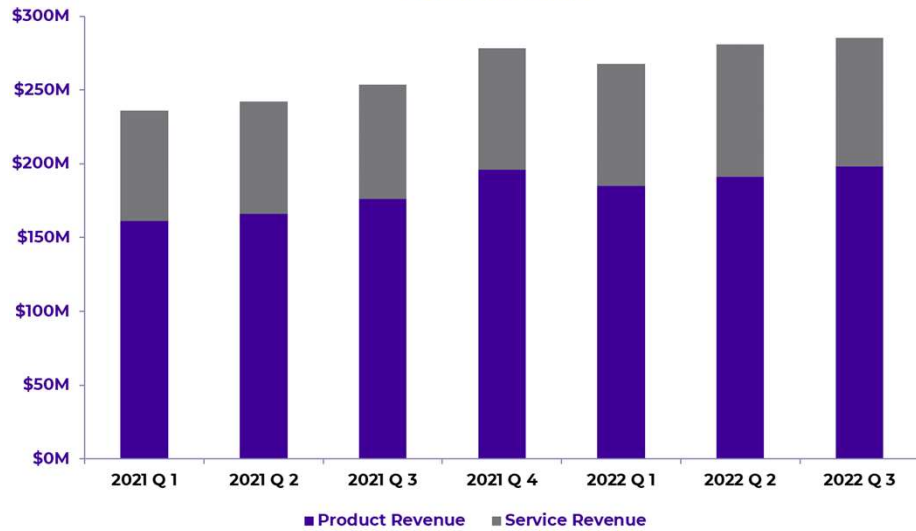


# Quarterly Results of Operations

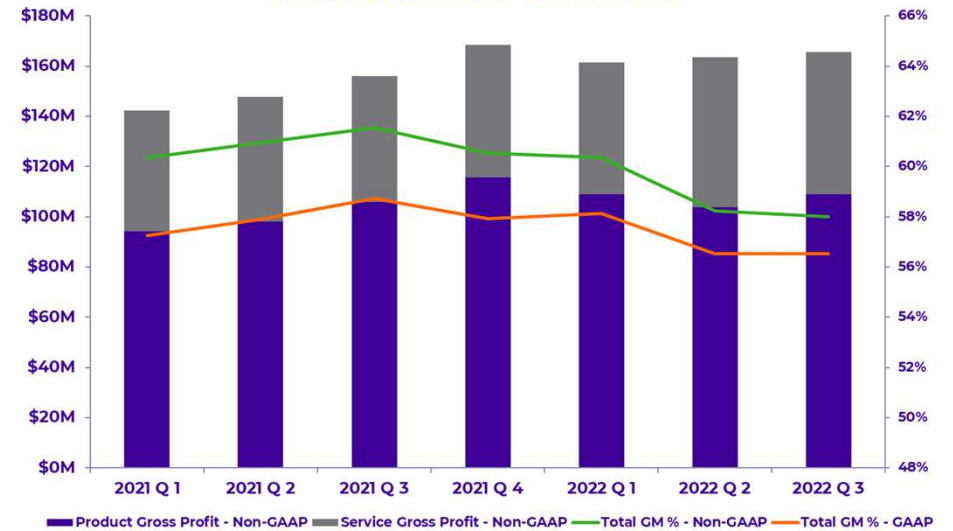
(In M's except percentages)



