



EXTREME NETWORKS  
**ANNUAL REPORT**  
**2024**



Dear Extreme Shareholders:

Extreme delivered another year of solid performance against the backdrop of a challenging industry environment. Revenue for Fiscal '24 was \$1.1 billion, based on strong demand and improvements in our supply chain, and Adjusted EPS of \$0.70<sup>[1]</sup>. At the close of Fiscal '24, we successfully completed initiatives to eliminate channel and inventory headwinds.

As the second largest cloud networking services provider, coupled with a continued strong leadership position in the Gartner Magic Quadrant, Extreme is poised to benefit from the industry disruption from larger competitors in the enterprise market. These competitors are either distracted by portfolio rationalization and integration, or shifting business focus away from networking, which creates more opportunity for Extreme to take share. Customers and channel partners recognize our innovation, unparalleled flexibility, ease of doing business, and simplicity. We de-risk the process for customers to evolve their networks to the most modern AI-centric cloud networking solution in the industry.

New logos are playing a substantial role in our growth. We believe this demand will continue, as customers recognize the simplicity and overall value of our solutions relative to the complexity and total cost of ownership of our largest competitors.

The demand for Extreme from new customers contributed to record opportunities is unprecedented, as evidenced by \$167 million of SaaS ARR we reported at the end of Fiscal '24, up 29% year-over-year. The attach rates of hardware to our cloud platform continue to increase, which shows that customers see real value in our innovative software applications.

#### Convergence of Networking, AI, and Security

Extreme's focus on the intersection of networking, security, and AI is creating a compelling value proposition that's resonating with customers as they look to simplify the way they deploy and manage their network. We enhance network security, visibility and performance through our AIOps and machine learning capabilities and Zero Trust security posture. With our One Network, One Cloud strategy, we make networking simple and flexible and help customers drive meaningful impact across their organizations.

This year we previewed Extreme AI Expert, our generative AI solution that delivers insights that improve productivity and make networking simpler, smarter, faster and more resilient. In addition to leading cloud-based networking solutions and AI, we now offer a range of layered security solutions with Network Access Control, UZTNA and Fabric – which helps customers secure the network from the datacenter to the edge in a simple, integrated way. Customers particularly love our Fabric solution for its unmatched security, automation and visibility – as it helps dramatically minimize the blast radius of lateral cyberattacks.

#### Growth and Innovation

More than 160 customers spent over \$1 million with Extreme in Fiscal '24 and new logos constituted 20% of our bookings. From university customers like Washington University and Bangor University, manufacturing customers such as Samsung, LG, or ebm-papst, the world's leading manufacturer of fans and motors, or major NHS hospitals across the UK, customers turn to Extreme to help derisk their investments in networking and drive better business outcomes. Extreme is also a trusted provider to major sports organizations and world-famous venues across the globe, delivering Wi-Fi and analytics to MLB, NHL, Minor League Baseball, NASCAR, Olympiastadion Berlin, Borussia Dortmund, Manchester United and Liverpool Football Club.

We also expanded our go to market and added 27 managed service providers. These new partners open a new avenue for growth to go along with our core business. MSPs love our unique consumption-based billing model and poolable licenses, as no other vendor offers such flexibility.

#### Leading in Cloud-Based Networking

For the sixth consecutive year, we were named a Leader in the 2024 Gartner® Magic Quadrant™ for Enterprise Wired and Wireless LAN Infrastructure.<sup>1</sup> Of the 12 companies in the Magic Quadrant, Extreme Networks was evaluated as a Leader based on Ability to Execute and Completeness of Vision and with the pending merger of two competitors, it effectively places Extreme as the number two player in the space. *Fast Company* also recognized Extreme for innovation, naming ExtremeCloud IQ as one of its "Next Big Things in Enterprise Tech.

#### Improved Resilience and Financial Position

Our financial position remained strong during the year, we exited the year with \$157 million in cash on hand and net debt of \$33 million. As we enter Fiscal '25, we are confident that we've eliminated the headwinds from both our channel and direct inventory and have now put the challenges of the supply chain constraint cycle behind us.

#### Corporate Responsibility Efforts

We have made great progress against the Corporate Responsibility goals we set in 2021. Since setting a baseline of scope 1 and 2 emissions in 2021, we have achieved a combined 21% reduction in these measures. We also launched our Environmental Take-Back Program, allowing our end customers to return used equipment to ensure it is handled in an environmentally responsible manner. Our commitment to our people is reflected in our recognition as one of the "Best Places to Work" by the *Triangle Business Journal*. We continue to support our Employee Resource Groups and our mentoring program. Our governance program continues to be robust, focusing on Information Security, data privacy, risk management, and conducting business in an ethical manner. And, Investor's Business Daily recognized Extreme Networks on its list of the best stocks for Environmental, Societal and Governance (ESG) investors.

In conclusion, our exposure to the fastest growing areas of the networking market, share gains, and new go-to-market partnerships provide ample growth opportunities to drive double-digit growth long-term.

As always, I would like to thank you for your support and dialogue over this past fiscal year. Our team is executing our strategic plan and realizing our vision of delivering industry leading networking solutions to our valued customers. We are confident that the successful execution of our strategy will drive accelerated revenue and cash flow growth and shareholder returns.

Sincerely,

Edward Meyercord  
President and CEO, Extreme Networks, Inc.

<sup>[1]</sup> The Company's reported Adjusted Earnings per Share amount for the year ended June 30, 2024 included in this letter differs by a \$0.02 as compared to the amounts reported on the Company's Form 8-K filed with the SEC on August 7, 2024 due to a correction in shares used in the per share calculation for that period.

<sup>[2]</sup> Gartner, "Magic Quadrant for Enterprise Wired and Wireless LAN Infrastructure," Tim Zimmerman, Christian Canales, Nauman Raja and Mike Leibovitz, 6 Mar. 2024

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<https://www.gartner.com/reviews/market/enterprise-wired-wireless-lan-access-infrastructure>

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-25711

**Extreme Networks, Inc.**

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

2121 RDU Center Drive, Suite 300  
Morrisville, North Carolina  
(Address of principal executive offices)

77-0430270

(I.R.S. Employer  
Identification No.)

27560  
(Zip Code)

Registrant's telephone number, including area code: (408) 579-2800

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	EXTR	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Non-Accelerated Filer

Emerging growth company

Accelerated Filer

Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of voting common equity held by non-affiliates of the Registrant was approximately \$1.7 billion as of December 31, 2023, the last business day of the Registrant's most recently completed second fiscal quarter, based upon the per share closing price of the Registrant's common stock as reported on The Nasdaq Global Select Market reported on such date. For purposes of this disclosure, shares of common stock owned by executive officers and directors of the registrant and by persons who owned more than 5% of the outstanding shares of common stock have been treated as shares held by affiliates. This calculation does not reflect a determination that certain persons are affiliates of the Registrant for any other purpose.

130,337,298 shares of the Registrant's Common stock, \$0.001 par value, were outstanding as of August 9, 2024.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement for the year ended June 30, 2024 Annual Meeting of Stockholders to be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated herein by reference in Part III of this Annual Report on Form 10-K.



**EXTREME NETWORKS, INC.**

**FORM 10-K**

**INDEX**

	<u>Page</u>
Forward Looking Statements	2
PART I	
Item 1. Business	3
Item 1A. Risk Factors	16
Item 1B. Unresolved Staff Comments	32
Item 1C. Cybersecurity	32
Item 2. Properties	33
Item 3. Legal Proceedings	33
Item 4. Mine Safety Disclosures	33
PART II	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	34
Item 6. [Reserved]	35
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	36
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	46
Item 8. Financial Statements and Supplementary Data	47
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	84
Item 9A. Controls and Procedures	84
Item 9B. Other Information	84
Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	85
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	86
Item 11. Executive Compensation	86
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	86
Item 13. Certain Relationships and Related Transactions, and Director Independence	86
Item 14. Principal Accountant Fees and Services	86
PART IV	
Item 15. Exhibits and Financial Statement Schedules	87
Item 16. Form 10-K Summary	91
SIGNATURES	91

## FORWARD LOOKING STATEMENTS

Except for historical information contained herein, certain matters included in this Annual Report on Form 10-K are, or may be deemed to be, forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. The words “will,” “may,” “designed to,” “believe,” “should,” “anticipate,” “plan,” “expect,” “intend,” “estimate” and similar expressions identify forward-looking statements, which speak only as of the date of this Annual Report. These forward-looking statements are contained principally under Item 1, “Business,” and under Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” but may also be in other sections of this Annual Report on Form 10-K. Because these forward-looking statements are subject to risks and uncertainties, actual results could differ materially from the expectations expressed in the forward-looking statements. Important factors that could cause actual results to differ materially from the expectations reflected in the forward-looking statements include those described in Item 1A, “Risk Factors,” and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In addition, new risks emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risk factors on our business. Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements. We undertake no obligation to update or revise these forward-looking statements to reflect subsequent events or circumstances.

## SUMMARY OF MATERIAL RISKS ASSOCIATED WITH OUR BUSINESS

The principal risks and uncertainties affecting our business include the following:

- Intense competition in the market for networking equipment and cloud platform companies could prevent us from increasing revenues.
- Adverse general economic conditions or reduced information technology spending may adversely impact our business.
- If we are not able to effectively forecast demand or manage our inventory, we may be required to record write-downs for excess or obsolete inventory.
- System security risks, data breaches, and cyberattacks could compromise our proprietary information, disrupt our internal operations, impact services to customers, and harm public perception of our products, which could materially adversely affect our business, financial condition, operating results, and future growth prospects.
- Supply chain issues such as concentration of suppliers and manufacturing partners, supplier disruptions, shipping delays, material or components shortages, quality control, regulatory impacts, and inability to reduce manufacturing costs could harm our business, financial condition, and operating results.
- We depend upon international sales for a significant portion of our revenues which imposes a number of risks on our business.
- If we fail to anticipate technological shifts, market needs and opportunities, and fail to develop products, product enhancements and business strategies that meet those technological shifts, needs and opportunities in a timely manner or if they do not gain market acceptance, we may not be able to compete effectively and our ability to generate revenues will suffer.
- To successfully manage our business or achieve our goals, we must attract, retain, train, motivate, develop and promote key employees, and a failure to do so can harm us.
- We cannot assure future profitability, and our financial results may fluctuate significantly from period to period.
- Our stock price has been volatile in the past and may significantly fluctuate in the future.

The summary risk factors described above should be read together with the text of the full risk factors below in the section entitled “Risk Factors” and the other information set forth in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes, as well as in other documents that we file with the U.S. Securities and Exchange Commission (the “SEC”). The risks summarized above or described in full below are not the only risks that we face. Additional risks and uncertainties not precisely known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition, operating results, and future growth prospects.

## PART I

### Item 1. Business

#### Overview

Extreme Networks, Inc. (“Extreme” or “Company”) is a leading provider of cloud networking solutions and industry leading services and support. Extreme designs, develops, and manufactures wired, wireless, and software-defined wide area-network (“SD-WAN”) infrastructure equipment, software and cloud-based network management solutions. The Company's cloud solution is a single platform that offers unified network management of wireless access points, switches, and SD-WAN. It leverages machine learning, Artificial Intelligence for Information Technology Operations (“AIOps”) and analytics to help customers deliver secure connectivity at the edge of the network, speed cloud deployments, and uncover actionable insights to save time, lower costs, and streamline operations.

Extreme has been pushing the boundaries of networking technology since 1996, driven by a higher purpose of helping our customers connect beyond the network. Extreme’s cloud networking technologies provide flexibility and scalability in deployment, management, and licensing of networks globally. Our global footprint provides service to over 50,000 customers including some of the world’s leading names in business, hospitality, retail, transportation and logistics, education, government, healthcare, manufacturing, and service providers. We derive all our revenues from the sale of our networking equipment, software subscriptions, and related maintenance contracts.

Our global headquarters is located at 2121 RDU Center Drive, Suite 300, Morrisville, North Carolina 27560, and our telephone number is (408) 579-2800. We have several corporate offices in the United States and international locations. Our website is [www.extremenetworks.com](http://www.extremenetworks.com).

#### Industry Background

Enterprises across every industry are going through unprecedented changes, such as leading digital initiatives, migrating their workloads to cloud-based environments, modernizing applications, finding new ways to leverage generative AI (“GenAI”) technology, and adopting to a distributed workforce. In order to accomplish this, they are adopting new Information Technology (“IT”) delivery models and applications that require fundamental network alterations and enhancements spanning from the access edge to the data center. As networks become more complex and more distributed in nature, we believe IT teams in every industry will need more control and better insights than ever before to ensure secure, distributed connectivity and comprehensive centralized visibility. Networking is mission critical and touches all elements of how services are delivered to customers, employees, students, and patients. Managing networks from cloud-based applications where customers can run their entire end-to-end networks, from wired or wireless infrastructure to SD-WAN, while ensuring full IT management of the business becomes critical. In addition, Machine Learning (“ML”) and Gen AI technologies have the potential to vastly improve the network experience in today's world by collating large data sets to increase accuracy and derive resolutions to improve the operation of the network. When ML and GenAI are applied with cloud-driven networking and automation, administrators can quickly scale to provide productivity, availability, accessibility, manageability, security, and speed, regardless of the distribution of the network.

As the edge of the network continues to expand, our customers are managing more endpoints which comes with a host of challenges. This continued expansion creates issues such as a higher risk of cyberattacks and a need for more bandwidth as a result of an increase in applications running across the network.

Network complexity manifests itself in the form of more endpoints to manage, more applications to monitor, and more services that rely on the network for service delivery and enablement. When performance suffers, and the tug on internal systems and IT staff becomes more intense, technology is often being overworked. Resolving network problems expeditiously and identifying their root cause, can improve organizational productivity and result in higher performance of operations.

We believe that the network has never been more vital than it is today. As administrators grapple with more data, coming from more places, more connected devices, and more Software-as-a-service (“SaaS”) based applications, the cloud is fundamental to managing and maintaining a modern network. Traditional network offerings are not well-suited to fulfill enterprise expectations for rapid delivery of new services, more flexible business models, real-time response, and massive scalability.

As enterprises continue to migrate increasing numbers of applications and services to either private clouds or public clouds offered by third parties and to adopt new IT delivery models and applications, they are required to make fundamental network alterations and enhancements spanning from device access points (“APs”) to the network core. In either case, the network infrastructure must adapt to this new dynamic environment. Intelligence and automation are key if enterprises are to derive maximum benefit from their cloud deployments. With automation applications becoming increasingly critical in manufacturing, warehousing, logistics, healthcare and other key industries, we believe this will continue to create demand for networking technology to serve as a foundation to run these services.

Service providers are investing in network enhancements with platforms and applications that deliver data insights, provide flexibility, and can quickly respond to new user demands and 5G use cases.

We believe Extreme will continue to benefit from the use of its technology to manage distributed campus network architecture centrally from the cloud. Extreme has blended a dynamic fabric attach architecture that delivers simplicity for moves and changes at the edge of the network, together with corporate-wide role-based policy. This enables customers to migrate to new cloud managed switching, Wi-Fi, and SD-WAN, agnostic of the existing switching or wireless equipment they already have installed. In the end, we expect these customers to see lower operating and capital expenditures, lower subscription costs, lower overall cost of ownership and more flexibility along with a more resilient network.

We estimate the total addressable market for our Enterprise Networking solutions consisting of cloud networking, wireless local area networks (“WLAN”), data center networking, ethernet switching, campus local area networks (“LAN”), SD-WAN solutions and management, automation, and elements of the Secure Access Services Edge (“SASE”) market to be over \$47 billion, and growing at approximately 13% annually over the next five years. This comprises over \$36 billion for networking and infrastructure spanning enterprise and service provider (largely 5G) applications, and \$11 billion for networking cloud and security software, which is expected to grow to \$31 billion by 2028.

## The Extreme Strategy

We are driven to help our customers find new ways to deliver better outcomes. Connectivity is just the foundation. We make the network a strategic asset. The combination of our solutions provides the connectivity, bandwidth, performance and insights that organizations of all sizes need to move their organizations forward. IT leaders are now tasked with ensuring the global, hybrid workforce is functional and successful no matter where they are, and ensuring people can work wherever they want.

The integration of AI, security and analytics into a single platform is a key differentiator for Extreme, as it allows us to bring greater simplicity and flexibility for customers. Modern networking approaches enhance security and flexibility for enterprises and there is a rise in cloud-based services, SD-WAN and other driving forces to deliver services to customers and employees while minimizing cyber security threats. Extreme is investing in products that help customers drive flexibility and resilience in infrastructure.

Customers recognize that Extreme offers the simplest and easiest to manage, end-to-end enterprise networking platform in the industry. Our One Network, One Cloud, One Extreme solution, enhanced with our AI Ops capabilities, excels relative to the complex and high total cost of ownership solutions of our competitors. This framework remains a competitive differentiator, particularly at a time when major competitors have created complexity with disjointed solutions and uncertainty in their long-term rationalization of products and solutions. We are focused on helping customers find new ways to deliver better outcomes such as increased IT productivity, reduced operating expenses, or securing their business. Our sole focus on networking allows us to offer a differentiated and integrated portfolio and a clear roadmap to meet customers’ needs.

Cloud networking management allows customers to gain real-time visibility and insights into areas such as application usage, location and workflow patterns across their environment, helping to inform strategic business decisions and create personalized experiences. Customers benefit from visibility, control and reduced time to resolution. This is the cornerstone of our One Network, One Cloud, One Extreme vision. Subscription services allow us to deliver more value over time to this installed base. Our flexibility in delivering management, AI, security and other capabilities to customers both on premises and in the cloud gives them much more value than our competitors. We have one license per device and compared to the complicated offerings of our competitors, this is a very differentiated value proposition. Extreme’s broad product, solutions, and technology portfolio supports these tenets and continues to innovate and evolve them to help businesses succeed.

Extreme has recognized that the way we and our customers communicate has changed and given rise to these distributed enterprise environments, or in other words, the Infinite Enterprise, which has three tenets:

- **Infinitely distributed connectivity** is the enterprise-grade reliable connectivity that allows users to connect anywhere, from anywhere. It is always present, available and assured, while being secure and manageable.
- **Scalable cloud** allows administrators to harness the power of the cloud to efficiently onboard, manage, orchestrate, troubleshoot the network, and find data and insights of the distributed connectivity at their pace in their way.
- **Consumer-centric experience** designed to deliver a best-in-class experience to users who consume network services.

Extreme’s broad product, solutions and technology portfolio supports these three tenets and continues to innovate and evolve them to help businesses succeed.

### Key elements of Extreme’s strategy and differentiation include:

- **Creating effortless networking solutions that allow all of us to advance.** We believe that progress is achieved when we connect—allowing us to learn, understand, create, and grow. We make connecting simple and easy with effortless networking experiences that enable all of us to advance how we live, work, and share.



- **Provide a differentiated end-to-end cloud architecture.** Cloud networking is estimated to be a \$11 billion segment of the networking market comprising cloud-managed services and cloud-managed products, which are largely WLAN access points and ethernet switches, growing at 31% annually over the next five years, according to data from the 650 Group, Gartner, IDC and Dell’Oro. Cloud management technology has evolved significantly over the past decade. We believe we deliver a combination of innovation, reliability, and security with the leading end-to-end cloud management platform powered by ML and AI that spans from the Internet of Things (“IoT”) edge to the enterprise data center. Key characteristics of our cloud architecture include:
  - o A robust cloud management platform that delivers visibility, intelligence, and assurance from the IoT edge to the network core.
  - o Cloud Choice for customers: Our cloud networking solution is available on all major cloud providers (Amazon Web Services (“AWS”), Google Cloud Platform (“GCP”) and Microsoft Azure).
  - o Consumption Flexibility: Offer a range of financing and network purchase options. Our value-based subscription tiers provide customers with flexibility to grow, as well as offer pool-able and portable licenses that can be transferred between products (e.g. access points and switches) at one fixed price.
  - o “No 9s” reliability and resiliency to ensure business continuity for our customers.
  - o Extreme Cloud IQ (“XIQ”) cloud platform conforms to ISO/ IEC 27017 and is certified by DQS to ISO/IEC 27001 and ISO/IEC 27701 by the International Standards Organization (“ISO”) and CSA STAR certified.
- **Offer customers choice: public or private cloud, or on-premises.** We leverage the cloud where it makes sense for our customers and provide on-premises solutions where customers need it and also have a solution for those who want to harness the power of both. Our hybrid approach gives our customers options to adapt the technology to their business. At the same time, all of our solutions have visibility, control and strategic information built in, all tightly integrated with a single view across all of the installed products. Our customers can understand what is going on across their network and applications in real time – who, when, and what is connected to the network, which is critical for bring your own device (“BYOD”) and IoT usage.
- **Highest value of cloud management subscriptions.** ExtremeCloud IQ provides unified cloud-native management driven by Machine Learning (ML) for wireless access points, network switches, and SD-WAN solutions. It features intuitive configuration workflows, real-time and historical monitoring, comprehensive troubleshooting, and integrated network applications for Extreme customers. The innovative ML technologies of XIQ analyze and interpret millions of network and user data points, from the edge to the data center, to power actionable business and IT insights. The platform streamlines operations by delivering new levels of network automation and intelligence. The ExtremeCloud IQ Pilot license tier streamlines every aspect of network management from deployment and maintenance to problem resolution. The Pilot license includes key capabilities for guest management, WIPS, and location services with associated services: ExtremeGuest, ExtremeAirDefense, and ExtremeLocation.
  - o ExtremeGuest™ is a comprehensive guest engagement solution that enables IT administrators to use analytical insights to engage visitors with personalized engagements.
  - o Extreme AirDefense™ is a comprehensive wireless intrusion prevention system (“WIPS”) that simplifies the protection, monitoring and security of wireless networks. With the added Bluetooth and Bluetooth low energy intrusion prevention, network administrators can address growing threats against Bluetooth and Bluetooth low energy devices.
  - o ExtremeLocation™ delivers proximity, presence and location-based services for advanced contact tracing in support of the location-intelligent enterprise.
- **Additional AI capabilities.** The ExtremeCloud IQ CoPilot license tier is an add-on to the Pilot license tier. It includes all the capabilities of the ExtremeCloud Pilot and Navigator license tiers. CoPilot serves as more than a centralized point of management with AIOps, Digital Twin and other enhancements to network management and automation. It is a trusted digital advisor for your Extreme cloud-managed Wi-Fi networks that proactively reduces risk and provides the fastest time to the best experience. This includes advanced anomaly detection and capabilities to ensure the user experience of wireless and wired devices.
- **Offers universal platforms for enterprise class switching and wireless infrastructure.** Extreme offers universal platforms which support multiple deployment use cases, providing flexibility and investment protection.
  - o **Universal switches (7720/5720/5520/5420/5320)** support fabric or traditional networking with a choice of cloud or on-premises (air-gapped or cloud connected) management.

- o **Universal Wi-Fi 6/6E APs (300/400, 4000, and 5000 series)** support campus or distributed deployments with a choice of cloud or on-premises (air-gapped or cloud connected) management.
  - o **Universal licensing** with one portable management license for any device and for any type of management. For switches, OS feature licenses are portable, and bulk activated through ExtremeCloud IQ.
- **AI** is a dynamic tool and is leveraged to drive productivity across our company and to offer security and GenAI solutions to our customers. Extreme's journey in AI began in 2020 with the advent of machine learning and purpose-built AI. We then introduced Co-Pilot AIOps in 2022 to further enhance network performance and troubleshooting. Today we have next exciting chapter – Extreme AI Expert – a GenAI solution that will help optimize networks, provide better design, improve mean time to resolution for technical issues, and create cost savings in the overall design and implementation of networks. We are utilizing AI to improve mean time to resolution for customers, both through our AIOps offerings as well as internal use of Extreme AI Expert. We announced a technology preview of our Extreme AI Expert showcasing its ability to speed up documentation searches and resolution of network performance issues. This allows our customers to optimize their network performance and make it easier to focus on value-added activities.
- There are several ways customers will be able to leverage our AI in the future:
  - o **Knowledge queries** provide the ability to answer any question in context (*i.e.*, role, application, conversation). Questions are answered with Extreme's product documentation, GTAC knowledge base and selected training, and best practices material.
  - o **Intelligent Queries** are answered with customer network data from multiple applications (XIQ, SD-WAN, etc.). User Manuals, Release Notes, How to Guides, EOSL, EOL, Licensing, Service Contracts, and Company information.
  - o **“What-If” Queries** give the ability for the system to work autonomously and optimize itself based on business key performance indicators ("KPIs"). These scenarios work on an on-demand, scheduled, or always-on basis. Predictive and scenario questions that are answered apply further processing to the network data, anomaly detections, pattern recognition, root cause analysis, predictive analytics and network optimization.
- **Enable a common fabric to simplify and automate the network.** Fabric technologies virtualize the network infrastructure (decoupling network services from physical connectivity) which enables network services to be turned up faster, with lower likelihood of error. They make the underlying network much easier to design, implement, manage and troubleshoot.
- **Offer a frictionless experience for secure hybrid work.** Our layered security approach is managed from one cloud and secure by design. We offer tightly integrated security with network fabric and infrastructure.
  - o **We launched ExtremeCloud Universal ZTNA**, the first network security offering to integrate network, application, and device security within a single solution. By combining Cloud Network Access Control ("NAC") and Zero Trust Network Authentication ("ZTNA") into a single, easy-to-use SaaS offering, we help customers ensure unified observability, frictionless user experiences and a consistent security policy for applications and devices and supports secure hybrid work use cases for customers. As the VPN market transitions to ZTNA, the proliferation of individual applications, each with their own policy and dashboard, is adding complexity and expense for enterprise customers. We expect the broadening of our security offering to drive significant traction for our business with growth opportunities.
  - o **Extreme's unique and highly differentiated fabric** makes it simple to orchestrate applications and policy across the entire campus, from the core to the wireless edge, and across the wide area network. We bring enhanced security, the ability to segment networks and zero touch provisioning, thus eliminating confusion, complexity and the need for additional IT staff. This is in stark contrast to our competitors' fabric solutions, which were designed for service provider and data center networks and not meant for the campus.
  - o **Extreme AirDefense** delivers intrusion detection and prevention capabilities across the wireless portfolio.
- **End-to-End Portfolio.** Our cloud-driven solutions provide visibility, control and strategic intelligence from the edge to the data center, across networks and applications. Our solutions include wired switching, wireless switching, wireless access points, WLAN controllers, routers, and an extensive portfolio of software applications that deliver AI-enhanced access control, network and application analytics, as well as network management. All can be managed, assessed, and controlled from a single pane of glass on premises or from the cloud.
- **Provide high-quality in-house customer service and support.** We seek to enhance customer satisfaction and build customer loyalty through high-quality service and support. This includes a wide range of standard support programs to the level of service our customers require, from standard business hours to global 24-hour-a-day, 365-days-a-year real-time responsive support.

- **Extend switching and routing technology leadership.** Our technological leadership is based on innovative switching, routing and wireless products, the depth and focus of our market experience and our operating systems - the software that runs on all of our networking products. Our products reduce operating expenses for our customers and enable a more flexible and dynamic network environment that will help them meet the upcoming demands of IoT, mobile, and cloud.
- **Expand Wi-Fi technology leadership.** Wireless is today's network access method of choice and every business must deal with scale, density and BYOD challenges. The network edge landscape is changing as the explosion of mobile and IoT devices increases the demand for high-performance, transparent, and always-on wired to wireless edge services. The unified access layer requires distributed intelligent components to ensure that access control and resiliency of business services are available across the entire infrastructure and manageable from a single console. We are at a technology inflection point with the pending migration from Wi-Fi 6 solutions to 6 GHz Wi-Fi (Wi-Fi 6E and Wi-Fi 7), focused on providing more efficient access to the broad array of connected devices. We believe we have the industry's broadest 6 GHz indoor and outdoor wireless portfolio, providing intelligence and security for wired/wireless networks by leveraging our cloud architecture, end-to-end fabric services, Universal Zero Trust Network Access, and AIOps management platform with Explainable ML insights.
- **Offer a superior quality of experience.** Our network-powered application analytics provide actionable business insights by capturing and analyzing context-based data about the network and applications to deliver meaningful intelligence about applications, users, locations and devices. With an easy to comprehend dashboard, our applications help businesses turn their network into a strategic business asset that helps executives make faster and more effective decisions.
- **Expand market penetration by targeting high-growth market segments.** Within the campus, we focus on the mobile user, leveraging our automation capabilities and tracking WLAN growth. Our data center approach leverages our product portfolio to address the needs of public and private cloud data center providers. We believe that the cloud networking compound annual growth rate will continue to outpace the compound annual growth rate for on-premises managed networking. Our focus is on expanding our technology foothold in the critical cloud networking segment to accelerate not only cloud management adoption, but also subscription-based licensing consumption.
- **Leverage and expand multiple distribution channels.** We distribute our products through select distributors, a large number of resellers and system-integrators worldwide, as well as several large strategic partners. We maintain a field sales force to support our channel partners and to sell directly to certain strategic accounts. As an independent networking vendor, we seek to provide products that, when combined with the offerings of our channel partners, create compelling solutions for end-user customers.
- **Maintain and extend our strategic relationships.** We have established strategic relationships with a number of industry-leading vendors to both provide increased and enhanced routes to market, and collaboratively develop unique solutions.

## Products

Our products and services categories include:

- **Cloud Networking Platform:** Core to our product portfolio and providing the end-to-end visibility and control from the access edge to the data center is our industry-leading cloud platform and cloud management application, ExtremeCloud IQ. ExtremeCloud IQ is an ML/AI powered, wired and wireless cloud network management solution that offers advanced visibility and control over users, devices, and applications. ExtremeCloud IQ is designed to allow customers to keep operational costs low, adjusts to customer demand, and delivers robust functionality for provisioning, management, troubleshooting and guaranteed data durability to assure access with 100% uptime. ExtremeCloud IQ is available in three deployment options (public, private, on-premises) that support one goal – to provide customers with maximum flexibility, continuous innovation and consistent user experience. It can be deployed in any major data center environment such as AWS, GCP and Azure, or local private cloud options. The ExtremeCloud IQ application already manages around three million devices in public, private, and on-premises global cloud deployment. The platform is run from multiple regional data centers, giving customers greater control over the location of their data and adding to the resiliency of the platform.
- **Automation, Analytics, and Security Applications:** Our application portfolio delivers additional analytics, security, access control, and management insights both on-premises and in the cloud. ExtremeCloud IQ – Site Engine extends cloud management to non-cloud native and multi-vendor devices to provide one dashboard view of your entire network that can be managed in the cloud or on-premises. The application provides task automation, access control, granular visibility with real-time analytics and multi-vendor device management. ExtremeCloud IQ Essentials provides three key applications - WIPS, location services, and guest management - for ExtremeCloud IQ Pilot license customers at no added cost, enabling organizations to take advantage of an all-in-one platform for wired and wireless management, business insights, location tracking, wireless security, seamless IoT onboarding and guest access, and guest access through a single user interface.

- **Wireless LAN AP:** One of the industry’s broadest and most comprehensive, Extreme’s wireless AP portfolio includes both indoor and outdoor Wi-Fi 7 and prior generation APs. Proven in some of the most demanding environments, ExtremeWireless delivers an exceptional experience for BYOD and mobile users wherever they may roam. Included in that portfolio are our custom stadium and large venue outdoor Wi-Fi 7 APs, which, when combined with ExtremeAnalytics, are the basis of our selection as the Official Wi-Fi & Analytics Provider for the National Football League and Major League Baseball. In addition to powering large venues and stadiums, our Extreme APs also deliver flexible and scalable options for highly distributed environments for major companies globally. Our APs allow our customers to purchase unified hardware, starting with our Wi-Fi 7 AP portfolio, and choose the software mode option for the optimal deployment architecture in their environments. Our premier wireless security solution, Extreme AirDefense delivers intrusion detection and prevention capabilities across the wireless portfolio. Recently, we also introduced the first WIPS solution to incorporate support for Bluetooth and Bluetooth Low Energy (“BLE”) visibility and intrusion protection. This includes device location support and change detection, rogue BLE Beacon detection and unsanctioned BLE device detection.
- **Wired for Edge, Campus, and Data Center:** Our switching portfolio includes products designed to make every connection effortless by enabling the deployment of high-speed performance at scale for access, high-density, campus, core, and data center environments. Within the ExtremeSwitching portfolio are Access Edge products offering connection speeds ranging from 100 Megabytes per second (“Mbps”) to 25 Gigabytes per second (“Gbps”) – including edge multi-rate 2.5Gbps and 5Gbps capabilities. These switches provide various physical presentations (copper and fiber) along with options to deliver traditional Ethernet or convergence-friendly Power-over-Ethernet (“PoE”), including high-power universal POE consisting of 90W power to support new classes of Ethernet-powered devices. These switching products, combined with our unique fabric capability, deliver automation and hyper-segmentation, as well as features, performance, and reliability required by our customers to deploy, operate and manage converged infrastructure, along with the ability to harden the perimeter of the network infrastructure.

Our aggregation/core switches are designed to address the demanding needs of aggregation, top-of-rack, and campus core environments. Delivering 10G, 25G, 40G, 50G, and 100G connectivity with maximum throughput and reliability, these switches provide flexible Ethernet connectivity over a range of interface types and speeds and are available in both fixed and modular configurations. These switching platforms, in conjunction with our advanced operating systems and centralized management software, provide the density, performance, and reliability required to serve in a diverse range of environments, especially where application demands and uptime expectations are mission critical.

Our campus switch portfolio also includes next-generation, low-profile, high-density Ethernet switches that empower the creation of versatile always-on campus solutions that are fabric-enabled and 25 to 100 gigabit-ready. The technologies supported by these innovative platforms can also leverage automated network attachment to proactively reduce operational burden and time-to-service.

Extreme’s data center switches and routers provide high levels of reliability and throughput - specifically designed to address the exacting demands of high-performance enterprise and cloud data centers. These products are available in both fixed and modular chassis configurations and include a set of advanced features such as redundant management and fabric modules, hot-swappable line cards on our chassis-based platforms, as well as multi-speed stacking of up to 100G and flexible 10/25/40/50/100G port options on our fixed-form platforms, which makes these switches well-suited for enterprise data center environments. Both platform types also provide redundant power supplies and fan trays to ensure high hardware availability.

These switches also provide key feature extensions for data centers through technologies that include Virtual Extensible LAN, MPLS/VPLS, and Shortest Path Bridging capabilities. Our industry-first integrated Extreme Fabric Automation simplifies and adds scalability to even the highest performance environments. In addition to these capabilities, our data center switches offer innovative traffic optimization enabling virtual machine mobility via Layer 3 Data Center Interconnect. Our architecture delivers tens of millions of flows for deep visibility and control over users, services, and applications to meet the analytic and policy demands of today’s business applications.

- **SD-WAN:** ExtremeCloud SD-WAN is a software-defined wide area networks solution offered as an all-inclusive subscription, which includes hardware, the cloud-based SD-WAN service, support and maintenance, and customer success support. This helps customers reduce total cost of ownership as they deliver quality user experience for applications used in site-to-site and site-to-cloud environments. This solution detects and optimizes applications automatically and can apply performance-based dynamic WAN selection for quality and reliability. Included also are security options such as a built-in zone-based firewall, EdgeSentry (in partnership with Check Point) for cloud-based firewall as a service and other advanced security capabilities, and integration with Secure Web Gateway partners such as Palo Alto Networks, Zscaler, and Symantec.

