



Extreme Networks FQ2'19 Financial Results

January 29, 2019

Cautionary Statement on Financial Measures

Non-GAAP Measures:

In preparing the accompanying information, the Company has excluded, where applicable, the impact of certain Non-GAAP costs as listed at the end of this presentation. The Company believes these Non-GAAP measures provide both management and investors with additional insight into its current operations, the trends affecting the Company and the Company's marketplace performance. Management believes these items allow readers to better correlate the Company's operating activities with the Company's ability to generate cash from operations. Accordingly, management uses these Non-GAAP measures along with comparable GAAP information when evaluating the Company's historical performance and future business activities. The Company's Non-GAAP measures may be different than those used by other companies and should be considered in conjunction with, and not as a substitute for, the Company's financial information presented in accordance with GAAP. Please refer to our earnings press release, which is posted on the "Investor Relations" section of our website and to pages 9-12 and 16 of this presentation for the required reconciliation to the most comparable GAAP financial measures.

Forward-Looking Statements:

This presentation contains forward-looking statements concerning the expected financial performance of the Company. These forward-looking statements involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by these statements. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update these statements. For a detailed description of these risks and uncertainties please refer to our most recent reports on Form 10-K, Form 10-Q, and Form 8-K filed with the SEC.



FQ2'19 Financial Results

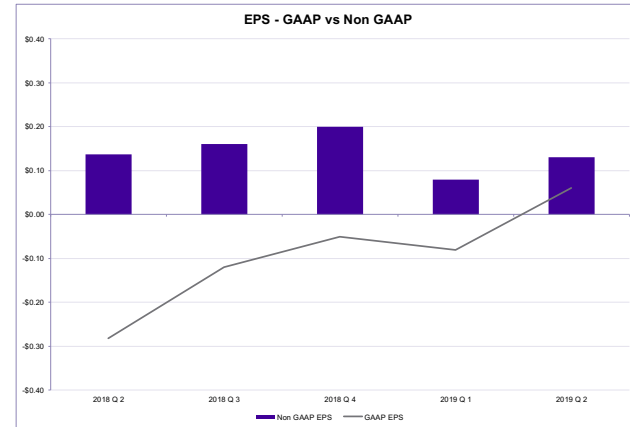
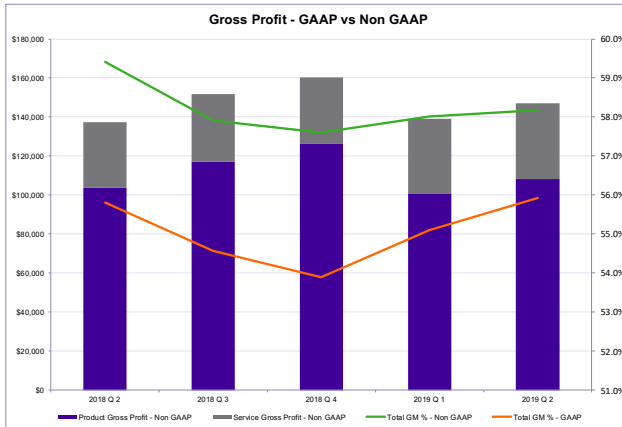
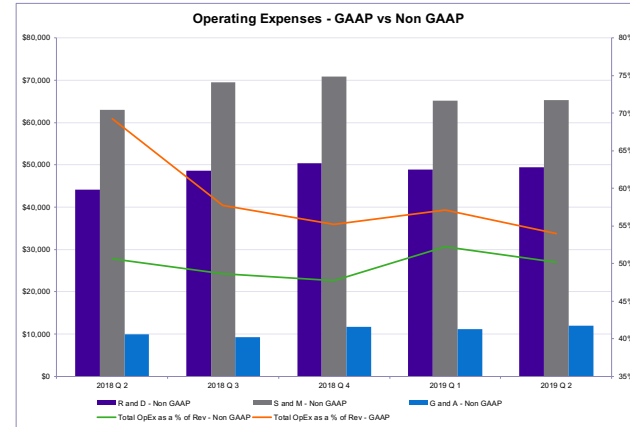
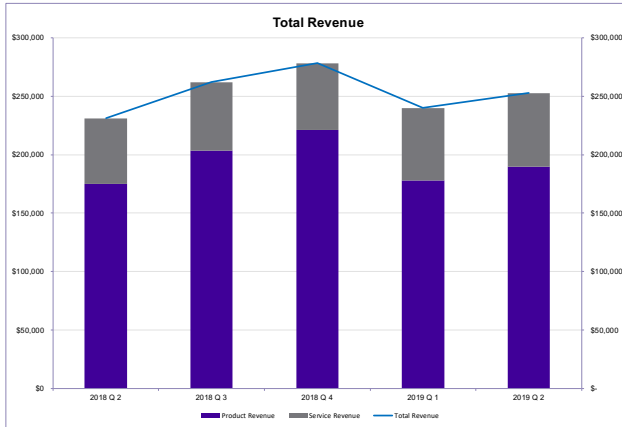