### Total Revenue

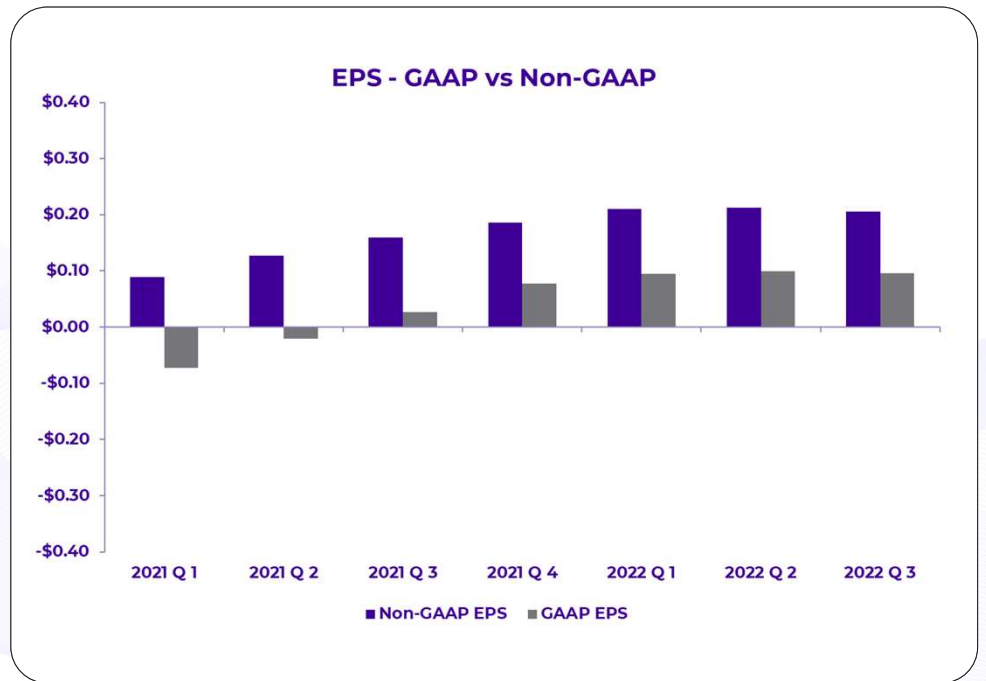
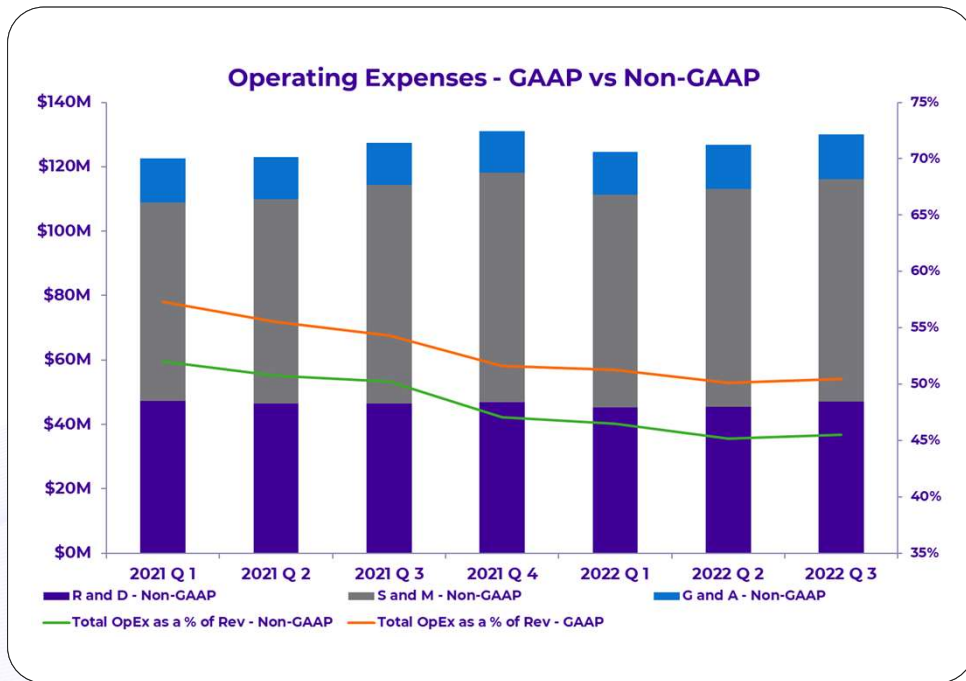