- **Cloud Native Platforms and Applications for Service Providers:** 5G is the first generation of cellular technologies built on cloud-native principles, and most traditional network visibility tools cannot be easily adapted for future use cases like autonomous vehicles or industrial IoT. Because many 5G use cases are still undefined, service providers need a composable solution that provides visibility into highly distributed environments and is flexible enough to be adjusted for specific purposes as they arise, without requiring expensive, time-consuming infrastructure upgrades. Extreme has introduced the 9000 series switches and related software, featuring the Extreme 9920 intelligent network visibility platform built with cloud-native design principles and a composable data pipeline to provide highly scalable traffic aggregation, packet filtering, replication, and advanced network packet processing for analytics tools in distributed network environments. The Extreme Visibility Manager has an intuitive graphical user interface to establish new rule sets and commands for all of Extreme's visibility devices. It provides full visibility into every aspect of the network, from a highly geographically dispersed environment with regions and zones to the services running on the system.
- **Universal ZTNA.** ExtremeCloud Universal ZTNA is designed to be the easiest, most complete network access security solution for users everywhere. It is intended to deliver a frictionless user experience and consistent security policy for applications and devices, including IoT. We offer one secure access solution that uses a single identity-based zero trust policy engine for both networks and applications. As a result, customers could have just one solution to secure employees, guests and IoT devices. We offer automated security configuration and enforcement via cloud-managed Universal Devices and unified visualization and reporting for enhanced insight and simplified management.
- **Customer Service and Support:** Our customers seek high reliability and maximum uptime for their networks. To that extent, we provide the following service offerings:
  - **Support services for end-users, resellers and distributors.** We meet the service requirements of our customers and channel partners through our Technical Assistance Centers (“TACs”), located in Morrisville, North Carolina; Salem, New Hampshire; Aurora, Illinois; San Jose, California; Reading, United Kingdom; Penang, Malaysia; Brno, Czech Republic; Bangalore; Chennai, India; Seoul, Korea and Tokyo, Japan. Our TAC engineers and technicians assist in diagnosing and troubleshooting technical issues regarding customer networks. Development engineers work with the TACs to resolve product functionality issues specific to each customer.
  - **Premier services.** Premier Support is a proactive, high touch post-sale support service that assists customers in managing their Extreme Networks products and network. All resources and deliverables are designed to manage day-to-day technical needs, provide analysis and recommendations while building strong customer relationships, all focused on the network level.
  - **Professional services.** We provide consultative services to improve customer productivity in all phases of the network lifecycle – planning, design, implementation, operations and optimization management. Our network architects develop and execute customized software and service-led networking solutions for deployment plans to meet individualized network strategies. These activities may include the management and coordination of the design and network configuration, resource planning, staging, logistics, migration and deployment. We also provide customized training and operational best practices manuals to assist customers in the transition and sustenance of their networks.
  - **Education.** We offer classes covering a wide range of topics such as installation, configuration, operation, management and optimization – providing customers with the necessary knowledge and experience to successfully deploy and manage our products in various networking environments. Classes may be scheduled and available at numerous locations worldwide. We deliver training using our staff, on-line training classes and authorized training partners. In addition, we make much of our training materials accessible free-of-charge on our internet site for customers and partners to use in self-education. We believe this approach enhances the market’s ability to learn and understand the broad array of advantages of our products.

## Sales, Marketing and Distribution

We conduct our sales and marketing activities on a worldwide basis through a channel that utilizes distributors, resellers and our field sales organization. As of June 30, 2024, our worldwide sales and marketing organization consisted of 872 employees. We have domestic sales offices located in four states within the United States and international sales offices located in 28 countries.

We sell our products primarily through an ecosystem of channel partners who combine our infinite enterprise vision and product portfolio consisting of cloud-driven applications, wired, wireless, management and analytics software products with their vertical specific offerings to create compelling information technology solutions for end-user customers. We utilize our field sales organization to support our channel partners and to sell directly to certain end-user customers, including some large enterprise and service provider global accounts.

## The details of our sales and distribution channels are as follows:

- **Original Equipment Manufacturers (“OEM”) and Strategic Relationships.** We have active alliance, OEM and strategic relationships with Barco NV, Ericsson Enterprise AB, Lenovo, Motorola Solutions, Schneider Electric, and Verizon as well as other global industry technology leaders in which our products are qualified to be included into an overall solution or reference architecture. These tested and validated solutions are then marketed and sold by the alliance, OEM or strategic partners into their specific verticals, market segments and customers as turnkey offerings.
- **Distributors.** We have established several key relationships with leading distributors in the electronics and computer networking industries. Each of our distributors primarily resells our products to resellers. The distributors enhance our ability to sell and provide support to resellers who may benefit from the broad service and product fulfillment capabilities offered by these distributors. Extreme maintains distribution agreements with our largest distributors, Westcon Group Inc., TD Synnex Corporation and Jenne Inc. on substantially the same material terms as we generally enter into with each of our distribution partners. Distributors are generally given the right to return a portion of inventory to us for the purpose of stock rotation, to claim rebates for competitive discounts and participate in various cooperative marketing programs to promote the sale of our products and services.
- **Resellers.** We rely on many resellers worldwide that sell directly to the end-user customer. Our resellers include regional networking system resellers, resellers who focus on specific vertical markets, value added resellers, network integrators and wholesale resellers. We provide training and support to our resellers and our resellers generally provide the first level of contact to end-users of our products. Our relationships with resellers are on a non-exclusive basis. Our resellers are not given rights to return inventory and do not automatically participate in any cooperative marketing programs.
- **Field Sales.** Our field sales organization is trained to sell solutions, support and develop leads for our resellers and to establish and maintain key accounts and strategic end-user customers. To support these objectives, our field sales force:
  - Assists end-user customers in finding solutions to complex network system and architecture problems;
  - Differentiates the features and capabilities of our products from competitive offerings;
  - Continually monitors and understands the evolving networking needs of enterprise and service provider customers;
  - Promotes our products and ensures direct contact with current and potential customers; and
  - Assists our resellers to drive business opportunities to closure.

Although we compete in many vertical markets, we have focused on the specific verticals of healthcare, education, retail, manufacturing, government, sports, and entertainment venues. Years of experience and a track record of success in the verticals we serve enable us to address industry-specific problems.

## Customer Profiles:

We focus on the following customer profiles where we believe we can add the most value:

- **Customer size:** Those customers with annual revenues of \$100 million to \$2.5 billion.
- **Target deployment:** Enterprise campus, data center, or branch networks with 250 to 5,000 employees or educational institutions with 1,000 to 15,000 students.
- **Target data centers:** Data centers with 1,000 or fewer racks, with an emphasis on service provider networks.
- **Vertical markets:** Healthcare, education, government, manufacturing, retail, and hospitality, which includes sports and entertainment venues.
- **Customer characteristics:** Our customers tend to operate in transient environments, such as college campuses, hospitals and sports venues, where BYOD and secure network access and identity control are critical. Their networks must be highly available with the ability to continue operations in the event of a service interruption. Secure remote and network access is essential to ensuring the protection of mission-critical systems and confidential information. Often tasked to manage the network with a limited IT staff, our customers appreciate the excellent service and support we strive to provide.

## **Customers with 10% of net revenues or greater**

See Note 3, *Revenues*, in the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for more information regarding our customers with 10% of net revenues or greater.

## **International sales**

International sales are an important portion of our business. In fiscal 2024, sales to customers outside of the United States accounted for 48% of our consolidated net revenues, compared to 56% in fiscal 2023, and 55% in fiscal 2022. These sales are conducted primarily through foreign-based distributors and resellers managed by our worldwide sales organization. In addition, we have direct sales to end-user customers, including large global accounts. The primary markets for sales outside of the United States are countries in Europe and Asia, as well as Canada, Mexico, Central America and South America.

We operate in one segment, the development and marketing of network infrastructure equipment and related software. Information concerning revenues, results of operations and revenues by geographic area is set forth under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." Information on risks attendant to our foreign operations is set forth below in Item 1A. "Risk Factors."

## **Marketing**

We continue to develop and execute a number of marketing programs to support the sale and distribution of our products by communicating the value of our solutions to our existing and potential customers, our distribution channels, our resellers and our technology alliance partners. Our marketing efforts include participation in industry tradeshows, conferences and seminars, publication of technical and educational articles in industry journals, communication across social media channels, frequent updates to our publicly available website, promotions, web-based training courses, advertising, analyst relations and public relations. We also submit our products for independent product testing and evaluation. Extreme participates in numerous industry analyst recognitions and placements including Gartner Magic Quadrants, Gartner Critical Capabilities, Gartner Peer Insights, Gartner Customer Choice, Forrester Waves and IDC MarketScapes.

## **Backlog**

Our products are sold based on standard purchase orders and backlog represents confirmed orders with a purchase order for products to be fulfilled and billed to customers with approved credit status. Actual shipments of products depend on the then-current capacity of our contract manufacturers and the availability of materials and components from our vendors. Although, we believe the orders included in the backlog are firm, all orders are subject to possible rescheduling by customers, and cancellations by customers, which we may elect to allow on an exception basis. Therefore, we do not believe our backlog, as of any particular date is necessarily indicative of actual revenues for any future period.

Our product backlog at June 30, 2024, net of anticipated back-end rebates for distributor sales, was \$64.0 million, compared to \$267.3 million at June 30, 2023. The decrease in backlog year over year is primarily due to resumption in shipment of orders during fiscal 2023 and 2024, after experiencing significant delays due to supply chain constraints in prior years.

## **Seasonality**

Like many of our competitors, we historically have experienced seasonal fluctuations in customer spending patterns, which generally adversely affect our first and third fiscal quarters. This pattern should not be relied upon or be considered indicative of our future performance, as it has varied in the past.

## **Manufacturing**

We utilize a global sourcing strategy that emphasizes procurement of materials and product manufacturing in competitive geographies. We rely upon original design manufacturers ("ODM"), such as Alpha Networks, Inc., Lite-On Technology Corporation, Quanta Computer Inc., Senao Networks, Inc., Sercomm Corporation and Wistron Neweb Corporation to manufacture, support and ship our products, and therefore are exposed to risks associated with their businesses, financial condition, and geopolitical conflict in geographies in which they operate. Our arrangements with these manufacturing partners generally provide for quality, cost, and delivery requirements, as well as manufacturing process terms, such as continuity of supply; inventory management; flexible capacity, quality, and cost management; oversight of manufacturing; and conditions for use of our intellectual property that allow us to adjust more quickly to changing end-customer demand. We also leverage and depend on the strong Environmental, Social and Governance policies and standards of our manufacturing partners. The ODM manufacturing process uses automated testing equipment and burn-in procedures, as well as comprehensive inspection, testing, and statistical process controls, which are designed to help ensure the quality and reliability of our products. To mitigate security risks associated with conducting business across our interconnected supply chain we have a *Supply Chain and Information Security Policy* and related procedures for communicating our requirements to suppliers and conducting annual compliance assessments. Additionally, we have launched new product features such as Secure Boot, which are being designed to provide additional integrity assurance of the firmware and software running on our hardware platform by establishing an encrypted key-based chain-of-trust relationship in the boot process. The manufacturing processes and procedures are generally certified to International

Organization for Standardization (“ISO”) 9001 standards. The manufacturing process and material supply chains are flexible enough to be moved to steer away from geopolitical conflicts that impact cost and delivery.

We use a collaborative sales and operations planning forecast of expected demand based upon historical trends and analyses from our Sales and Product Management functions as adjusted for overall market conditions. Demand Planning, Supply Operations and our Distributors work closely using a ‘continuous planning’ methodology as part of our Sales and Operations Execution process to determine and position our material requirements to support customer demand. Our manufacturing partners procure the components needed to build our products based on our demand forecasts that cover material lead times. This allows us to leverage the expertise and purchasing power of our manufacturing partners. Our products rely on key components, including merchant silicon, integrated circuit components and power supplies purchased from a limited number of suppliers, including certain sole source providers. Lead times for materials and components vary significantly, and depend on factors such as the specific supplier, technology, complexity, contract terms, demand and availability for a component at a given time. From time to time, we may experience price volatility or supply constraints for certain components that are not available from multiple qualified sources or where our suppliers are geographically concentrated. Over the past year, we have experienced improvement in supply chain constraints, however risks still exist as supply chain logistics continue to evolve and adapt to new expectations and planning around lead-times. We continue to learn from the evolving global supply chain and build upon innovative strategies to enhance resilience and agility into our supply chain. Utilizing technology brought forward from our ongoing Digital Transformation project, which entailed integrating digital technology into all areas of our business, changed how we operate and deliver value to customers. In this case, new systems and processes gave us better visibility and control over inventory. Collaborative partnerships with our ODMs and diversified sourcing strategies also emerged, fostering greater flexibility and risk mitigation. Our product development efforts also depend upon continued collaboration with our key suppliers, including our merchant silicon vendors such as Broadcom. As we develop our product roadmap and continue to expand our relationships with these and other merchant silicon vendors, it is critical that we work in tandem with our key vendors to ensure that their silicon includes improved features and that our products take advantage of such improved features. Further information on risks relating to our inventory forecasting and supply chain is set forth below in Item 1A. “Risk Factors.”

We believe our sourcing and manufacturing strategy allows us to adjust quickly to changes in market demand, working with our ODM suppliers and developing direct relationships with key component suppliers to support the backlog. We continue to focus on optimizing product availability through multi-sourcing, visibility and control of key supply lines, rationalizing our supply chain, outsourcing or virtualizing certain activities, and consolidating distribution sites and service logistics partners. These efforts also include process optimization initiatives, such as vendor managed inventory, and other operational models and strategies designed to drive improved efficiencies in our sourcing, production, logistics and fulfillment.

## **Research and Development**

The success of our products to date is due in large part to our focus on research and development. We believe that continued success in the marketplace relies on our ability to regularly bring to the market new and enhanced products employing leading-edge technology that provide business solutions affordably, securely, and effortlessly. Accordingly, we are undertaking development efforts with an emphasis on increasing the scalability, reliability, usability, and security while innovating our user and buyer experience reducing complexity and the overall network operating costs of customers.

Our product research and development activities focus on solving the needs of customers in the enterprise campus edge and core by providing a unified wired, wireless, and SD-WAN cloud-driven network, enabling secure access from edge to public, hybrid, or private clouds in targeted verticals. Current activities include the continuing development of our innovative switching technology aimed at giving our customers flexibility in how they deploy, connect to the cloud, monitor, and configure instantly saving time and money. Our ongoing research activities cover a broad range of areas, including cloud native technologies and solutions, generative AI, network security, identity management, wired and wireless networking, switching, and routing, open standards interfaces, software defined networks, campus, and data center fabrics. In addition, we continue to invest in ML/AI technology solutions targeting self-healing autonomous networking, Cloud Wi-Fi, IoT anomaly detection, and user recommendations.

We continue to enhance the functionality of our network operating systems which have been designed to provide high reliability, scale, and availability. This allows us to leverage a common operating system across different hardware and network chipsets.

As of June 30, 2024, our research and development organization consisted of 926 employees. Research and development efforts are conducted in several of our locations, including Morrisville, North Carolina; San Jose, California; Salem, New Hampshire; Toronto, Canada; Shannon, Ireland; Hangzhou, China; and Bangalore and Chennai, India.



## Intellectual Property

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of June 30, 2024, we had 681 issued patents in the United States and 451 patents outside of the United States. The expiration dates of our issued patents in the United States range from calendar years 2024 to 2041. Although we have patent applications pending, there can be no assurance that patents will be issued from pending applications or that claims allowed on any future patents will be sufficiently broad to protect our technology. As of June 30, 2024, we had 31 registered trademarks in the United States and 341 registered trademarks outside of the United States.

We enter into confidentiality, inventions assignment or license agreements with our employees, consultants and other third parties with whom we do business, and control access to, and distribution of, our software, documentation and other proprietary information. In addition, we provide our software products to end-user customers primarily under “clickwrap” license agreements. These agreements are not negotiated with or signed by the licensee, and thus these agreements may not be enforceable in some jurisdictions. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States.

## Competition

The market for network switches, routers and software (including analytics) which is part of the broader market for networking equipment, is extremely competitive and characterized by rapid technological progress, frequent new product introductions, changes in customer requirements and evolving industry standards. We believe the principal competitive factors in this market are:

- expertise and familiarity with network protocols, network switching/routing/wireless and network management;
- robust, cloud-driven options that reduce the cost of acquisition, provisioning, and ongoing management of network management;
- expertise and familiarity with application analytics software;
- expertise with network operations and management software;
- expertise in machine learning and artificial intelligence;
- product performance, features, functionality and reliability;
- price/performance characteristics;
- timeliness of new product introductions;
- adoption of emerging industry standards;
- customer service and support;
- size and scope of distribution network;
- brand name;
- breadth of product offering;
- access to customers; and
- size of installed customer base.

We believe we compete with our competitors with respect to many of the foregoing factors. However, the market for network switching solutions is dominated by a few large companies, particularly Cisco Systems, Inc., Hewlett-Packard Enterprise Co., Huawei Technologies Co. Ltd., and Juniper Networks Inc. To a lesser extent, Extreme competes with products and solutions from Arista Networks Inc., CommScope Holding Company, Inc., Fortinet, Inc., and Ubiquiti Inc. Most of these competitors have longer operating histories, greater name recognition, larger customer bases, broader product lines and substantially greater financial, technical, sales, marketing and other resources.

We expect to face increased competition from both traditional networking solutions companies and cloud platform companies offering Infrastructure-as-a-Service (“IaaS”) and Platform-as-a-Service (“PaaS”) products to enterprise customers. In that regard, we expect to face increased competition from certain cloud computing companies such as Amazon, Microsoft, and Google providing a cloud-based platform of data center compute and networking services for enterprise customers.

We believe Extreme is uniquely positioned to address its overarching vision of the future, the Infinite Enterprise, with its bet on industry-leading cloud solutions, automation and AI. Although we believe that our solutions and strategy will improve our ability to meet the needs of our current and potential customers, we cannot guarantee future success.

## **Restructuring and Impairment**

### *Fiscal year 2022*

During fiscal year 2022, the Company completed the reduction and realignment of the headcount and relocation of lab test equipment under its 2020 reduction in force plan, which was initiated during fiscal year 2020 due to the global disruptions and slow-down in the demand of our products caused by the global pandemic outbreak of COVID-19, and the uncertainty around the timing of the recovery of the market.

### *Fiscal year 2023*

During fiscal 2023, the Company initiated a restructuring plan to transform our business infrastructure and reduce our facilities footprint and the facilities related charges (the “2023 Plan”). As part of this project the Company is moving engineering labs from its San Jose, California location to its Salem, New Hampshire location. This move is expected to help reduce the cost of operating our labs.

### *Fiscal year 2024*

During fiscal year 2024, the Company initiated various restructuring plans, including the “Q1 2024”, “Q2 2024”, and “Q3 2024” Plans, to reorganize and rebalance the workforce to create greater efficiency and improve execution, in alignment with the Company's business and strategic priorities, reduce its ongoing operating expenses, and focus its sales and marketing efforts on specific geographies and industry segments with higher growth opportunities. As of June 30, 2024, the Q1 2024 Plan is complete. The Q2 2024 and Q3 2024 Plans are expected to be completed by the end of calendar year 2024. Additionally, the Company continued its efforts associated with the “2023 Plan” related to the lab move from San Jose, California to Salem, New Hampshire. The Company expects to complete the 2023 Plan during fiscal year 2025.

## **Environmental Matters**

We are subject to various environmental and other regulations governing product safety, materials usage, packaging and other environmental impacts in the United States and in various countries where our products are manufactured and sold. We are also subject to regulatory developments, including SEC disclosure regulations relating to so-called "conflict minerals," relating to ethically responsible sourcing of the components and materials used in our products. To date, compliance with federal, state, local, and foreign laws enacted for the protection of the environment has had no material effect on our capital expenditures, earnings, or competitive position.

We are committed to improving energy efficiency in our product lines. Accordingly, we believe this is an area that affords us a competitive advantage for our products in the marketplace. We maintain compliance with various regulations related to the environment, including the Waste Electrical and Electronic Equipment and the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment regulations adopted by the European Union. To date, our compliance efforts with various United States and foreign regulations related to the environment have not had a material effect on our operating results.

## **Human Capital**

At Extreme, we manage our human capital guided by our core values of Candor, Transparency, Curiosity, Teamwork, Ownership, and Inclusion. We apply these principles to talent acquisition and management, compensation and benefits, and diversity and inclusion.

As of June 30, 2024, we employed 2,656 people. Of these, 32.8% work in sales and marketing, 34.9% in research and development, 5.4% in operations, 16.0% in customer support and services and 10.9% in finance and administration. These employees were located worldwide, with 42.8% located in the United States, 8.6% in other locations in the Americas, 29.2% in the Asia Pacific region (“APAC”), which includes India and 19.4% in the regions of Europe, Middle East and Africa (“EMEA”).

None of our U.S. employees are subject to a collective bargaining agreement. In certain foreign jurisdictions, where required by local law or customs, some of our employees are represented by local workers’ councils and/or industry collective bargaining agreements. We consider our relationship with our employees to be good, and we have not experienced any work stoppages due to labor disagreements.

*Talent Acquisition and Development.* We strive to attract and retain the most qualified employees for each role within the Company. To do this, we utilize various recruiting channels, including employee referrals and those targeting diverse candidates. We on-board new employees through the New Hire Academy and encourage skill development throughout the employee journey utilizing various role-specific training programs, career development tools, manager training, coaching, and mentorship. We continue to develop our employees with regular performance management reviews.

*Compensation and Benefits.* Our compensation philosophy is to offer a competitive compensation package designed to reward achievement of the Company’s goals. Our short-term bonus plan is designed to motivate employees to meet half-year goals, and our employee stock purchase plan and grants of restricted stock units to eligible employees reward longer-term stock price appreciation.

Our U.S. benefits plan includes health benefits, life and disability insurance, various voluntary insurances, flexible time off and leave programs, an employee assistance plan, an educational assistance policy, and a 401(k) plan with a competitive employer match. Our international benefits plans are competitive locally and generally provide similar benefits.

*Diversity and Inclusion.* We believe that we gain valuable perspective that drives better decision making when we listen to diverse voices. To foster an inclusive environment, we support several employee resource groups, including Women in Networking, Black @ Extreme (Black/African American), LaRaza (Hispanic), Maitri (employees in India), Pride Alliance (LGBTQ+), Global Veterans Council, API (Asian Pacific Islanders), APEX (Aspiring Professionals @ Extreme) and Abilities Alliance (employees with disabilities). We are stepping up to this challenge of fostering an inclusive environment through efforts to improve recruiting of diverse candidates, identify and support high potential employees, and retain diverse employees.

## **Organization**

We were incorporated in California in May 1996 and reincorporated in Delaware in March 1999. Our corporate headquarters are located at 2121 RDU Center Drive, Suite 300, Morrisville, NC 27560 and our telephone number is (408) 579-2800. We electronically file our Securities Exchange Commission (“SEC”) disclosure reports with the SEC and they are available free of charge at both [www.sec.gov](http://www.sec.gov) and [www.extremenetworks.com](http://www.extremenetworks.com).

Our corporate governance guidelines, the charters of our Audit Committee, our Compensation Committee, our Nominating, Governance, Environmental & Social Responsibility Committee and our Code of Business Conduct and Ethics policy (including code of ethics provisions that apply to our principal executive officer, principal financial officer, controller and senior financial officers) are available on the Investors section of our website at [investor.extremenetworks.com](http://investor.extremenetworks.com) under “Corporate Governance.” These items are also available to any stockholder who requests them by calling (408) 579-2800.

## Item 1A. Risk Factors

We face a number of risks and uncertainties which may have a material and adverse effect on our business, operations, industry, financial condition, operating results or future financial performance. While we believe we have identified and discussed below the key risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may materially adversely affect our business, financial condition, operating results, and future financial performance.

### Risks Related to Our Business, Operations, and Industry

**Intense competition in the market for networking equipment and cloud platform companies could prevent us from increasing revenues.**

The market for network switching solutions is intensely competitive and dominated primarily by Cisco Systems Inc., Hewlett-Packard Enterprise Company, Juniper Networks, Huawei Technologies Co. Ltd., and Arista Networks, Inc. Most of our competitors have longer operating histories, greater name recognition, larger customer bases, broader product lines and substantially greater financial, technical, sales, marketing and other resources. As a result, these competitors are able to devote greater resources to the development, promotion, sale and support of their products. In addition, they have larger distribution channels, stronger brand names, access to more customers, a larger installed customer base and a greater ability to make attractive offers to channel partners and customers than we do. Further, many of our competitors have made substantial investments in hardware networking capabilities and offerings. These competitors may be able to gain market share by leveraging their investments in hardware networking capabilities to attract customers at lower prices or with greater synergies.

We may also face increased competition from both traditional networking solutions companies and cloud platform companies offering IaaS and PaaS products to enterprise customers. In particular, Amazon Web Services, Microsoft Azure, and Google Cloud Platform may provide enterprise customers with a cloud-based platform of data center computing and networking services.

The pricing policies of our competitors impact the overall demand for our products and services. Some of our competitors are capable of operating at significant losses for extended periods of time, increasing pricing pressure on our products and services. If we do not maintain competitive pricing, the demand for our products and services, as well as our market share, may decline. From time to time, we may lower the prices of our products and services in response to competitive pressure. When this happens, if we are unable to reduce our component costs or improve operating efficiencies, our revenues and gross margins will be adversely affected.

One of our key differentiators is the quality of our support and services. Our failure to continue to provide high-quality support and services could have materially adversely affect our business, financial condition, operating results, and future growth prospects.

**Adverse general economic conditions or reduced information technology spending may adversely impact our business.**

A substantial portion of our business depends on the demand for enterprise scale networking and the overall economic health of our current and prospective end-customers. Volatility in the global economic market or other global or regional economic uncertainty, limited availability of credit, a reduction in business confidence and activity, deficit-driven austerity measures impacting governments and educational institutions, and other difficulties may affect one or more of the industries to which we sell our products and services. If economic conditions continue to be uncertain, many existing and prospective end-customers may delay or reduce their IT spending.

This could result in reductions in sales of our products and services, longer sales cycles, slower adoption of new technologies and increased price competition. Any of these events could materially adversely affect our business, financial condition, operating results, and future financial performance.

**If we are not able to effectively forecast demand or manage our inventory, we may be required to record write-downs for excess or obsolete inventory.**

We maintain sufficient inventory of finished goods and, to a lesser extent, raw materials and drive demand with our third-party manufacturers in amounts that we believe allow for timely fulfillment of sales. We estimate required levels of inventory based on current and anticipated demand, market conditions, and product development cycles. Our estimates are also based on inventory levels and sales data from our distributors, which are not always reliable or timely. The actual levels of inventory are subject to the impact of external factors such as supply shortages, macroeconomic conditions, technology shifts, or price changes. Distributors may increase or decrease the levels of inventory that they order to meet supply shortages or expected demand. If distributors increase orders to build up stock out of concern for product shortages, or to meet anticipated demand that does not materialize, we may have excess channel inventory, leading to reductions in future period orders from our distributors.

If we incorrectly forecast demand, we may build up excess inventory. Higher levels of inventory expose us to a greater risk of carrying excess or obsolete inventory, which may in turn lead to write-downs. We may also record write-downs in connection with the end-of-life for specific products in our inventory. In the fourth quarter of 2024, we recorded additional reserves due to certain excess and obsolete inventory. However, if we have insufficient inventory, we risk not being able to maximize sales, thus negatively impacting

revenue and could impair our distributor relationships, potentially jeopardizing our ability to build revenue in the future. Any of these situations could materially adversely affect our business, financial conditions, and operating results.

We enter into agreements with contract manufacturers and suppliers based on our anticipated demand, market conditions, and product development cycles. These contracts obligate us to purchase commitments for raw materials and finished goods. If demand for our products is lower than expected, we may be obligated to purchase excess product or raw materials from our suppliers, resulting in an adverse impact on our cash flows, operating expenses, financial condition, and operating results. During fiscal 2024, we recorded significant charges due to excess inventory and such commitments to our suppliers.

If we incorrectly forecast demand, our financial performance could suffer and we have in the past and could in the future be required to write-off the value of excess products or components inventory. If we are unable to manage our inventory or commitments to suppliers in the future, particularly in light of continuing excess inventory in the channel, we could be required to record additional charges, which would materially adversely affect our business, financial condition, and operating results.

**System security risks, data breaches, and cyberattacks could compromise our proprietary information, disrupt our internal operations, impact services to customers, and harm public perception of our products, which could materially adversely affect our business, financial condition, operating results, and future growth prospects.**

In the ordinary course of business using systems that we own and manage, we provide cloud-based services and store data, including our proprietary business information and that of our customers, suppliers and business partners on our networks and information about customers, employees, business partners and others. In addition, we store information through cloud-based services that may be hosted by third parties and in data center infrastructure maintained by third parties. The secure provision of services and maintenance of this information and our IT systems is critical to our operations and business strategy.

We face numerous and evolving cybersecurity risks that threaten the confidentiality, integrity and availability of our IT systems and data including from diverse threat actors, such as state-sponsored organizations, opportunistic hackers and hacktivists, as well as through diverse attack vectors, such as social engineering/phishing, malware (including ransomware), technological error, and as a result of bugs, misconfigurations or exploited vulnerabilities in software or hardware, including vulnerabilities in commercial software that is integrated into our (or our suppliers' or service providers') IT systems, products or services. Increasingly, companies, including us, are subject to a variety of attacks on their networks and/or cloud-based services on an ongoing basis. The number of sophisticated attacks continues to increase on a global scale in frequency and magnitude. Attacks could include supply chain attacks targeting our suppliers and attempts to penetrate our systems or disrupt our services directly. In some cases, sophisticated hardware and operating system software and applications that we produce or procure from third parties may contain vulnerabilities in design or manufacture that could allow network intrusion or unexpectedly interfere with the operation of our systems, products or services we provide to customers. Usage of "legacy" products that have been determined to have reached an end-of-life engineering status but will continue to operate for a limited amount of time may subject us or our customers to vulnerabilities. Further, employee error, malfeasance, or other disruptions can result in a security or data breach.

Despite our security measures, we may not be able to effectively detect, prevent, or protect against or otherwise mitigate losses from all cyberattacks or prevent all security or data breaches. There can also be no assurance that our cybersecurity risk management program and processes, including our policies, controls, or procedures, will be fully implemented, complied with or effective in protecting our IT systems and data. Because the techniques and tools used by bad actors, many of whom are highly sophisticated and well-funded, to access or sabotage networks change frequently and generally are not recognized until after they are used, we may be unable to anticipate or immediately detect and remediate these techniques. Any such breach could compromise our networks, products, or cloud-based services by creating system disruptions, slowdowns or even shutdowns, and exploiting security vulnerabilities of our products or services, and the information stored as part of our operations could be accessed, publicly disclosed, lost or stolen. Such events, which could subject us to liability to our customers, suppliers, business partners and others, could require significant management attention and resources, could result in the loss of business, regulatory actions and potential liability, and could cause us reputational and financial harm. Additionally, because our products and services are integrated with our customers' systems and processes, any circumvention or failure of our cybersecurity defenses or measures could compromise the confidentiality, integrity, and availability of our customers' own IT systems and/or our customers' proprietary or other sensitive information.

Any adverse impact to the availability, integrity or confidentiality of our IT systems, including any actual or perceived breach of network security occurs in our products, network, or in the network of a customer of our networking products, regardless of whether the breach is attributable to our products, the market perception of the effectiveness or security of our products could be harmed. This could impede our sales, manufacturing, distribution, or other critical functions, which could materially adversely affect our business, financial condition, operating results, and future growth prospects. Further, this could result in legal claims or proceedings (such as class actions), regulatory investigations and enforcement actions, fines and penalties. In addition, the economic costs to us to eliminate, mitigate, or recover from, or remediate cyber or other security problems, such as bugs, viruses, worms, ransomware or other malware, and security vulnerabilities could be significant and may be difficult to anticipate or measure. We cannot guarantee that any costs and liabilities incurred in relation to an attack or incident will be covered by our existing insurance policies or that applicable insurance will be available

to us in the future on economically reasonable terms or at all. Any or all of the foregoing could materially adversely affect our business, operating results, and financial condition.

**Supply chain issues such as concentration of suppliers and manufacturing partners, supplier disruptions, shipping delays, material or components shortages, quality control, regulatory impacts, and inability to reduce manufacturing costs could harm our business, financial condition, and operating results.**

We primarily rely on our manufacturing partners Alpha Networks, Inc, Senao Networks, Inc., Wistron Neweb Corporation, Sercomm Corporation, Quanta Computer Inc, Lite-On Technology Corp, and select other partners to manufacture our products. In addition, we currently purchase some key components used in the manufacturing of our products from single or limited sources and are dependent upon supply from these sources to meet our needs. Our top six suppliers accounted for a significant portion of our purchases during the year. Given the concentration of our supply chain, particularly with certain sole or limited source providers, any significant disruption to any of the key suppliers or a termination of a relationship could temporarily impact our operations.

Such disruptions could be caused by natural disasters, public health emergencies such as pandemics, business interruption related to financial or operational factors, geopolitical events such as the threat of political or military actions, including between China and Taiwan, energy constraints, regulatory constraints, labor or raw materials shortages, quality issues, transportation or shipping delays, tariffs or other trade restrictions, or other events. In the past, for example, semiconductor chips and other components have been difficult to obtain due to high demand or limited supply. These disruptions could result in sustained lead-times, higher overall costs, extra delivery costs for expedited shipments, and shortages and allocations of certain components, resulting in delays in filling orders or even delayed product introductions. Additional factors that may impact costs and shipments include energy, raw material, and transportation costs, as well as an increased demand from the AI industry. Similar delays could occur in the future with similar impacts.

In addition, while we maintain strong relationships with our manufacturing partners and suppliers, our agreements with them are generally of limited duration and pricing, quality, and volume commitments are negotiated on a recurring basis. Manufacturing partners and suppliers may be unable or unwilling to renew agreements with consistent terms, and could materially increase prices (including increases related to inflationary pressures) or reduce quantity, quality, volume, or service level standards. We may not be able to pass along increased costs to our customers, which could negatively impact gross margin. Reductions in quantity or quality of finished product could decrease the amount of product for sale and could negatively impact the Company's reputation, financial condition, and operating results.

Qualifying new suppliers to compensate for such shortages or delays may be time-consuming and costly and may increase the likelihood of errors in design or production as replacement suppliers may not meet the quality requirements of our customers.

The Company actively works to reduce these exposures, but is unable to completely eliminate them. For example, manufacturing operations have been moved out of China to other countries. While this has eliminated the impact of current import tariffs, the uncertainty of new import tariffs still exists. If we are unable to mitigate these effects, this could have a material adverse effect on our ability to meet customer orders and will negatively impact our gross margin and operating results.

Additionally, our operations are materially dependent upon the continued market acceptance and quality of these manufacturers' products and their ability to continue to manufacture products that are competitive and comply with laws relating to environmental and efficiency standards. Our inability to obtain products from one or more of these suppliers or a decline in market acceptance of these suppliers' products could have a material adverse effect on our business, financial condition and operating results.

As part of our cost-reduction efforts, we will need to realize lower per unit product costs from our manufacturing partners by means of volume efficiencies and the utilization of manufacturing sites in lower-cost geographies. However, we cannot be certain when or if such price reductions will occur, particularly in light of supply chain disruptions and inflationary pressures. The failure to obtain such price reductions would materially adversely affect our business, financial condition, operating results, and future financial performance.

**We depend upon international sales for a significant portion of our revenues, which imposes a number of risks on our business.**

International sales constitute a significant portion of our net revenues. Our ability to grow will depend in part on the expansion of international sales. Our international sales primarily depend on the success of our resellers and distributors. The failure of these resellers and distributors to sell our products internationally would limit our ability to sustain and grow our revenues. There are a number of risks arising from our international business, including:

- difficulties in managing operations across disparate geographic areas;
- longer accounts receivable collection cycles;
- higher credit risks requiring cash in advance or letters of credit;
- potential adverse tax consequences;
- increased complexity of accounting rules and financial reporting requirements;

- the payment of operating expenses in local currencies, which exposes us to risks of currency fluctuations;
- fluctuations in local economies;
- difficulties associated with enforcing agreements through foreign legal systems
- reduced or limited protection of intellectual property rights, particularly in jurisdictions that have less developed intellectual property regimes, such as China and India;
- differing privacy regulations, data localization requirements, and restrictions on cross-border data transfers;
- compliance with regulatory requirements of foreign countries, including compliance with rapidly evolving environmental regulations;
- import tariffs imposed by the United States and the possibility of reciprocal tariffs by foreign countries;
- compliance with trade compliance laws and regulations, including restrictions on trade with embargoed or sanctioned countries or with denied parties, and rules related to the export of encryption technology
- compliance with U.S. laws and regulations pertaining to the sale and distribution of products to customers in foreign countries, including anti-corruption laws such as the Foreign Corrupt Practices Act (“FCPA”) and the U.K. Bribery Act 2010;
- difficulty in conducting due diligence with respect to business partners in certain international markets;
- political and economic turbulence or uncertainty;
- terrorism, war or other armed conflict; and
- natural disasters, epidemics, and pandemics.

Any or all of these factors could have a material adverse impact on our business, financial condition, and operating results.

Substantially all of our international sales are U.S. Dollar-denominated. The continued strength and future increases in the value of the U.S. Dollar relative to foreign currencies could make our products less competitive in international markets. In the future, we may elect to invoice a larger portion of our international customers in local currency, which would expose us to greater fluctuations in exchange rates between the U.S. Dollar and the particular local currency. If we do so, we may decide to engage in hedging transactions to minimize the risk of such fluctuations.

We have entered into foreign exchange forward contracts to offset the impact of payment of operating expenses in local currencies to some of our operating foreign subsidiaries. However, if we are not successful in managing these foreign currency transactions, we could incur losses from these activities.