Financial Highlights – Financial Operations

	FQ2'18	FQ1'19	FQ2'19
GAAP			
Product Revenue	\$174.8	\$177.7	\$189.6
Services Revenue	\$56.3	\$62.2	\$63.1
Total Revenue	\$231.1	\$239.9	\$252.7
Total GM %	55.8%	55.1%	55.9%
Operating Income (Loss) \$	(\$31.1)	(\$5.0)	\$4.8
Operating Margin %	(13.5%)	(2.1%)	1.9%
Net Income (Loss)	(\$31.9)	(\$9.1)	\$7.2
EBITDA	(20.1)	\$9.3	\$17.5
EPS	(\$0.28)	(\$0.08)	\$0.06
Non GAAP			
Product Revenue	\$174.8	\$177.7	\$189.6
Services Revenue	\$56.3	\$62.2	\$63.1
Total Revenue	\$231.1	\$239.9	\$252.7
Total GM %	59.4%	58.0%	58.2%
Operating Income \$	\$20.3	\$13.9	\$20.3
Operating Margin %	8.8%	5.8%	8.0%
Net Income	\$16.4	\$9.4	\$15.5
EBITDA	\$24.6	\$21.3	\$26.7
EPS	\$0.14	\$0.08	\$0.13



Quarterly Results of Operations

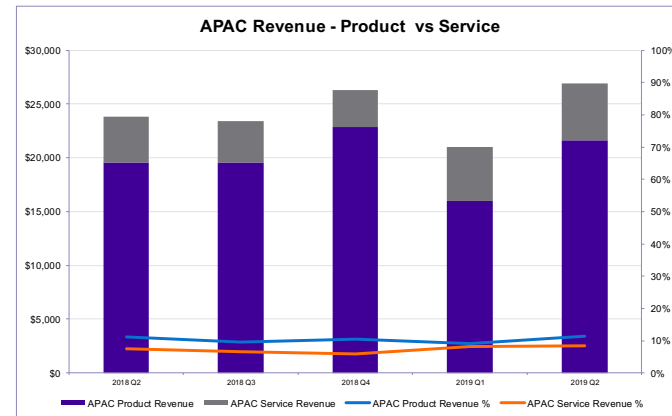
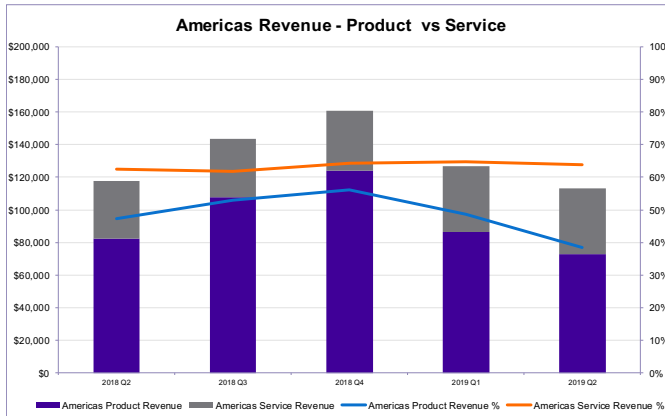
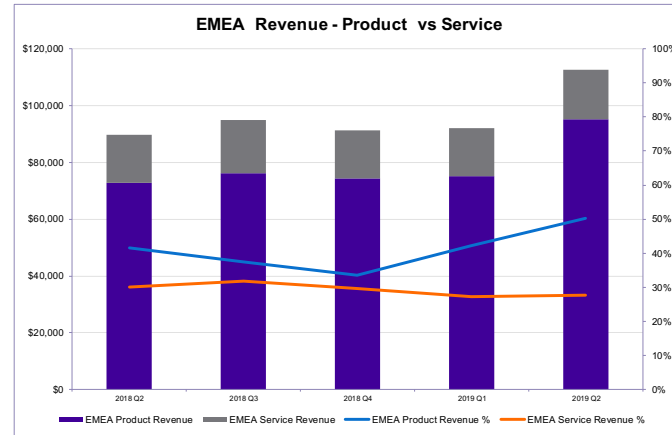
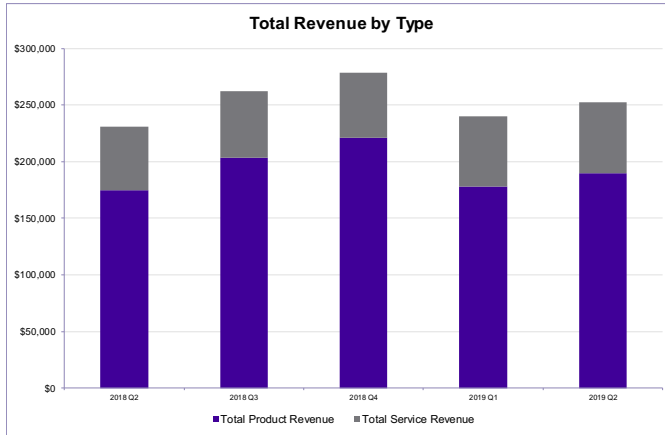


