

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 7, 2003

EXTREME NETWORKS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

000-25711

(Commission File Number)

77-0430270

(IRS Employer
Identification No.)

3585 Monroe Street

Santa Clara, California 95051

(Address of principal executive offices) (Zip Code)

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

Not Applicable

(Former name or former address, if changed since last report)

Item 9. Regulation FD Disclosure.

On April 7, 2003, Extreme Networks, Inc. (“Extreme”) issued a press release and held a conference call regarding its financial results for the period ending March 31, 2003. Extreme made forward-looking statements regarding 2003 in both the press release and the conference call. A copy of the press release that Extreme issued regarding its third quarter financial results, together with the forward-looking statements related to 2003, is filed herewith as Exhibit 99.1. In addition, the text of the financial and forward-looking disclosures Extreme made in the conference call is filed herewith as Exhibit 99.2. Both exhibits are incorporated herein by reference.

Item 7. Financial Statements and Exhibits.

(c) Exhibits.

Exhibit No.	Description
99.1	Press Release dated April 7, 2003 regarding Extreme’s financial results for the quarter ended March 31, 2003 and forward-looking statements relating to new product introductions.
99.2	Certain financial and forward-looking disclosures made by Extreme during its conference call on April 7, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

EXTREME NETWORKS, INC.

Date: April 7, 2003

By: /s/ HAROLD L. COVERT

Harold L. Covert
Chief Financial Officer

EXHIBIT INDEX

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FOR IMMEDIATE RELEASE

For more information, contact:

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EXTREME NETWORKS REPORTS Q3 FY'03 FINANCIAL RESULTS

SANTA CLARA, Calif., April 7, 2003—Extreme Networks, Inc. (Nasdaq: EXTR), a leader in Ethernet broadband networking solutions, today announced financial results for the third fiscal quarter ended March 30, 2003.

Net revenue for the third quarter of fiscal 2003 was \$85.2 million, compared to \$90.2 million for the second quarter of fiscal 2003. Including deferred compensation totaling \$1.6 million, the Company reported a net loss of \$7.6 million or \$.07 per share for the third quarter of fiscal 2003, compared to a net loss of \$19.7 million or \$0.17 per share for the second quarter of fiscal 2003, which included special charges and deferred compensation totaling \$28.6 million.

“We are at the front end of an exciting major technology and product introduction cycle that greatly strengthens our market position by enabling us to offer a robust portfolio of end-to-end switching solutions that provide customers with the features they require—high performance, unmatched reliability and the lowest total cost of ownership,” said Gordon Stitt, president and CEO of Extreme Networks. “With our announcement that we are already shipping our third-generation chipset technology, called Triumph, we are three months ahead of schedule. (See two press releases from Extreme Networks, April 7, 2003, Extreme Networks Unveils Next-Generation Gigabit Ethernet for BlackDiamond Switch, and New Triumph Chipset Delivers Groundbreaking Performance and Functionality.)

Conference Call

Extreme Networks will host a conference call to discuss these results at 8:30 a.m. EDT (5:30 a.m. PDT), for more information visit <http://www.extremenetworks.com/aboutus/investor/>

Extreme Networks, Inc.

Extreme Networks delivers the most effective applications and services infrastructure by creating networks that are faster, simpler and more cost-effective. Headquartered in Santa Clara, Calif., Extreme Networks markets its network switching solutions in more than 50 countries. For more information, visit www.extremenetworks.com

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Extreme Networks is a registered trademark and Triumph is a trademark of Extreme Networks, Inc., in the United States and other countries.

This announcement contains forward-looking statements that involve risks and uncertainties, including statements about our new technology and product introduction cycles. Actual results could differ materially from those projected in the forward-looking statements as a result of certain risk factors, including, but not limited to: (i) a limited operating history and limited history of profitability that make it more difficult to predict results; (ii) current economic trends in worldwide geographic markets; (iii) the effectiveness of our cost reduction efforts; (iv) fluctuations in demand for our products and services; (iv) a highly competitive business environment for network switching equipment; (v) the possibility that we might experience delays in the development of new technology and products; (vi) customer response to our new technology and product; and (vii) a dependency on third parties for certain components and for the manufacturing of our products. More information about potential factors that could affect our business and financial results is included in our Annual Report on Form 10-K for the year ended June 30, 2002, including, without limitation, under the captions: “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Risk Factors,” which is on file with the Securities and Exchange Commission (<http://www.sec.gov>).