There are compliance risks associated with complex tariff regulations and trade compliance laws. If we fail to comply with these laws and regulations, we could incur penalties and sanctions from governments, and could be restricted from exporting products.

World events such as a pandemic or geopolitical events can spread quickly around the world and result in impacts to the supply chain and the business environment that result in a material negative impact on our business, financial condition, and operating results. Uncertainty in the global economy and financial markets are likely to impact the Company and could materially adversely affect our business, financial condition, operating results, and future financial performance.

**If we fail to anticipate technological shifts, market needs and opportunities, and fail to develop products, product enhancements and business strategies that meet those technological shifts, needs and opportunities in a timely manner or if they do not gain market acceptance, we may not be able to compete effectively and our ability to generate revenues will suffer.**

The markets for our products are constantly evolving and characterized by rapid technological change, frequent product introductions, changes in customer requirements, evolving industry standards, and continuous pricing pressures.

For example, the cloud networking market is the fastest growing segment of the networking industry. Our success may be impacted by our ability to provide successful cloud networking solutions that address the needs of our customers more effectively and economically than those of other competitors or existing technologies. If the cloud networking solutions market does not develop in the way we anticipate, if our solutions do not offer significant benefits compared to competing legacy network switching products, or if end customers do not recognize the benefits that our solutions provide, then our potential for growth in this cloud networking market could be adversely affected. If we are unsuccessful in attaching cloud services and maintenance services to our hardware product, our ability to grow our subscription revenue could be limited.

When we announce new products or product enhancements that have the potential to replace or shorten the life cycle of our existing products, customers may defer or cancel orders for our existing products; in addition, ending sales of existing products may cause customers to cancel or defer orders for our existing products. These actions could have a material adverse effect on our operating results by unexpectedly decreasing sales, increasing inventory levels of older products and exposing us to greater risk of product obsolescence.

We cannot guarantee that we will be able to anticipate future technological shifts, market needs and opportunities or be able to develop new products, product enhancements and business strategies to meet such technological shifts, needs or opportunities in a timely manner or at all. If we fail to anticipate market requirements or opportunities or fail to develop and introduce new products, product enhancements or business strategies to meet those requirements or opportunities in a timely manner, it could cause us to lose customers, and such failure could substantially decrease or delay market acceptance and sales of our present and future products and services, which would materially adversely affect our business, financial condition, and operating results. Even if we are able to anticipate, develop, and commercially introduce new products and enhancements, we cannot assure that new products or enhancements will achieve widespread market acceptance.

**Industry consolidation may lead to stronger competition and may harm our business, financial condition, and operating results.**

There has been a trend toward industry consolidation in our markets for several years. We expect this trend to continue as companies attempt to strengthen or hold their market positions in an evolving industry and as companies are acquired or are unable to continue operations. Companies that are strategic alliance partners in some areas of our business may acquire or form alliances with our competitors, thereby reducing their business with us. We believe industry consolidation may result in stronger competitors that are better able to compete as sole-source vendors for customers. This could lead to more variability in our operating results and could have a material adverse effect on our business, operating results, and financial condition. Furthermore, particularly in the service provider market, rapid consolidation will lead to fewer customers, with the effect that loss of a major customer could have a material impact on results not anticipated in a customer marketplace composed of more numerous participants.

**We rely on third-party providers for services needed to deliver our cloud solutions and other third-party providers for our internal operations. Any disruption in the services provided by such third-party providers could adversely affect our business and subject us to liability.**

Our cloud solutions are hosted from and use computing infrastructure provided by third parties, including Amazon Web Services, Google Cloud Platform, and Microsoft Azure. We do not own or control the operation of the third-party facilities or equipment used to provide the cloud services. Our computing infrastructure service providers have no obligation to renew their agreements with us on commercially reasonable terms or at all. If we are unable to renew these agreements on commercially reasonable terms, or if one of our computing infrastructure service providers is acquired, we may be required to transition to a new provider and we may incur significant costs and possible service interruption in connection with doing so. In addition, such service providers could decide to close their facilities or change or suspend their service offerings without adequate notice to us. Moreover, any financial difficulties, such as bankruptcy, faced by such service providers may have negative effects on our business, the nature and extent of which are difficult to predict.

If these third-party service providers experience service outages, performance problems or errors, this could adversely affect the experience of our customers. Our agreements with third-party computing infrastructure service providers may not entitle us to corresponding service level credits to those we offer to our customers. Any changes in third-party service levels at our computing infrastructure service providers or any related disruptions or performance problems with our solutions could adversely affect our reputation and impact our customers' operations, result in lengthy interruptions in our services, or result in potential losses of customer data. Interruptions in our services might reduce our revenues, cause us to issue refunds to customers for prepaid and unused subscriptions, subject us to service level credit claims and potential liability, or adversely affect our renewal rates.

Additionally, if a third-party service provider fails to maintain compliance with standards such as SOC2 or ISO27001, it could affect the underlying controls that we maintain, or that our customers rely upon. This could entail additional costs to compensate for the lost controls, or have a negative impact on revenue if our customers do not perceive our vendors as secure.

We rely on third-party cloud service providers such as Salesforce and Oracle to support internal operations. Disruptions to such services or data breaches related to those services could impact our ability to maintain efficient operations and to provide services to our customers and could materially adversely affect our business, financial condition, operating results, and future growth prospects.

**To successfully manage our business or achieve our goals, we must attract, retain, train, motivate, develop and promote key employees, and a failure to do so can harm us.**

Our success depends to a significant degree upon the continued contributions of our key management, engineering, sales and marketing, service and operations personnel, many of whom would be difficult to replace. We have experienced and may in the future experience significant turnover in our executive personnel. Changes in our management and key employees could affect our financial results, and our prior reductions in force may impede our ability to attract and retain highly skilled personnel. We believe our future success will also depend in large part upon our ability to attract and retain highly skilled managerial, engineering, sales and marketing, service, finance, and operations personnel. The market for such personnel is competitive in certain regions for certain types of technical skills.

A number of our employees are foreign nationals who rely on visas and entry permits in order to legally work in the United States and other countries. Changes in immigration laws could require us to incur additional unexpected labor costs and expenses or could



restrain our ability to retain skilled professionals. Any of these restrictions could have a material adverse effect on our business, financial conditions, and operating results.

**Military actions and other geopolitical tensions could adversely affect our business, financial condition and operating results.**

In recent years, various military actions such as the February 2022 Russian military action in Ukraine or the October 2023 Israel-Hamas military action have occurred. Although the length, impact, and outcome of such conflicts are highly unpredictable, these conflicts and others that could arise could lead to significant market and other disruptions, including significant volatility in commodity prices and supply of energy resources, instability in financial markets, supply chain interruptions, political and social instability, changes in consumer or purchaser preferences as well as increases in cyberattacks and espionage.

In addition, such military actions could lead to, and have led to, expansion of sanction programs and export control restrictions imposed by the United States and other countries whose sanctions or export control programs could impact the Company's operations. These government measures could and do include export controls restricting certain exports, re-exports, transfers or releases of commodities, software, and technology to certain countries, and sanctions targeting certain officials, individuals, entities, regions, and industries in those countries, including the financial, defense, and energy sectors. Such sanctions and other measures, as well as the existing and potential further responses from military actors or allies to such sanctions, tensions, and military actions, could adversely affect the global economy and financial markets and could materially adversely affect our business, financial condition, operating results, and future financial performance.

Military or terrorist actions could impact suppliers' ability to procure raw materials, or to finish or transport goods. As a result of such disruptions, we may experience in the future extended lead times, delays in supplier deliveries, increased transportation and component costs, and increased costs for expedited shipments. These potential supply chain disruptions may result in delayed deliveries of several key components used in the manufacturing of our products.

We regularly assess the impact of the geopolitical climate on our business, including our business partners and customers. The extent and duration of military actions, sanctions and resulting market disruptions could be significant and could potentially have substantial impact on the global economy and our business for an unknown period of time. Any of the abovementioned factors could affect our business, financial condition, and operating results. Any such disruptions may also magnify the impact of other risks described in this "Risk Factors" section.

**The adoption, use, and development of AI products may result in reputational harm or liability.**

We incorporate artificial intelligence into various products that we offer, and we continue to develop additional use cases and products based on GenAI. We use and will continue to use tools and processes that incorporate GenAI. The field of AI is rapidly developing, both technologically and from a regulatory and legal standpoint. Known challenges such as algorithmic bias, black box training sets, and "hallucinations" exist. As we incorporate this technology into our products and our internal tools and systems, we may experience unexpected outcomes or impacts related to the technology, creating reputational, legal, and regulatory risks.

The regulatory framework for AI is rapidly evolving as many federal, state, and foreign government bodies and agencies have introduced or are currently considering additional laws and regulations. For example, in the United States, the Biden administration issued a broad Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence, that sets out principles intended to guide AI design and deployment for the public and private sector and signals the increase in governmental involvement and regulation over AI technologies. Further, in Europe, on July 12, 2024, the EU Artificial Intelligence Act (the "EU AI Act") was published in the EU Official Journal, and establishes a comprehensive, risk-based governance framework for AI in the EU market. The EU AI Act applies to companies that develop, use and/or provide AI in the EU and includes requirements around transparency, conformity assessments and monitoring, risk assessments, human oversight, security, accuracy, general purpose AI and foundation models, and fines for breach of up to 7% of worldwide annual turnover. Legislation related to AI technologies has also been introduced at the U.S. federal level and is advancing at the state level. For example, the California Privacy Protection Agency is currently in the process of finalizing regulations under the California Consumer Privacy Act ("CCPA") regarding the use of automated decision-making. Such additional regulations may impact our ability to develop, use and commercialize AI technologies in the future.

Additionally, existing laws and regulations may be interpreted in ways that may affect our use of AI. As a result, implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future, and we cannot yet determine the impact future laws, regulations, standards, or market perception of their requirements may have on our business and may not always be able to anticipate how to respond to these laws or regulations.

Any investigation or litigation related to our use of AI could have an adverse impact on our results of operations due to the associated costs and any related fines, and could also have an adverse impact on our customer relationships.

**If our products do not effectively interoperate with our customers' networks and result in cancellations and delays of installations, our business, financial condition and operating results could be harmed.**

Our products are designed to interface with our customers' existing networks, each of which have different specifications and utilize multiple protocol standards and products from other vendors. Many of our customers' networks contain multiple generations of products that have been added over time as these networks have grown and evolved. Our products must inter-operate with many or all of the products within these networks as well as future products in order to meet our customers' requirements. If we find errors in the existing software or defects in the hardware used in our customers' networks, we may need to modify our software networking solutions to fix or overcome these errors so that our products will inter-operate and scale with the existing software and hardware, which could be costly and could negatively affect our business, financial condition, and operating results. In addition, if our products do not inter-operate with those of our customers' networks, demand for our products could be adversely affected or orders for our products could be canceled. This could materially adversely affect our business, financial condition, operating results, and future financial performance.

**When our products contain undetected errors, we may incur significant unexpected expenses and could lose sales.**

Network products frequently contain undetected errors when new products or new versions or updates of existing products are released to the marketplace. In the past, we have experienced such errors in connection with new products and product updates. We have experienced component problems in prior years that caused us to incur higher than expected warranty, service costs and expenses, and other related operating expenses. In the future, we expect that, from time to time, such errors or component failures will be found in new or existing products after the commencement of commercial shipments. These problems may have a material adverse effect on our business by causing us to incur significant warranty, repair and replacement costs, diverting the attention of our engineering personnel from new product development efforts, delaying the recognition of revenue, and causing significant customer relations problems. Further, if products are not accepted by customers due to such defects, and such returns exceed the amount we accrued for defective returns, this would materially adversely affect our business, financial condition, operating results, and future financial performance.

Our products must successfully inter-operate with products from other vendors. As a result, when problems occur in a network, it may be difficult to identify the sources of these problems. The occurrence of system errors, whether or not caused by our products, could result in the delay or loss of market acceptance of our products and any necessary revisions may cause us to incur significant expenses. The occurrence of any such problems would likely have a material adverse effect on our business, operating results, and financial condition.

**We must continue to develop and increase the productivity of our indirect distribution channels to increase net revenues and improve our operating results.**

Our distribution strategy focuses primarily on developing and increasing the productivity of our indirect distribution channels. If we fail to develop and cultivate relationships with significant channel partners, if we are unable to meet their needs, or if these channel partners are not successful in their sales efforts, sales of our products may decrease and our operating results could suffer. Many of our channel partners also sell products from other vendors that compete with our products. Our channel partners may not continue to market or sell our products effectively or to devote the resources necessary to provide us with effective sales, marketing, and technical support. We may not be able to successfully manage our sales channels or enter into additional reseller and/or distribution agreements. Our failure to do any of these could limit our ability to grow or sustain revenues.

Our operating results for any given period have and will continue to depend to a significant extent on large orders from a relatively small number of channel partners and other customers. However, we do not have binding purchase commitments from any of them. A substantial reduction or delay in sales of our products to a significant reseller, distributor or other customer could harm our business, operating results and financial condition because our expense levels are based on our expectations as to future revenues and, to a large extent, are fixed in the short term. Under specified conditions, some third-party distributors are allowed to return products to us and unexpected returns could materially adversely affect our business, financial condition, operating results, and future financial performance.

**The sales cycle for our products is long and we may incur substantial non-recoverable expenses or devote significant resources to sales that do not occur when anticipated.**

The purchase of our products represents a significant strategic decision by a customer regarding its communications infrastructure. The decision by customers to purchase our products is often based on the results of a variety of internal procedures associated with the evaluation, testing, implementation, and acceptance of new technologies. Accordingly, the product evaluation process frequently results in a lengthy sales cycle, typically ranging from three months to longer than a year, and as a result, our ability to sell products is subject to a number of significant risks, including risks that:

- budgetary constraints and internal acceptance reviews by customers will result in the loss of potential sales;
- there may be substantial variation in the length of the sales cycle from customer to customer, making decisions on the expenditure of resources difficult to assess;
- we may incur substantial sales and marketing expenses and expend significant management time in an attempt to initiate or increase the sale of products to customers, but not succeed;

- when a sales forecast from a specific customer for a particular quarter is not achieved in that quarter, we may be unable to compensate for the shortfall, which could harm our operating results; and
- downward pricing pressures could occur during the lengthy sales cycle for our products.

## **Risks Related to Financial Matters**

### **We cannot assure future profitability, and our financial results may fluctuate significantly from period to period.**

We have not been consistently profitable. Even in years when we reported profits, we may not have been profitable in each quarter during those years. We anticipate continuing to incur significant sales and marketing, product development and general and administrative expenses. Any delay in generating or recognizing revenue could result in a loss for a quarter or full year. Even if we are profitable, our operating results may fall below our expectations and those of our investors, which could cause the price of our stock to fall.

We may experience challenges or delays in forecasting, generating or recognizing revenue for a number of reasons and our revenues and operating results have varied significantly in the past and may vary significantly in the future due to a number of factors, including, but not limited to, the following:

- our dependence on obtaining orders during a quarter and shipping those orders in the same quarter;
- orders in our backlog could be cancelled by customers
- decreases in the prices of the products we sell;
- the mix of products sold and the mix of distribution channels through which products are sold;
- acceptance provisions in customer contracts;
- our ability to deliver installation or customer acceptance by the end of the quarter;
- seasonal fluctuations in demand for our products and services;
- a disproportionate percentage of our sales occurring in the last month of a quarter;
- reduced visibility into the implementation cycles for our products and our customers' spending plans;
- our ability to forecast demand for our products, which in the case of lower-than-expected sales, may result in excess or obsolete inventory in addition to non-cancelable purchase commitments for component parts;
- our sales to the telecommunications service provider market, which represents a significant source of large product orders, being especially volatile and difficult to forecast;
- product returns or the cancellation or rescheduling of orders;
- announcements and new product introductions by our competitors;
- our ability to develop and support relationships with enterprise customers, service providers and other potential large customers;
- our ability to obtain sufficient supplies of sole- or limited-source components for our products on a timely basis; and
- changes in funding for customer technology purchases in our markets.

In addition to risks related to revenue, we are subject to risks related to costs, which may be influenced by a number of factors, including, but not limited to, the following:

- our ability to achieve and maintain targeted cost reductions;
- fluctuations in warranty or other service expenses actually incurred;
- increases in the price of the components we purchase;
- increases in costs associated with sourcing and shipping components and finished products;
- general inflationary pressures, increasing the cost of all inputs; and
- rising interest rates, increasing the cost of borrowing.

We are subject to changes in general and specific macroeconomic conditions in the economy as a whole as well as in the networking industry, which could affect both revenue and costs. In particular, rising interest rates could decrease demand for our products and services, as the cost and access to capital to fund large projects may be limited for certain customers.

Due to the foregoing and other factors, many of which are described herein, period-to-period comparisons of our operating results should not be relied upon as an indicator of our future performance.

### **Our stock price has been volatile in the past and may significantly fluctuate in the future.**

In the past, the trading price of shares of our common stock has fluctuated significantly. This could continue as we or our competitors announce new products, our results or those of our customers or competition fluctuate, conditions in the networking or

semiconductor industry change, conditions in the global economy change, or when investors change their sentiment toward stocks in the networking technology sector.

In addition, fluctuations in our stock price and our enterprise value to sales valuation may make our stock attractive to momentum, hedge or day-trading investors who often shift funds into and out of stock rapidly, exacerbating price fluctuations in either direction, particularly when viewed on a quarterly basis. These fluctuations may adversely affect the trading price or liquidity of our common stock. Some companies, including us, that have had volatile market prices for their securities have had securities class action lawsuits filed against them. If a suit were filed against us, regardless of its merits or outcome, it could result in substantial costs and divert management's attention and resources.

**If we do not adequately manage and evolve our financial reporting and managerial systems and processes, our ability to manage and grow our business may be harmed.**

Our ability to successfully implement our business plan and comply with regulations requires an effective planning and management process. We need to continue improving our existing, and implement new, operational and financial systems, procedures and controls. Disruptions to our existing systems, procedures, or controls, or any delay or disruption in the implementation of or the transition to new or enhanced systems, procedures, or controls, or any delay or disruption in the integration of acquired businesses, could have a significant impact on our business. Failure to properly or adequately address such issues could harm our ability to manage our business, meet our obligations to our customers, accurately forecast sales demand, manage our supply chain, record and report financial and management information on a timely and accurate basis, or forecast future results, which could result in a material adverse effect on our business, financial condition, and operating results.

**Our credit facilities impose financial and operating restrictions on us and if we fail to meet our payment or other obligations under our 2023 Credit Agreement, as amended (as defined in Item 7, "Liquidity and Capital Resources"), the lenders under such 2023 Credit Agreement could foreclose on, and acquire control of, substantially all of our assets.**

Our 2023 Credit Agreement imposes, and the terms of any future debt may impose, operating and other restrictions on us. These restrictions could affect, and in many respects limit or prohibit, among other items, our ability to:

- incur additional indebtedness;
- create liens;
- make investments;
- enter into transactions with affiliates;
- sell assets;
- guarantee indebtedness;
- declare or pay dividends or other distributions to stockholders;
- repurchase equity interests;
- change the nature of our business;
- enter into swap agreements;
- issue or sell capital stock of certain of our subsidiaries; and
- consolidate, merge, or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

Our 2023 Credit Agreement also requires us to achieve and maintain compliance with specified financial ratios. A breach of any of these restrictive covenants or the inability to comply with the required financial ratios or metrics could result in a default under our 2023 Credit Agreement. The lenders under our 2023 Credit Agreement also have the right in the event of a breach of the restrictive covenants to terminate any commitments they have to provide further borrowings. Reductions in earnings could increase our costs of borrowing, reduce our ability to comply with these covenants, or make extensions of credit unavailable to us.

Further, our 2023 Credit Agreement is jointly and severally guaranteed by us and certain of our subsidiaries. Borrowings under our 2023 Credit Agreement are secured by liens on substantially all of our assets, including the capital stock of certain of our subsidiaries, and the assets of our subsidiaries that are loan party guarantors. If we are unable to repay outstanding borrowings when due or comply with other obligations and covenants under our 2023 Credit Agreement, the lenders under our 2023 Credit Agreement will have the right to proceed against these pledged capital stock and take control of substantially all of our assets.

**Our cash requirements may require us to seek additional debt or equity financing and we may not be able to obtain such financing on favorable terms, or at all.**

Our 2023 Credit Agreement may not be sufficient for our future working capital, investments and cash requirements, in which case we would need to seek additional debt or equity financing or scale back our operations. In addition, we may need to seek additional financing to achieve and maintain compliance with specified financial ratios under our 2023 Credit Agreement. We may not be able to

access additional capital resources due to a variety of reasons, including the restrictive covenants in our 2023 Credit Agreement and the lack of available capital due to global economic conditions. If our financing requirements are not met and we are unable to access additional financing on favorable terms, or at all, our business, financial condition, operating results, and future growth prospects could be materially adversely affected.

**Our indebtedness could expose us to interest rate risk to the extent of our variable rate debt.**

Our 2023 Credit Agreement provides for interest to be calculated based on the prime rate, the federal funds rate and/or the secured overnight financing rate. The Federal Reserve increased interest rates in 2022 and 2023 and these increases could continue in 2024 or beyond. Increases in interest rates on which the 2023 Credit Agreement interest rates are based would increase interest rates on our debt, which could materially adversely impact our interest expense, operating results and cash flows.

**Our revenues may decline as a result of changes in public funding of educational institutions.**

A significant portion of our revenues comes from sales to both public and private K-12 educational institutions. Public schools receive funding from local tax revenues, and from state and federal governments through a variety of programs, many of which seek to assist schools located in underprivileged or rural areas. The funding for a portion of our sales to U.S.-based educational institutions comes from a federal funding program known as the E-Rate program. E-Rate is a program of the Federal Communications Commission (the "FCC") that subsidizes the purchase of approved telecommunications, Internet access, and internal connection costs for eligible public educational institutions. The E-Rate program, its eligibility criteria, the timing and specific amount of federal funding actually available and which Wi-Fi infrastructure and product sectors will benefit, are uncertain and subject to final federal program approval and funding appropriation continues to be under review by the FCC, and we cannot assure that this program or its equivalent will continue, and as a result, our business may be harmed. Furthermore, if state or local funding of public education is significantly reduced because of legislative or policy changes or by reductions in tax revenues due to changing economic conditions, our sales to educational institutions may be negatively impacted by these changed conditions. Any reduction in spending on information technology systems by educational institutions could materially adversely affect our business, financial condition, operating results, and future financial performance.

**We intend to invest in engineering, sales, services, marketing and manufacturing on a long-term basis, and delays or inability to attain the expected benefits may result in unfavorable operating results.**

While we intend to focus on managing our costs and expenses, over the long term, we also intend to invest in personnel and other resources related to our engineering, sales, services, marketing and manufacturing functions as we focus on our foundational priorities, such as leadership in our core products and solutions and architectures for business transformation. We are likely to recognize the costs associated with these investments earlier than some of the anticipated benefits and the return on these investments may be lower, or may develop more slowly, than we expect. If we do not achieve the benefits anticipated from these investments, or if the achievement of these benefits is delayed, our business, financial condition, and operating results may be adversely affected.

**We are exposed to the credit risk of our channel partners and direct customers, which could result in material losses.**

Most of our sales are on an open credit basis, with standard payment terms of 30 days in the United States and, because of local customs or conditions, longer in some markets outside the U.S. We monitor partners' and direct end customers' payment capability in granting such open credit arrangements, seek to limit such open credit to amounts we believe the end customers can pay and maintain reserves we believe are adequate to cover exposure for doubtful accounts. Any significant delay or default in the collection of significant accounts receivable could potentially result in an increased need for us to obtain working capital from other sources, possibly on less favorable terms than we could have negotiated if we had established such working capital resources prior to such delays or defaults. Any significant default could adversely affect our operating results and delay our ability to recognize revenue.

A material portion of our sales is derived through our distributors, systems integrators, and value-added resellers. Some of our distributors, systems integrators and value-added resellers may experience financial difficulties, which could adversely affect our collection of accounts receivable. Our exposure to credit risks of our channel partners may increase if our channel partners and their end customers are adversely affected by global or regional economic conditions. One or more of these channel partners could delay payments or default on credit extended to them, either of which could materially adversely affect our business, financial condition, operating results, and future financial performance.

Rising interest rates and increasing inflation could put additional financial pressures on some partners and customers, which could result in longer collection times or default on payment to us.

**We are required to evaluate the effectiveness of our internal control over financial reporting on an annual basis and publicly disclose any material weaknesses in our controls. Any adverse results from such evaluation could result in a loss of investor confidence in our financial reports and significant expense to remediate, and ultimately could have an adverse effect on our stock price.**

Section 404 of the Sarbanes-Oxley Act of 2002 requires our management to assess the effectiveness of our internal control over financial reporting and to disclose if such controls were unable to provide assurance that a material error would be prevented or detected

in a timely manner. We have an ongoing program to review the design of our internal controls framework in keeping with changes in business needs, implement necessary changes to our controls design and test the system and process controls necessary to comply with these requirements. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our Company will have been detected.

If we or our independent registered public accounting firm identifies material weaknesses in our internal controls, the disclosure of that fact, even if quickly remedied, may cause investors to lose confidence in our financial statements and its stock price may decline. Remediation of a material weakness could require us to incur significant expenses and, if we fail to remedy any material weakness, our ability to report our financial results on a timely and accurate basis may be adversely affected, our access to the capital markets may be restricted, our stock price may decline, and we may be subject to sanctions or investigation by regulatory authorities, including the SEC or Nasdaq. We may also be required to restate our financial statements from prior periods. Execution of restatements create a significant strain on our internal resources and could cause delays in our filing of quarterly or annual financial results, increase our costs and cause management distraction. Restatements may also significantly affect our stock price in a materially adverse manner.

**We may not fully realize the anticipated positive impacts to future financial results from our restructuring efforts.**

We have undertaken restructuring efforts in the past to streamline operations and reduce operating expenses. Our ability to achieve the anticipated cost savings and other benefits from our restructuring efforts within expected time frames is subject to many estimates and assumptions and may vary materially based on factors such as market conditions and the effect of our restructuring efforts on our work force. These estimates and assumptions are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. We cannot assure that we will fully realize the anticipated positive impacts to future financial results from our current or future restructuring efforts. If our estimates and assumptions are incorrect or if other unforeseen events occur, we may not achieve the cost savings expected from such restructurings, and our business, financial condition, operating results and future financial performance could be materially adversely affected.

**We may not realize anticipated benefits of past or future acquisitions, divestitures and strategic investments, and the integration of acquired companies or technologies may negatively impact our business, financial condition and operating results or dilute the ownership interests of our stockholders.**

As part of our business strategy, we review acquisition and strategic investment prospects that we believe would complement our current product offerings, augment our market coverage or enhance our technical capabilities, or otherwise offer growth opportunities. For example, on September 14, 2021, we acquired Ipanematech SAS, the SD-WAN division of InfoVista SAS, for EUR 60 million in cash consideration. In the event of any future acquisitions, we could:

- issue equity securities which would dilute current stockholders' percentage ownership;
- incur substantial debt;
- assume contingent liabilities; or
- expend significant cash

These actions could have a material adverse effect on our business, financial condition, and operating results or the price of our common stock.

There can be no assurance we will achieve the revenues, growth prospects, and synergies expected from any acquisition or that we will achieve such revenues, growth prospects, and synergies in the anticipated time period and our failure to do so could have a material adverse effect on our business, financial condition, and operating results. Moreover, even if we do obtain benefits in the form of increased sales and earnings, these benefits may be recognized much later than the time when the expenses associated with an acquisition are incurred. This is particularly relevant in cases where it would be necessary to integrate new types of technology into our existing portfolio and new types of products may be targeted for potential customers with which we do not have pre-existing relationships.

Our ability to realize the anticipated benefits of any current and future acquisitions, divestitures and investment activities also entail numerous risks, including, but not limited to:

- difficulties in the assimilation and successful integration of acquired operations, sales functions, technologies, products, and/or personnel;
- unanticipated costs, litigation or other contingent liabilities associated with the acquisition or investment transaction;
- incurrence of acquisition- and integration-related costs, goodwill or in-process research and development impairment charges, or amortization costs for acquired intangible assets, that could negatively impact our business, financial condition, and operating results;
- the diversion of management's attention from other business concerns;
- adverse effects on existing business relationships with suppliers and customers;

- risks associated with entering markets in which we have no or limited prior experience;
- the potential loss of key employees of acquired organizations and inability to attract or retain other key employees; and
- substantial charges for the amortization of certain purchased intangible assets, deferred stock compensation or similar items.

If any of these risks occur, it could have a material adverse impact on our business, financial condition, operating results and future financial performance.

### **Regulatory, Tax and Legal Risks**

**We are subject to complex tariff regulations, export control laws and economic and trade sanctions. If we fail to comply with these laws and regulations, we could incur penalties and sanctions from governments, and could be restricted from exporting products.**

We are required to comply with laws, rules and regulations of the United States and other countries, as applicable, relating to export controls and economic sanctions, including, but not limited to, trade sanctions administered by the Office of Foreign Assets Control within the U.S. Department of the Treasury, as well as the Export Administration Regulations administered by the U.S. Department of Commerce. These regulations restrict our ability to market, sell, distribute or otherwise transfer our products or technology to prohibited countries or persons. Violations of these regulations, laws, or key control policies by our employees, contractors, channel partners, or agents could result in termination of our relationship, financial reporting problems, fines, and/or civil or criminal penalties for us, or prohibition on the importation or exportation of our products and could have a material adverse effect on our business, financial condition, and operating results. For example, on October 7, 2022, we submitted voluntary disclosures to the U.S. Treasury Department’s Office of Foreign Assets Control, the Bureau of Industry and Security’s Office of Export Enforcement, and the Department of Justice (collectively, the “Agencies”) regarding the potential export and sale of certain of our networking equipment to end users in Russia subject to U.S. sanctions and export control restrictions. We are continuing our review of the matter in conjunction with outside counsel. Given the uncertainty of the outcome of the investigation, and the potential outcome of the Agencies’ determination, we cannot estimate at this time the possible loss or range of loss that may result from this action.

**Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could have a material adverse effect on our business.**

We are exposed to the risk of employee fraud or other misconduct. Local laws and customs in many countries differ significantly from, or conflict with, those in the United States or in other countries in which we operate. In many foreign countries, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U.S. regulations applicable to us. Although we have implemented policies, procedures and training designed to ensure compliance with these U.S. and foreign laws and policies, there can be no complete assurance that any individual employee, contractor, channel partner, or agent will not violate our policies, procedures or applicable law, for which we may be ultimately held responsible. Misconduct by employees could include intentional failures to:

- comply with securities laws and regulations or similar regulations of comparable foreign regulatory authorities;
- comply with export controls and sanctions laws and regulations or similar regulations of comparable foreign regulatory authorities;
- comply with anti-corruption laws such as the FCPA and regulations or similar regulations of comparable foreign regulatory authorities;
- comply with internal controls that we have established;
- report financial information or data accurately; or
- disclose unauthorized activities to us.

The precautions we take to detect and prevent misconduct may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. Violations of these regulations, laws, or key control policies by our employees, contractors, channel partners, or agents could result in termination of our relationship, financial reporting problems, fines, and/or civil or criminal penalties for us and could have a material adverse effect on our business, financial condition, and operating results.

**Our operating results may be negatively affected by legal proceedings.**

We have in the past, currently are and will likely in the future pursue or be subject to claims or lawsuits in the normal course of our business. In addition to the risks related to the intellectual property lawsuits described above, we are currently parties to other litigation as described in Note 10, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K. Regardless of the result, litigation can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of a lawsuit

in which we are a defendant could result in a court order against us or payments to other parties that would have a material adverse effect on our business, financial condition, or operating results. Even if we are successful in prosecuting claims and lawsuits, we may not recover damages sufficient to cover our expenses incurred to manage, investigate and pursue the litigation. In addition, subject to certain limitations, we may be obligated to indemnify our current and former customers, suppliers, directors, officers and employees in certain lawsuits. We may not have adequate insurance coverage to cover all of our litigation costs and liabilities.

**Claims of infringement by others may increase and the resolution of such claims may materially adversely affect our business, financial condition, and operating results.**

Our industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patents, copyrights (including rights to “open source” software) and other intellectual property rights. As we have grown, we have, and may continue to, experience greater revenues and increased public visibility, which may cause competitors, customers, and governmental authorities to be more likely to initiate litigation against us. Because of the existence of a large number of patents in the networking field, the secrecy of some pending patents and the issuance of new patents at a rapid pace, it is not possible to determine in advance if a product or component might infringe the patent rights of others. Because of the potential for courts awarding substantial damages, or internationally prohibiting us from exporting our products, in the case of China, or importing our products, in the case of Germany, the lack of predictability of such awards and the high legal costs associated with the defense of such patent infringement matters that would be expended to prove lack of infringement, it is not uncommon for companies in our industry to settle even potentially unmeritorious claims for very substantial amounts. Furthermore, the entities with whom we have or could have disputes or discussions include entities with extensive patent portfolios and substantial financial assets. These entities are actively engaged in programs to generate substantial revenues from their patent portfolios and are seeking or may seek significant payments or royalties from us and others in our industry.

Litigation resulting from claims that we are infringing the proprietary rights of others has resulted and could in the future result in substantial costs and a diversion of resources and could have a material adverse effect on our business, financial condition and operating results. We previously received notices from entities alleging that we were infringing their patents and have been party to patent litigation in the past.

Without regard to the merits of these or any other claims, an adverse court order or a settlement could require us, among other actions, to:

- stop selling our products that incorporate the challenged intellectual property;
- obtain a royalty bearing license to sell or use the relevant technology, and that license may not be available on reasonable terms or available at all;
- pay damages;
- redesign those products that use the disputed technology; or
- face a ban on importation or exportation of our products into the United States or into another country.

In addition, our products include so-called “open source” software. Open source software is typically licensed for use at no initial charge but imposes on the user of the open source software certain requirements to license to others both the open source software as well as modifications to the open source software under certain circumstances. Our use of open source software subjects us to certain additional risks for the following reasons:

- open source license terms may be ambiguous and may result in unanticipated obligations regarding the licensing of our products and intellectual property;
- open source software cannot be protected under trade secret law;
- suppliers of open-source software do not provide the warranty, support and liability protections typically provided by vendors who offer proprietary software; and
- it may be difficult for us to accurately determine the developers of the open source code and whether the acquired software infringes third-party intellectual property rights.

We believe even if we do not infringe the rights of others, we will incur significant expenses in the future due to defense of legal claims, disputes or licensing negotiations, though the amounts cannot be determined. These expenses could materially adversely affect our business, financial condition, and operating results.

**We rely on the availability of third-party licenses.**

Some of our products are designed to include software or other intellectual property, including open source software, licensed from third parties. It may be necessary in the future to seek or renew licenses relating to various aspects of these products. There can be no assurance that the necessary licenses would be available on acceptable terms, if at all. The inability to obtain certain licenses or other rights or to obtain such licenses or rights on favorable terms, could have a material adverse effect on our business, operating results, and financial condition. Moreover, the inclusion in our products of software or other intellectual property licensed from third parties on a



nonexclusive basis could limit our ability to protect our proprietary rights in our products. Further, the failure to comply with the terms of any license, including free open source software, may result in our inability to continue to use such license, which could materially adversely affect our business, financial condition, operating results, and future financial performance.

**Failure to protect our intellectual property could affect our business.**

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. However, we cannot ensure that the actions we have taken will adequately protect our intellectual property rights or that other parties will not independently develop similar or competing products that do not infringe on our patents. With the advent of GenAI, there is a risk that when employees use GenAI tools, data will leak outside the Company that could lead to breach of confidentiality or a disclosure of trade secrets that are being developed.

We generally enter into confidentiality, invention assignment or license agreements with our employees, consultants and other third parties with whom we do business, and control access to and distribution of our intellectual property and other proprietary information. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise misappropriate or use our products or technology, which could adversely affect our business, financial condition, and operating results.

**Our provision for income taxes and overall cash tax costs are affected by a number of factors, including reorganizations or restructurings of our business, jurisdictional revenue mix and changes in tax regulations or policy, all of which could materially adversely affect our business, financial condition and operating results.**

We are a multinational company subject to income tax as well as non-income-based taxes in various jurisdictions including Ireland, where we have an operating company supporting our business in most non-U.S. jurisdictions. Our income taxes are subject to volatility and could be adversely affected by several factors including earnings that are lower than anticipated in countries that have lower tax rates and higher than anticipated in countries that have higher tax rates, expiration of or lapses in the research and development tax credit laws, transfer pricing adjustments with respect to our methods for valuing developed technology or intercompany arrangements in the various jurisdictions we do business, tax effects of nondeductible compensation, including stock-based compensation, changes in accounting principles and imposition of withholding or other taxes on payments by subsidiaries or customers.