Historical Revenue by Geography (GAAP):

	FQ2'18	FQ1'19	FQ2'19
Product			
Americas	\$ 82.5	\$ 86.5	\$ 72.8
EMEA	72.7	75.2	95.1
APAC	19.6	16.0	21.6
Total Product	\$ 174.9	\$ 177.7	\$ 189.6
Service			
Americas	\$ 35.1	\$ 40.2	\$ 40.3
EMEA	16.9	17.0	17.5
APAC	4.2	5.0	5.3
Total Service	\$ 56.3	\$ 62.2	\$ 63.1
Total Revenue			
Americas	\$ 117.7	\$ 126.7	\$ 113.1
EMEA	89.6	92.2	112.6
APAC	23.9	21.0	26.9
Total Revenue	\$ 231.1	\$ 239.9	\$ 252.7



Revenue by Type and by Geography



Financial Highlights – Financial Position (GAAP)

	FQ1'19	FQ2'19
Cash and ST Investments	\$141.1	\$141.1
AR	\$164.7	\$144.9
DSO	63	53
Inventories	\$55.6	\$58.3
DOI	61	62
Debt Payable	\$187.6	\$185.3
Free Cash Flow		
Operating Cash Flow	\$34.3	\$27.3
Capital Expenditures	(\$7.4)	(\$3.7)
Free Cash Flow	\$26.9	\$23.6



GAAP to Non GAAP Reconciliations Revenue & Gross Margin

	FQ2'18	FQ1'19	FQ2'19
Total Revenue - GAAP Basis	\$ 231.1	\$ 239.9	\$ 252.7
Gross Margin - GAAP Basis	129.0	132.1	141.3
Gross Margin % - GAAP Basis	55.8%	55.1%	55.9%
Adjustment to Acquired Inventories	1.2	-	-
Integration Costs in COGS	2.7	1.8	-
Amortization of Product Intangibles	4.0	4.8	4.8
Stock Comp in COGS	0.4	0.5	0.9
Gross Margin - Non GAAP Basis	<u>\$ 137.3</u>	<u>\$ 139.1</u>	<u>\$ 147.0</u>
Gross Margin % - Non GAAP Basis	59.4%	58.0%	58.2%



GAAP to Non GAAP Reconciliations

Operating Income (Loss)