### Gross Profit - GAAP vs Non-GAAP



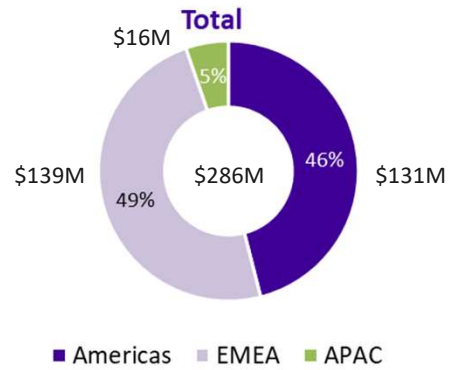
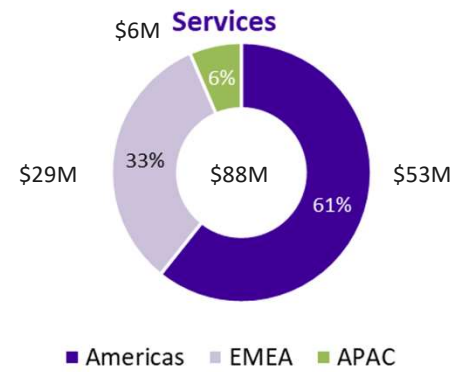
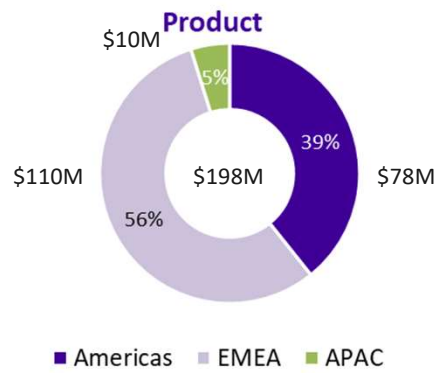
# Quarterly Results of Operations

(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

	FQ3'21	FQ2'22	FQ3'22
<b>Cash</b>	\$203.1	\$173.5	\$166.6
<b>Accounts Receivable</b>	\$130.6	\$133.3	\$163.0
<b>Inventories</b>	\$43.9	\$37.2	\$37.7
<b>Accounts Payables</b>	\$57.2	\$58.8	\$68.5
<b>Gross Debt*</b>	\$351.5	\$322.9	\$315.8
<b>Net Debt**</b>	\$148.4	\$149.4	\$149.2

## Cash Conversion Cycle Table

	FQ3'21	FQ2'22	FQ3'22
<b>Days Sales Outstanding</b>	46	44	51
<b>Days of Inventory</b>	52	38	37
<b>Days Payable Outstanding</b>	67	60	67
<b>Cash Conversion Cycle</b>	<b>31</b>	<b>22</b>	<b>21</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, 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:

	FQ3'21	FQ2'22	FQ3'22
<b>Operating Cash Flow</b>	\$24.7	\$22.2	\$1.6
<b>PP&amp;E Capital Expenditures</b>	(\$4.3)	(\$3.2)	(\$4.5)
<b>Free Cash Flow</b>	<b>\$20.4</b>	<b>\$19.0</b>	<b>(\$2.9)</b>