Significant judgment is required to determine our worldwide provision for income taxes. In the ordinary course of business, there are many transactions where the ultimate tax determination is uncertain. Additionally, our calculations of income taxes payable, currently and on a deferred basis, are based on our interpretation of applicable tax laws in the jurisdictions in which we are required to file tax returns. Although we believe our tax estimates are reasonable, there is no assurance that the final determination of our income tax liability will not be materially different than what is reflected in our income tax provisions and accruals. Due to shifting economic and political conditions, tax rates and policies in the United States as well as international jurisdictions may be subject to significant change. The application and interpretation of such policies and underlying regulations, including taxation of earnings internationally, transfer pricing adjustments related to certain acquisitions, including the license of acquired intangibles under our cost sharing arrangement, Base Erosion and Anti-abuse Tax laws, Global Intangible Low-Tax Income (“GILTI”) laws, and the disallowance of tax deductions for certain expenses, as well as changes that may be enacted in the future could materially impact our tax provision, cash tax liability and effective tax rate. Most recently, the United States enacted the Inflation Reduction Act in 2022, which made a number of changes to the Internal Revenue Code, including adding a 1% excise tax on stock buybacks by publicly traded corporations and a corporate minimum tax on adjusted financial statement income of certain large companies. We have assessed preliminary guidance and do not expect these provisions will adversely impact our effective tax rate.

The Organization for Economic Co-operation and Development (“OECD”), an international association comprised of 38 countries including the United States and Ireland, has made changes and is contemplating additional changes to numerous long-standing tax principles. There can be no assurance that these changes and any contemplated changes if finalized and adopted by associated countries, will not have a materially adverse impact on our provision for income taxes. Substantially all member countries of the OECD agreed to certain tax principles, including a global minimum tax of 15%. In December 2022, the Council of the European Union adopted the global minimum tax initiative for enactment by European Union member states. EU members will be required to enact local laws in 2023, which are intended to be effective for tax years beginning after December 31, 2023. Many countries are also actively considering changes to existing tax laws and rates or have proposed or enacted new laws that could increase our tax obligations in countries where we do business or cause us to change the way we operate the business. We have assessed the impacts of these new rules in the countries where we currently operate and do not currently anticipate a material impact to our tax liabilities, however, we can provide no assurance that our tax liabilities will not be materially impacted in the future under this initiative.

Beginning in 2022, the Tax Cuts and Jobs Act of 2017 eliminates the option to deduct research and development expenditures currently and requires taxpayers to capitalize and amortize them over five or fifteen years pursuant to IRC Section 174 depending on whether the expenditure is recorded in the U.S. or a foreign jurisdiction. Although the U.S. Congress has been considering legislation that would defer the capitalization and amortization requirement to later years, there has been little recent discussion and we have no assurance the provision will be repealed or modified. Given the requirement was not repealed or modified as of June 30, 2023, our existing U.S. net operating losses were fully utilized during fiscal 2023, and we are now subject to U.S. cash tax on profits. In addition, our effective tax rate will materially increase as we made an accounting policy election to treat GILTI as a period cost (i.e., recorded

when incurred) in 2018 when the GILTI rules were introduced. Our research and development expenditures are shared by our U.S. parent and Irish principal company and as such, the disallowed deduction will drive up our GILTI inclusion associated with Ireland, which in turn will increase our effective tax rate. Additionally, a change in our future effective tax rate, including from the release of the valuation allowances recorded against our net U.S. and Irish deferred tax assets may create volatility in our calculated tax expense.

Finally, we are subject to the examination of our income tax returns by the Internal Revenue Service, Irish Revenue, and other tax authorities globally. Although we regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes, there is no assurance our assessments are, in fact, adequate. Changes in our effective tax rates or amounts assessed upon examination of our tax returns may have a material adverse impact on our business, financial condition, and operating results.

**Any actual or perceived failure to comply with new or existing laws, regulations and other requirements relating to the privacy, security and processing of personal information could adversely affect our business, results of operations, or financial condition.**

In connection with running our business, we receive, store, use and otherwise process information that relates to individuals and/or constitutes “personal data,” “personal information,” “personally identifiable information,” or similar terms under applicable data privacy laws (collectively, “Personal Information”), including from and about actual and prospective customers, as well as our employees and business contacts and information we process for or on behalf of our customers in the course of our business. We are therefore subject to certain laws, regulations and other requirements relating to the privacy, security, and handling of Personal Information either directly or where we are processing Personal Information for or on behalf of our customers or another third party. For example, the General Data Protection Regulation, and related laws in other jurisdictions require us to adhere to certain disclosure restrictions and deletion obligations with respect to the Personal Information of their residents, and allow for penalties for violations. We have invested, and continue to invest, human and technology resources in our efforts to comply with such requirements that may be time-intensive and costly.

The application and interpretation of such requirements are constantly evolving and are subject to change, creating a complex compliance environment. In some cases, these requirements may be either unclear in their interpretation and application or they may have inconsistent or conflicting requirements with each other. Further, there has been a substantial increase in legislative activity and regulatory focus on data privacy and security, including in relation to cybersecurity incidents. In addition, some such requirements place restrictions on our ability to process Personal Information across our business or across country borders.

It is possible that new laws, regulations and other requirements, or amendments to or changes in interpretations of existing laws, regulations and other requirements, may require us to incur significant costs, implement new processes, or change our handling of information and business operations, which could ultimately hinder our ability to grow our business by extracting value from our data assets. In addition, any failure or perceived failure by us to comply with laws, regulations and other requirements relating to the privacy, security and handling of information could result in legal claims or proceedings (including class actions), regulatory investigations or enforcement actions. We could incur significant costs in investigating and defending such claims and, if found liable, pay significant damages or fines or be required to make changes to our business. These proceedings and any subsequent adverse outcomes may subject us to significant negative publicity and an erosion of trust. If any of these events were to occur, our business, results of operations, and financial condition could be materially adversely affected.

**Failure of our products to comply with evolving industry standards and complex government regulations may adversely impact our business.**

If we do not comply with existing or evolving industry standards and government regulations, we may not be able to sell our products where these standards or regulations apply. The network equipment industry in which we compete is characterized by rapid changes in technology and customers' requirements and evolving industry standards. As a result, our success depends on:

- the timely adoption and market acceptance of industry standards, and timely resolution of conflicting U.S. and international industry standards; and
- our ability to influence the development of emerging industry standards and to introduce new and enhanced products that are compatible with such standards.

In the past, we have introduced new products that were not compatible with certain technological standards, and in the future, we may not be able to effectively address the compatibility and interoperability issues that arise as a result of technological changes and evolving industry standards.

Our products must also comply with various U.S. federal government regulations and standards defined by agencies such as the FCC, standards established by governmental authorities in various foreign countries and recommendations of the International Telecommunication Union. In some circumstances, we must obtain regulatory approvals or certificates of compliance before we can offer or distribute our products in certain jurisdictions or to certain customers. Complying with new regulations or obtaining certifications can be costly and disruptive to our business.

If we do not comply with existing or evolving industry standards or government regulations, we will not be able to sell our products where these standards or regulations apply, which may prevent us from sustaining our net revenues or achieving profitability.

**Provisions in our charter documents and Delaware law may delay or prevent an acquisition of Extreme, which could decrease the value of our common stock.**

Our certificate of incorporation and bylaws and Delaware law contain provisions that could make it more difficult for a third party to acquire us without the consent of our Board. Delaware law also imposes some restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding common stock. In addition, our Board has the right to issue preferred stock without stockholder approval, which could be used to dilute the stock ownership of a potential hostile acquirer. Although we believe these provisions of our certificate of incorporation and bylaws and Delaware law will provide for an opportunity to receive a higher bid by requiring potential acquirers to negotiate with our Board, these provisions apply even if the offer may be considered beneficial by some of our stockholders.

Our bylaws, as amended, provide that, unless we consent in writing to an alternative forum, the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of a fiduciary duty owed by any of our directors, officers, other employees or stockholders to us, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our certificate of incorporation or our bylaws, any action to interpret, apply, enforce, or determine the validity of our certificate of incorporation or bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. Our bylaws further provide that the federal district courts of the United States shall be the exclusive forum for any cause of action arising under the Securities Act of 1933, as amended (the “Securities Act”). The choice of forum provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, other employees or stockholders, which may discourage such lawsuits against us and our directors, officers, other employees and stockholders. Furthermore, the enforceability of similar choice of forum provisions in other companies’ certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive-forum provisions, and there can be no assurance that such provisions will be enforced by a court in those other jurisdictions. If a court were to find the choice of forum provision contained in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition, and operating results.

**Compliance with laws, rules and regulations relating to corporate governance and public disclosure may result in additional expenses.**

Federal securities laws, rules and regulations, as well as Nasdaq rules and regulations, require companies to maintain extensive corporate governance measures, impose comprehensive reporting and disclosure requirements, set strict independence and financial expertise standards for audit and other committee members and impose civil and criminal penalties for companies and their Chief Executive Officers, Chief Financial Officers and directors for securities law violations. These laws, rules and regulations and the interpretation of these requirements are evolving, and we are making investments to evaluate current practices and to continue to achieve compliance, which investments may have a material adverse impact on our business, financial condition, and operating results.

**General**

**Natural or man-made disasters, climate change, acts of war or terrorism, pandemics, technological disruptions or other events beyond our control could disrupt our operations and harm our business, financial condition and operating results.**

We have major offices in Morrisville, North Carolina, San Jose, California, Salem, New Hampshire, Bangalore, India, Thornhill, Canada, Shannon, Ireland and Reading, United Kingdom. We have, or plan to have, contract manufacturers located in Taiwan, Vietnam, the Philippines, and Thailand. Historically, each location has been vulnerable to natural disasters and other risks, such as earthquakes, fires, floods, and severe storms, which could disrupt the local or even global economy, create power and communication disruptions, and pose physical risks to property belonging to us or our contract manufacturers. Global shipping could be disrupted by such events, which would impede our ability to get product to our customers. Climate change may exacerbate the frequency or severity of some natural disasters.

Regulations related to climate change and/or greenhouse gas emissions could have an impact on our supply chain, business operations, and regulatory compliance requirements. Customers or potential customers may impose climate change-related requirements on us that are costly or may require us to forego certain revenue.

Civil unrest, riots, pandemics, acts of terrorism, and other systemic disruptions could disrupt demand for products, supply chain, or distribution and could negatively impact our costs or revenue. Such disruptions to the availability or integrity of utilities, transportation infrastructure, or the internet could have significant macroeconomic impacts, decreasing demand for our products and impacting our ability to get them to market. As a result, our business, financial situation, and operating results could be negatively affected.

## **Item 1B. Unresolved Staff Comments**

None.

## **Item 1C. Cybersecurity**

### **Cybersecurity Risk Management and Strategy**

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information.

We design and assess our program based on the National Institute of Standards and Technology Cybersecurity Framework (“NIST CSF”). This does not imply that we meet any particular technical standards, specifications, or requirements, only that we use the NIST CSF as a guide to help us identify, assess, and manage cybersecurity risks relevant to our business.

Our cybersecurity risk management program is integrated into our overall enterprise risk management program, and shares common methodologies, reporting channels and governance processes that apply across the enterprise risk management program to other legal, compliance, strategic, operational, and financial risk areas.

Key elements of our cybersecurity risk management program, include, but are not limited to the following:

- risk assessments designed to help identify material cybersecurity risks to our critical systems, information, products, services, and our broader enterprise IT environment;
- a security team principally responsible for managing (1) our cybersecurity risk assessment processes, (2) our security controls, and (3) our response to cybersecurity incidents;
- the use of external service providers, where appropriate, to assess, test or otherwise assist with aspects of our security controls;
- cybersecurity awareness training of our employees;
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents; and
- a third-party risk management process for key service providers, suppliers, and vendors based on our assessment of their criticality to our operations and respective risk profile.

We have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition. We face risks from cybersecurity threats that, if realized, are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition. See “Risk Factors – *System security risks, data breaches, and cyberattacks could compromise our proprietary information, disrupt our internal operations, impact services to customers, and harm public perception of our products, which could materially adversely affect our business, financial condition, operating results, and future growth prospects*”.

### **Cybersecurity Governance**

Our Board considers cybersecurity risk as part of its risk oversight function and has delegated to the Audit Committee oversight of cybersecurity and other information technology risks. The Audit Committee oversees management’s implementation of our cybersecurity risk management program.

The Audit Committee receives regular reports from our Chief Information Security Officer (“CISO”) regarding any significant cybersecurity incidents, as well as any incidents with lesser impact potential. The Chief Information Officer (“CIO”) and CISO periodically report to the full Board regarding cybersecurity risks and our cyber risk management program. Board members periodically receive presentations on cybersecurity topics from our CIO, our CISO, or external experts as part of the Board’s continuing education on topics that impact public companies.

Our management team, including our CIO and our CISO, is responsible for assessing and managing our material risks from cybersecurity threats. The team has primary responsibility for our overall cybersecurity risk management program and supervises both our internal cybersecurity personnel and our retained external cybersecurity consultants. Our CIO and CISO collectively have over five decades of IT and cybersecurity experience in technology companies, including two decades in senior-level leadership roles. Additionally, our CISO holds Certified Information Security Manager and Certified in Risk and Information Systems Control certifications. They are assisted by a cross-functional Information Security Steering Committee.

Our management team takes steps to stay informed about and monitor efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal security personnel; threat intelligence and other information obtained from governmental, public or private sources, including external consultants engaged by us; and alerts and reports produced by security tools deployed in the IT environment.

**Item 2. Properties**

Our corporate headquarters is located in Morrisville, North Carolina where we currently lease approximately 54,530 square feet of space under a lease agreement that expires in fiscal year 2031.

In addition to our headquarters in Morrisville, we lease additional sites in the United States, including in Salem, New Hampshire and San Jose, California for research and development, sales and marketing and administrative purposes. Outside the United States, we also lease facilities in other geographic locations for research and development, sales and service personnel and administration, including other cities in the Americas, EMEA and APAC, such as Bangalore, India, Chennai, India, Markham, Canada, Reading, United Kingdom, Shannon, Ireland and other locations.

As of June 30, 2024, we have an aggregate of approximately 0.5 million square feet of leased space with various expiration dates between fiscal year 2025 and fiscal 2033. We are continuously evaluating our leased locations. As leases expire, we analyze key metrics such as attendance and usage when determining whether to extend the lease, reduce the size of the facility or allow the lease to expire.

**Item 3. Legal Proceedings**

The information set forth under the heading “Legal Proceedings” in Note 10, *Commitments and Contingencies*, in Notes to the Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K is incorporated herein by reference.

**Item 4. Mine Safety Disclosures**

Not Applicable.

## PART II

### **Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

#### **Common Stock Market and Dividends**

Our shares of common stock trades on the Nasdaq Global Select Market and commenced trading on Nasdaq on April 9, 1999 under the symbol “EXTR”.

As of August 9, 2024, there were 155 stockholders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders. We have never declared or paid cash dividends on our capital stock and do not anticipate paying any cash dividends in the foreseeable future.

Certain information regarding our equity compensation plan(s) as required by Part II is incorporated by reference from our Definitive Proxy Statement to be filed with the SEC in connection with the solicitation of proxies for our year ended June 30, 2024 Annual Meeting of Stockholders no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

#### **Issuer Purchases of Equity Securities**

The Company did not repurchase any of its common stock during the three months ended June 30, 2024.

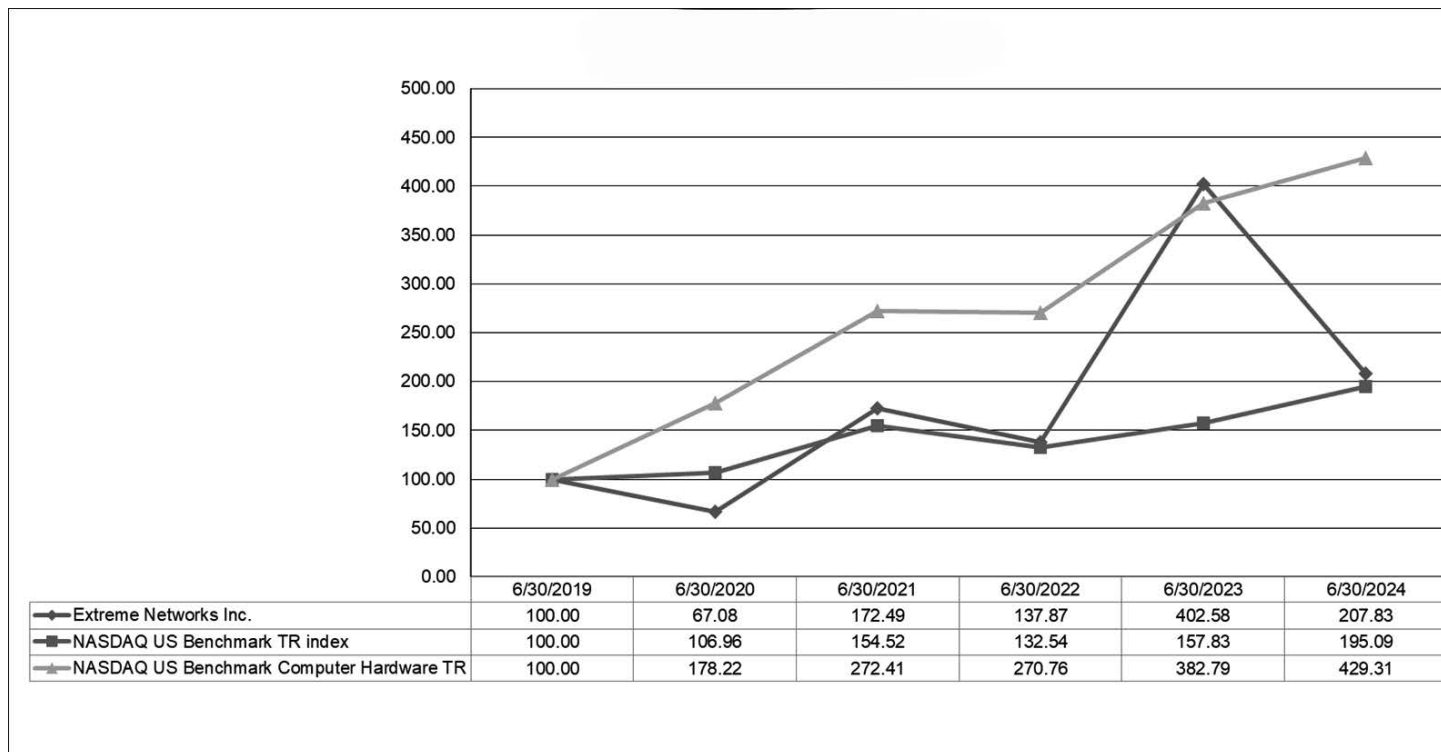
#### **STOCK PRICE PERFORMANCE GRAPH**

*The following performance graph and related information shall not be deemed “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or the Securities Exchange Act of 1934, as amended (the “Exchange Act”), whether made before or after the date hereof and irrespective of any general incorporation language in any such filing, or otherwise subject to the liabilities under the Securities Act or Exchange Act, each as amended, except to the extent that we specifically incorporate it by reference into such filing.*

Set forth below is a stock price performance graph comparing the annual percentage change in the cumulative total return on our common stock with the cumulative total returns of companies comprising the NASDAQ US Benchmark TR index and the NASDAQ US Benchmark Computer Hardware TR Index commencing July 1, 2019 and ending on June 30, 2024. The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of our common stock.

### Comparison of Five-Year Cumulative Total Returns

Performance Graph for Extreme Networks, Inc.



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**Item 6. [RESERVED]**

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

### Business Overview

*The following discussion should be read with the Consolidated Financial Statements and the related notes in Part II, Item 8 of this Annual Report on Form 10-K.*

The following discussion is based upon our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K, which have been prepared in accordance with U.S. generally accepted accounting principles. In the course of operating our business, we routinely make decisions as to the timing of the payment of invoices, the collection of receivables, the manufacturing and shipment of products, the fulfillment of orders, the purchase of supplies, and the building of inventory and service parts, among other matters. Each of these decisions has some impact on the financial results for any given period. In making these decisions, we consider various factors including contractual obligations, customer satisfaction, competition, internal and external financial targets and expectations, and financial planning objectives. For further information about our critical accounting policies and estimates, see “*Critical Accounting Policies and Estimates*” included in this “Management's Discussion and Analysis of Financial Condition and Results of Operations.”

Extreme Networks, Inc., together with its subsidiaries (collectively referred to as “Extreme” and as “we,” “us” and “our”) is a leading provider of cloud networking solutions and industry leading services and support. We were incorporated in California in May 1996 and reincorporated in Delaware in March 1999. Our corporate headquarters are located in Morrisville, North Carolina. We derive a majority of our revenues from the sale of our networking equipment, software subscriptions and services, and related maintenance contracts.

Extreme is a leading provider of cloud networking solutions and industry leading services and support. Extreme designs, develops and manufactures wired, wireless, and SD-WAN infrastructure equipment. The Company's cloud solution is a single platform that offers unified network management of wireless access points, switches and SD-WAN. It leverages ML, AI Operations, and analytics to help customers deliver secure connectivity at the edge of the network, speed cloud deployments, and uncover actionable insights to save time, lower costs and streamlines operations.

Enterprise network administrators need to respond to the rapid digital transformational trends of cloud, mobility, big data, social business and the ever-present need for network security. Accelerators such as IoT, AI, BYOD, ML, cognitive computing, and robotics add complexity to challenge the capabilities of traditional networks. Technology advances have a profound effect across the entire enterprise network placing unprecedented demands on network administrators to enhance management capabilities, scalability, programmability, agility, and analytics of the enterprise networks they manage.

A direction affecting the Enterprise Network Equipment market is the continued adoption of the cloud-managed enterprise WLAN in the enterprise market. Hybrid cloud is a cloud computing environment which uses a mix of on-premises, private cloud, and third-party, public cloud services with orchestration between multiple platforms. We introduced our Cloud offering in 2016 and in August 2019 acquired Aerohive Networks, Inc to enhance our Cloud strategy with a 3<sup>rd</sup> generation Cloud platform and to accelerate adoption of hybrid cloud networking solutions in the Enterprise. We believe Extreme’s enhanced Cloud solution is the only offering in the market that seamlessly integrates the cloud with on-premises infrastructures and enables visibility from the edge to everywhere. See Part 1, Item 1. *Business*, for additional discussion of our business.

### Fiscal Year

The Company uses a fiscal calendar year ending on June 30. All references herein to “fiscal 2024” or “2024”; “fiscal 2023” or “2023”; “fiscal 2022” or “2022” represent the fiscal years ended, respectively.

### Acquisitions

#### *Ipanematech SAS*

On September 14, 2021 (the “Acquisition Date”), we completed our acquisition (the “Acquisition”) of Ipanematech SAS (“Ipanema”), the cloud-native enterprise Software-Defined Wide Area Network business unit of InfoVista pursuant to a Sale and Purchase Agreement. Under the terms of the Acquisition, the net consideration paid by Extreme to Ipanema stockholders was \$70.9 million. The primary reason for the Acquisition was to acquire the talent and the technology to allow us to expand our portfolio with new cloud-managed SD-WAN and security offerings to support our enterprise customers. The acquisition was accounted for using the acquisition method of accounting whereby the acquired assets and liabilities of Ipanema were recorded at their respective fair values including an amount for goodwill representing the difference between the acquisition consideration and the fair value of the identifiable net assets. Results of operations of Ipanema are included in our operations beginning with the Acquisition Date. During the fiscal years ended June 30, 2023 and 2022, we recognized transaction costs related to this acquisition of \$0.4 million and \$7.0 million, respectively, which are included in “Acquisition and integration costs” in the accompanying consolidated statements of operations.



## Results of Operations

The following is a summary of our results of operations during the fiscal year ended June 30, 2024:

- Net revenues of \$1,117.2 million, decreased 14.9% from fiscal 2023 net revenues of \$1,312.5 million.
- Product revenues of \$699.3 million, decreased 25.0% from fiscal 2023 product revenues of \$932.5 million.
- Subscription and support revenues of \$417.9 million, increased 10.0% from fiscal 2023 subscription and support revenues of \$380.0 million.
- Total gross margin of 56.5% of net revenues in fiscal 2024, compared to 57.5% in fiscal 2023.
- Operating loss of \$65.2 million in fiscal 2024, compared to operating income of \$108.3 million in fiscal 2023.
- Net loss was \$86.0 million in fiscal 2024, compared to net income of \$78.1 million in fiscal 2023.
- Cash flow provided by operating activities of \$55.5 million, compared to cash flow provided by operating activities of \$249.2 million in fiscal 2023, a decrease of \$193.7 million. Cash and cash equivalents were \$156.7 million as of June 30, 2024, a decrease of \$78.1 million, compared to \$234.8 million at the end of fiscal 2023.

The Company's reported loss per share for the year ended June 30, 2024, of \$0.66 on the Company's Consolidated Statement of Operations included within this report differs by a \$0.01 as compared to the loss per share of \$0.65 as reported on the Company's Form 8-K filed with the SEC on August 7, 2024, due to a correction in shares used in the loss per share calculation for that period.

### Net Revenues

The following table presents net product and subscription and support revenues for the fiscal years ended June 30, 2024, 2023 and 2022 (in thousands, except percentages):

	Year Ended				Year Ended			
	June 30, 2024	June 30, 2023	\$ Change	% Change	June 30, 2023	June 30, 2022	\$ Change	% Change
Net revenues:								
Product	\$699,257	\$932,454	\$(233,197)	(25.0)%	\$932,454	\$761,721	\$170,733	22.4 %
<i>Percentage of net revenues</i>	<i>62.6%</i>	<i>71.0%</i>			<i>71.0%</i>	<i>68.5%</i>		
Subscription and support	417,946	380,000	37,946	10.0 %	380,000	350,600	29,400	8.4 %
<i>Percentage of net revenues</i>	<i>37.4%</i>	<i>29.0%</i>			<i>29.0%</i>	<i>31.5%</i>		
Total net revenues	<u>\$1,117,203</u>	<u>\$1,312,454</u>	<u>\$(195,251)</u>	(14.9)%	<u>\$1,312,454</u>	<u>\$1,112,321</u>	<u>\$200,133</u>	18.0 %

We generate product revenues primarily from sales of our networking equipment. We derive subscription and support revenues primarily from sales of our subscription and support offerings which includes SaaS offerings, maintenance contracts, professional services and training for our products. Prior to fiscal 2024, we referred to subscription and support revenue as "service and subscription revenue;" however, the composition of subscription and support revenue has not been modified.

Product revenues decreased \$233.2 million or 25.0% for the year ended June 30, 2024, compared to fiscal 2023. The product revenues decrease for the year ended June 30, 2024 as compared to fiscal 2023 was primarily driven by lower bookings and shipments as well as elongated sales cycles to end customers and lower channel sell-through caused by easing of supply chain constraints and current macroeconomic conditions.

Product revenues increased \$170.7 million or 22.4% for the year ended June 30, 2023, compared to fiscal 2022. The product revenues increase for the year ended June 30, 2023 as compared to fiscal 2022 was primarily due to strong demand for our products and higher shipments resulting from an easing in supply chain constraints which had impacted our ability to fulfill the demand for our products during fiscal 2022.

Subscription and support revenues increased \$37.9 million or 10.0% for the year ended June 30, 2024, compared to fiscal 2023. The increase in subscription and support revenues was primarily due to increased adoption of our cloud network management solutions, higher attachment rates of cloud support services on product sales, and continued growth in our subscription business.

Subscription and support revenues increased \$29.4 million or 8.4% for the year ended June 30, 2023, compared to fiscal 2022. The increase in subscription and support revenues was primarily due to the growth in our subscription business.

We operate in three regions: Americas, EMEA (Europe, Middle East and Africa) and APAC (Asia Pacific). The following table presents the total net revenues geographically for the fiscal years ended June 30, 2024, 2023 and 2022 (in thousands, except percentages):

	Year Ended				Year Ended			
	June 30, 2024	June 30, 2023	\$ Change	% Change	June 30, 2023	June 30, 2022	\$ Change	% Change
Net Revenues								
Americas:								
United States	\$581,141	\$572,927	\$8,214	1.4 %	\$572,927	\$503,635	\$69,292	13.8 %
Other	46,578	84,108	(37,530)	(44.6)%	84,108	44,608	39,500	88.5 %
Total Americas	627,719	657,035	(29,316)	(4.5)%	657,035	548,243	108,792	19.8 %
Percentage of net revenues	56.2%	50.1%			50.1%	49.3%		
EMEA	421,966	559,669	(137,703)	(24.6)%	559,669	477,081	82,588	17.3 %
Percentage of net revenues	37.8%	42.6%			42.6%	42.9%		
APAC	67,518	95,750	(28,232)	(29.5)%	95,750	86,997	8,753	10.1 %
Percentage of net revenues	6.0%	7.3%			7.3%	7.8%		
Total net revenues	<u>\$1,117,203</u>	<u>\$1,312,454</u>	<u>\$(195,251)</u>	(14.9)%	<u>\$1,312,454</u>	<u>\$1,112,321</u>	<u>\$200,133</u>	18.0 %

We rely upon multiple channels of distribution, including distributors, direct resellers, OEMs and direct sales. Revenues through our distributor channel were 85% of total product revenues in fiscal 2024, 83% of total product revenues in fiscal 2023 and 80% of total product revenue in fiscal 2022.

The level of sales to any one customer, including a distributor, may vary from period to period.

### Cost of Revenues and Gross Profit

The following table presents the gross profit on product and subscription and support revenues and the gross profit percentage of net revenues for the fiscal years ended June 30, 2024, 2023 and 2022 (in thousands, except percentages):

	Year Ended				Year Ended			
	June 30, 2024	June 30, 2023	\$ Change	% Change	June 30, 2023	June 30, 2022	\$ Change	% Change
Gross profit:								
Product	\$333,498	\$506,159	\$(172,661)	(34.1)%	\$506,159	\$401,159	\$105,000	26.2 %
Percentage of product revenues	47.7%	54.3%			54.3%	52.7%		
Subscription and support	297,333	248,561	48,772	19.6 %	248,561	228,779	19,782	8.6 %
Percentage of subscription and support revenues	71.1%	65.4%			65.4%	65.3%		
Total gross profit	<u>\$630,831</u>	<u>\$754,720</u>	<u>\$(123,889)</u>	(16.4)%	<u>\$754,720</u>	<u>\$629,938</u>	<u>\$124,782</u>	19.8 %
Percentage of net revenues	56.5%	57.5%			57.5%	56.6%		

Cost of product revenues includes costs of materials, amounts paid to third-party contract manufacturers, costs related to warranty obligations, charges for excess and obsolete inventory, scrap, distribution, product certification, amortization of developed technology intangibles, royalties under technology license agreements, and internal costs associated with manufacturing overhead, including management, manufacturing engineering, quality assurance, development of test plans, and document control. We outsource substantially all of our manufacturing. We conduct supply chain management, quality assurance, manufacturing, engineering, and document control at our facilities in San Jose, California, Salem, New Hampshire, China, and Taiwan.

Product gross profit decreased to \$333.5 million for the year ended June 30, 2024, from \$506.2 million in fiscal 2023, primarily due to lower product revenues as well as an additional provision for excess and obsolete inventory and loss on supplier commitments of \$64.5 million partially offset by lower amortization of intangibles due to certain intangibles being fully amortized, lower distribution costs due to easing of supply chain constraints, lower warranty reserves cost, and lower overhead costs. The increase in the provisions for excess and obsolete inventory and loss on supplier commitments during fiscal 2024 was primarily for certain of our older products which are scheduled to go end of sale during the Company's fiscal year 2025 and for which excess of such inventories is beyond the demand forecast.

Product gross profit increased to \$506.2 million for the year ended June 30, 2023, from \$401.2 million in fiscal 2022, primarily due to increased product revenues along with lower amortization of intangibles of \$3.8 million due to certain intangibles being fully amortized, and lower distribution costs of \$1.1 million due to easing of supply chain constraints, partially offset by higher direct product costs, higher excess and obsolete inventory charges of \$6.3 million and higher warranty reserves cost of \$2.1 million.

Our cost of subscription and support revenues consist primarily of labor, overhead, repair and freight costs and the cost of service parts used in providing support under customer maintenance contracts as well as third-party professional services costs, data center costs and cloud hosting service costs.

Subscription and support gross profit increased to \$297.3 million for the year ended June 30, 2024, from \$248.6 million in fiscal 2023, primarily due to higher subscription and support revenues and lower headcount partially offset by higher professional services fees and increased cloud service costs.

Subscription and support gross profit increased to \$248.6 million for the year ended June 30, 2023, from \$228.8 million in fiscal 2022, primarily due to higher subscription and support revenues partially offset by higher professional services fees and increased cloud service costs.

### Operating Expenses

The following table presents operating expenses for the fiscal years ended June 30, 2024, 2023 and 2022 (in thousands, except percentages):

	Year Ended				Year Ended			
	June 30, 2024	June 30, 2023	\$ Change	% Change	June 30, 2023	June 30, 2022	\$ Change	% Change
Research and development	\$211,931	\$214,270	\$(2,339)	(1.1)%	\$214,270	\$190,591	\$23,679	12.4 %
Sales and marketing	345,802	336,906	8,896	2.6 %	336,906	294,470	42,436	14.4 %
General and administrative	99,938	89,934	10,004	11.1 %	89,934	68,697	21,237	30.9 %
Acquisition and integration costs	—	390	(390)	(100.0)%	390	7,009	(6,619)	(94.4)%
Restructuring and related charges	36,321	2,860	33,461	1,170.0 %	2,860	1,748	1,112	63.6 %
Amortization of intangible assets	2,041	2,047	(6)	(0.3)%	2,047	3,235	(1,188)	(36.7)%
Total operating expenses	<u>\$696,033</u>	<u>\$646,407</u>	<u>\$49,626</u>	<u>7.7 %</u>	<u>\$646,407</u>	<u>\$565,750</u>	<u>\$80,657</u>	<u>14.3 %</u>

The following table highlights our operating expenses and operating income as a percentage of net revenues for the fiscal years ended June 30, 2024, 2023 and 2022:

	Year Ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Research and development	19.0 %	16.3 %	17.1 %
Sales and marketing	31.0 %	25.7 %	26.5 %
General and administrative	8.9 %	6.9 %	6.2 %
Acquisition and integration costs	—	—	0.6 %
Restructuring and related charges	3.3 %	0.2 %	0.2 %
Amortization of intangible assets	0.2 %	0.2 %	0.3 %
Total operating expenses	<u>62.3 %</u>	<u>49.2 %</u>	<u>50.9 %</u>
Operating income (loss)	(5.8)%	8.3 %	5.8 %

### Research and Development Expenses

Research and development expenses consist primarily of personnel costs (which includes compensation, benefits and stock-based compensation), consultant fees and engineering expenses related to the design, development, and testing of our products.

Research and development expenses decreased by \$2.3 million or 1.1% for the year ended June 30, 2024 as compared to fiscal 2023, primarily due to a \$2.8 million decrease in personnel costs due to lower compensation and benefits costs, a \$2.9 million decrease in non-recurring engineering project costs, offset by a \$3.4 million increase in contractor costs.

Research and development expenses increased by \$23.7 million or 12.42% for the year ended June 30, 2023 as compared to fiscal 2022, primarily due to a \$15.4 million increase in personnel costs due to higher compensation and benefits costs primarily related to share-based compensation and higher headcount, a \$3.8 million increase in third-party software licenses and engineering project costs, a \$2.2 million increase in contractor and consultant fees, a \$1.3 million increase in facility and information technology costs and a \$2.3 million increase in other costs primarily related to travel.

### Sales and Marketing Expenses

Sales and marketing expenses consist of personnel costs (which includes compensation, benefits and stock-based compensation) and related expenses for personnel engaged in marketing and sales functions, as well as trade shows and promotional expenses.

Sales and marketing expenses increased by \$8.9 million or 2.6% for the year ended June 30, 2024, as compared to fiscal 2023, primarily due to a \$1.5 million increase in personnel costs due to higher salaries and benefits costs, a \$7.2 million increase in sales promotions and marketing related expenses, and a \$1.2 million increase in professional fees offset by a \$1.0 million decrease in other costs primarily related to contractor costs and travel costs.