	FQ2'18	FQ1'19	FQ2'19
Operating Income (Loss) - GAAP Basis	\$ (31.1)	\$ (5.0)	\$ 4.8
Operating Margin- GAAP Basis	(13.5%)	(2.1%)	1.9%
Adjustment to Acquired Inventories	1.2	-	-
Integration Costs in COGS	2.7	1.8	-
Amortization of Product Intangibles	4.0	4.8	4.8
Total Stock Comp	7.0	6.8	8.7
Restructuring Charges, net	-	0.8	0.5
Amortization of Non Product Intangibles	2.7	2.1	1.6
Litigation	(0.4)	-	-
Contingent Consideration Liability	-	-	-
Integration Costs in OpEx	34.1	2.6	-
Operating Income - Non GAAP Basis	\$ 20.3	\$ 13.9	\$ 20.3
Operating Margin - Non GAAP Basis	8.8%	5.8%	8.0%



GAAP to Non GAAP Reconciliations

Net Income (Loss)

	FQ2'18	FQ1'19	FQ2'19
Net Income (Loss) - GAAP Basis	\$ (31.9)	\$ (9.1)	\$ 7.2
Shares - GAAP Basis	113.6	117.4	119.5
EPS - GAAP Basis	\$ (0.28)	\$ (0.08)	\$ 0.06
Adjustment to Acquired Inventories	1.2	-	-
Integration Costs in COGS	2.7	1.8	-
Amortization of Product Intangibles	4.0	4.8	4.8
Total Stock Comp	7.0	6.8	8.7
Restructuring Charges, net	-	0.8	0.5
Amortization of Non Product Intangibles	2.7	2.1	1.6
Litigation	(0.4)	-	-
Tax Adjustment	(3.1)	(0.5)	(7.3)
Gain on Sale of Investment	-	-	-
Loss on Extinguishment of Debt	-	-	-
Contingent Consideration Liability	-	-	-
Interest Expense on Contingent Liability	-	-	-
Integration and Acquisition Costs in OpEx	34.1	2.6	-
Net Non GAAP Adjustments	48.3	18.4	8.3
Net Income - Non GAAP Basis	\$ 16.4	\$ 9.4	\$ 15.5
Shares - Non GAAP Basis	119.6	120.2	119.5
EPS - Non GAAP Basis	\$ 0.14	\$ 0.08	\$ 0.13



GAAP to Non GAAP Reconciliations

EBITDA

	FQ2'18	FQ1'19	FQ2'19
Net Income (Loss) - GAAP Basis	\$ (31.9)	\$ (9.1)	\$ 7.2
Interest	1.8	3.1	2.4
Taxes	(1.6)	1.4	(5.3)
Depreciation/Amortization	11.6	13.9	13.2
EBITDA - GAAP	(20.1)	9.3	17.5
Net Non GAAP Adjustments	48.3	18.4	8.3
Interest included in Net Non GAAP Adjustments	-	-	-
Income taxes included in Net Non GAAP Adjustments	3.1	0.5	7.3
Amortization included in Net Non GAAP Adjustments	(6.7)	(6.9)	(6.4)
EBITDA - Non GAAP	\$ 24.6	\$ 21.3	\$ 26.7



FQ3'19 Financial Guidance



FQ3'19 Guidance – GAAP (in M's except EPS)

	FQ2'19	FQ3'19 Guidance
Revenue (\$M)	\$252.7	\$247.0 – \$257.0
Gross Margin %	55.9%	55.2% – 57.3%
Net Income (Loss)	\$7.2	(\$8.3) – (\$0.7)
EPS: GAAP	\$0.06	(\$0.07) – (\$0.01)



FQ3'19 Guidance – Non GAAP (in M's except EPS)

	FQ2'19	FQ3'19 Guidance
Revenue (\$M)	\$252.7	\$247.0 – \$257.0
Gross Margin %	58.2%	57.5% – 59.5%
Net Income	\$15.5	\$7.2 – \$14.9
EPS: non-GAAP	\$0.13	\$0.06 – \$0.13



FQ3'19 Guidance - GAAP to Non GAAP Reconciliation

	Gross Margin Rate	Operating Margin Rate	Earnings per Share
GAAP	55.2% - 57.3%	(1.3)% - 1.7%	(\$0.07) - (\$0.01)
Estimated adjustments for:			
Amortization of product intangibles	1.9%	1.9%	\$0.04
Stock based compensation	0.4%	3.5%	\$0.07
Amortization of non product intangibles	-	0.8%	\$0.02
Non-GAAP	57.5% - 59.5%	4.9% - 7.7%	\$0.06 - \$0.13

** The total of percentage rate changes may not equal the total change in all cases due to rounding.*





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