# Appendices

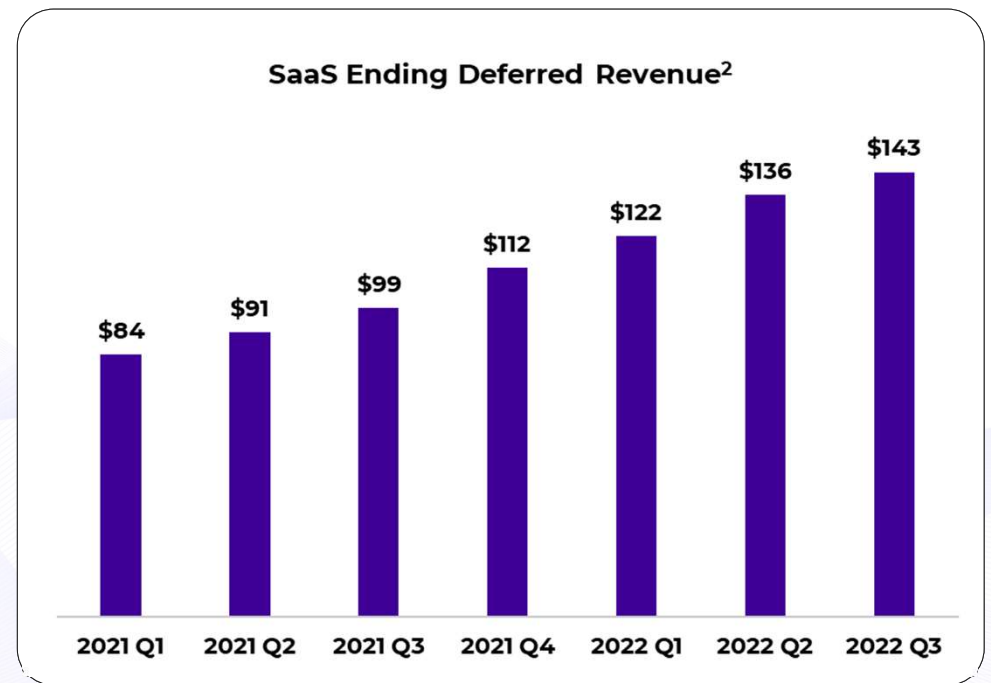
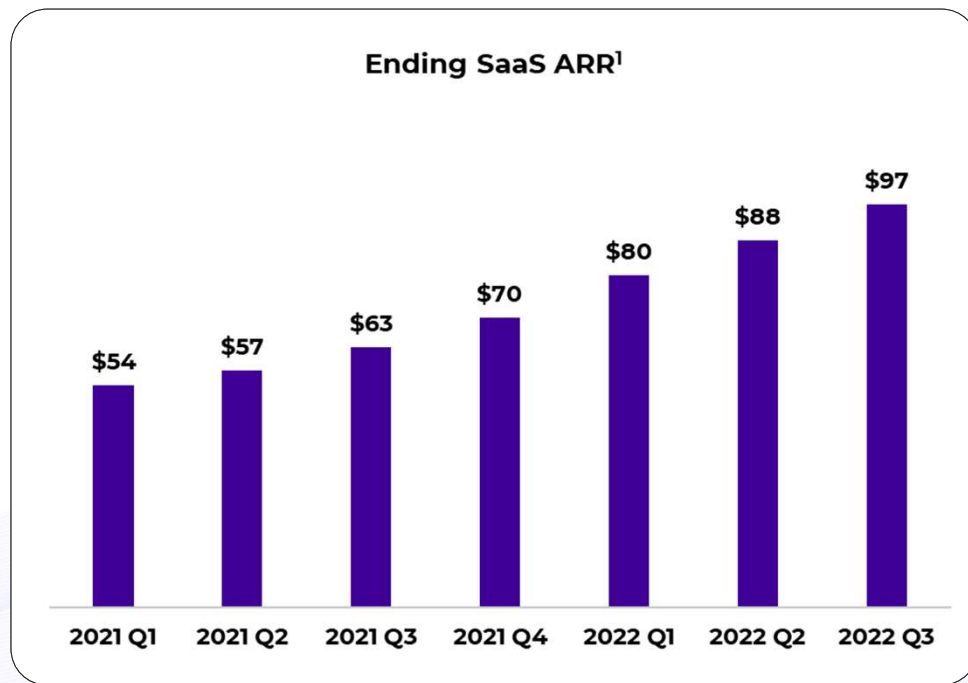
## - GAAP to Non-GAAP Reconciliations

**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> SaaS Annual Recurring Revenue (ARR): Extreme uses SaaS annual recurring revenue (“SaaS ARR”) to identify the annual recurring value of customer contracts at the end of a reporting period. SaaS ARR represents the projected annualized revenue run-rate of active ExtremeCloud™ IQ (XIQ) and other subscription contracts along with bookings we received at the end of a reporting period. Each contract (either fulfilled or yet to be fulfilled) is annualized by dividing the contract value by the number of months in the contract term and then multiplying by 12. ARR should be viewed independently of revenue and does not represent our revenue under U.S. GAAP on an annualized basis. It is an operating metric that can be impacted by contract start and end dates, bookings changes and renewal rates. 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		
	FQ3'21	FQ2'22	FQ3'22
Product Revenue	\$ 176.3	\$ 191.1	\$ 198.4
Service Revenue	77.1	89.8	87.1
<b>Total Revenue - GAAP</b>	<b>\$ 253.4</b>	<b>\$ 280.9</b>	<b>\$ 285.5</b>
<b>Gross Margin - GAAP</b>	148.8	158.8	161.4
<b>Gross Margin % - GAAP</b>	58.7%	56.5%	56.5%
Amortization of Product Intangibles	6.4	4.1	3.6
Share-Based Compensation in COGS	0.7	0.7	0.6
<b>Gross Margin - Non-GAAP</b>	<b>\$ 156.0</b>	<b>\$ 163.6</b>	<b>\$ 165.6</b>
<b>Gross Margin % - Non-GAAP</b>	61.5%	58.2%	58.0%