Sales and marketing expenses increased by \$42.4 million or 14.4% for the year ended June 30, 2023, as compared to fiscal 2022, primarily due to a \$35.1 million increase in personnel costs due to higher compensation and benefits costs primarily related to share-based compensation, a \$5.9 million increase in travel expenses due to loosening of COVID-19 restrictions, and a \$1.4 million increase in other expenses primarily professional fees and sales and marketing activities.

### **General and Administrative Expenses**

General and administrative expenses consist primarily of personnel costs (which includes compensation, benefits and share-based compensation), legal and professional service costs, travel and facilities and information technology costs.

General and administrative expenses increased by \$10.0 million or 11.1% for the year ended June 30, 2024, as compared to fiscal 2023, primarily due to a \$2.5 million increase in personnel costs due to higher salaries and benefits costs, a \$3.4 million increase in professional fees primarily related to legal and litigation matters, a \$4.3 million increase in system transition costs, and a \$2.4 million increase in third-party licensing fees, partially offset by a \$2.6 million decrease in other expenses primarily for depreciation expense.

General and administrative expenses increased by \$21.2 million or 30.9% for the year ended June 30, 2023, as compared to fiscal 2022, primarily due to a \$10.1 million increase in personnel costs due to higher compensation and benefits costs primarily related to share-based compensation and higher headcount, a \$6.2 million increase in professional fees primarily for legal fees, a \$5.1 million increase for litigation settlement charges, a \$0.9 million increase in system transition costs, partially offset by a \$1.2 million decrease in other expenses primarily for travel and facilities related costs.

### **Acquisition and Integration Costs**

The Company did not incur any acquisition or integration costs during the fiscal year ended June 30, 2024.

For fiscal 2023, the Company incurred \$0.4 million of acquisition and integration costs which consisted primarily of professional fees and certain compensation charges related to the acquisition of Ipanema in fiscal year 2022.

For fiscal 2022, the Company incurred \$7.0 million of acquisition and integration costs which consisted primarily of professional fees for product integration, system integration, financial, legal and advisory services related to the acquisition of Ipanema.

### **Restructuring and Related Charges**

During the fiscal years ended June 30, 2024, 2023 and 2022, we recorded restructuring and related charges of \$36.3 million, \$2.9 million and \$1.7 million, respectively.

#### *Fiscal year 2024*

During fiscal 2024, the Company recorded \$36.3 million of restructuring charges which were primarily related to severance and benefits costs and professional services fees associated with the reduction-in-force actions related to the "Q1 2024 Plan", "Q2 2024 Plan", and "Q3 2024 Plan", each as described in Note 15, *Restructuring and Related Charges*, in Notes to the Consolidated Financial Statements included elsewhere in this Report.

#### *Fiscal year 2023*

During fiscal 2023, the Company recorded \$2.9 million of restructuring charges which was primarily comprised of \$2.0 million of facility related charges related to our previously impaired facilities and \$0.9 million in charges associated with our restructuring plan initiated in the third quarter of fiscal 2023 to transform our business and facilities infrastructure.

#### *Fiscal year 2022*

During fiscal 2022, the Company recorded \$1.7 million of restructuring charges which was primarily comprised of facility related charges. The facility restructuring charges included some impairment charges and additional facilities expenses related to previously impaired facilities. During fiscal 2022, the Company completed the reduction-in-force action initiated in the third quarter of fiscal 2020.

### **Amortization of Intangible Assets**

During the fiscal years ended June 30, 2024, 2023 and 2022, we recorded \$2.0 million, \$2.0 million and \$3.2 million, respectively, of amortization expense in operating expenses primarily for certain intangibles related to the acquisitions of the Ipanema, and Aerohive businesses. There were no acquisitions or impairments of intangible assets during fiscal year 2024. The decrease in amortization expense in fiscal 2023 from fiscal 2022 was primarily due to certain acquired intangibles from previous acquisitions becoming fully amortized.

### **Interest Income**

Interest income was \$4.6 million, \$3.2 million and \$0.4 million in fiscal years ended June 30, 2024, 2023 and 2022, respectively. Interest income increased across each of the periods primarily due to higher interest earned on cash deposits.

### **Interest Expense**

We incurred \$17.0 million, \$17.4 million, and \$12.8 million of interest expense for fiscal years ended June 30, 2024, 2023 and 2022, respectively. The decrease in interest expense in fiscal year ended June 30, 2024 as compared to fiscal 2023 was primarily driven by lower carrying balances under the 2023 Credit Agreement. The increase in interest expense in fiscal year ended June 30, 2023 as compared to fiscal 2022 was primarily driven by higher average rates under our Credit Agreements and write-off of the unamortized deferred financing costs related to our 2019 Credit Agreement, as we amended the 2019 Credit Agreement and entered into the 2023 Credit Agreement during June 2023. For a discussion of our credit agreements, see the section titled "*Liquidity and Capital Resources*" below.

### **Other Income, net**

We had other income, net of less than \$0.1 million, \$0.1 million, and \$0.4 million in fiscal years ended June 30, 2024, 2023 and 2022, respectively. The other income, net for fiscal years ended June 30, 2024, 2023 and 2022 was primarily due to foreign exchange gains from the revaluation of certain assets and liabilities denominated in foreign currencies into U.S. Dollars.

### **Provision for Income Taxes**

We are subject to income taxes in the United States and numerous foreign jurisdictions. Our effective tax rate differs from the U.S. federal statutory rate of 21% primarily due to the impact of (i) GILTI, (ii) the full valuation of our deferred tax assets in the U.S. and certain foreign jurisdictions, (iii) foreign income taxes of our international subsidiaries, and (iv) U.S. state taxes. For the fiscal years ended June 30, 2024, 2023 and 2022, we recorded income tax provisions of \$8.5 million, \$16.0 million, and \$7.9 million respectively.

For fiscal 2024, 2023 and 2022, our tax provision is primarily related to (i) taxes on our foreign operations, including foreign withholding taxes remitted to foreign tax authorities by customers on our behalf, (ii) tax expense related to the establishment of a U.S. deferred tax liability for amortizable goodwill resulting from the acquisition of Enterasys Networks, Inc., the WLAN Business, the Campus Fabric Business and the Data Center Business and (iii) state taxes in states where we have exhausted available Net Operating Losses or are subject to certain franchise taxes qualifying as income tax under the relevant tax accounting guidance. In addition, our tax provision for the fiscal year ended June 30, 2024 included \$1.3 million of U.S. federal tax.

For a full reconciliation of our effective tax rate to the U.S. federal statutory rate and for further explanation of our provisions for income taxes, see Note 16, *Income Taxes*, in Notes to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

### **Critical Accounting Policies and Estimates**

Our significant accounting policies are more fully described in Note 2, *Summary of Significant Accounting Policies*, in Notes to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K. The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period reported. By their nature, these estimates, assumptions and judgments are subject to an inherent degree of uncertainty. We base our estimates, assumptions and judgments on historical experience, market trends and other factors that are believed to be reasonable under the circumstances. Estimates, assumptions and judgments are reviewed on an ongoing basis and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Actual results may differ from these estimates under different assumptions or conditions. We believe the critical accounting policies stated below, among others, affect our more significant judgments and estimates used in the preparation of our consolidated financial statements. Historically, our assumptions, judgments and estimates relative to our critical accounting policies have not differed materially from actual results.

#### *Revenue Recognition*

We derive the majority of our revenue from sales of our networking equipment, with the remaining revenue generated from software delivered as a service ("SaaS") and support fees relating to maintenance contracts, professional services, and training for our products. We sell our products and maintenance contracts direct to customers and to partners in two distribution channels, or tiers. The first tier consists of a limited number of independent distributors that stock our products and sell primarily to resellers. The second tier of the distribution channel consists of non-stocking distributors and value-added resellers that sell directly to end-users. Products and services may be sold separately or in bundled packages.

We consider customer purchase orders, which in some cases are governed by master sales agreements, to be the contracts with a customer. For each contract, we consider the promise to transfer products and services, each of which are distinct, to be the identified performance obligations. In determining the transaction price, we evaluate whether the price is subject to refund or adjustment to determine the net consideration to which we expect to be entitled.

We generally do not grant return privileges and pricing credits to our value-added resellers, non-stocking distributors and end-user customers, except for defective products during the warranty period. We may provide sales incentives and other programs to these customers which are considered to be a form of variable consideration and we maintain estimated accruals and allowances using the historical actuals.

Our stocking distributors are allowed certain price adjustments in the form of rebates and limited stock rotation rights. In determining the transaction price, we consider these rebates to be variable consideration which are estimated based on an analysis of historical claims at the distributor level. Stock rotation rights grant the distributor the ability to return certain specified amounts of inventory. Stock rotations are an additional form of variable consideration and are estimated based on an analysis of historical return rates.

A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Certain of our contracts have multiple performance obligations, as the promise to transfer individual goods or services is separately identifiable from other promises in the contracts and, therefore, is distinct. For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation based on our relative standalone selling price. The stand-alone selling prices are determined based on the prices at which we separately sell these products. For items that are not sold separately, we estimate the stand-alone selling prices using other observable inputs.

Our performance obligations are satisfied at a point in time or over time as the customer receives and consumes the benefits provided. Substantially all of our product sales revenues are recognized at a point in time and our subscription and support revenues are recognized over time. For revenues recognized over time, we use an input measure, days elapsed, to measure progress.

See Note 3, *Revenues*, in Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for additional information.

#### *Business Combinations*

We apply the acquisition method of accounting for business combinations. Under this method of accounting, all tangible and intangible assets acquired and liabilities assumed are recorded at their respective fair values at the acquisition date. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to expected future cash inflows and outflows, discount rates, intangibles and other asset lives, among other items. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Market participants are assumed to be buyers and sellers in the principal (most advantageous) market for the asset or liability. Additionally, fair value measurements for an asset assume the highest and best use of that asset by market participants. As a result, we may have been required to value the acquired assets at fair value measures that do not reflect its intended use of those assets. Use of different estimates and judgments could yield different results. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Although we believe the assumptions and estimates we have made are reasonable and appropriate, they are based in part on historical experience and information that may be obtained from the management of the acquired company and are inherently uncertain. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results.

#### *Inventory Valuation and Purchase Commitments*

We write down inventory and record purchase commitment liabilities for estimated excess and obsolete inventory equal to the difference between the cost of inventory and the estimated market value based upon the forecast of future product demand, product transition cycles, and market conditions. Any significant unanticipated changes in demand or technological development could have a significant impact on the value of our inventory and purchase commitments and our reported results. If actual market conditions are less favorable than those projected, additional inventory write-downs, purchase commitment liabilities, and charges against earnings may be required.

#### *New Accounting Pronouncements*

See Note 2, *Summary of Significant Accounting Policies*, in Notes to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for a full description of new accounting pronouncements, including the respective expected dates of adoption and effects on results of operations and financial condition.

### **Liquidity and Capital Resources**

The following summarizes information regarding our cash and cash equivalents (in thousands):

	June 30, 2024	June 30, 2023
Cash and cash equivalents	\$ 156,699	\$ 234,826

As of June 30, 2024, our principal sources of liquidity consisted of cash and cash equivalents of \$156.7 million, accounts receivable, net of \$89.5 million and available borrowings under our five-year 2023 Revolving Facility (as defined below) of \$135.8 million. We anticipate our principal uses of cash and cash equivalents for fiscal 2025 will be purchases of finished goods inventory from our contract manufacturers, payroll, share repurchases, payments under debt obligations and related interest, payments under lease obligations, purchases of property and equipment and other operating expenses related to the development and marketing of our products. We believe that our existing cash and cash equivalents, cash flows from operations, and the availability of borrowings from the 2023 Revolving Facility will be sufficient to fund our planned operations for at least the next 12 months. We are not currently aware

of any material cash requirements beyond the next 12 months other than those described above for fiscal 2024 and our known contractual obligations. See the section titled “*Contractual Obligations*” below.

On May 18, 2022, our Board of Directors authorized a share repurchase program with authorization to repurchase up to \$200.0 million of our common stock over a three-year period beginning in our fiscal year commencing July 1, 2022. A maximum of \$25.0 million may be repurchased in any quarter. On November 17, 2022, the Board increased the authorization to repurchase in any quarter from \$25.0 million per quarter to \$50.0 million per quarter. The current repurchase authorization supersedes and replaces any previously authorized repurchase programs. Purchases may be made from time to time in the open market or pursuant to a 10b5-1 plan. The manner, timing and amount of any future purchases will be determined by our management based on their evaluation of market conditions, stock price, Extreme’s ongoing determination that it is the best use of available cash and other factors. The repurchase program does not obligate Extreme to acquire any shares of its common stock, may be suspended or terminated at any time without prior notice and will be subject to regulatory considerations. During the year ended June 30, 2024, we repurchased a total of 2,365,220 shares of common stock on the open market at a total cost of \$49.9 million with an average price of \$21.08 per share. As of June 30, 2024, we have \$50.3 million available under our share repurchase program.

On August 9, 2019, we entered into an Amended and Restated Credit Agreement (the “2019 Credit Agreement”), by and among Extreme, as borrower, several banks and other financial institutions as Lenders, BMO Capital Markets Corp., as an issuing lender and swingline lender, Silicon Valley Bank, as an Issuing Lender, and Bank of Montreal, as administrative agent and collateral agent for the Lenders. On June 22, 2023, we entered into the Second Amended and Restated Credit Agreement (the “2023 Credit Agreement”) by and among Extreme, as borrower, BMO Harris Bank, N.A., as an issuing lender and swingline lender, BOFA Securities, Inc., JPMorgan Chase Bank, N.A., PNC Capital Markets LLC and Wells Fargo Securities, LLC, as issuing lenders, the financial institutions or entities party thereto as lenders, and Bank of Montreal, as administrative agent and collateral agent, which amended and restated the 2019 Credit Agreement. The 2023 Credit Agreement provides for i) a \$200.0 million first lien term loan facility in an aggregate principal amount (the “Term Facility”), ii) a \$150.0 million five-year revolving credit facility (the “Revolving Facility”) and, iii) an uncommitted additional incremental loan facility in the principal amount of up to \$100.0 million plus an unlimited amount that is subject to pro forma compliance with a specified Consolidated Leverage Ratio tests. We may use proceeds of the loans for working capital and general corporate purposes. On June 22, 2023, the Company borrowed \$25.0 million against its \$150.0 million revolving credit, which was subsequently paid off on July 7, 2023. During the quarter ended June 30, 2024, the Company borrowed and subsequently repaid \$30.0 million against its \$150.0 million revolving credit facility.

At the Company’s election, the initial term loan (the “Initial Term Loan”) under the 2023 Credit Agreement may be made as either a base rate loan or a Secured Overnight Financing Data Rate (“SOFR loan”). The applicable margin for base rate loans ranges from 1.00% to 1.75% per annum, and the applicable margin for SOFR loans ranges from 2.00% to 2.75%, in each case based on the Company’s Consolidated Leverage Ratio. All SOFR loans are subject to a floor of 0.00% per annum and spread adjustment of 0.10% per annum. The Company also agrees to pay other closing fees, arrangement fees, and administration fees.

The 2023 Credit Agreement requires the Company to maintain certain minimum financial ratios at the end of each fiscal quarter. The 2023 Credit Agreement also includes covenants and restrictions that limit, among other things, the Company’s ability to incur additional indebtedness, create liens upon any of its property, merge, consolidate or sell all or substantially all of its assets. The 2023 Credit Agreement also includes customary events of default which may result in acceleration of the outstanding balance.

#### *Key Components of Cash Flows and Liquidity*

A summary of the sources and uses of cash and cash equivalents is as follows for the fiscal years ended June 30, 2024, 2023 and 2022 (in thousands):

	Year Ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Net cash provided by operating activities	\$ 55,486	\$ 249,212	\$ 128,177
Net cash used in investing activities	(18,121)	(13,800)	(84,950)
Net cash used in financing activities	(114,978)	(194,783)	(94,663)
Foreign currency effect on cash and cash equivalents	(514)	(325)	(936)
Net increase (decrease) in cash and cash equivalents	<u>\$ (78,127)</u>	<u>\$ 40,304</u>	<u>\$ (52,372)</u>

Cash and cash equivalents were \$156.7 million at June 30, 2024, representing a decrease of \$78.1 million from \$234.8 million at June 30, 2023. This decrease was primarily due to cash used in financing activities of \$115.0 million mainly as a result of payments for borrowings under the 2023 Credit Agreement and share repurchases as well as cash used in investing activities of \$18.1 million primarily for the purchase of property and equipment, which is offset by cash provided by operating activities of \$55.5 million.

Cash and cash equivalents were \$234.8 million at June 30, 2023, representing an increase of \$40.3 million from \$194.5 million at June 30, 2022. This increase was primarily due to cash provided by operating activities of \$249.2 million, which is offset by cash used in financing activities of \$194.8 million mainly as a result of payments on the 2019 Initial Term Loan and share repurchases and cash used in investing activities of \$13.8 million primarily for the purchase of property and equipment.

### *Net Cash Provided by Operating Activities*

Cash provided by operating activities during the fiscal year ended June 30, 2024 was \$55.5 million. Factors contributing to cash provided by operating activities were the net loss of \$86.0 million, non-cash expenses of \$187.6 million for items such as amortization of intangible assets, stock-based compensation, depreciation, reduction in carrying amount of right-of-use assets, deferred income taxes, provision for excess and obsolete inventory and interest. Other sources of cash for the period included a decrease in account receivable and increases in deferred revenue and other current liabilities. These amounts were partially offset by increases in inventories and prepaid expenses and other assets and decreases in accounts payable, accrued compensation and benefits, and operating lease liabilities.

Cash provided by operating activities during the fiscal year ended June 30, 2023 was \$249.2 million. Factors contributing to cash provided by operating activities were net income of \$78.1 million, non-cash expenses of \$104.6 million for items such as amortization of intangible assets, stock-based compensation, depreciation, reduction in carrying amount of right-of-use assets, deferred income taxes, provision for excess and obsolete inventory and interest. Other sources of cash for the period included decrease in account receivable and increases in accounts payable, accrued compensation and deferred revenue. These amounts were partially offset by increases in inventories and prepaid expenses and other assets and decreases in operating lease liabilities.

Cash provided by operating activities during the fiscal year ended June 30, 2022 was \$128.2 million. Factors contributing to cash provided by operating activities were net income of \$44.3 million, non-cash expenses of \$104.0 million for items such as amortization of intangible assets, stock-based compensation, depreciation, reduction in carrying amount of right-of-use assets, deferred income taxes, provision for excess and obsolete inventory and interest. Other sources of cash for the period included increases in accounts payable and deferred revenue. These amounts were partially offset by increases in accounts receivable, inventories and prepaid expenses and other assets and decreases in accrued compensation, current and long-term liabilities and operating lease liabilities.

### *Net Cash Used in Investing Activities*

Cash used in investing activities during the fiscal year ended June 30, 2024 was \$18.1 million for the purchases of property and equipment.

Cash used in investing activities during the fiscal year ended June 30, 2023 was \$13.8 million for the purchases of property and equipment.

Cash used in investing activities during the fiscal year ended June 30, 2022 was \$85.0 million, primarily due to the payment of \$69.5 million (net of cash acquired) for the acquisition of Ipanema and \$15.4 million for purchases of property and equipment.

### *Net Cash Used in by Financing Activities*

Cash used in financing activities during the fiscal year ended June 30, 2024 was \$115.0 million due primarily to share repurchases of \$49.9 million, payments on the 2023 Revolving Facility of \$55.0 million, debt repayments of \$10.0 million and a \$30.1 million payment for taxes on vested and released stock awards net of proceeds from the issuance of shares of our common stock under our Employee Stock Purchase Plan (“ESPP”). The amounts were partially offset by cash received of \$30.0 million from borrowings under the 2023 Revolving Facility.

Cash used in financing activities during the fiscal year ended June 30, 2023 was \$194.8 million due primarily to share repurchases of \$99.9 million, debt repayments of \$108.6 million, payments of debt financing cost of \$3.2 million, \$3.0 million of deferred payments on acquisitions and a \$5.1 million payment for taxes on vested and released stock awards net of proceeds from the issuance of shares of our common stock under our ESPP. The amounts were partially offset by cash received of \$25.0 million from the 2023 Revolving Facility.

Cash used in financing activities during the fiscal year ended June 30, 2022 was \$94.7 million due primarily to share repurchases of \$45.0 million, debt repayments of \$38.1 million, payments of contingent consideration of \$1.0 million and \$4.0 million of deferred payments on acquisitions and a \$6.5 million payment for taxes on vested and released stock awards net of proceeds from the issuance of shares of our common stock under our ESPP and exercise of stock options.

### *Foreign Currency Effect on Cash and cash equivalents*

Foreign currency effect on cash and cash equivalents increased in 2024, primarily due to changes in exchange rates between the U.S. Dollar and particularly the Indian Rupee, U.K. Pound, and the Euro.

### *Contractual Obligations*

As of June 30, 2024, we have contractual obligations for debt obligations, purchase obligations, lease obligations and other obligations.

Our debt obligations relate to amounts owed under our 2023 Credit Agreement. As of June 30, 2024, we have \$190.0 million of debt outstanding which is payable in quarterly installments through our fiscal year 2028. We are subject to interest on our debt obligations and unused commitment fee. See Note 8, *Debt*, in the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for additional information regarding our debt obligations.



Our unconditional purchase obligations represent the purchase of long lead-time component inventory that our contract manufacturers procure in accordance with our forecast. We expect to honor the inventory purchase commitments within the next 12 months. As of June 30, 2024, we have non-cancelable commitments to purchase \$38.2 million of inventory. See Note 10, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for additional information regarding our purchase obligations.

We lease facilities under operating lease arrangements at various locations that expire at various dates through our fiscal year 2033. As of June 30, 2024, the value of our obligations under operating leases was \$61.9 million. See Note 9, *Leases*, in the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for additional information regarding our lease obligations.

We have contractual commitments with our suppliers which represent commitments for future services. As of June 30, 2024, we have contractual commitments of \$25.9 million that are due through our fiscal year 2027.

We have immaterial income tax liabilities related to uncertain tax positions and we are unable to reasonably estimate the timing of the settlement of those liabilities.

We do not have any material commitments for capital expenditures as of June 30, 2024.

#### *Off-Balance Sheet Arrangements*

We did not have any off-balance sheet arrangements as of June 30, 2024.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

### Interest Rate Sensitivity

Our exposure to market risk for changes in interest rates relates primarily to our financial debt and foreign currencies. As of June 30, 2024, we did not have any financial investments that were exposed to interest rate risk.

#### *Debt*

At certain points in time we are exposed to the impact of interest rate fluctuations, primarily in the form of variable rate borrowings from the 2023 Credit Agreement, which is described in Note 8, *Debt*, in the Notes to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K. As of June 30, 2024, we had \$190.0 million of debt outstanding, all of which was from the 2023 Credit Agreement. Through the end of our fiscal year 2024, the average daily outstanding amount was \$199.2 million with a high of \$225.0 million and a low of \$190.0 million. As of June 30, 2024 we have not entered into any derivative instruments to hedge the impact of the changes in variable interest rates under our 2023 Credit Agreement.

The following table presents hypothetical changes in interest expense for the year ended June 30, 2024, on the outstanding borrowings under the 2023 Credit Agreement as of June 30, 2024, that are sensitive to changes in interest rates (in thousands):

Description	Change in interest expense given a decrease in interest rate of X bps*		Average outstanding as of June 30, 2024	Change in interest expense given an increase in interest rate of X bps*	
	(100 bps)	(50 bps)		100 bps	50 bps
Debt	\$ (1,992)	\$ (996)	\$ 199,221	\$ 1,992	\$ 996

\* Underlying interest rate was 7.44% as of June 30, 2024.

### Exchange Rate Sensitivity

A majority of our sales and our expenses are denominated in U.S. Dollars. While we conduct sale transactions and incur certain operating expenses in foreign currencies and expect to continue to do so, we do not anticipate that foreign exchange gains or losses will be significant, in part because of our foreign exchange risk management process discussed below.

### Foreign Exchange Forward Contracts

We record all derivatives on the balance sheet at fair value. From time to time, we enter into foreign exchange forward contracts to mitigate the effect of gains and losses generated by the foreign currency forecast transactions related to certain operating expenses and re-measurement of certain assets and liabilities denominated in foreign currencies. Changes in the fair value of these foreign exchange forward contracts are offset largely by re-measurement of the underlying foreign currency denominated assets and liabilities. As of June 30, 2024 and June 30, 2023, foreign exchange forward currency contracts not designated as hedging instruments had the total notional amount of \$31.3 million and \$3.4 million, respectively. These contracts have maturities of less than 40 days. Changes in the fair value of derivatives are recognized in "other income, net." For the fiscal years ended June 30, 2024, 2023, and 2022, the net losses recorded in the consolidated statement of operations from these contracts were \$0.3 million, \$0.4 million, and \$1.4 million, respectively. There were no foreign exchange forward currency contracts that were designated as hedging instruments at June 30, 2024 and 2023.

For the fiscal year ended June 30, 2024, 2023 and 2022 the Company recorded foreign currency transaction gains from operations of \$0.6 million, \$0.8 million and \$1.7 million, respectively.

**Item 8. Financial Statements and Supplementary Data**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF EXTREME NETWORKS, INC.**

	<u>Page</u>
Reports of Independent Registered Public Accounting Firms (PCAOB ID 248)	48
Consolidated Balance Sheets	51
Consolidated Statements of Operations	52
Consolidated Statements of Comprehensive Income (Loss)	53
Consolidated Statements of Stockholders' Equity	54
Consolidated Statements of Cash Flows	55
Notes to Consolidated Financial Statements	56

## Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders  
Extreme Networks, Inc.

### Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Extreme Networks, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of June 30, 2024 and 2023, the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity, and cash flows for each of the three years in the period ended June 30, 2024, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2024, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of June 30, 2024, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated August 16, 2024 expressed an unqualified opinion.

### Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical audit matter

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### *Revenue Recognition – Customer Rebates Determined to be Variable Consideration*

As described further in Note 3 to the financial statements, sales to stocking distributors are made under terms allowing certain price adjustments in the form of rebates. Frequently, distributors need to sell at a price lower than the contractual distribution price in order to win business and submit rebate requests for the Company’s pre-approval prior to selling the product to a customer at the discounted price. At the time the distributor invoices its end customer or soon thereafter, the distributor submits a rebate claim to the Company to adjust the distributor’s cost from the contractual price to the pre-approved lower price. After the Company verifies that the claim was pre-approved, a credit memo is issued to the distributor for the rebate claim. In determining the transaction price, the Company considers these customer rebates to be variable consideration. Such price adjustments are estimated based on an analysis of historical claims at the distributor level.

The principal consideration for our determination that customer rebates determined to be variable consideration is a critical audit matter is that the estimates made in determining the customer rebates involve significant judgments. Evaluating the appropriateness of these estimates requires a high degree of auditor judgment and increased audit effort.

Our audit procedures related to the customer rebates determined to be variable consideration included the following, among others:

- Tested the design and operating effectiveness of controls over the Company’s estimation of variable consideration for stocking distributor rebates, including:
  - o Historical actual rebate claims
  - o Estimates of future rebate claims
  - o End customer pricing
  - o Channel inventory
- Identified the sources of data and factors that management used in forming the assumptions, and considered whether such data and factors are relevant, reliable, and sufficient.
- Evaluated potential contrary evidence, including the historical accuracy of management’s estimates by comparing the estimated reserve rate to the actual reserve rate in subsequent periods.
- Confirmed inventory held in the channel with a sample of stocking distributors.

*Inventory Valuation - Net Realizable Value of Inventory*

As described further in Note 2 to the financial statements, the Company values its inventory at the lower of cost or net realizable value. Adjustments to reduce the cost of inventory to its net realizable value are made, if required, when conditions exist that suggest that inventory is obsolete or may be in excess of anticipated demand based upon assumptions about future demand. We identified the net realizable value of inventory for certain product categories as a critical audit matter.

The principal consideration for our determination that the net realizable value of inventory is a critical audit matter is that the estimates made in the assessment of the valuation of inventory involves significant judgments. Evaluating the appropriateness of these estimates requires a high degree of auditor judgment and increased audit effort.

Our audit procedures related to the net realizable value of inventory included the following, among others:

- Tested the design and operating effectiveness of controls over the Company’s estimation of excess and obsolete inventory.
- Tested the completeness and accuracy of the underlying data used in forming the estimate
- Challenged management’s expectation to sell certain inventory by assessing the reasonableness of management’s planned actions through independent corroboration.
- Inquired of product line managers and examined product roadmaps to determine whether new product launches would contradict management's assumptions that they could sell inventory with limited future product demand.

/s/ Grant Thornton LLP

We have served as the Company’s auditor since 2021.

San Francisco, California

August 16, 2024

## Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders  
Extreme Networks, Inc.

### Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Extreme Networks, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of June 30, 2024, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2024, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended June 30, 2024, and our report dated August 16, 2024 expressed an unqualified opinion on those financial statements.

### Basis for opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and limitations of internal control over financial reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Grant Thornton LLP

San Francisco, California  
August 16, 2024

**EXTREME NETWORKS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except per share amounts)

	June 30, 2024	June 30, 2023
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 156,699	\$ 234,826
Accounts receivable, net	89,518	182,045
Inventories	141,032	89,024
Prepaid expenses and other current assets	79,677	70,263
Total current assets	466,926	576,158
Property and equipment, net	43,744	46,448
Operating lease right-of-use assets, net	44,145	34,739
Goodwill	393,709	394,755
Intangible assets, net	10,613	16,063
Other assets	83,457	73,544
Total assets	<u>\$ 1,042,594</u>	<u>\$ 1,141,707</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 51,423	\$ 99,724
Accrued compensation and benefits	42,064	71,367
Accrued warranty	10,942	12,322
Current portion of deferred revenue	306,114	282,475
Current portion of long-term debt, net of unamortized debt issuance costs of \$674 and \$674, respectively	9,326	34,326
Current portion of operating lease liabilities	10,547	10,847
Other accrued liabilities	87,172	64,440
Total current liabilities	517,588	575,501
Deferred revenue, less current portion	268,909	219,024
Long-term debt, less current portion, net of unamortized debt issuance costs of \$1,735 and \$2,409, respectively	178,265	187,591
Operating lease liabilities, less current portion	41,466	31,845
Deferred income taxes	7,978	7,747
Other long-term liabilities	3,106	3,247
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Convertible preferred stock, \$0.001 par value, issuable in series, 2,000 shares authorized; none issued	—	—
Common stock, \$0.001 par value, 750,000 shares authorized; 148,503 and 143,629 shares issued, respectively; 130,284 and 127,775 shares outstanding, respectively	149	144
Additional paid-in-capital	1,220,379	1,173,744
Accumulated other comprehensive loss	(15,483)	(13,192)
Accumulated deficit	(941,962)	(855,998)
Treasury stock at cost, 18,219 and 15,854 shares, respectively	(237,801)	(187,946)
Total stockholders' equity	25,282	116,752
Total liabilities and stockholders' equity	<u>\$ 1,042,594</u>	<u>\$ 1,141,707</u>

See accompanying notes to consolidated financial statements.

**EXTREME NETWORKS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share amounts)

	Year Ended		
	June 30, 2024	June 30, 2023	June 30, 2022
<b>Net revenues:</b>			
Product	\$ 699,257	\$ 932,454	\$ 761,721
Subscription and support	417,946	380,000	350,600
Total net revenues	<u>1,117,203</u>	<u>1,312,454</u>	<u>1,112,321</u>
<b>Cost of revenues:</b>			
Product	365,759	426,295	360,562
Subscription and support	120,613	131,439	121,821
Total cost of revenues	<u>486,372</u>	<u>557,734</u>	<u>482,383</u>
<b>Gross profit:</b>			
Product	333,498	506,159	401,159
Subscription and support	297,333	248,561	228,779
Total gross profit	<u>630,831</u>	<u>754,720</u>	<u>629,938</u>
<b>Operating expenses:</b>			
Research and development	211,931	214,270	190,591
Sales and marketing	345,802	336,906	294,470
General and administrative	99,938	89,934	68,697
Acquisition and integration costs	—	390	7,009
Restructuring and related charges	36,321	2,860	1,748
Amortization of intangible assets	2,041	2,047	3,235
Total operating expenses	<u>696,033</u>	<u>646,407</u>	<u>565,750</u>
Operating income (loss)	(65,202)	108,313	64,188
Interest income	4,556	3,155	412
Interest expense	(16,986)	(17,385)	(12,789)
Other income, net	133	23	383
Income (loss) before income taxes	(77,499)	94,106	52,194
Provision for income taxes	8,465	16,032	7,923
Net income (loss)	<u>\$ (85,964)</u>	<u>\$ 78,074</u>	<u>\$ 44,271</u>
<b>Basic and diluted income (loss) per share:</b>			
Net income (loss) per share – basic	\$ (0.66)	\$ 0.60	\$ 0.34
Net income (loss) per share – diluted	\$ (0.66)	\$ 0.58	\$ 0.33
Shares used in per share calculation – basic	129,288	129,473	129,437
Shares used in per share calculation – diluted	129,288	133,649	133,494

See accompanying notes to consolidated financial statements.



**EXTREME NETWORKS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(In thousands)

	Year Ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Net income (loss)	\$ (85,964)	\$ 78,074	\$ 44,271
Other comprehensive income (loss):			
Derivatives designated as hedging instruments:			
Change in unrealized gains and losses on interest rate swaps	—	344	1,652
Reclassification adjustment related to interest rate swaps	—	(1,658)	796
Change in unrealized gains and losses on foreign currency forward contracts	—	—	205
Net change from derivatives designated as hedging instruments	—	(1,314)	2,653
Net change in foreign currency translation adjustments	(2,291)	(8,823)	(2,897)
Other comprehensive income (loss):	(2,291)	(10,137)	(244)
Total comprehensive income (loss)	<u>\$ (88,255)</u>	<u>\$ 67,937</u>	<u>\$ 44,027</u>

See accompanying notes to consolidated financial statements.

**EXTREME NETWORKS, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In thousands)

	Common Stock				Treasury Stock			Total Stockholders' Equity
	Shares	Amount	Additional Paid-In-Capital	Accumulated Other Comprehensive Loss	Shares	Amount	Accumulated Deficit	
<b>Balance at June 30, 2021</b>	133,279	\$133	\$1,078,602	\$(2,811)	(6,597)	\$(43,113)	\$(978,343)	\$54,468
Net income	—	—	—	—	—	—	44,271	44,271
Other comprehensive loss	—	—	—	(244)	—	—	—	(244)
Issuance of common stock from equity incentive plans, net of tax withholding	6,463	7	(6,548)	—	—	—	—	(6,541)
Share-based compensation	—	—	43,362	—	—	—	—	43,362
Repurchase of stock	—	—	—	—	(3,882)	(44,973)	—	(44,973)
<b>Balance at June 30, 2022</b>	139,742	\$140	\$1,115,416	\$(3,055)	(10,479)	\$(88,086)	\$(934,072)	\$90,343
Net income	—	—	—	—	—	—	78,074	78,074
Other comprehensive loss	—	—	—	(10,137)	—	—	—	(10,137)
Issuance of common stock from equity incentive plans, net of tax withholding	3,887	4	(5,144)	—	—	—	—	(5,140)
Share-based compensation	—	—	63,472	—	—	—	—	63,472
Repurchase of stock	—	—	—	—	(5,375)	(99,860)	—	(99,860)
<b>Balance at June 30, 2023</b>	143,629	\$144	\$1,173,744	\$(13,192)	(15,854)	\$(187,946)	\$(855,998)	\$116,752
Net loss	—	—	—	—	—	—	(85,964)	(85,964)
Other comprehensive loss	—	—	—	(2,291)	—	—	—	(2,291)
Issuance of common stock from equity incentive plans, net of tax withholding	4,874	5	(30,128)	—	—	—	-	(30,123)
Share-based compensation	—	—	76,763	—	—	—	—	76,763
Repurchase of stock	—	—	—	—	(2,365)	(49,855)	—	(49,855)
<b>Balance at June 30, 2024</b>	148,503	\$149	\$1,220,379	\$(15,483)	(18,219)	\$(237,801)	\$(941,962)	\$25,282

See accompanying notes to consolidated financial statements.