EXTREME NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per-share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31, 2003	March 31, 2002	March 31, 2003	March 31, 2002
Net revenue	\$ 85,213	\$ 111,132	\$ 275,998	\$ 328,487
Costs and expenses:				
Cost of revenue	46,469	47,219	142,894	181,981
Sales, marketing and service	29,830	34,281	93,480	106,969
Research and development	13,749	15,396	41,676	46,411
General and administrative	6,328	6,294	19,992	20,381
Impairment of goodwill and purchased intangible assets	–	89,752	–	89,752
Amortization of deferred stock compensation	1,564	2,437	5,348	7,965
Amortization of goodwill	–	11,468	–	33,478
Amortization of purchased intangible assets	–	1,218	–	3,641
Restructuring charge	–	73,570	14,187	73,570
Property and equipment write-off	–	–	12,678	–
Total costs and expenses	97,940	281,635	3,330,255	564,148
Operating loss	(12,727)	(170,503)	(54,257)	(235,661)
Other income (expense), net	990	(2,856)	2,860	(4,733)
Loss before income taxes	(11,737)	(173,359)	(51,397)	(240,394)
Benefit for income taxes	(4,105)	(33,560)	(19,295)	(53,935)
Net loss	\$ (7,632)	\$(139,799)	\$ (32,102)	\$(186,459)
Net loss per share—basic and diluted	\$ (0.07)	\$ (1.23)	\$ (0.28)	\$ (1.66)
Shares used in per share calculation—basic and diluted	115,501	113,281	114,913	112,368

EXTREME NETWORKS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	March 31, 2003	June 30, 2002
Assets		
Current assets:		
Cash, cash equivalents and investments	\$ 160,228	\$ 236,497
Accounts receivable, net	18,650	51,344
Inventories, net	23,994	24,627
Deferred income taxes	42,905	42,882
Other current assets	18,806	13,126
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Total current assets	264,583	368,476
Property and equipment, net	78,391	99,551
Marketable securities	247,122	163,560
Deferred income taxes	109,979	90,617
Other assets	14,652	13,547
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Total assets	\$ 714,727	\$ 735,751
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Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 23,232	\$ 29,215
Deferred revenue	47,495	40,772
Accrued warranty	10,173	9,055
Other accrued liabilities	42,780	47,583
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Total current liabilities	123,680	126,625
Convertible subordinated notes and other long-term deposit	222,875	220,168
Total stockholders' equity	368,172	388,958
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Total liabilities and stockholders' equity	\$ 714,727	\$ 735,751
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EXTREME NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	March 31, 2003	March 31, 2002
Cash flows from operating activities:		
Net loss	\$(32,102)	\$(186,459)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	20,227	23,644
Amortization of goodwill and purchased intangible assets	—	37,119
Impairment of acquired intangible assets	—	89,752
Provision for doubtful accounts	—	2,700
Deferred income taxes	(19,385)	(55,077)
Restructuring charge and property and equipment write-off	26,865	73,095
Amortization of deferred stock compensation	5,348	7,965
Write-down of investments	—	9,657
Compensation expense for options granted to consultants	—	630
Changes in operating assets and liabilities:		
Accounts receivable	32,694	4,746
Inventories	633	24,640
Other current and noncurrent assets	(6,785)	(3,751)
Accounts payable	(5,983)	850
Deferred revenue	6,723	15,875
Accrued warranty	1,118	6,044
Other accrued liabilities	(14,390)	(929)
Net cash provided by operating activities	14,963	50,501
Cash flows from investing activities:		
Capital expenditures	(13,638)	(30,337)
Purchases and maturities of investments, net	(37,803)	(94,149)
Acquisition of business	—	(14,920)
Net cash used in investing activities	(51,441)	(139,406)
Cash flows from financing activities:		
Proceeds from issuance of common stock	4,365	8,904
Proceeds from issuance of convertible subordinated notes, net	—	193,537
Net cash provided by financing activities	4,365	202,441
Net increase (decrease) in cash and cash equivalents	(32,113)	113,536
Cash and cash equivalents at beginning of period	71,830	87,722
Cash and cash equivalents at end of period	\$ 39,717	\$ 201,258

The following disclosures contain forward-looking statements that involve risks and uncertainties, including statements about Extreme's new technology and product introduction cycles. Actual results could differ materially from those projected in the forward-looking statements as a result of certain risk factors, including, but not limited to: (i) a limited operating history and limited history of profitability that make it more difficult to predict results; (ii) current economic trends in worldwide geographic markets; (iii) the effectiveness of Extreme's cost reduction efforts; (iv) fluctuations in demand for Extreme's products and services; (v) a highly competitive business environment for network switching equipment; (vi) the possibility that Extreme might experience delays in the development of new technology and products; (vii) customer response to Extreme's new technology and product; and (viii) a dependency on third parties for certain components and for the manufacturing of Extreme's products. More information about potential factors that could affect Extreme's business and financial results is included in its Annual Report on Form 10-K for the year ended June 30, 2002, including, without limitation, under the captions: "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Risk Factors," which is on file with the Securities and Exchange Commission (<http://www.sec.gov>).