## GAAP to Non-GAAP Reconciliations

Operating Income (In M's except percentages)



	Quarter		
	FQ3'21	FQ2'22	FQ3'22
<b>Operating Income - GAAP</b>	\$ 11.2	\$ 18.1	\$ 17.3
<b>Operating Margin- GAAP</b>	4.4%	6.4%	6.1%
Amortization of Product Intangibles	6.4	4.1	3.6
Total Share-Based Compensation	9.2	11.3	10.9
Restructuring Charges, net	0.4	0.3	0.4
Amortization of Non Product Intangibles	1.4	0.8	0.7
Integration Costs in OpEx	-	2.1	2.8
<b>Operating Income - Non-GAAP</b>	<b>\$ 28.6</b>	<b>\$ 36.7</b>	<b>\$ 35.7</b>
<b>Operating Margin - Non-GAAP</b>	<b>11.3%</b>	<b>13.1%</b>	<b>12.5%</b>

## GAAP to Non-GAAP Reconciliations

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



	Quarter		
	FQ3'21	FQ2'22	FQ3'22
<b>Net Income - GAAP</b>	\$ 3.5	\$ 13.3	\$ 12.8
Shares - GAAP	130.0	133.6	133.4
<b>EPS - GAAP (Diluted)</b>	\$ 0.03	\$ 0.10	\$ 0.10
Amortization of Product Intangibles	6.4	4.1	3.6
Total Share-Based Compensation	9.2	11.3	10.9
Restructuring Charges, net	0.4	0.3	0.4
Amortization of Non Product Intangibles	1.4	0.8	0.7
Tax Effect of non-GAAP Adjustments	(0.2)	(3.5)	(3.8)
Integration and Acquisition Costs in OpEx	-	2.1	2.8
<b>Net Non-GAAP Adjustments</b>	17.2	15.1	14.6
<b>Net Income - Non-GAAP</b>	\$ 20.7	\$ 28.4	\$ 27.4
Shares - Non-GAAP	130.0	133.6	133.4
<b>EPS - Non-GAAP</b>	\$ 0.16	\$ 0.21	\$ 0.21

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

## GAAP to Non-GAAP Reconciliations

EBITDA (In \$M's)



	Quarter		
	FQ3'21	FQ2'22	FQ3'22
<b>Net Income - GAAP</b>	\$ 3.5	\$ 13.3	\$ 12.8
Interest	\$ 5.5	\$ 3.0	\$ 2.7
Provision for Income Taxes	\$ 2.4	\$ 1.8	\$ 1.9
Depreciation/Amortization	\$ 13.2	\$ 10.1	\$ 9.3
<b>EBITDA - GAAP</b>	24.6	28.2	26.7
Net Non-GAAP Adjustments	17.2	15.1	14.6
Income taxes included in Net Non-GAAP Adjustments	0.2	3.5	3.8
Amortization included in Net Non-GAAP Adjustments	(7.8)	(4.9)	(4.3)
<b>EBITDA - Non-GAAP</b>	\$ 34.2	\$ 41.9	\$ 40.8



## FQ4'22 Financial Guidance





## FQ4'22 Guidance – GAAP

(In M's except percentages and EPS)



	FQ3'22	FQ4'22 Guidance
Revenue (\$M)	\$285.5	\$265.0 - \$275.0
Gross Margin %	56.5%	55.5% - 57.4%
Net Income	\$12.8	\$2.4 – \$9.3
EPS	\$0.10	\$0.02 – \$0.07

## FQ4'22 Guidance – Non-GAAP

(In M's except percentages and EPS)



	FQ3'22	FQ4'22 Guidance
Revenue (\$M)	\$285.5	\$265.0 - \$275.0
Gross Margin %	58.0%	57.0% - 59.0%
Net Income	\$27.4	\$16.7-\$23.9
EPS	\$0.21	\$0.12 – \$0.18