**EXTREME NETWORKS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Year Ended		
	June 30, 2024	June 30, 2023	June 30, 2022
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ (85,964)	\$ 78,074	\$ 44,271
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	24,134	19,888	20,215
Amortization of intangible assets	5,313	14,988	19,946
Reduction in carrying amount of right-of-use asset	11,455	12,248	14,929
Provision for credit losses	210	459	29
Share-based compensation	76,763	63,472	43,362
Deferred income taxes	80	407	682
Provision for excess and obsolete inventory <sup>(1)</sup>	71,068	7,305	1,053
Non-cash interest expense	1,060	1,145	4,443
Other	(2,496)	(8,056)	423
Changes in operating assets and liabilities:			
Accounts receivable, net	92,316	1,593	(26,231)
Inventories <sup>(1)</sup>	(116,434)	(49,132)	(17,775)
Prepaid expenses and other assets	(21,212)	(1,368)	(4,469)
Accounts payable	(48,012)	14,733	23,810
Accrued compensation and benefits	(29,136)	17,137	(20,709)
Operating lease liabilities	(11,528)	(15,219)	(18,949)
Deferred revenue	76,240	90,102	44,635
Other current and long-term liabilities	11,629	1,436	(1,488)
Net cash provided by operating activities	<u>55,486</u>	<u>249,212</u>	<u>128,177</u>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(18,121)	(13,800)	(15,433)
Business acquisition, net of cash acquired	—	—	(69,517)
Net cash used in investing activities	<u>(18,121)</u>	<u>(13,800)</u>	<u>(84,950)</u>
<b>Cash flows from financing activities:</b>			
Borrowings under revolving facility	30,000	25,000	—
Payments on revolving facility	(55,000)	—	—
Payments on debt obligations	(10,000)	(108,625)	(38,125)
Loan fees on borrowings	—	(3,158)	—
Repurchase of common stock	(49,855)	(99,860)	(44,973)
Payments for tax withholdings, net of proceeds from issuance of common stock	(30,123)	(5,140)	(6,541)
Payment of contingent consideration obligations	—	—	(1,024)
Deferred payments on an acquisition	—	(3,000)	(4,000)
Net cash used in financing activities	<u>(114,978)</u>	<u>(194,783)</u>	<u>(94,663)</u>
Foreign currency effect on cash and cash equivalents	(514)	(325)	(936)
Net increase (decrease) in cash and cash equivalents	<u>(78,127)</u>	<u>40,304</u>	<u>(52,372)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>234,826</u>	<u>194,522</u>	<u>246,894</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 156,699</u>	<u>\$ 234,826</u>	<u>\$ 194,522</u>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for interest	\$ 14,691	\$ 13,093	\$ 9,272
Cash paid for taxes, net	\$ 15,613	\$ 12,003	\$ 7,776
<b>Non-cash investing activities:</b>			
Unpaid capital expenditures	\$ 4,084	\$ 2,250	\$ 1,756

(1) The prior period amounts have been reclassified to conform to the current period presentation.

See accompanying notes to the consolidated financial statements.

**EXTREME NETWORKS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Description of Business and Basis of Presentation**

Extreme Networks, Inc., together with its subsidiaries (collectively referred to as “Extreme” or “the Company”) is a leader in providing software-driven networking solutions for enterprise customers. The Company conducts its sales and marketing activities on a worldwide basis through distributors, resellers and the Company’s field sales organization. Extreme was incorporated in California in 1996 and reincorporated in Delaware in 1999.

*Fiscal Year*

The Company uses a fiscal calendar year ending on June 30. All references herein to “fiscal 2024” or “2024”; “fiscal 2023” or “2023”; “fiscal 2022” or “2022” represent the fiscal years ending, respectively.

*Principles of Consolidation*

The consolidated financial statements include the accounts of Extreme Networks, Inc. and its wholly-owned subsidiaries. All inter-company balances and transactions have been eliminated on consolidation.

The Company predominantly uses the United States Dollar as its functional currency. The functional currency for certain of its foreign subsidiaries is the local currency. For those subsidiaries that operate in a local currency functional environment, all assets and liabilities are translated to United States Dollars at current month-end exchange rates; and revenues and expenses are translated using the monthly average rate.

*Accounting Estimates*

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ materially from these estimates.

**2. Summary of Significant Accounting Policies**

*Revenue Recognition*

The Company accounts for revenue in accordance with Topic 606, *Revenue from Contracts with Customers*. The Company derives revenues primarily from sales of its networking equipment, with the remaining revenues generated from software delivered as a service (“SaaS”) and support fees relating to maintenance contracts, professional services, and training for the products. The Company recognizes revenues when control of promised goods or services is transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

See Note 3, *Revenues*, for further discussion.

*Cash and Cash Equivalents*

The Company considers highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents are maintained with several financial institutions. These are financial institutions with reputable credit and therefore bear minimal credit risk. Deposits held with banks may exceed the amount of insurance provided on such deposits.

*Allowance for Product Returns*

The Company maintains estimates for product returns based on its historical returns, analysis of credit memos and its return policies. The allowance includes the estimates for product allowances from end customers as well as stock rotations and other returns from the Company’s stocking distributors. The allowance for product returns is shown as a reduction of accounts receivable as there is a contractual right of offset and returns are applied to accounts receivable balances outstanding as of the balance sheet date. There have not been material revisions to the estimated product returns for any periods presented.

## EXTREME NETWORKS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### *Allowance for Credit Losses*

The Company maintains an allowance for credit losses which reflects its best estimate of potentially uncollectible trade receivables. The allowance consists of both specific and general reserves. The Company continually monitors and evaluates the collectability of its trade receivables based on a combination of factors. It records specific allowances for bad debts in general and administrative expense when it becomes aware of a specific customer's inability to meet its financial obligation to the Company, such as in the case of bankruptcy filings or deterioration of financial position. Estimates are used in determining the allowances for all other customers based on factors such as current trends in the length of time the receivables are past due and historical collection experience. The Company mitigates some collection risk by requiring certain of its customers in the Asia-Pacific region to pay cash in advance or secure letters of credit when placing an order with the Company.

#### *Inventories*

The Company values its inventory at the lower of cost or net realizable value. Cost is computed using standard cost, which approximates actual cost, on a first-in, first-out basis. Adjustments to reduce the cost of inventory to its net realizable value are made, if required, when conditions exist that suggest that inventory is obsolete or may be in excess of anticipated demand based upon assumptions about future demand. At the point of the loss recognition, a new lower-cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. Previously written down or obsolete inventory subsequently sold has not had a material impact on gross margin for any of the periods presented.

#### *Long-Lived Assets*

Long-lived assets include (a) property and equipment, (b) operating lease right-of-use ("ROU") assets, (c) capitalized software development costs (d) goodwill and intangible assets, and (e) other assets. Property and equipment, ROU assets, and definite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets or asset groups may not be recoverable. If such facts and circumstances exist, the Company assesses the recoverability of these assets by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets.

#### *(a) Property and Equipment, Net*

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of one to four years are used for computer equipment and purchased software. Estimated useful lives of three to seven years are used for office equipment and furniture and fixtures. Depreciation and amortization of leasehold improvements is computed using the lesser of the useful life or lease terms.

#### *(b) Leases*

The Company leases facilities, equipment and vehicles under operating leases that expire on various dates through fiscal 2033. The Company determines if an arrangement is a lease at inception. We evaluate the classification of leases at commencement date and as necessary, at modification. In general, for lease arrangements exceeding a twelve-month term, these arrangements are recognized as ROU assets with associated operating lease liabilities on the consolidated balance sheets.

ROU assets under the Company's operating leases represent the Company's right to use an underlying asset over the lease term. Operating lease liabilities represent the Company's obligation to make payments arising from the lease. The ROU asset is reduced over a straight-line or other systematic basis representative of the pattern in which the Company expects to consume the ROU assets' future economic benefits. The ROU asset is also adjusted for leasehold improvements paid by the lessor, lease incentives, and asset impairments, among other things.

See Note 9, *Leases*, for further discussion.

#### *(c) Capitalized Software Development Costs*

Capitalization of software development costs for software to be sold, leased, or otherwise marketed begins when a product's technological feasibility has been established and ends when a product is available for general release to customers. Generally, the Company's products are released soon after technological feasibility has been established. As a result, costs incurred between achieving technological feasibility and product general availability have not been significant.

The Company capitalizes costs associated with internal-use software applications and systems during the application development stage. Such capitalized costs include external direct costs incurred in developing or obtaining the software applications and payroll and payroll-related costs for employees, who are directly associated with the development of the application. The

## EXTREME NETWORKS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Company includes such internal-use software costs in the software category in property and equipment and amortizes these costs on a straight-line basis over an estimated useful life. The software development costs that the Company capitalized for the fiscal years ended June 30, 2024 and 2023 were not material.

#### *(d) Goodwill and Intangible Assets*

Goodwill and intangible assets are generated as a result of business combinations and are comprised of, among other things, developed technology, customer relationships, trade names, and licensing agreements.

The remaining lives of intangible assets are considered regularly along with assessments of impairment and lives are adjusted or impairment charges taken when required.

Goodwill is calculated as the excess of the purchase price over the fair value of net tangible and identifiable intangible assets acquired. Goodwill is not amortized, but rather is tested for impairment at least annually or more frequently if indicators of impairment are present. The Company has one reporting unit and performs its annual goodwill impairment analysis as of the first day of the fourth quarter of each year. In assessing impairment on goodwill, the Company bypasses the qualitative assessment and proceeds directly to performing the quantitative evaluation of the fair value of the reporting unit, to compare against the carrying value of the reporting unit. A goodwill impairment charge is recognized for the amount by which the reporting unit's fair value is less than its carrying value. Based on the results of the goodwill impairment analysis, the Company determined that no impairment charge needed to be recorded for any periods presented.

#### *Business Combinations*

The Company applies the acquisition method of accounting for business combinations. Under this method of accounting, all assets acquired and liabilities assumed are recorded at their respective fair values at the date of the acquisition. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, useful lives, among other items. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market participants are assumed to be buyers and sellers in the principal (most advantageous) market for the asset or liability. Additionally, fair value measurements for an asset assume the highest and best use of that asset by market participants. As a result, the Company may be required to value the acquired assets at fair value measures that do not reflect its intended use of those assets. Use of different estimates and judgments could yield different results.

Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Although the Company believes the assumptions and estimates it has made are reasonable and appropriate, they are based in part on historical experience and information that may be obtained from the management of the acquired company and are inherently uncertain. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill for facts and considerations that were known at the acquisition date. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded within the Company's consolidated statements of operations.

#### *Deferred Revenue*

Deferred revenue represents amounts for (i) deferred maintenance, support, and software as a service ("SaaS") revenues, and (ii) other deferred revenue including professional services when the revenue recognition criteria have not been met.

#### *Product Warranties and Guarantees*

Networking products may contain undetected hardware or software errors when new products or new versions or updates of existing products are released to the marketplace. The majority of the Company's hardware products are shipped with either a one-year warranty or a limited lifetime warranty, and software products receive a 90-day warranty. Upon shipment of products to its customers, the Company estimates expenses for the cost to repair or replace products that may be returned under warranty and accrues a liability in cost of product revenues for this amount. The determination of the Company's warranty requirements is based on actual historical experience with the product or product family, estimates of repair and replacement costs and any product warranty problems that are identified after shipment. The Company estimates and adjusts these accruals at each balance sheet date in accordance with changes in these factors.

## EXTREME NETWORKS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In the normal course of business to facilitate sales of its products, the Company indemnifies its resellers and end-user customers with respect to certain matters. The Company has agreed to hold the customer harmless against losses arising from a breach of intellectual property infringement or other claims made against certain parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. It is not possible to estimate the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the Company under these agreements have not had a material impact on its operating results or financial position.

#### *Stock-based Compensation*

The Company recognizes compensation expense related to stock-based awards, including stock options, restricted stock units (“RSUs”) and employee stock purchases related to its 2014 Employee Stock Purchase Plan (the “2014 ESPP”), based on the estimated fair value of the award on the grant date, over the requisite service period. The Company accounts for forfeitures as they occur. The Company calculates the fair value of stock options and stock purchase options under the 2014 ESPP using the Black-Scholes-Merton option valuation model. The fair value of RSUs is based on the closing stock price of the Company’s common stock on the grant date.

The Company grants certain employees with stock options and RSUs that are tied to either company-wide financial performance metrics or certain market metrics. For awards that include performance conditions, no compensation cost is recognized until the performance goals are probable of being met, at which time the cumulative compensation expense from the service inception date would be recognized. For awards that contain market conditions, compensation expense is measured using a Monte Carlo simulation model and recognized over the derived service period based on the expected market performance as of the grant date.

#### *Advertising*

Advertising costs are expensed as incurred. Advertising expenses were immaterial in fiscal years 2024, 2023 and 2022.

#### *Income Taxes*

The Company accounts for income taxes utilizing the liability method. Deferred income taxes are recorded to reflect consequences on future years of differences between financial reporting and the tax basis of assets and liabilities measured using the enacted statutory tax rates and tax laws applicable to the periods in which differences are expected to affect taxable earnings. A valuation allowance is recognized to the extent that it is more likely than not that the tax benefits will not be realized.

The Company accounts for uncertainty in income taxes using a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Company classifies the liability for unrecognized tax benefits as current to the extent that the Company anticipates payment (or receipt) of cash within one year. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes. For additional discussion, see Note 16, *Income Taxes*.

#### *Recently Adopted Accounting Pronouncements*

There were no recently adopted accounting standards which would have a material effect on our consolidated financial statements and accompanying disclosures.

#### *Recently Issued Accounting Pronouncements Not Yet Adopted*

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses and information used to assess segment performance. All disclosure requirements of ASU 2023-07 are required for entities with a single reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods for fiscal years beginning after December 15, 2024, and should be applied on a retrospective basis to all periods presented. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2023-07 on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740), Improvements to Income Tax Disclosures* to enhance income tax disclosures primarily through changes in the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024 on a prospective basis. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2023-09 on its consolidated financial statements and related disclosures.

## EXTREME NETWORKS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### 3. Revenues

##### *Revenue Recognition*

The Company derives the majority of its revenues from sales of its networking equipment, with the remaining revenues generated from sales of subscription and support, which primarily includes software subscriptions delivered as software as a service (“SaaS”) and additional revenues from maintenance contracts, professional services and training for its products. The Company sells its products, maintenance contracts, and SaaS direct to customers and to partners in two distribution channels, or tiers. The first tier consists of a limited number of independent distributors that stock its products and sell primarily to resellers. The second tier consists of non-stocking distributors and value-added resellers that sell directly to end-users. Products and subscription and support may be sold separately or in bundled packages.

The Company considers customer purchase orders, which in some cases are governed by master sales agreements, to be the contracts with a customer. For each contract, the Company considers the promise to transfer products and services, each of which are distinct, to be the identified performance obligations. In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment to determine the net consideration to which the Company expects to be entitled.

For all of the Company’s sales and distribution channels, revenue is recognized when control of the product is transferred to the customer (i.e., when the Company’s performance obligation is satisfied), which typically occurs at shipment for product sales. Revenues from maintenance contracts and SaaS are recognized over time as the Company’s performance obligations are satisfied. This is typically the contractual service period, which generally ranges from one to five years. For product sales to value-added resellers of the Company, non-stocking distributors and end-user customers, the Company generally does not grant return privileges, except for defective products during the warranty period, nor does the Company grant pricing credits. Sales taxes collected from customers are excluded from revenues. Shipping costs are included in cost of product revenues. Sales incentives and other programs that the Company may make available to these customers are considered to be a form of variable consideration and the Company maintains estimated accruals and allowances using the historical actuals. There were no material changes in the current period to the estimated transaction price for performance obligations which were satisfied or partially satisfied during previous periods.

Sales to stocking distributors are made under terms allowing certain price adjustments and limited rights of return (known as “stock rotation”) of the Company’s products held in their inventory. Stock rotation rights grant the distributor the ability to return certain specified amounts of inventory. Stock rotations are variable consideration and are estimated based on historical return rates and estimates provided by the distributors. Additionally, distributors often need to sell at a price lower than the contractual distribution price in order to win business and submit rebate requests for the Company’s pre-approval prior to selling the product to a customer at the discounted price. At the time the distributor invoices its end customer or soon thereafter, the distributor submits a rebate claim to the Company to adjust the distributor’s cost from the contractual price to the pre-approved lower price. After the Company verifies that the claim was pre-approved, a credit memo is issued to the distributor for the rebate claim. In determining the transaction price, the Company considers these customer rebates to be variable consideration. Such price adjustments are estimated based on an analysis of historical claims at the distributor level. There were no material changes in the current period to the estimated variable consideration for performance obligations which were satisfied or partially satisfied during previous periods.

**Performance Obligations.** A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in Topic 606. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Certain of the Company’s contracts have multiple performance obligations, as the promise to transfer individual goods or services is separately identifiable from other promises in the contracts and, therefore, is distinct. For contracts with multiple performance obligations, the Company allocates the contract’s transaction price to each performance obligation based on its relative standalone selling price. The stand-alone selling prices are determined based on the prices at which the Company separately sells these products. For items that are not sold separately, the Company estimates the stand-alone selling prices using other observable inputs.

The Company’s performance obligations are satisfied at a point in time or over time as the customer receives and consumes the benefits provided. Substantially all of the Company’s product sales revenues are recognized at a point in time. Substantially all of the Company’s subscription and support revenues are recognized over time. For revenue recognized over time, the Company primarily uses an input measure, days elapsed, to measure progress.

At June 30, 2024, the Company had \$575.0 million of remaining performance obligations, which are primarily comprised of deferred support and SaaS subscription revenues. The Company expects to recognize approximately 53% of this amount in fiscal 2025, an additional 23% percent in fiscal 2026 and the remaining 24% of the balance thereafter.

**Contract Balances.** The timing of revenue recognition, billings and cash collections results in billed accounts receivable and deferred revenue in the consolidated balance sheets. Services provided under renewable support arrangements of the Company are billed in accordance with agreed-upon contractual terms, which are either billed fully at the inception of contract or at periodic intervals (e.g.,



**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

quarterly or annually). The Company generally receives payments from its customers in advance of services being provided, resulting in deferred revenue. These liabilities are reported on the consolidated balance sheets on a contract-by-contract basis at the end of each reporting period.

The Company's total deferred revenue balances at June 30, 2024, 2023 and 2022 were \$575.0 million, \$501.5 million, and \$401.6 million, respectively. Revenue recognized for the years ended June 30, 2024, 2023 and 2022, that was included in the deferred revenue balance at the beginning of each period was \$275.7 million, \$232.9 million, and \$208.4 million, respectively.

**Contract Costs.** The Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less. Management expects that commission fees paid to sales representatives as a result of obtaining service contracts and contract renewals, are recoverable and therefore the Company's consolidated balance sheets included capitalized balances in the amount of \$24.7 million and \$20.0 million at June 30, 2024 and 2023, respectively which are included within "Other assets." Capitalized commission fees are amortized on a straight-line basis over the average period of service contracts of approximately three years, and are included in "Sales and marketing" in the accompanying consolidated statements of operations. Amortization recognized during the years ended June 30, 2024, 2023 and 2022 was \$10.9 million, \$9.1 million and \$7.5 million, respectively.

**Estimated Variable Consideration.** There were no material changes in the current period to the estimated variable consideration for performance obligations which were satisfied or partially satisfied during previous periods.

**Disaggregation of Revenues:** The Company operates in three geographic regions: Americas, EMEA (Europe, Middle East and Africa) and APAC (Asia Pacific). The following tables set forth the Company's revenues disaggregated by sales channel and geographic region based on the billing addresses of its customers (in thousands):

Net Revenues	Year Ended June 30, 2024		
	Distributor	Direct	Total
Americas:			
United States	\$ 315,281	\$ 265,860	\$ 581,141
Other	20,961	25,617	46,578
Total Americas	336,242	291,477	627,719
EMEA	250,213	171,753	421,966
APAC	9,234	58,284	67,518
Total net revenues	\$ 595,689	\$ 521,514	\$ 1,117,203

Net Revenues	Year Ended June 30, 2023		
	Distributor	Direct	Total
Americas:			
United States	\$ 306,240	\$ 266,687	\$ 572,927
Other	60,957	23,151	84,108
Total Americas	367,197	289,838	657,035
EMEA	390,495	169,174	559,669
APAC	19,384	76,366	95,750
Total net revenues	\$ 777,076	\$ 535,378	\$ 1,312,454

Net Revenues	Year Ended June 30, 2022		
	Distributor	Direct	Total
Americas:			
United States	\$ 237,163	\$ 266,472	\$ 503,635
Other	27,018	17,590	44,608
Total Americas	264,181	284,062	548,243
EMEA	325,290	151,791	477,081
APAC	17,517	69,480	86,997
Total net revenues	\$ 606,988	\$ 505,333	\$ 1,112,321

For the years ended June 30, 2024, 2023 and 2022, the Company generated 11%, 13% and 12%, respectively, of its revenue from the Netherlands. No other foreign country accounted for 10% or more of the Company's net revenue for the years ended June 30, 2024, 2023 and 2022.

**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Concentrations*

The Company may be subject to concentration of credit risk as a result of certain financial instruments consisting of accounts receivable. The Company performs ongoing credit evaluations of its customers and generally does not require collateral in exchange for credit.

The following table sets forth customers accounting for 10% or more of the Company’s net revenues:

	Year Ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Jenne, Inc.	22%	15%	16%
TD Synnex Corporation	21%	18%	20%
Westcon Group, Inc.	16%	20%	18%

The following table sets forth major customers accounting for 10% or more of the Company’s net accounts receivable, as of June 30, 2024 and June 30, 2023:

	June 30, 2024	June 30, 2023
Jenne, Inc.	64%	39%
ScanSource, Inc.	11%	10%
TD Synnex Corporation	*	10%

\* Less than 10% of accounts receivable

The Company's net accounts receivable balance with Jenne, Inc. as of June 30, 2024 is current and the Company expects to collect the majority of this balance by October 31, 2024.

**4. Business Combinations**

The Company completed one acquisition during the fiscal year ended June 30, 2022. The acquisition was accounted for using the acquisition method of accounting. The estimated fair values were determined through established and generally accepted valuation techniques, including work performed by third-party valuation specialists. The purchase price of the acquisition has been allocated to tangible and identifiable intangible assets acquired and liabilities assumed. The fair value of working capital related items, such as other current assets and accrued liabilities, approximated their book values at the date of acquisition. Inventories were valued at fair value using the net realizable value approach. The total costs including the assumed profit were adjusted to present value using a discount rate considered appropriate. The resulting fair value approximates the amount the Company would be required to pay to a third party to assume the obligation. Intangible assets were valued using income approaches based on management projections, which the Company considers to be Level 3 inputs. Results of operations of the acquired entity are included in the Company’s operations beginning with the closing date of acquisition.

*Ipanema Acquisition*

On September 14, 2021 (the “Acquisition Date”), the Company completed its acquisition (the “Acquisition”) of Ipanematech SAS (“Ipanema”), the cloud-native enterprise Software-Defined Wide Area Network (“SD-WAN”) business unit of InfoVista SAS (“InfoVista”) pursuant to a Sale and Purchase Agreement. Under the terms of the Acquisition, the net consideration paid by Extreme to InfoVista was \$70.9 million, which was funded entirely by cash. The primary reason for the acquisition was to acquire the talent and the technology to allow the Company to expand its portfolio with new cloud-managed SD-WAN and security offerings to support its enterprise customers.

The results of operations of Ipanema are included in the accompanying consolidated results of operations for the year ended June 30, 2022. The overall results of operations of Ipanema were not material to the consolidated financial statements of Extreme.

***Pro forma financial information***

The following unaudited pro forma results of operations are presented as though the Acquisition had occurred as of July 1, 2020, the beginning of fiscal 2021, after giving effect to purchase accounting adjustments relating to deferred revenue, depreciation and amortization of intangibles and acquisition and integration costs.

The pro forma results of operations are not necessarily indicative of the combined results that would have occurred had the acquisition been consummated as of the beginning of fiscal 2021, nor are they necessarily indicative of future operating results. The

**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

unaudited pro forma results do not include the impact of synergies, nor any potential impacts on current or future market conditions, which could alter the unaudited pro forma results.

The unaudited pro forma financial information for the year ended June 30, 2022 combines the results for Extreme for such periods assuming the transaction closed on July 1, 2020, which include the results of Ipanema subsequent to the Acquisition Date, and Ipanema's historical results up to the Acquisition Date.

The following table summarizes the unaudited pro forma financial information (in thousands, except per share amounts):

	<b>Year Ended June 30, 2022</b>
Net revenue	\$ 1,115,942
Net income	\$ 53,659
Net income per share – basic	\$ 0.41
Net income per share – diluted	\$ 0.40
Shares used in per share calculation – basic	129,437
Shares used in per share calculation – diluted	133,494

**5. Balance Sheet Components**

*Accounts Receivable, Net*

The following table summarizes the Company's accounts receivable (in thousands):

	<b>June 30, 2024</b>	<b>June 30, 2023</b>
Accounts receivable	\$ 327,859	\$ 440,298
Customer rebates	(185,090)	(222,246)
Allowance for credit losses	(915)	(882)
Allowance for product returns	(52,336)	(35,125)
Accounts receivable, net	<u>\$ 89,518</u>	<u>\$ 182,045</u>

The following table summarizes the Company's allowance for credit losses (in thousands):

<b>Description</b>	<b>Balance at beginning of period</b>	<b>Provision for expected credit losses</b>	<b>Deductions (1)</b>	<b>Balance at end of period</b>
<b>Year Ended June 30, 2024:</b>				
Allowance for credit losses	\$ 882	\$ 210	\$ (177)	\$ 915
<b>Year Ended June 30, 2023:</b>				
Allowance for credit losses	\$ 695	\$ 464	\$ (277)	\$ 882
<b>Year Ended June 30, 2022:</b>				
Allowance for credit losses	\$ 986	\$ 39	\$ (330)	\$ 695

(1) Uncollectible accounts written off, net of recoveries.

The following table summarizes the Company's allowance for product returns (in thousands):

<b>Description</b>	<b>Balance at beginning of period</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at end of period</b>
<b>Year Ended June 30, 2024:</b>				
Allowance for product returns	\$ 35,125	\$ 149,161	\$ (131,950)	\$ 52,336
<b>Year Ended June 30, 2023:</b>				
Allowance for product returns	\$ 20,033	\$ 104,028	\$ (88,936)	\$ 35,125
<b>Year Ended June 30, 2022:</b>				
Allowance for product returns	\$ 17,371	\$ 67,407	\$ (64,745)	\$ 20,033

**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Inventories*

The following table summarizes the Company's inventory by category (in thousands):

	June 30, 2024	June 30, 2023
Finished goods	\$ 115,813	\$ 78,180
Raw materials	25,219	10,844
Total inventories	<u>\$ 141,032</u>	<u>\$ 89,024</u>

*Property and Equipment, Net*

The following table summarizes the Company's property and equipment by category (in thousands):

	June 30, 2024	June 30, 2023
Computers and equipment	\$ 77,224	\$ 81,612
Purchased software	60,717	51,444
Office equipment, furniture and fixtures	8,134	8,899
Leasehold improvements	47,880	48,943
Total property and equipment	193,955	190,898
Less: accumulated depreciation and amortization	(150,211)	(144,450)
Property and equipment, net	<u>\$ 43,744</u>	<u>\$ 46,448</u>

The Company recognized depreciation expense of \$23.9 million during the fiscal year ended June 30, 2024, of which \$5.9 million was recorded as restructuring and related charges in the consolidated statement of operations. Refer to Note 15, *Restructuring and Related Charges*, for further discussion. The Company recognized depreciation expense of \$19.5 million, and \$19.8 million related to property and equipment during the years ended June 30, 2023 and 2022, respectively.

*Deferred Revenue*

The following table summarizes the Company's contract liabilities which are shown as deferred revenue (in thousands):

	June 30, 2024	June 30, 2023
Deferred maintenance, support, and SaaS	\$ 554,661	\$ 486,075
Other deferred revenue	20,362	15,424
Total deferred revenue	575,023	501,499
Less: current portion	306,114	282,475
Non-current deferred revenue	<u>\$ 268,909</u>	<u>\$ 219,024</u>

*Accrued Warranty*

The following table summarizes the activity related to the Company's product warranty liability during the following periods (in thousands):

	Year Ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Balance at beginning of period	\$ 12,322	\$ 10,852	\$ 11,623
Warranties assumed due to acquisition	—	—	41
New warranties issued	13,010	15,463	13,314
Warranty expenditures	(14,390)	(13,993)	(14,126)
Balance at end of period	<u>\$ 10,942</u>	<u>\$ 12,322</u>	<u>\$ 10,852</u>

**6. Fair Value Measurements**

A three-tier fair value hierarchy is utilized to prioritize the inputs used in measuring fair value. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels are defined as follows:

- Level 1 Inputs - unadjusted quoted prices in active markets for identical assets or liabilities;

**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

- Level 2 Inputs - quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; and
- Level 3 Inputs - unobservable inputs reflecting the Company's own assumptions in measuring the asset or liability at fair value.

The following table presents the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis (in thousands):

June 30, 2024	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Certificates of deposit	\$ —	\$ 3,216	\$ —	\$ 3,216
Foreign currency derivatives	—	18	—	18
Total assets measured at fair value	<u>\$ —</u>	<u>\$ 3,234</u>	<u>\$ —</u>	<u>\$ 3,234</u>
<b>Liabilities</b>				
Foreign currency derivatives	\$ —	\$ 71	\$ —	\$ 71
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ 71</u>	<u>\$ —</u>	<u>\$ 71</u>
<b>June 30, 2023</b>				
<b>Assets</b>				
Certificates of deposit	\$ —	\$ 7,151	\$ —	\$ 7,151
Foreign currency derivatives	—	31	—	31
Total assets measured at fair value	<u>\$ —</u>	<u>\$ 7,182</u>	<u>\$ —</u>	<u>\$ 7,182</u>

*Level 1 Assets and Liabilities:*

The Company's financial instruments consist of cash, accounts receivable, accounts payable, and accrued liabilities. The Company states accounts receivable, accounts payable and accrued liabilities at their carrying value, which approximates fair value due to the short time to the expected receipt or payment.

*Level 2 Assets and Liabilities:*

The Company's level 2 assets consist of certificates of deposit and derivative instruments. Certificates of deposit do not have regular market pricing and are considered Level 2. The fair value of derivative instruments under the Company's foreign exchange forward contracts and interest rate swaps are estimated based on valuations provided by alternative pricing sources supported by observable inputs which are considered Level 2.

As of June 30, 2024 and June 30, 2023 the Company had investment in certificates of deposit of \$3.2 million and \$7.2 million, respectively, with maturity of three months at the date of purchase, which are recorded as cash equivalents in the consolidated balance sheets. The Company considers these cash equivalents to be available-for-sale and, as of June 30, 2024 and June 30, 2023, their fair value approximated their amortized cost.

As of June 30, 2024 and June 30, 2023, foreign exchange forward currency contracts not designated as hedging instruments had notional principal amounts of \$31.3 million and \$3.4 million, respectively. These contracts have maturities of 40 days or less. Changes in the fair value of these foreign exchange forward contracts not designated as hedging instruments are included in other income, net in the consolidated statements of operations. For the years ended June 30, 2024, 2023 and 2022 the net losses recorded in the consolidated statements of operations from these contracts were approximately \$0.3 million, \$0.4 million, and \$1.4 million, respectively. There were no outstanding foreign exchange forward contracts that were designated as hedging instruments at June 30, 2024 and 2023. See Note 14, *Derivatives and Hedging*, for additional information.

The fair value of the borrowings under the 2023 Credit Agreement (as defined in Note 8) is estimated based on valuations provided by alternative pricing sources supported by observable inputs which is considered Level 2. Since the interest rate is variable in the 2023 Credit Agreement, the fair value approximates the face amount of the Company's indebtedness of \$190.0 million and \$225.0 million as of June 30, 2024 and 2023, respectively.

*Level 3 Assets and Liabilities:*

Certain of the Company's assets, including intangible assets and goodwill are measured at fair value on a non-recurring basis if impairment is indicated. As of June 30, 2024 and June 30, 2023 the Company did not have any assets or liabilities that were considered Level 3.

There were no transfers of assets or liabilities between Level 1, Level 2 or Level 3 during the years ended June 30, 2024 and 2023. There were no impairments recorded during the years ended June 30, 2024, 2023, or 2022.

**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**7. Goodwill and Intangible Assets**

The following table reflects the changes in the carrying amount of goodwill (in thousands):

	June 30, 2024	June 30, 2023
Balance at beginning of period	\$ 394,755	\$ 400,144
Foreign currency translation	(1,046)	(5,389)
Balance at end of period	<u>\$ 393,709</u>	<u>\$ 394,755</u>

The following tables summarize the components of gross and net intangible asset balances (in thousands, except years):

	Weighted Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<b>June 30, 2024</b>				
Developed technology	3.0 years	\$ 169,247	\$ 162,708	\$ 6,539
Customer relationships	2.0 years	64,671	60,776	3,896
Trade names	0.0 years	10,700	10,700	—
License agreements	2.4 years	1,282	1,104	178
Total intangible assets, net*		<u>\$ 245,901</u>	<u>\$ 235,288</u>	<u>\$ 10,613</u>

\* The carrying amount of foreign intangible assets are affected by foreign currency translation

	Weighted Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<b>June 30, 2023</b>				
Developed technology	4.1 years	\$ 169,460	\$ 159,592	\$ 9,868
Customer relationships	3.4 years	64,839	58,894	5,945
Trade names	0.0 years	10,700	10,700	—
License agreements	3.4 years	2,445	2,195	250
Total intangible assets, net*		<u>\$ 247,444</u>	<u>\$ 231,381</u>	<u>\$ 16,063</u>

\* The carrying amount of foreign intangible assets are affected by foreign currency translation

The following table summarizes the amortization expense of intangible assets for the periods presented (in thousands):

	Year Ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Amortization of intangible assets in “Total cost of revenues”	\$ 3,272	\$ 12,941	\$ 16,711
Amortization of intangible assets in “Total operating expenses”	2,041	2,047	3,235
Total amortization expense	<u>\$ 5,313</u>	<u>\$ 14,988</u>	<u>\$ 19,946</u>

The amortization expense that is recognized in “Total cost of revenues” primarily consists of amortization related to developed technology, license agreements and other intangibles.

The estimated future amortization expense to be recorded for each of the respective future fiscal years is as follows (in thousands):

	Amount
For the fiscal year ending June 30:	
2025	\$ 4,453
2026	3,193
2027	1,431
2028	1,271
2029	265
Total	<u>\$ 10,613</u>

**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**8. Debt**

The Company's debt is comprised of the following (in thousands):

	June 30, 2024	June 30, 2023
<b>Current portion of long-term debt:</b>		
Term Loan	\$ 10,000	\$ 10,000
Revolving Facility	—	25,000
Less: unamortized debt issuance costs	(674)	(674)
<b>Current portion of long-term debt</b>	<b>\$ 9,326</b>	<b>\$ 34,326</b>
<b>Long-term debt, less current portion:</b>		
Term Loan	\$ 180,000	\$ 190,000
Less: unamortized debt issuance costs	(1,735)	(2,409)
<b>Total long-term debt, less current portion</b>	<b>178,265</b>	<b>187,591</b>
<b>Total debt</b>	<b>\$ 187,591</b>	<b>\$ 221,917</b>

On August 9, 2019, the Company entered into an Amended and Restated Credit Agreement (the "2019 Credit Agreement"), by and among the Company, as borrower, several banks and other financial institutions as Lenders, BMO Capital Markets Corp., as an issuing lender and swingline lender, Silicon Valley Bank, as an Issuing Lender, and Bank of Montreal, as administrative agent and collateral agent for the Lenders which was subsequently amended during fiscal 2023.

On June 22, 2023, the Company entered into a Second Amended and Restated Credit Agreement (the "2023 Credit Agreement"), by and among the Company, as borrower, BMO Harris Bank, N.A., as an issuing lender and swingline lender, BOFA Securities, Inc., JPMorgan Chase Bank, N.A., PNC Capital Markets LLC and Wells Fargo Securities, LLC, as issuing lenders, the financial institutions or entities party thereto as lenders, and Bank of Montreal, as administrative agent and collateral agent, which amended and restated the 2019 Credit Agreement. The 2023 Credit Agreement provides for i) a \$200.0 million first lien term loan facility in an aggregate principal amount (the "2023 Term Loan"), ii) a \$150.0 million five-year revolving credit facility (the "2023 Revolving Facility") and, iii) an uncommitted additional incremental loan facility in the principal amount of up to \$100.0 million. On June 22, 2023, the Company borrowed \$25.0 million against its \$150.0 million revolving credit facility to refinance our debt. On July 7, 2023 the Company made a prepayment of \$25.0 million to pay off the outstanding revolving credit balance.