**Financial and Forward-Looking Disclosures Made by Extreme Networks, Inc.
During Conference Call Held on April 7, 2003**

Extreme made the following financial and forward-looking disclosures in its conference call held on April 7, 2003.

- Gross margin for the third quarter of fiscal 2003 was 45.4% versus 50.2% for the second quarter of fiscal 2003 and 53.2% for the third quarter of fiscal 2002. The primary reason for the decrease in gross margin was due to a decline in service revenue by approximately 8% for the third quarter of fiscal 2003 when compared to the second quarter of fiscal 2003 and 6% when compared to the third quarter of fiscal 2002, while service related expenses increased. Professional services revenue accounted for the majority of the service revenue decline. During the third quarter of fiscal 2003, service expenses increased at a faster rate than normal due to a number of programs that the company implemented to improve service delivery productivity and enhance customer satisfaction.

These programs consist of two primary initiatives:

Increasing service depot inventory levels so that Extreme provides fast and consistent response time for its advanced hardware replacement program; and ensuring that Extreme's service depot inventories have the benefit of the latest revisions of hardware and software to improve the functionality of equivalent-to-new repair parts and products that are used in its advanced hardware replacement program. The advanced hardware replacement program is a service offering that enables Extreme's customers during the normal warranty period or under an extended service contract to request and receive replacement products before they send back their products for maintenance or repair. These programs are well underway but will take several more quarters to be substantially complete.

Extreme's management believes that the non-GAAP financial measures discussed in the preceding bullet are useful to investors because by excluding the asset impairments, excess facilities and severance charges, as well as the deferred compensation charges that Extreme incurred in the respective periods, the non-GAAP financial measures present the company's financial results from its core business operations, net of items that many investors would exclude from their analysis of such operations.

- Starting with the second quarter of fiscal 2003 and for the third quarter of fiscal 2003, service revenue was more than 10% of total revenue. As a result Extreme has undertaken the actions necessary to determine gross margin for its service line of business. Extreme expects to provide this level of reporting in its 10-K that will be filed for fiscal 2003 which ends on June 30, 2003. In the 10-K for fiscal 2003, Extreme expects to reclassify elements of service expense from "operating expenses", where it has historically been classified, to "cost of service revenue". For the second and third quarters of fiscal 2003, the amount of service expense included in "operating expenses" that Extreme expects will be reclassified when Extreme files its 10-K for fiscal 2003 will be \$4.8 million in each quarter. This forthcoming reclassification to cost of service revenue will decrease total gross margin but will not impact operating profit.

- Net loss for the third quarter of fiscal 2003, not including special charges and deferred compensation, was \$6.6 million compared to a \$2.6 million net loss for the second quarter of fiscal 2003 and a \$2.6 million profit for the third quarter of fiscal 2002. Net loss per share was \$.06 for the third quarter of fiscal 2003, not including special charges and deferred compensation, versus a loss of \$.02 per share for the second quarter of fiscal 2003 and \$.02 earnings per share for the third quarter of fiscal 2002. Including special deferred compensation totaling \$1.6 million, the net loss for the third quarter of fiscal 2003 was \$7.6 million or \$.07 per share, compared to a net loss of \$19.7 million or \$0.17 per share for the second quarter of fiscal 2003, which included special charges and deferred compensation totaling \$28.6 million. For the third quarter of fiscal 2002, the net loss was \$139.8 million or \$1.23 per share, which included special charges and deferred compensation totaling \$178.4 million.
- As Extreme announces and begins shipping new products over the remainder of this calendar year, its goal is to achieve sequential revenue growth. However, given the uncertain global macro economic environment and the highly competitive nature of its addressed markets, Extreme can not provide any assurance that it will achieve its goal.
- Extreme has and expects to continue to achieve improvements in supply chain management. However, it is likely that the impact of competitive pricing pressure and higher than normal service expense will offset any favorable gross margin improvement from supply chain management over the next several quarters.
- Finally, with the recent reduction in Extreme's operating expenses and capital expenditures, Extreme believes that it will minimize cash utilization to approximately \$10 million in each of the next several quarters to support revenue driven increases in accounts receivable and inventory.