## FQ4'22 Guidance - GAAP to Non-GAAP Reconciliation



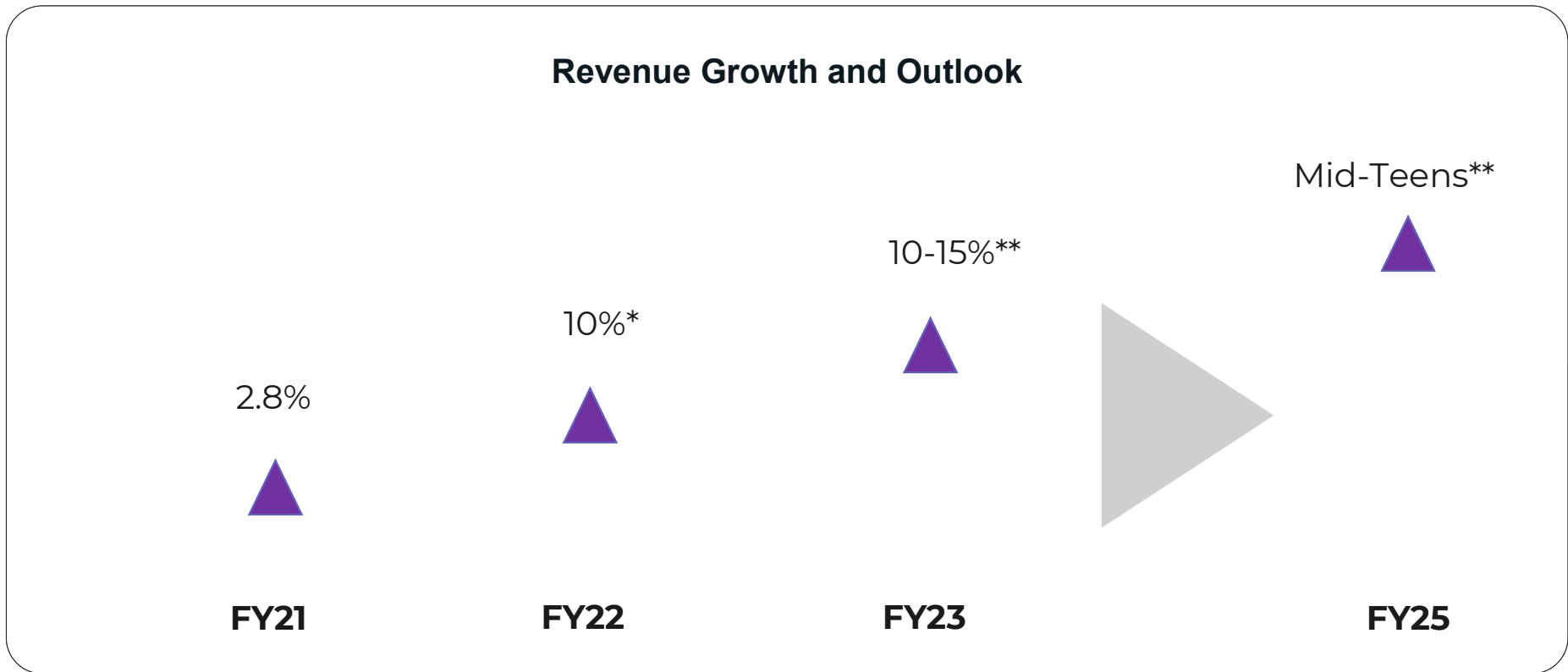
	Gross Margin Rate	Operating Margin Rate	Earnings per Share
GAAP	55.5% - 57.4%	3.1%-5.5%	\$0.02-\$0.07
Estimated Adjustments for:			
Amortization of Product Intangibles	1.1%	1.1%	\$0.02
Share-Based Compensation	0.2%	3.9%	\$0.08
Restructuring Charges, net	-	0.1%	\$0.00
Acquisition and Integration Costs	-	0.3%	\$0.01
Amortization of Non-product Intangibles	0.3%	0.5%	\$0.01
Non-GAAP Tax Adjustment	-	-	(\$0.01)
Non-GAAP	57.0% - 59.0%	9.1% - 11.4%	\$0.12 - \$0.18



## FY23 and Long-Term Financial Guidance



# FY23 and Long-Term Growth Outlook



\*Current Company Outlook and guidance at the midpoint  
\*\* Current Company Outlook



ADVANCE  
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