Borrowings under the 2023 Credit Agreement bear interest, and at the Company's election, the initial term loan may be made as either a base rate loan or a Secured Overnight Funding Rate ("SOFR") loan. The applicable margin for base rate loans ranges from 1.00% to 1.75% per annum, and the applicable margin for SOFR loans ranges from 2.00% to 2.75%, in each case based on the Company's consolidated leverage ratio. All SOFR loans are subject to a floor of 0.00% per annum and spread adjustment of 0.10% per annum. The Company paid other closing fees, arrangement fees, and administration fees associated with the 2023 Credit Agreement.

The 2023 Credit Agreement requires the Company to maintain certain minimum financial ratios at the end of each fiscal quarter. The 2023 Credit Agreement also includes covenants and restrictions that limit, among other things, the Company's ability to incur additional indebtedness, create liens upon any of its property, merge, consolidate or sell all or substantially all of its assets. The 2023 Credit Agreement also includes customary events of default which may result in acceleration of the outstanding balance. The Company was in compliance with the covenants under the 2023 Credit Agreement as of June 30, 2024. On August 14, 2024, the Company executed an amendment to the 2023 Credit Agreement to modify the definition of Consolidated EBITDA (as defined in the 2023 Credit Agreement) under the original terms of the agreement. See Note 18, *Subsequent Events*, for additional information.

Financing costs incurred in connection with obtaining long-term financing are deferred and amortized over the term of the related indebtedness or credit agreement. During the year ended June 30, 2023, in conjunction with the debt refinancing, as noted above, the Company wrote-off a certain portion of the unamortized debt issuance cost of \$1.3 million associated with the 2019 Credit Agreement which is included in "Interest expense" in the accompanying consolidated statements of operations. During the year ended June 30, 2023, the Company incurred and capitalized \$3.2 million of debt issuance costs in conjunction with the 2023 Credit Agreement. The remaining unamortized debt issuance cost related to the 2019 Credit Agreement and the capitalized debt issuance cost associated with the 2023 Credit Agreement are amortized over a term of five years. The Company's interest rate was 7.44% and 7.18% as of June 30, June 30, 2024 and 2023, respectively.

**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Amortization of debt issuance costs are included in “Interest expense” in the accompanying consolidated statements of operations and were \$1.1 million, \$2.6 million and \$3.0 million for the fiscal years ended June 30, 2024, 2023 and 2022, respectively.

As of June 30, 2024, the Company did not have any outstanding balance against its 2023 Revolving Facility. The Company had \$135.8 million of availability under the 2023 Revolving Facility as of June 30, 2024. During the year ended June 30, 2024 the Company did not make any additional payments against its term loan facility other than the scheduled payments per the terms of the 2023 Credit Agreement and repayments per the terms of the 2023 Revolving Facility. During the fiscal year ended June 30, 2023, the Company made additional payments of \$57.5 million against its term loan facility under the 2019 Credit Agreement.

The Company had \$14.2 million of outstanding letters of credit as of June 30, 2024.

The Company’s debt principal repayment schedule by period is as follows, excluding unamortized debt issuance costs (in thousands):

	<b>Amount</b>
For the fiscal year ending June 30,	
2025	\$ 10,000
2026	15,000
2027	20,000
2028	145,000
Total	\$ 190,000

**9. Leases**

*Lessee Considerations*

The Company leases certain facilities, equipment, and vehicles under operating leases that expire on various dates through fiscal 2033. Its leases generally have terms that range from one year to ten years for its facilities, one year to five years for equipment, and one year to five years for vehicles. Some of its leases contain renewal options, escalation clauses, rent concessions, and leasehold improvement incentives.

The Company determines if an arrangement is a lease at inception. The Company has elected not to recognize a lease liability or ROU asset for short-term leases (leases with a term of twelve months or less). Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The interest rate used to determine the present value of future payments is the Company’s incremental borrowing rate at the commencement date because the rate implicit in the leases are not readily determinable. The Company’s incremental borrowing rate is the rate for collateralized borrowings based on the current economic environment, credit history, credit rating, value of leases, currency in which the lease obligation is satisfied, rate sensitivity, lease term and materiality. The biggest drivers having the greatest effect in determining the incremental borrowing rate for each one of the Company’s leases are the term of the lease and the currency in which the lease obligation is satisfied.

Some operating leases contain lease and non-lease components. Certain lease contracts include fixed payments for services, such as operations, maintenance, or other services. The Company has elected to account for fixed lease and non-lease components as a single lease component except for the logistic service asset class. Cash payments made for variable lease and non-lease costs are not included in the measurement of operating lease assets and liabilities and are recognized in the Company’s consolidated statements of operations as incurred. Some lease terms include one or more options to renew. The Company does not assume renewals in its determination of the lease term unless it is reasonably certain that it will exercise that option. The Company’s lease agreements do not contain any residual value guarantees.

The following table presents additional information relating to the Company's operating leases (in thousands, except for lease term and discount rate):

	<b>Year Ended</b>		
	<b>June 30, 2024</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Operating lease costs	\$ 14,398	\$ 14,416	\$ 16,852
Variable lease costs	4,325	6,920	6,921
Cash paid for amounts included in the measurement of operating liabilities	14,487	17,396	20,890
ROU assets obtained for new lease obligations	21,082	10,972	18,641



**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

	June 30, 2024	June 30, 2023
Weighted average remaining lease term	5.8 years	4.6 years
Weighted average discount rate	5.8%	5.2%

Short-term lease expense, which represents expense for leases with terms of one year or less, was not material for each of the years ended June 30, 2024, 2023, or 2022.

The following table presents maturities of the Company's operating lease liabilities as of June 30, 2024 (in thousands):

	Amount
For the fiscal year ending June 30,	
2025	\$ 12,818
2026	12,544
2027	11,151
2028	5,317
2029	4,989
Thereafter	15,042
Total future minimum lease payments	61,861
Less amount representing interest	(9,847)
Total operating lease liabilities	\$ 52,014
Operating lease liabilities, current	\$ 10,547
Operating lease liabilities, non-current	\$ 41,466

*Sublease Considerations*

The Company currently is a sublessor on one operating facility sublease that expires on July 31, 2024. The Company's subleases have original terms ranging from one to six years and extend through the term of the underlying leases. The subleases do not include renewal options, purchase options, or termination rights. The Company included \$0.1 million, \$0.5 million and \$2.7 million of sublease income in lease expense for the years ended June 30, 2024, 2023, and 2022, respectively.

## EXTREME NETWORKS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### 10. Commitments and Contingencies

##### *Purchase Commitments*

The Company currently has arrangements with contract manufacturers and suppliers for the manufacture of its products. Those arrangements allow the contract manufacturers to procure long lead-time component inventory based upon a rolling production forecast provided by the Company. The Company is obligated to purchase long lead-time component inventory that its contract manufacturer procures in accordance with the forecast, unless the Company gives notice of order cancellation outside of applicable component lead-times. As of June 30, 2024, the Company had non-cancelable commitments to purchase \$38.2 million of inventory, which will be received and consumed during fiscal 2025. The Company expects to utilize its non-cancelable purchase commitments in the normal ongoing operations.

##### *Legal Proceedings*

The Company may from time to time be party to litigation arising in the course of its business, including, without limitation, allegations relating to commercial transactions, business relationships or intellectual property rights. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources. Litigation in general, and intellectual property litigation in particular, can be expensive and disruptive to normal business operations. Moreover, the results of legal proceedings are difficult to predict.

In accordance with applicable accounting guidance, the Company records accruals for certain of its outstanding legal proceedings, investigations or claims when it is probable that a liability will be incurred, and the amount of loss can be reasonably estimated. The Company evaluates, at least on a quarterly basis, developments in legal proceedings, investigations or claims that could affect the amount of any accrual, as well as any developments that would result in a loss contingency to become both probable and reasonably estimable. When a loss contingency is not both probable and reasonably estimable, the Company does not record a loss accrual. However, if the loss (or an additional loss in excess of any prior accrual) is at least reasonably possible and material, then the Company would disclose an estimate of the possible loss or range of loss, if such estimate can be made, or disclose that an estimate cannot be made. The assessment of whether a loss is probable or a reasonable possibility, and whether the loss or a range of loss is estimable, involves a series of complex judgments about future events. Even if a loss is reasonably possible, the Company may not be able to estimate a range of possible loss, particularly where (i) the damages sought are substantial or indeterminate, (ii) the proceedings are in the early stages, or (iii) the matters involve novel or unsettled legal theories or a large number of parties. In such cases, there is considerable uncertainty regarding the ultimate resolution of such matters, including the amount of any possible loss, fine or penalty. However, an adverse resolution of one or more of such matters could have a material adverse effect on the Company's results of operations in a particular quarter or fiscal year.

##### *Orckit IP, LLC v. Extreme Networks, Inc., Extreme Networks Ireland Ltd., and Extreme Networks GmbH*

On February 1, 2018, Orckit IP, LLC (“Orckit”) filed a patent infringement lawsuit against the Company and its Irish and German subsidiaries in the District Court in Dusseldorf, Germany. The lawsuit alleges direct and indirect infringement of the German portion of a patent (“EP ‘364”) based on the offer, distribution, use, possession and/or importation into Germany of certain network switches that are equipped with the ExtremeXOS operating system. Orckit is seeking injunctive relief, accounting, and an unspecified declaration of liability for damages and costs of the lawsuit. On January 28, 2020, the Court rendered a decision in the infringement case in favor of the Company. The matter is proceeding through the appellate process and an oral hearing has been set for October 24, 2024.

On April 23, 2019, Orckit filed an extension of the patent infringement complaint against the Company and its Irish and German subsidiaries in the District Court in Dusseldorf, Germany. With this extension, Orckit alleges infringement of the German portion of a second patent (“EP ‘077”) based on the offer, distribution, use, possession and/or importation into Germany of certain network switches that the Company no longer sells in Germany. Orckit is seeking injunctive relief, accounting and sales information, and a declaration of liability for damages as well as costs of the lawsuit. On October 13, 2020, the Court issued an infringement decision against the Company and granted Orckit the right to enforce the judgment against the Company, which Orckit has provided notification to the Company that it will enforce the judgment. In the rendering of account, Orckit was informed that the products at issue were in end of sale status prior to the filing of the EP ‘077 complaint. The Company has appealed the infringement decision, and the matter is proceeding through the appellate process.

The Company filed a nullity action related to the EP ‘364 patent on May 3, 2018, and one related to the EP ‘077 patent on October 31, 2019, both in the Federal Patent Court in Munich. The Federal Patent Court in Munich found the EP ‘364 patent to be valid and the Company filed an appeal, which was dismissed on October 12, 2023. On October 25, 2022, the Federal Patent Court in Munich issued an opinion partially invalidating the EP ‘077 patent and the Company and Orckit have filed appeals. An oral hearing has been set for December 10, 2024.

## EXTREME NETWORKS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

*SNMP Research, Inc. and SNMP Research International, Inc. v. Broadcom Inc., Brocade Communications Systems LLC, and Extreme Networks, Inc.*

On October 26, 2020, SNMP Research, Inc. and SNMP Research International, Inc. (collectively, “SNMP”) filed a lawsuit against the Company in the Eastern District of Tennessee for copyright infringement, alleging that the Company was not properly licensed to use its software. SNMP is seeking actual damages and profits attributed to the infringement, as well as equitable relief. The Company filed a motion to transfer the case to the Northern District of California. The motion to dismiss was denied in part and denied without prejudice in part. On March 2, 2023, SNMP filed an amended complaint adding claims against Extreme on additional products for copyright infringement, breach of contract, and fraud. On March 16, 2023, the Company filed a motion to dismiss, challenging multiple claims from the amended complaint, which was denied on January 30, 2024. On March 20, 2023, the Company filed a motion to refer questions to the U.S. Copyright Office on the invalidity of SNMP’s copyrights, which was denied on March 18, 2024. The trial date and all other dates have been vacated and the parties have been ordered to attend a mediation, scheduled for September 19, 2024.

*Mala Technologies Ltd. v. Extreme Networks GmbH, Extreme Networks Ireland Ops Ltd., and Extreme Networks, Inc.*

On April 15, 2021, Mala Technologies Ltd. (“Mala”) filed a patent infringement lawsuit against the Company and its Irish and German subsidiaries in the District Court in Dusseldorf, Germany. The lawsuit alleges indirect infringement of the German portion of a patent (“EP ‘498”) based on the offer and sale in Germany of certain network switches equipped with the ExtremeXOS operating system. Mala is seeking injunctive relief, accounting, and an unspecified declaration of liability for damages and costs of the lawsuit. On December 20, 2022, the trial court ruled that the Company did not infringe the EP ‘498 patent and dismissed Mala’s complaint entirely. Mala has filed an appeal and an oral hearing has been set for March 27, 2025.

The Company filed a nullity complaint against EP ‘498 with the German Federal Patent Court on September 24, 2021 and a hearing date has been set for November 20, 2024.

#### *Indemnification Obligations*

Subject to certain limitations, the Company may be obligated to indemnify its current and former directors, officers and employees. These obligations arise under the terms of its certificate of incorporation, its bylaws, applicable contracts, and applicable law. The obligation to indemnify, where applicable, generally means that the Company is required to pay or reimburse, and in certain circumstances the Company has paid or reimbursed, the individuals' reasonable legal expenses and possible damages and other liabilities incurred in connection with certain legal matters. The Company also procures Directors and Officers liability insurance to help cover its defense and/or indemnification costs, although its ability to recover such costs through insurance is uncertain. While it is not possible to estimate the maximum potential amount that could be owed under these governing documents and agreements due to the Company’s limited history with prior indemnification claims, indemnification (including defense) costs could, in the future, have a material adverse effect on the Company’s consolidated financial position, results of operations and cash flows.

## **11. Stockholders’ Equity**

#### *Preferred Stock*

In April 2001, in connection with entering into a rights agreement, the Company authorized the issuance of preferred stock. The preferred stock may be issued from time to time in one or more series. The Board of Directors (the “Board”) is authorized to provide for the rights, preferences and privileges of the shares of each series and any qualifications, limitations or restrictions on these shares. As noted below, the 2021 Tax Benefit Preservation Plan (defined below), as amended, accelerated the expiration of preferred share purchase rights under the 2021 Tax Benefit Preservation Plan to the close of business on August 24, 2023, and no person has any rights pursuant to the 2021 Tax Benefit Preservation Plan. As of June 30, 2024, no shares of preferred stock were outstanding.

#### *Stockholders’ Rights Agreement*

On April 26, 2012, the Company entered into the “Restated Rights Plan,” which governed the terms of each right (“Right”) that had been issued with respect to each share of the Company’s common stock. Each Right initially represented the right to purchase one one-thousandth of a share of the Company’s Preferred Stock. From 2013 through 2020, the Board and stockholders approved amendments providing for one-year extensions of the term of the Restated Rights Plan.

## EXTREME NETWORKS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

On May 17, 2021, the Company entered into the Amended and Restated Tax Benefit Preservation Plan (the “2021 Tax Benefit Preservation Plan”), which amended and restated the Amended and Restated Rights Agreement between the Company and Computershare Shareholder Services LLC, as the rights agent. The 2021 Tax Benefit Preservation Plan was approved by stockholders of the Company at the annual meeting of stockholders held on November 4, 2021. The 2021 Tax Benefit Preservation Plan governs the terms of each Right that had been issued with respect to each share of the Company's common stock. Each Right initially represented the right to purchase one one-thousandth of a share of the Company's Preferred Stock.

The Board adopted the 2021 Tax Benefit Preservation Plan to preserve the value of deferred tax assets, including net operating loss carry forwards of the Company, with respect to its ability to fully use its tax benefits to offset future income which may be limited if the Company experiences an “ownership change” for purposes of Section 382 of the IRC as a result of ordinary buying and selling of shares of its common stock. Following its review of the terms of the plan, the Board decided it was necessary and in the best interests of the Company and its stockholders to enter into the 2021 Tax Benefit Preservation Plan.

On August 23, 2023, the Board approved an amendment to the 2021 Tax Benefit Preservation Plan, effective as of August 24, 2023 (the “First Amendment”). The First Amendment amended the Restated Tax Plan by accelerating the expiration of the Company's preferred share purchase rights by amending the definition of “Final Expiration Date” to mean the close of business on August 24, 2023. Accordingly, the Rights which were previously dividended to holders of record of the common stock of the Company expired on the close of business on August 24, 2023 and no person has any rights pursuant to the 2021 Tax Benefit Preservation Plan or the Rights.

#### *Equity Incentive Plan*

The Compensation Committee of the Board unanimously approved an amendment to the Extreme Networks, Inc. Amended and Restated 2013 Equity Incentive Plan (the “2013 Plan”) on August 11, 2021 to update tax withholding obligations. The Compensation Committee of the Board unanimously approved an amendment to the Extreme Networks, Inc. Amended and Restated 2013 Equity Incentive Plan (the “2013 Plan”) on September 14, 2023 to increase the maximum number of available shares by 5.0 million shares. The amendment was approved by the stockholders of the Company at the annual meeting of the stockholders held on November 8, 2023.

#### *Employee Stock Purchase Plan*

The Compensation Committee of the Board unanimously approved an amendment to the 2014 Employee Stock Purchase Plan (the “ESPP”) on September 9, 2021 to increase the maximum number of shares that will be available for sale thereunder by 7.5 million shares. The amendment was approved by a majority of the stockholders of the Company at the annual meeting of stockholders held on November 4, 2021.

#### *Common Stock Repurchases*

In May 2022, the Board authorized a share repurchase program with authorization to repurchase up to \$200.0 million of shares of the Company's common stock over a three-year period beginning in our fiscal year commencing July 1, 2022. A maximum of \$25.0 million may be repurchased in any quarter. In November 2022, the Board increased the authorization to repurchase shares in any quarter from up to \$25.0 million of shares per quarter to up to \$50.0 million of shares per quarter. This authorization supersedes and replaces any previously authorized repurchase programs. Purchases may be made from time to time in the open market or pursuant to a 10b5-1 plan.

During fiscal year 2024, the Company repurchased a total of 2.4 million shares of its common stock on the open market at a total cost of \$49.9 million with an average price of \$21.08 per share. During fiscal year 2023, the Company repurchased a total of 5.4 million shares of its common stock on the open market at a total cost of \$99.9 million with an average price of \$18.58 per share. In fiscal year 2022, the Company repurchased a total of 3.9 million shares of its common stock on the open market at a total cost of \$45.0 million with an average price of \$11.59 per share. As of June 30, 2024, approximately \$50.3 million remains available for share repurchases under the share repurchase program.

As provision of the Inflation Reduction Act enacted in the U.S., the Company is subject to an excise tax on corporate stock repurchases, which is assessed as one percent of the fair market value of net corporate stock repurchases after December 31, 2022. The excise tax's effect on net corporate stock repurchases was not material for fiscal year ended June 30, 2024 and 2023.

**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**12. Employee Benefit Plans**

As of June 30, 2024, the Company has the following share-based compensation plans and the 401(k) Plan discussed below:

*2013 Equity Incentive Plan*

The 2013 Equity Incentive Plan (the “2013 Plan”) was approved by stockholders on November 20, 2013. The 2013 Plan replaced the 2005 Equity Incentive Plan (the “2005 Plan”). Under the 2013 Plan, the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units (“RSUs”) (including performance-based or market-based RSUs), performance shares, and other share-based or cash-based awards to employees and consultants. The 2013 Plan also authorizes the grant of awards of stock options, stock appreciation rights, restricted stock and RSUs to non-employee members of the Board and deferred compensation awards to officers, directors and certain management or highly compensated employees. The 2013 Plan authorized the issuance of 9.0 million shares of the Company’s common stock. In addition, 6.6 million shares of the Company’s common stock under the 2005 Plan were transferred to the 2013 Stock Plan and were added to the number of shares available for future grant under the 2013 Plan. Prior to fiscal 2024, stockholders approved the issuance of an additional 38.7 million shares of the Company’s common stock. During the year ended June 30, 2024, an additional 5.0 million shares were authorized and made available for grant under the 2013 Plan. The 2013 Plan includes provisions upon the granting of certain awards defined by the 2013 Plan as Full Value Awards in which the shares available for grant under the 2013 Plan are decremented 1.5 shares for each such award granted. Upon forfeiture or cancellation of unvested awards, the same ratio is applied in returning shares to the 2013 Plan for future issuance as was applied upon granting. As of June 30, 2024, total options and awards to acquire 7.6 million shares were outstanding under the 2013 Plan and 13.4 million shares are available for grant under the 2013 Plan. Options granted under this plan have a contractual term of seven years.

*Aerohive 2014 Equity Incentive Plan*

Pursuant to the acquisition of Aerohive on August 9, 2019, the Company assumed the Aerohive 2014 Equity Incentive Plan (the “Aerohive Plan”). Stock awards outstanding under the Aerohive Plan were converted into awards for shares of the Company’s common stock as of the date of the acquisition of Aerohive at a predetermined rate pursuant to the Merger Agreement entered into in connection with the acquisition of Aerohive. As of June 30, 2024, total awards to acquire 2,288 shares of the Company’s common stock were outstanding under the Aerohive Plan. If a participant terminates employment prior to the vesting dates, the non-vested shares will be forfeited and retired. No future grants may be made from the Aerohive Plan.

*Shares Reserved for Issuance*

The Company had the following reserved shares of the Company’s common stock for future issuance as of the dates noted (in thousands):

	June 30, 2024	June 30, 2023
2013 Equity Incentive Plan shares available for grant	13,414	9,995
Employee stock options and awards outstanding	7,562	10,038
2014 Employee Stock Purchase Plan	7,130	8,467
Total shares reserved for issuance	28,106	28,500

*Stock Options*

The following table summarizes stock option activity under all plans for the year ended June 30, 2024 (in thousands except per share amount and contractual term):

	Number of Shares	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Options outstanding at June 30, 2023	1,187	\$ 6.56	2.70	\$ 23,136
Granted	—	—		
Exercised	(114)	6.40		
Canceled	—	—		
Options outstanding at June 30, 2024	1,073	\$ 6.58	1.75	\$ 7,376
Vested and expected to vest at June 30, 2024	1,073	\$ 6.58	1.75	\$ 7,376
Exercisable at June 30, 2024	1,073	\$ 6.58	1.75	\$ 7,376

**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The total intrinsic value of options exercised in fiscal years 2024 and 2022 was \$1.1 million and \$4.9 million, respectively. There were no options exercised during the fiscal year 2023.

There were no stock options granted during the fiscal years 2024 and 2023. As of June 30, 2024, all outstanding options are fully vested and compensation cost related to stock options has been fully recognized.

*Stock Awards*

Stock awards may be granted under the 2013 Plan on terms approved by the Compensation Committee of the Board of Directors. Stock awards generally provide for the issuance of RSUs, including performance-based or market-based RSUs which vest over a fixed period of time or based upon the satisfaction of certain performance criteria or market conditions. The Company recognizes compensation expense on the awards over the vesting period based on the award's fair value as of the date of grant. The Company does not estimate forfeitures, but accounts for them as incurred.

The following table summarizes stock award activity for the year ended June 30, 2024 (in thousands, except grant date fair value):

	Number of Shares	Weighted- Average Grant Date Fair Value	Aggregate Fair Value
Non-vested stock awards outstanding at June 30, 2023	8,851	\$ 14.25	
Granted	4,038	27.37	
Released	(5,365)	12.84	
Canceled	(1,035)	20.04	
Non-vested stock awards outstanding at June 30, 2024	<u>6,489</u>	\$ 22.65	\$ 87,276
Stock awards expected to vest at June 30, 2024	6,489	\$ 22.65	\$ 87,276

The RSUs granted under the 2013 plan vest over a period of time, generally one-to-three years, and are subject to participant's continued service to the Company.

The aggregate fair value, as of the respective grant dates of awards granted during the fiscal years ended June 30, 2024, 2023 and 2022 was \$110.5 million, \$106.8 million and \$50.7 million, respectively.

For fiscal years ended June 30, 2024, 2023, and 2022, the Company withheld an aggregate of 1.9 million shares, 1.4 million shares, and 2.2 million shares, respectively, upon the vesting of awards, based upon the closing share price on the vesting date as settlement of the employees' minimum statutory obligation for the applicable income and other employment taxes.

For fiscal years ended June 30, 2024, 2023 and 2022, the Company remitted cash of \$47.9 million, \$21.9 million, \$24.5 million, respectively, to the appropriate taxing authorities on behalf of the employees. The payment of the taxes by the Company reduced the number of shares that would have been issued on the vesting date and was recorded as a reduction of additional paid-in capital in the consolidated balance sheets and as a reduction of "Payments for tax withholdings, net of proceeds from issuance of common stock" in the financing activity within the consolidated statements of cash flows.

As of June 30, 2024, there was \$80.0 million in unrecognized compensation costs related to non-vested stock awards which includes the performance and market condition awards as discussed below. This cost is expected to be recognized over a weighted-average period of 1.6 years.

*Stock Awards – Officers and Directors*

RSUs granted during fiscal 2024, 2023 and 2022 to named executive officers and directors totaled 0.7 million awards, 1.8 million awards and 1.0 million awards, respectively which included awards with market-based conditions as discussed below.

*Stock Awards - Performance Awards*

During fiscal 2024 and 2023, the Compensation Committee of the Board granted 0.8 million and 1.2 million RSUs, respectively with vesting based on market conditions ("MSUs") to certain of the Company's executive officers. The MSUs granted during fiscal 2024 included 0.5 million MSUs subject to total shareholder return ("TSR") and 0.3 million MSUs subject to certain stock price targets. The MSUs granted during fiscal 2023 were subject to TSR.

Level	Relative TSR	Shares Vested
Below Threshold	TSR is less than the Index by more than 37.5 percentage points	0%
Threshold	TSR is less than the Index by 37.5 percentage points	25%
Target	TSR equals the Index	100%
Maximum	TSR is greater than the Index by 25 percentage points or more	150%

**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

TSR is calculated based on the average closing price for the 30-trading days prior to the beginning and end of the performance periods. Performance is measured based on three periods, with the ability for up to one-third of target shares to vest after years 1 and 2 and the ability for up to the maximum of the full award to vest based on the full 3-year TSR less any shares vested based on 1- and 2-year periods. Linear interpolation is used to determine the number of shares vested for achievement between target levels.

The stock price target MSUs vest upon the achievement of a certain stock price target over the defined performance period. The stock price target shall be deemed as achieved if the average closing stock price over any thirty consecutive trading days during the period from grant date through the third anniversary of the grant date equals or exceeds the price target of \$41.38 for the initial performance period. Upon satisfaction of the initial stock price target, 50% of the target shares will vest on the 3rd anniversary of the grant date and the remaining 50% will vest on the 4th anniversary of the grant date, subject to employees continued service through the applicable vesting dates. If the units are not earned on the last day of initial performance period, the units will remain outstanding and be eligible to be earned if the average closing stock price over any thirty consecutive trading days equals or exceeds the price target of \$46.96.

On February 14, 2024, the Company modified certain terms and conditions of the stock price target MSUs for certain executive officers. Under the modified agreement, the stock price target over the initial and fourth year performance periods were revised to \$23.00 and \$26.00, respectively. All other contractual terms remained unchanged. The incremental compensation cost recognized during fiscal 2024 and ratably over the remaining requisite service period is not material.

The grant date fair value of each MSU was determined using the Monte Carlo simulation model. The weighted-average grant-date fair value of the TSR MSUs granted during fiscal 2024 was \$32.66 per share. The weighted-average assumptions used in the Monte Carlo simulation included the expected volatility of 50%, risk-free interest rate of 4.43%, no expected dividend yield, expected term of three years and possible future stock prices over the performance period based on the historical stock and market prices.

The weighted-average grant-date fair value of the MSUs granted during the year ended June 30, 2023 was \$17.62 per share. The assumptions used in the Monte Carlo simulation included the expected volatility of 65%, risk-free rate of 3.27%, no expected dividend yield, expected term of three years and possible future stock prices over the performance period based on the historical stock and market prices.

The weighted-average grant-date fair value of the MSUs granted during the year ended June 30, 2022 was \$12.69 per share. The assumptions used in the Monte Carlo simulation included the expected volatility of 66%, risk-free rate of 0.44%, no expected dividend yield, expected term of three years and possible future stock prices over the performance period based on the historical stock and market prices.

The Company recognizes the expense related to these MSUs on a graded-vesting method over the estimated term.

The following table summarizes stock awards with market or performance-based conditions granted and the number of awards that have satisfied the relevant market or performance criteria in each period (in thousands):

	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022
Performance awards granted	841	1,221	727
Performance awards earned	846	400	158

*2014 Employee Stock Purchase Plan*

On August 27, 2014, the Board approved the adoption of Extreme Network’s 2014 Employee Stock Purchase Plan (the “2014 ESPP”). On November 12, 2014, the stockholders approved the 2014 ESPP with the maximum number of shares of common stock that may be issued under the plan of 12.0 million shares. During the fiscal year ended June 30, 2022, the Board of Directors unanimously approved an amendment to the 2014 ESPP to increase the maximum number of shares that will be available for sale by 7.5 million shares, which was approved by the stockholders of the Company at the annual meeting of stockholders held on November 4, 2021. The 2014 ESPP allows eligible employees to acquire shares of the Company’s common stock through periodic payroll deductions of up to 15% of total compensation, subject to the terms of the specific offering periods outstanding. Each purchase period has a maximum duration of six months and the maximum shares issuable for each purchase period is 1.5 million shares. The price at which the common stock may be purchased is 85% of the lesser of the fair market value of the Company’s common stock on the first day of the applicable offering period or on the last day of the respective purchase period.

During the fiscal years ended June 30, 2024 and 2023, there were 1.3 million and 1.5 million shares issued under the 2014 ESPP. As of June 30, 2024, there have been an aggregate 19.9 million shares issued under the 2014 ESPP.

**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Share-Based Compensation Expense*

Share-based compensation expense recognized in the financial statements by line-item caption is as follows (in thousands):

	Year Ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Cost of product revenues	\$ 1,899	\$ 1,856	\$ 1,186
Cost of subscription and support revenues	2,994	3,513	1,421
Research and development	16,686	14,824	9,995
Sales and marketing	26,524	22,250	15,000
General and administrative	28,660	21,029	15,760
Total share-based compensation expense	<u>\$ 76,763</u>	<u>\$ 63,472</u>	<u>\$ 43,362</u>

The Company uses the straight-line method for expense attribution, other than for the PSUs and MSUs, which may use the accelerated attribution method. The Company does not estimate forfeitures, but rather recognizes expense for those shares expected to vest and recognizes forfeitures when they occur.

The fair value of each RSU grant with market-based vesting criteria under the 2013 Plan is estimated on the date of grant using the Monte-Carlo simulation model to determine the fair value and the derived service period of stock awards with market conditions, on the date of the grant.

The fair value of each share purchase option under the Company's 2014 ESPP is estimated on the date of grant using the Black-Scholes-Merton option valuation model with the weighted average assumptions noted in the following table. The expected term of the 2014 ESPP shares is the offering period for each purchase. The risk-free rate is based upon the estimated life and is based on the U.S. Treasury yield curve in effect at the time of grant. Expected volatility is based on the historical volatility of the Company's stock.

The weighted-average estimated per share fair value of shares under the 2014 ESPP in fiscal years 2024, 2023 and 2022, was \$5.73, \$4.87, \$3.32, respectively.

	Employee Stock Purchase Plan		
	Year Ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Expected term	0.5 years	0.5 years	0.5 years
Risk-free interest rate	5.42%	3.84%	0.33%
Volatility	47%	55%	49%
Dividend yield	—%	—%	—%

*401(k) Plan*

The Company provides a tax-qualified employee savings and retirement plan, commonly known as a 401(k) plan (the "Plan"), which covers the Company's eligible employees. Pursuant to the Plan, employees may elect to reduce their current compensation up to the IRS annual contribution limit of \$23,000 for calendar year 2024. Employees aged 50 or over may elect to contribute an additional \$7,500. The amount contributed to the Plan is on a pre-tax basis.

The Company provides for discretionary matching contributions as determined by the Board for each calendar year. All matching contributions vest immediately. In addition, the Plan provides for discretionary contributions as determined by the Board each year. The program effective during fiscal 2024 was established to match \$0.50 for every dollar contributed by the employee up to the first 6.0% of pay. The Company's matching contributions to the Plan totaled \$5.2 million, \$5.2 million and \$4.6 million, for fiscal years ended June 30, 2024, 2023 and 2022, respectively. No discretionary contributions were made in fiscal years ended June 30, 2024, 2023 and 2022.

**13. Information about Segments and Geographic Areas**

The Company operates in one segment, the development and marketing of network infrastructure equipment and related software. The Company conducts business globally and is managed geographically. Revenues are attributed to a geographical area based on the billing address of customers. The Company operates in three geographical areas: Americas, EMEA, and APAC. The Company's chief operating decision maker, who is its Chief Executive Officer, reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance.



**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

See Note 3, *Revenues*, for the Company’s revenues by geographic regions and channel based on the customers’ billing address.

The Company’s long-lived assets are attributed to the geographic regions as follows (in thousands):

	June 30, 2024	June 30, 2023
Americas	\$ 136,745	\$ 124,375
EMEA	33,715	35,175
APAC	11,499	11,244
Total long-lived assets	<u>\$ 181,959</u>	<u>\$ 170,794</u>

**14. Derivatives and Hedging**

*Interest Rate Swaps*

The Company is exposed to interest rate risk on its debt. The Company may enter into interest rate swap contracts to effectively manage the impact of fluctuations of interest rate changes on its outstanding debt which has a floating interest rate. The Company does not enter into derivative contracts for trading or speculative purposes.

At the inception date of the derivative contract, the Company performs an assessment of these contracts and has designated these contracts as cash flow hedges. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreement without exchange of the underlying notional amount. The Company also formally assesses, both at the hedge’s inception and on an ongoing basis, by performing qualitative and quantitative assessment, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items. Changes in the fair value of a derivative that is qualified, designated and highly effective as a cash flow hedge are recorded in other comprehensive income (loss). When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively. In accordance with ASC 815, *Derivatives and Hedging*, the Company may prospectively discontinue the hedge accounting for an existing hedge if the applicable criteria are no longer met, the derivative instrument expires, is sold, terminated or exercised or if the Company removes the designation of the respective cash flow hedge. In those circumstances, the net gain or loss remains in "Accumulated other comprehensive loss" and is reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings, unless the forecasted transaction is no longer probable in which case the net gain or loss is reclassified into earnings immediately.

During the fiscal years ended June 30, 2024 and 2023 the Company did not enter into any interest rate swap contracts.

*Foreign Exchange Forward Contracts*

The Company uses derivative financial instruments to manage exposures to foreign currency that may or may not be designated as hedging instruments. The Company’s objective for holding derivatives is to use the most effective methods to minimize the impact of these exposures. The Company does not enter into derivatives for speculative or trading purposes. The Company enters into foreign exchange forward contracts primarily to mitigate the effect of gains and losses generated by foreign currency transactions related to certain operating expenses and remeasurement of certain assets and liabilities denominated in foreign currencies.

For foreign exchange forward contracts not designated as hedging instruments, the fair value of the derivatives in a gain position are recorded in “Prepaid expenses and other current assets” and derivatives in a loss position are recorded in “Other accrued liabilities” in the accompanying consolidated balance sheets. Changes in the fair value of derivatives are recorded in “Other income, net” in the accompanying consolidated statements of operations. As of June 30, 2024 and 2023, foreign exchange forward currency contracts not designated as hedging instruments had the total notional amount of \$31.3 million and \$3.4 million, respectively. These contracts had maturities of less than 40 days. For the years ended June 30, 2024, 2023 and 2022 the net losses recorded in the consolidated statements of operations from these contracts were approximately \$0.3 million, \$0.4 million, and \$1.4 million, respectively. Changes in the fair value of these foreign exchange forward contracts are offset largely by remeasurement of the underlying assets and liabilities.

There were no foreign exchange forward currency contracts that were designated as hedging instruments at June 30, 2024 and 2023.

For the fiscal year ended June 30, 2024, 2023 and 2022 the Company recorded a foreign currency transaction gains from operations of \$0.6 million, \$0.8 million and \$1.7 million, respectively.

**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**15. Restructuring and Related Charges**

During fiscal years ended June 30, 2024, 2023 and 2022, the Company recorded restructuring and related charges of \$36.3 million, \$2.9 million and \$1.7 million, respectively. The charges are reflected in “Restructuring and related charges” in the consolidated statements of operations.

*2024 Restructuring*

During the fourth quarter of fiscal 2024, the Company continued to execute the "Q2 2024", "Q3 2024", and "2023" Plans. The Company incurred restructuring charges during the quarter related to severance and benefits costs for the "Q2 2024" and "Q3 2024" Plans. Additionally, as part of the "2023 Plan", the Company incurred restructuring charges related to the accelerated depreciation of leasehold improvements located in the labs at the Company's San Jose, California location. These leasehold improvements were determined to no longer provide economic benefits to the Company as a result of the lab move.

During the third quarter of fiscal 2024, the Company executed a global reduction-in-force plan targeted towards the reorganization of the Company's research and development and sales and marketing functions to align the Company's workforce with its strategic priorities and to focus on specific geographies and industry segments with higher growth opportunities (the “Q3 2024 Plan”). During the fiscal year ended June 30, 2024, the Company recorded restructuring charges of approximately \$11.0 million related to the Q3 2024 Plan, which primarily consisted of severance and benefits expenses.

During the second quarter of fiscal 2024, the Company executed a global reduction-in-force plan to rebalance its workforce to create greater efficiency and improve execution, in alignment with the Company's business and strategic priorities, while reducing its ongoing operating expenses to address reduced revenue and macro-economic conditions (the “Q2 2024 Plan”). During the fiscal year ended June 30, 2024, the Company recorded restructuring charges of approximately \$15.9 million related to the Q2 2024 Plan, which primarily consisted of employee severance and benefits expenses, legal and consulting fees.

The Company expects to complete these ongoing restructuring plans by the end of calendar year 2024 and expects to incur about \$1.0 million in additional charges for the Q2 2024 Plan and the Q3 2024 Plan.

During the first quarter of fiscal 2024, the Company initiated a reduction-in-force plan to rebalance the workforce to create greater efficiency and improve execution in alignment with the Company's business and strategic priorities (the “Q1 2024 Plan”). It consisted primarily of workforce reduction to drive productivity in research and development, sales and marketing and provide efficiency across operations and general and administrative functions. During the fiscal year ended June 30, 2024, the Company incurred charges of approximately \$2.9 million related to the Q1 2024 Plan. As of June 30, 2024, the plan was completed.

During the third quarter of fiscal 2023, the Company initiated a restructuring plan to transform its business infrastructure and reduce its facilities footprint and the facilities related charges (the “2023 Plan”). As part of this project, the Company is moving engineering labs from its San Jose, California location to its Salem, New Hampshire location. This move is expected to help reduce the cost of operating the Company's labs. During the fiscal year ended June 30, 2024, the Company incurred restructuring charges of approximately \$6.6 million primarily for moving costs and including accelerated depreciation on lab leasehold improvements of approximately \$5.9 million. During the fiscal year ended June 30, 2023, the Company incurred restructuring charges of approximately \$2.9 million related to primarily included additional facilities expenses related to previously impaired facilities. The Company expects that the project will take about 3 to 6 months from June 30, 2024 to complete, and expects to incur charges of approximately \$2.8 million throughout this period, primarily for asset disposals, contractor costs, and other fees.

As of June 30, 2024 the restructuring liability was approximately \$11.5 million, which was recorded in “Other accrued liabilities” in the accompanying consolidated balance sheets. The Company did not have any restructuring liability as of June 30, 2023.

The following table summarizes the activity related to the Company’s restructuring and related liabilities during the following periods (in thousands):

	<u>Year Ended</u>
	<u>June 30, 2024</u>
Balance at beginning of period	\$ —
Period charges	37,622
Period reversals	(1,301)
Period non-cash adjustments	(5,940)
Period payments	(18,912)
Balance at end of period	<u>\$ 11,469</u>

**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**16. Income Taxes**

Income (loss) before income taxes is as follows (in thousands):

	Year Ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Domestic	\$ (72,684)	\$ (2,179)	\$ (1,204)
Foreign	(4,815)	96,285	53,398
Income (loss) before income taxes	<u>\$ (77,499)</u>	<u>\$ 94,106</u>	<u>\$ 52,194</u>

The provision for income taxes for the years ended June 30, 2024, 2023 and 2022 consisted of the following (in thousands):

	Year Ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Current:			
Federal	\$ 1,340	\$ 3,221	\$ —
State	246	3,640	1,069
Foreign	6,843	9,086	6,460
Total current	<u>8,429</u>	<u>15,947</u>	<u>7,529</u>
Deferred:			
Federal	404	368	396
State	252	433	227
Foreign	(620)	(716)	(229)
Total deferred	<u>36</u>	<u>85</u>	<u>394</u>
Provision for income taxes	<u>\$ 8,465</u>	<u>\$ 16,032</u>	<u>\$ 7,923</u>

The difference between the provision for income taxes and the amount computed by applying the federal statutory income tax rate (21 percent) to income before income taxes is explained below (in thousands):

	Year Ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Tax at federal statutory rate	\$ (16,275)	\$ 19,762	\$ 10,960
State income tax, net of federal benefit	194	3,003	844
Global intangible low-taxed income	10,595	22,721	15,470
US valuation allowance change – deferred tax movement	18,199	(24,682)	(15,264)
Research and development credits	(7,746)	(1,503)	(3,122)
Tax impact of foreign earnings	4,399	(5,627)	(3,762)
Foreign withholding taxes	2,943	1,082	1,032
Stock based compensation	(8,551)	(1,980)	(5,011)
Goodwill amortization	549	730	525
Nondeductible officer compensation	8,667	4,582	5,691
Nondeductible meals and entertainment	319	324	193
Foreign tax credits	(4,828)	(2,380)	367
Provision for income taxes	<u>\$ 8,465</u>	<u>\$ 16,032</u>	<u>\$ 7,923</u>

**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Significant components of the Company’s deferred tax assets are as follows (in thousands):

	June 30,	
	2024	2023
Deferred tax assets:		
Net operating loss carry-forwards	\$ 19,634	\$ 21,553
Tax credit carry-forwards	62,936	57,841
Depreciation	3,477	1,899
Intangible amortization	19,846	20,652
Deferred revenue	25,171	19,698
Inventory write-downs	13,819	13,616
Other allowances and accruals	33,031	38,391
Stock based compensation	7,445	6,332
Deferred intercompany gain	3,690	3,693
Ireland goodwill amortization	4,142	4,862
Capitalization of research and development	37,912	19,062
Operating lease liability	8,560	6,303
Other	858	634
<b>Total deferred tax assets</b>	<b>240,521</b>	<b>214,536</b>
Valuation allowance	(218,375)	(195,297)
<b>Total net deferred tax assets</b>	<b>22,146</b>	<b>19,239</b>
Deferred tax liabilities:		
Goodwill amortization	(14,403)	(12,471)
Operating lease right of use asset	(6,906)	(4,543)
Prepaid commissions	(3,499)	(4,899)
Deferred tax liability on foreign withholdings	(854)	(747)
<b>Total deferred tax liabilities</b>	<b>(25,662)</b>	<b>(22,660)</b>
<b>Net deferred tax liabilities</b>	<b>\$ (3,516)</b>	<b>\$ (3,421)</b>
Recorded as:		
Net non-current deferred tax assets	4,462	4,326
Net non-current deferred tax liabilities	(7,978)	(7,747)
<b>Net deferred tax liabilities</b>	<b>\$ (3,516)</b>	<b>\$ (3,421)</b>

The Company’s global valuation allowance increased by \$23.1 million in the fiscal year ended June 30, 2024 and decreased by \$14.4 million in the fiscal year ended June 30, 2023. The Company has provided a full valuation allowance against all of its U.S. federal and state deferred tax assets, as well as valuation allowances against certain non-U.S. deferred tax assets in Ireland and Brazil. The valuation allowance is determined by assessing both negative and positive available evidence to determine whether it is more likely than not that the deferred tax assets will be recoverable. The Company's inconsistent earnings in recent periods, including historical losses, tax attributes expiring unutilized in recent years and the cyclical nature of the Company's business provides sufficient negative evidence that require a full valuation allowance against its U.S. federal and state net deferred tax assets. The valuation allowance is evaluated periodically and can be reversed partially or in full if business results and the economic environment have sufficiently improved to support realization of the Company's deferred tax assets.

As of June 30, 2024, the Company had net operating loss carry-forwards (“NOLs”) for U.S. federal and state tax purposes of \$16.2 million and \$137.4 million, respectively. As of June 30, 2024, the Company also had foreign NOLs in Australia, Brazil, and Ireland of \$5.2 million, \$12.7 million, and \$13.7 million respectively. As of June 30, 2024, the Company also had federal and state tax credit carry-forwards of \$34.2 million and \$36.4 million, respectively. These credit carry-forwards consist of research and development tax credits as well as foreign tax credits. Of the \$16.2 million U.S. federal NOLs carry-forwards, \$2.8 million will begin to expire in the fiscal year ending June 30, 2037 and \$13.4 million have an indefinite carryforward life. The state net operating losses of \$137.4 million will begin to partially expire in the fiscal year ending June 30, 2025. The foreign net operating losses can generally be carried forward indefinitely. Federal research and development tax credits of \$28.5 million will expire beginning in fiscal 2026, if not utilized and foreign tax credits of \$5.7 million will expire beginning in fiscal 2025. North Carolina state research and development tax credits of \$0.9 million will expire beginning in the fiscal year ending June 30, 2025, if not utilized. California state research and development tax credits of \$35.6 million do not expire and can be carried forward indefinitely.

**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

In June 2024, the Company performed an analysis under Section 382 of the IRC with respect to its net operating loss and credit carry-forwards to determine whether a potential ownership change had occurred that would place a limitation on the annual utilization of these U.S. tax attributes. It was determined that no ownership change had occurred during the fiscal year ended June 30, 2023, however, it is possible a subsequent ownership change could limit the utilization of the Company's tax attributes. The Company also performed, in June 2020, a separate IRC section 382 analysis with respect to the NOLs and tax credits acquired from Aerohive and have determined that while the Company will be subject to an annual limitation, the Company should not be limited on the full utilization of the losses and credits during the statutory allowable carryforward period for the NOLs and credits.

As of June 30, 2024, cumulative undistributed, indefinitely reinvested earnings of non-U.S. subsidiaries totaled \$41.7 million. It has been the Company's historical policy to invest the earnings of certain foreign subsidiaries indefinitely outside the U.S. The Company has reviewed its prior position on the reinvestment of earnings of certain foreign subsidiaries and has recorded a deferred tax liability of \$0.9 million related to withholding taxes that may be incurred upon repatriation of earnings from jurisdictions where no indefinite reinvestment assertion is made. The Company continues to maintain an indefinite reinvestment assertion for earnings in certain of its foreign jurisdictions. The unrecorded deferred tax liability for potential tax associated with repatriation of these earnings is \$7.9 million.

Most recently, the United States enacted the Inflation Reduction Act in 2022, which made a number of changes to the IRC, including adding a 1% excise tax on stock buybacks by publicly traded corporations and a corporate minimum tax on adjusted financial statement income of certain large companies. We do not anticipate this legislation will have a material impact for the Company.

The Company conducts business globally and as a result, most of its subsidiaries file income tax returns in various domestic and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world. Its major tax jurisdictions are the U.S., Ireland, India, California, New Hampshire, Texas and North Carolina. In general, the Company's U.S. federal income tax returns are subject to examination by tax authorities for fiscal years ended June 2004 forward due to net operating losses and the Company's state income tax returns are subject to examination for fiscal years ended June 2005 forward due to net operating losses. Statutes related to material foreign jurisdictions are generally open for fiscal years ended June 2020 forward for Ireland and for tax year ended March 2020 forward for India.

The U.S. tax rules require U.S. tax on foreign earnings, known as Global Intangible Low Taxed Income ("GILTI"). Under U.S. Generally Accepted Accounting Principles, taxpayers are allowed to make an accounting policy election of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the "period cost method") or (2) factoring such amounts into a company's measurement of its deferred taxes. The Company has elected to account for GILTI tax as a component of tax expense in the period in which it is incurred under the period cost method.

As of June 30, 2024, the Company had \$18.2 million of unrecognized tax benefits. If fully recognized in the future, \$0.2 million would impact the effective tax rate, and \$18.0 million would result in adjustments to deferred tax assets and corresponding adjustments to the valuation allowance. The Company does not reasonably expect the amount of unrealized tax benefits to materially decrease during the next twelve months.

A reconciliation of the beginning and ending amount of total unrecognized tax benefits is as follows (in thousands):

Balance at June 30, 2022	<u>\$ 18,367</u>
Decrease related to prior year tax positions	(21)
Increase related to prior year tax positions	1
Increase related to current year tax positions	15
Lapse of statute of limitations	(65)
Balance at June 30, 2023	<u>\$ 18,297</u>
Decrease related to prior year tax positions	(25)
Increase related to prior year tax positions	—
Increase related to current year tax positions	20
Lapse of statute of limitations	(75)
Balance at June 30, 2024	<u>\$ 18,217</u>

Estimated interest and penalties related to the underpayment of income taxes, if any are classified as a component of income tax expense in the consolidated statements of operations and totaled less than \$0.1 million for each of the years ended 2024, 2023 and 2022.

**EXTREME NETWORKS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**17. Net Income (Loss) Per Share**

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted income (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares of common stock used in the basic net income (loss) per share calculation plus the dilutive effect of any shares subject to repurchase, options and unvested RSUs.

The following table presents the calculation of basic and diluted net income (loss) per share (in thousands, except per share data):

	Year Ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Net income (loss)	\$ (85,964)	\$ 78,074	\$ 44,271
Weighted-average shares used in per share calculation – basic	129,288	129,473	129,437
Options to purchase common stock	—	708	567
Restricted stock units	—	3,468	3,490
Weighted-average shares used in per share calculation – diluted	129,288	133,649	133,494
Net income (loss) per share – basic and diluted			
Net income (loss) per share – basic	\$ (0.66)	\$ 0.60	\$ 0.34
Net income (loss) per share – diluted	\$ (0.66)	\$ 0.58	\$ 0.33

Potentially dilutive shares of common stock from employee incentive plans are determined by applying the treasury stock method to the assumed exercise of outstanding stock options, the assumed vesting of outstanding RSUs, and the assumed issuance of common stock under the ESPP.

The following securities were excluded from the computation of net income (loss) per diluted share of common stock for the periods presented as their effect would have been anti-dilutive (in thousands):

	Year Ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Options to purchase common stock	1,126	—	—
Restricted stock units	5,946	153	99
Employee Stock Purchase Plan shares	193	181	400
Total shares excluded	7,265	334	499

**18. Subsequent Events**

On August 13, 2024, a putative securities class action (the “Class Action”) was filed in the United States District Court for the Northern District of California captioned *Steamfitters Local 449 Pension & Retirement Security Funds v. Extreme Networks, Inc., et al.*, Case No. 5:24-cv-05102-TLT, naming the Company and certain of our current and former executive officers as defendants. The lawsuit is purportedly brought on behalf of purchasers of Extreme Networks securities between July 27, 2022 and January 30, 2024 (the “Class Period”). The complaint alleges claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, based on allegedly false and misleading statements about our business and prospects during the Class Period. The lawsuit seeks unspecified damages. We intend to deny the allegations of wrongdoing and vigorously defend against the claims in the Class Action.

Effective August 14th, 2024, the Company entered into an Amendment Number One to the 2023 Credit Agreement. Under the new amendment, the Company modified the definition of the consolidated EBITDA for the purposes of evaluating compliance with financial covenants under the 2023 Credit Agreement. The amended definition of consolidated EBITDA modifies the amount and type of add-backs that are allowable to better align with the Company's operations and activities. Further, the amendment provides a waiver for the Company's compliance with the consolidated interest charge coverage ratio for each of the quarters ended June 30, 2024, September 30, 2024, and December 31, 2024, as a perfunctory matter.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

## **Item 9A. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to reasonably assure that such information is accumulated and communicated to our management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our CEO and CFO, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of June 30, 2024.

### **Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurances with respect to financial statement preparation. Further because of changes in conditions, the effectiveness of internal control may vary over time.

We assessed the effectiveness of our internal control over financial reporting as of June 30, 2024. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013). Based on our assessment using those criteria, we concluded that, as of June 30, 2024, our internal control over financial reporting is effective.

Our independent registered public accounting firm, Grant Thornton, LLP, has audited the consolidated financial statements as of and for the year ended June 30, 2024 included in this Annual Report on Form 10-K and has issued its report on our internal control over financial reporting as of June 30, 2024.

### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Rules 13a – 15(f) and 15d – 15(f) under the Exchange Act) during the fourth quarter of 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Inherent Limitations on Effectiveness of Controls**

Our management, including the CEO and CFO, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Our controls and procedures are designed to provide reasonable assurance that our control system's objective will be met, and our CEO and CFO have concluded that our disclosure controls and procedures are effective at the reasonable assurance level. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within Extreme have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events. Projections of any evaluation of the effectiveness of controls in future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Notwithstanding these limitations, our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Our CEO and CFO have concluded that our disclosure controls and procedures are, in fact, effective at the "reasonable assurance" level.

## **Item 9B. Other Information**

Because this Annual Report on Form 10-K is being filed within four business days from the date of the reportable events described below, we have elected to make the following disclosures in this Annual Report on Form 10-K instead of in a Current Report on Form 8-K under Item 1.01.

*The information set forth below is included herein for the purpose of providing the disclosure required under "Item 1.01 – Entry into a Material Definitive Agreement" of Form 8-K.*



**Item 1.01 Entry into a Material Definitive Agreement.**

On August 14, 2024 (the “Amendment Date”), the Company and certain of its subsidiaries entered into an amendment (the “Amendment”) to its Second Amended and Restated Credit Agreement, dated as of June 22, 2023 (the “Credit Agreement”), by and among the Company, as borrower, the lenders from time to time party thereto, and Bank of Montreal, as administrative agent and collateral agent.

The Amendment, among other things, amends certain terms and provisions of the Credit Agreement, including, without limitation, to (i) waive compliance with the consolidated interest coverage ratio financial covenant for the fiscal quarters ending June 30, 2024, September 30, 2024 and December 31, 2024, (ii) add a financial covenant requiring that the Company and its subsidiaries maintain cash and cash equivalents of at least \$100 million as of the last day of the fiscal quarters ending September 30, 2024 and December 31, 2024, (iii) modify the definition of “Consolidated EBITDA” and certain other financial definitions, and (iv) limit the ability of the Company and its subsidiaries to make certain dividends and other restricted payments from the Amendment Date through the date on which a quarterly compliance certificate is delivered under the Credit Agreement for the fiscal quarter ending December 31, 2024.

The foregoing description of the Amendment does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Amendment, which is filed as Exhibit 10.34 and is incorporated herein by reference.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

None.

## PART III

Certain information required by Part III is incorporated by reference from our definitive proxy statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for our 2024 Annual Meeting of Stockholders (the “Proxy Statement”) not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and certain information therein is incorporated in this Annual Report on Form 10-K by reference.

### **Item 10. *Directors, Executive Officers and Corporate Governance***

The information required by this section for our directors is incorporated by reference from the information in the section entitled “Proposal One: Election of Directors” in the Proxy Statement. The information required by this section for our executive officers is incorporated by reference from the information in the section entitled “Executive Compensation and Other Matters” in the Proxy Statement.

Item 405 of Regulation S-K calls for disclosure of any known late filing or failure by an insider to file a report required by Section 16 of the Exchange Act. This disclosure is contained in the section entitled “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement and is incorporated herein by reference.

Information with respect to Items 406 and 407 of Regulation S-K is incorporated by reference to the information contained in the section captioned “Code of Ethics and Corporate Governance Materials” in the Proxy Statement.

### **Item 11. *Executive Compensation***

The information required by this section is incorporated by reference from the information in the sections entitled “Director Compensation”, “Executive Compensation and Other Matters” and “Report of the Compensation Committee” in the Proxy Statement.

### **Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this section is incorporated by reference from the information in the section entitled “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement.

The information required by this section regarding securities authorized for issuance under equity compensation plans is incorporated by reference from the information in the section entitled “Equity Compensation Plan Information” in the Proxy Statement.

### **Item 13. *Certain Relationships and Related Transactions, and Director Independence***

The information required by this section is incorporated by reference from the information in the section titled “Certain Relationships and Related Transactions” in the Proxy Statement.

### **Item 14. *Principal Accountant Fees and Services***

The information required by this section is incorporated by reference from the information in the section titled “Principal Accounting Fees and Services” in the Proxy Statement.

## PART IV

### Item 15. *Exhibits and Financial Statement Schedules*

- **The following documents are filed as a part of this Annual Report on Form 10-K:**

- (1) Financial Statements:

Reference is made to the Index to Consolidated Financial Statements of Extreme Networks, Inc. under Item 8 in Part II of this Annual Report on Form 10-K.

All required schedules are omitted because either they are not applicable, or the required information is shown in the financial statements or notes thereto.

- Exhibits:

Incorporated herein by reference is a list of the Exhibits contained in the Exhibit Index immediately preceding the signature page of this Annual Report on Form 10-K.

## EXHIBIT INDEX

The exhibits listed below are required by Item 601 of Regulation S-K. Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K has been identified.

Exhibit Number	Description of Document	Incorporated by Reference			Provided Herewith
		Form	Filing Date	Number	
2.1	Asset Purchase Agreement, dated as of October 3, 2017 between Brocade Communications Systems. Inc. and Extreme Networks, Inc.	8-K	10/03/2017	2.1	
2.2	Amendment No. 1 dated May 6, 2018 to the Asset Purchase Agreement, dated as of October 3, 2017 between Brocade Communications Systems. Inc. and Extreme Networks, Inc.	10-K	8/29/2018	2.8	
2.3	Agreement and Plan of Merger, dated June 26, 2019 by and among Extreme Networks, Inc., Clover Merger Sub, Inc. and Aerohive Networks, Inc.	8-K	6/26/2019	2.1	
2.4†	Put Option Agreement, dated August 6, 2021 relating to the acquisition of Ipanematech SAS.	10-K	8/27/2021	2.9	
3.1	Amended and Restated Certificate of Incorporation of Extreme Networks, Inc.	8-K	11/18/2022	3.1	
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation.	8-K	11/9/2023	3.1	
3.3	Amended and Restated Bylaws of Extreme Networks, Inc.	8-K	6/09/2023	3.1	
3.4	Certificate of Designation, Preferences and Rights of the Terms of the Series A Preferred Stock.	10-K	9/26/2001	3.7	
4.1(a)	Amended and Restated Tax Benefit Preservation Plan, dated as of May 17, 2021 between Extreme Networks, Inc. and Computershare Inc., which includes the Form of Right Certificate as Exhibit A.	8-K	5/18/2021	4.1	
4.1(b)	First Amendment to the Amended and Restated Tax Benefit Preservation Plan, dated as of August 24, 2023, between Extreme Networks, Inc. and Computershare Inc., as Rights Agent.	10-K	8/24/2023	4.1(b)	
4.2	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.	10-K	8/24/2023	4.2	
10.1*	Amended and Restated 2013 Equity Incentive Plan, effective November 2022.	S-8	11/17/2022	99.1	
10.2*	Amended and Restated 2014 Employee Stock Purchase Plan, effective November 2021.	S-8	11/24/2021	99.2	
10.3*	Form of option award agreement under Extreme Networks, Inc. 2013 Equity Incentive Plan.	10-Q	11/2/2016	10.1	
10.4*	Form of Notice of Grant and Grant Agreement for Performance Vesting Restricted Stock Units.	10-K	8/31/2021	10.44	
10.5*	Form of Notice of Grant and Grant Agreement for Restricted Stock Units under Extreme Networks, Inc. 2013 Equity Incentive Plan- U.S.	10-K	8/29/2022	10.33	
10.6*	Form of Notice of Grant and Grant Agreement for Restricted Stock Units under Extreme Networks, Inc. 2013 Equity Incentive Plan- International.	10-K	8/29/2022	10.34	
10.7*	Form of Notice of Grant of Performance Vesting Restricted Stock Units under Extreme Networks, Inc. 2013 Equity Incentive Plan - U.S.	10-K	8/29/2022	10.36	

10.8*	Form of Notice of Grant of Performance Vesting Restricted Stock Units under Extreme Networks, Inc. 2013 Equity Incentive Plan - International.	10-K	8/29/2022	10.37
10.9*	Form of Notice of Grant of Performance Vesting Restricted Stock Units (SLTI) under Extreme Networks, Inc. 2013 Equity Incentive Plan – U.S.	10-Q	11/2/2023	10.1
10.10*	Form of Notice of Grant of Performance Vesting Restricted Stock Units (SLTI) under Extreme Networks, Inc. 2013 Equity Incentive Plan – International.	10-Q	11/2/2023	10.2
10.11*	Amended and Restated Offer Letter, executed August 31, 2016, between Extreme Networks, Inc. and Edward B. Meyercord.	10-K	9/6/2016	10.27
10.12*	Offer Letter, executed April 21, 2023, between Extreme Networks, Inc. and Kevin Rhodes.	8-K	4/24/2023	10.1
10.13*	Offer Letter, executed November 13, 2015, between Extreme Networks, Inc. and Katayoun "Katy" Motiey.	10-Q	5/2/2024	10.1
10.14*	Offer Letter, executed May 27, 2020, between Extreme Networks, Inc. and Joe Vitalone.	10-K	8/31/2021	10.43
10.15*	Separation Agreement with Joe Vitalone.	10-Q	5/2/2024	10.2
10.16	Form of Indemnification Agreement for directors and officers.	10-Q	5/10/2019	10.1
10.17*	Extreme Networks, Inc. Executive Change in Control Severance Plan Amended and Restated April 30, 2019.	10-Q	5/10/2019	10.2
10.18*	Agreement to Participate in the Extreme Networks, Inc. Executive Change in Control Severance Plan.	10-Q	5/10/2019	10.3
10.19*	Amendment to the Extreme Networks, Inc. Executive Change in Control Severance Plan.	10-K	4/29/2021	10.47
10.20*	Executive Vice President Severance Practice only applies to Direct Reports to CEO.	10-K	4/29/2021	10.48
10.21	Lease Agreement by and between RDU Center III LLC and Extreme Networks, Inc. dated October 15, 2012.	8-K	10/19/2012	10.1
10.22	Lease for property at 6480 Via Del Oro, San Jose, California, dated November 6, 2017 between SI 64 LLC, a California limited liability company and Extreme Networks, Inc.	10-Q	2/08/2018	10.5
10.23	Lease for property at 6377 San Ignacio Avenue, San Jose, dated November 6, 2017 between SI 33, LLC a California limited liability company and Extreme Networks, Inc.	10-Q	2/08/2018	10.6
10.24	First Amendment to Lease Agreement by and between RDU Center III LLC and Extreme Networks, Inc. dated December 31, 2012.	8-K	1/7/2013	10.1
10.25	Third Amendment to Lease Agreement by and between RDU Center III LLC and Extreme Networks, Inc. dated June 1, 2022.	10-K	8/29/2022	10.35
10.26	Fourth Amendment to Lease Agreement by and between OSK XIV REO, LLC and Extreme Networks, Inc. dated November 30, 2023.	10-Q	2/1/2024	10.1
10.27	Commitment Letter, June 26, 2019, among Bank of Montreal, BMO Capital Markets Corp. and Extreme Networks, Inc.	8-K	6/26/2019	10.1
10.28	Credit Agreement, dated as of August 9, 2019, by and among Bank of Montreal and BMO Capital Markets Corp. (and the other lenders party thereto) and Extreme Networks, Inc. (and certain of its affiliates).	Schedule TO	8/09/2019	(b)(2)
10.29	First Amendment and Limited Waiver dated as of April 8, 2020, by and among Extreme Networks, Inc., the Lenders	10-Q	5/11/2020	10.51

	party thereto, and the Bank of Montreal, as administrative and collateral agent for the Lenders.			
10.30	Second Amendment to the Amended and Restated Credit Agreement dated as of May 8, 2020, by and among Extreme Networks, Inc., the Lenders party thereto, and the Bank of Montreal, as administrative and collateral agent for the Lenders.	10-Q	5/11/2020	10.52
10.31	Third Amendment to the Amended and Restated Credit Agreement dated as of November 3, 2020, by and among Extreme Networks, Inc., the Lenders party thereto, and the Bank of Montreal, as administrative and collateral agent for the Lenders.	10-Q	2/9/2021	10.45
10.32	Fourth Amendment to the Amended and Restated Credit Agreement dated as of December 8, 2020, by and among Extreme Networks, Inc., the Lenders party thereto, and the Bank of Montreal, as administrative and collateral agent for the Lenders.	10-Q	2/9/2021	10.46
10.33	Second Amended and Restated Credit Agreement dated as of June 22, 2023, by and among Extreme Networks, Inc., the financial institutions or entities party thereto as lenders, and the Bank of Montreal, as administrative agent.	8-K	6/23/2023	10.1
10.34	First Amendment to Second Amended and Restated Credit Agreement dated as of August 14, 2024, by and among Extreme Networks, Inc., the several banks and other financial institutions and the Bank of Montreal, as administrative agent.			X
19.1	Insider Trading Policy.			X
21.1	Subsidiaries of Extreme Networks, Inc.			X
23.1	Consent of Independent Registered Public Accounting Firm.			X
24.1	Power of Attorney (see the signature page of this Form 10 K).			X
31.1	Section 302 Certification of Chief Executive Officer.			X
31.2	Section 302 Certification of Chief Financial Officer.			X
32.1**	Section 906 Certification of Chief Executive Officer.			X
32.2**	Section 906 Certification of Chief Financial Officer.			X
97.1	Policy for Recovery of Erroneously Awarded Compensation.			X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			X
101.SCH	Inline XBRL Taxonomy Extension Schema with Embedded Linkbase Documents.			X
104	Cover page from the Company’s Annual Report on Form 10-K for the year ended June 30, 2024 formatted as Inline XBRL (included in Exhibit 101).			X

\* Indicates management or board of directors contract or compensatory plan or arrangement.

\*\* Exhibits 32.1 and 32.2 are being furnished and shall not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended (the “Securities Act”); are deemed not to be “filed” for purposes of section 18 of the Securities Exchange Act of 1934, as amended; and (the “Exchange Act”), or otherwise are not subject to the liability of that section, nor shall such exhibits be deemed to be incorporated by reference in any registration statement or other document filed under these sections, the Securities Act of 1933, as amended, or the Exchange Act, except as otherwise specifically stated in such filing.

† This filing excludes schedules and exhibits pursuant to Item 601(b)(2) of Regulation S-K, which the registrant agrees to furnish supplementally to the SEC upon request by the SEC.



**EXTREME NETWORKS, INC.****SUBSIDIARY LIST**

<u>Name</u>	<u>Location</u>
Extreme Networks, Inc.	Delaware
Aerohive Networks, Inc.	Delaware
Aerohive Networks, LLC	Delaware
Aerohive Networks Ltd.	Cayman Islands
Enterasys Networks, Inc.	Delaware
Extreme Federal Inc.	Delaware
Extreme Networks GmbH	Germany
Extreme Networks SRL	Italy
Extreme Networks s.r.o.	Czech Republic
Extreme Networks Bilisim Teknolojileri Hizmetleri Limited Sirketi	Turkey
Extreme Networks APAC Sdn Bhd	Malaysia
Extreme Networks Arabia LLC	Saudi Arabia
Extreme Networks Australia PTY, Ltd.	Australia
Extreme Networks Belgium SARL	Belgium
Extreme Networks Canada Inc.	Canada
Extreme Networks Chile, Ltda.	Chile
Extreme Networks China Ltd.	Hong Kong
Extreme Networks Colombia Technology SAS	Colombia
Extreme Networks Delaware LLC	Delaware
Extreme Networks Do Brazil, Ltda	Brazil
Extreme Networks EMEA Ltd.	Cayman Islands
Extreme Networks France SA	France
Extreme Networks (Hangzhou) Ltd.	China
Extreme Networks Hong Kong Ltd.	Hong Kong
Extreme Networks IHC, Inc.	Delaware
Extreme Networks India Private Ltd.	India
Extreme Networks International Ltd.	Cayman Islands
Extreme Networks Ireland Ltd.	Ireland
Extreme Networks Ireland Holding Ltd.	Ireland
Extreme Networks Ireland Ops Ltd.	Ireland
Extreme Networks KK	Japan
Extreme Networks Korea Ltd.	South Korea
Extreme Networks Mauritius	Mauritius
Extreme Networks Mexico, SA de CV	Mexico
Extreme Networks Netherlands BV	Netherlands
Extreme Networks Norway AS	Norway
Extreme Networks Singapore Pte. Ltd.	Singapore
Extreme Networks Spain SL	Spain
Extreme Networks Switzerland GmbH	Switzerland
Extreme Networks Technology Co. (Beijing) Ltd.	China
Extreme Networks UK Technology Ltd.	United Kingdom
IHC Networks AB	Sweden



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our reports dated August 16, 2024, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Extreme Networks, Inc. on Form 10-K for the year ended June 30, 2024. We consent to the incorporation by reference of said reports in the Registration Statements of Extreme Networks, Inc. on Forms S-8 (File Nos. 333-83729, 333-54278, 333-55644, 333-58634, 333-65636, 333-76798, 333-105767, 333-112831, 333-131705, 333-165268, 333-192507, 333-201456, 333-215648, 333-221876, 333-229582, 333-233164, 333-235541, 333-261350, 333-268818 and 333-276074).

/s/ Grant Thornton LLP

San Francisco, California

August 16, 2024

SECTION 302 CERTIFICATION OF EDWARD B. MEYERCORD III  
AS CHIEF EXECUTIVE OFFICER

I, Edward B. Meyercord III, certify that:

1. I have reviewed this Form 10-K of Extreme Networks, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 16, 2024

/s/ EDWARD B. MEYERCORD III  
Edward B. Meyercord III  
President and Chief Executive Officer

SECTION 302 CERTIFICATION OF KEVIN RHODES  
AS CHIEF FINANCIAL OFFICER

I, Kevin Rhodes, certify that:

1. I have reviewed this Form 10-K of Extreme Networks, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 16, 2024

/s/ Kevin Rhodes

Kevin Rhodes  
Executive Vice President and Chief Financial Officer  
(Principal Accounting Officer)

CERTIFICATION OF EDWARD B. MEYERCORD III AS CHIEF EXECUTIVE OFFICER, PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Extreme Networks, Inc. on Form 10-K for the period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and on the date specified below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ EDWARD B. MEYERCORD III  
Edward B. Meyercord III  
President and Chief Executive Officer  
August 16, 2024

CERTIFICATION OF KEVIN RHODES AS CHIEF FINANCIAL OFFICER, PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Extreme Networks, Inc. on Form 10-K for the period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and on the date specified below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kevin Rhodes

Kevin Rhodes

Executive Vice President and Chief Financial Officer  
(Principal Accounting Officer)

August 16, 2024



## Board of Directors

### **John C. Shoemaker**

*Chair of the Board and Chair,  
Nominating, Governance and  
Environmental & Social  
Responsibility Committee*

Former Executive Vice  
President, Computer Systems  
and Microelectronics at Sun  
Microsystems, Inc.

### **Edward B. Meyercord**

President and CEO of Extreme  
Networks, Inc.

### **Ingrid J. Burton**

Former Chief Marketing Officer for  
Quantcast

### **Charles P. Carinalli**

*Chair, Compensation  
Committee*

Principal, Carinalli Ventures

### **Kathleen M. Holmgren**

Former Chief Officer, Future Workforce  
for Automation Anywhere, Inc.

### **Edward H. Kennedy**

Former CEO and President of CENX, Inc.

### **Raj Khanna**

*Chair, Audit Committee*

Former Vice President of Corporate  
Audit of Qualcomm, Inc.

## Executive Officers

### **Edward B. Meyercord**

*President and CEO*

### **Kevin Rhodes**

*Executive Vice President, Finance;  
Chief Financial Officer*

### **Katayoun (“Katy”) Motiey**

*Chief Legal,  
Administrative &  
Sustainability Officer*

## Corporate Secretary

### **Katayoun (“Katy”) Motiey**

*Chief Legal,  
Administrative &  
Sustainability Officer*

2121 RDU Center  
Suite 300  
Morrisville, NC 27560

## Obtaining Financial Statements

A copy of our Annual Report on Form 10-K is posted to our website. You may also request a copy by calling +1-408-579-2800.

### **Trading Information**

Extreme Networks is publicly listed on NASDAQ as EXTR.

### **Annual Meeting**

November 14, 2024, 11:00 AM EST, a virtual, live audio meeting of stockholders

### **Investor Relations**

#### **Stanley Kovler**

+1-919-595-4196  
Investor\_relations  
@extremenetworks.com

### **Transfer Agent**

#### **For Regular Delivery:**

Computershare, Inc.  
P.O. Box 43078  
Providence, RI 02940

or

#### **For Overnight Delivery:**

Computershare, Inc.  
250 Royall Street  
Canton, MA 02021

#### **Toll free: 1-866-272-6613**

Foreign Shareowners:  
+1-201-680-6578  
Web: [www.computershare.com/  
investor](http://www.computershare.com/investor)



**GLOBAL HEADQUARTERS**

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