

EXTREME NETWORKS

FQ1'22 Financial Results

November 2, 2021

Cautionary Statement on Financial Measures



Non-GAAP Measures:

In preparing the accompanying information Extreme Networks Inc. (the “Company”) has excluded, where applicable, the impact of certain Non-GAAP costs as listed at the end of this presentation. The Company believes these Non-GAAP measures provide both management and investors with additional insight into its current operations, the trends affecting the Company, the Company’s marketplace performance, and the Company’s ability to generate cash from operations. Accordingly, management uses these Non-GAAP measures along with comparable GAAP information when evaluating the Company’s historical performance and future business activities. The Company’s Non-GAAP measures may be different than those used by other companies and should be considered in conjunction with, and not as a substitute for, the Company’s financial information presented in accordance with GAAP. Please refer to our most recent earnings press release dated November 2, 2021, which is posted on the “Investor Relations” section of our website and to pages 19-22 and 26 of this presentation for the required reconciliation to the most comparable GAAP financial measures.

Forward-Looking Statements:

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



FQ1'22 Financial Results



Q1 2022 Results Summary

Double-Digit Growth Fueled by Strong Demand and Execution



Continued Strong Growth

- Sustained Double-Digit Y/Y Bookings Growth of 45% with record Wireless Bookings
- Product Revenue Drove 15% Y/Y Revenue Growth
- Backlog Doubled During the Quarter to >\$200M



Cloud SaaS Subscriptions

- Total Subscription Bookings Growth of 71% Y/Y
- Annualized Cloud SaaS Bookings of ~\$130 million
- Ending ARR of \$78 million up 54% Y/Y



Robust Profitability and Free Cash Flow

- Record GAAP and Non-GAAP Operating Margin of 6.9% and 13.8% respectively.
- \$37 million in FCF
- Net Debt of \$139 million

Results and Guidance Provide Greater Confidence in Double-Digit Revenue Growth and 10-15% Non-GAAP Operating Margin Outlook for FY22

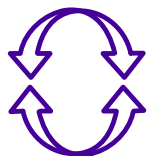
FQ1'22 Highlights



CLOUD ADOPTION

SaaS ARR²
\$78M

Recurring
Revenue 29%



\$122M

SaaS Deferred
Revenue²



Product Book
to Bill Ratio
1.38x

Service Book
to Bill Ratio
1.28x



Driving Growth

Backlog >\$200M

Total Revenue
Growth (Y/Y %) **13.5%**

Product Revenue
Growth (Y/Y %) **14.7%**

Service &
Subscription Revenue
Growth (Y/Y %) **10.9%**

SaaS Subscription
Bookings Growth (Y/Y %) **71%**

Large Customers
(Over \$1M in bookings for the Quarter) **43**



PROFITABILITY & CASH FLOW

Non-GAAP
Gross Margin %¹ **60.3 %**

Non-GAAP
Operating
Margin %¹
13.8%

Non-
GAAP
EPS (\$) ¹
\$0.21



Free Cash Flow

\$36.8M



Net
Debt



\$139M










² See Appendices for ARR & SaaS Deferred Revenue Definition

¹ See Appendices for GAAP to Non-GAAP reconciliation.

Vertical Trends

Strong double-digit growth across nearly all major verticals



	Extreme Exposure	Demand Outlook	Tailwinds	Headwinds
 Government & Education	~40%		Strong seasonality in Education supported by E-rate, Higher Ed and State/Local Gov't globally	Budget approvals will dictate future spending increases
 Healthcare	~10%		Global strength in healthcare, particularly with wireless upgrades and positive outlook for switching	Some existing customers awaiting switching product refresh that is supply chain constrained
 Sports / Entertainment & Hospitality	~5%		Hospitality / casinos latest sub-segment to recover, adding to strong outlook for sports venues.	Pace of additional recovery depends on further easing of restrictions for live event attendance and projects
 Manufacturing	~10%		Strong growth in manufacturing activity and seasonality for both switching and wireless solutions	Continued momentum depends on further macroeconomic recovery
 Retail Logistics / Transport	>10%		Gradual improvement in retail buoyed by strength in transportation / logistics.	Full retail recovery still ahead, capping outlook
 Telco / Service Provider	<10%		Core 5G related products general available, awaiting 5G spending to ramp up	Growth depends on timing of projects and budget cycles

Fiscal Q1'22 Product Highlights

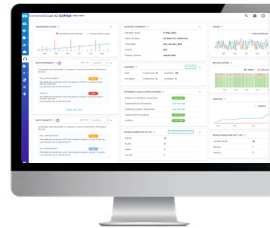


New Universal Platforms



Mid-tier Universal 5420 GA

CoPilot Public Beta Start



ExtremeCloud™ IQ-Site Engine

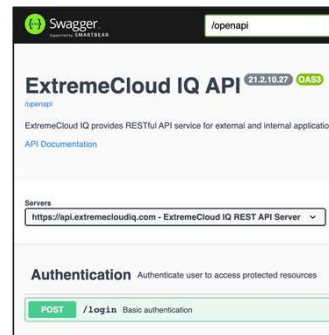


ExtremeCloud IQ Enhancements



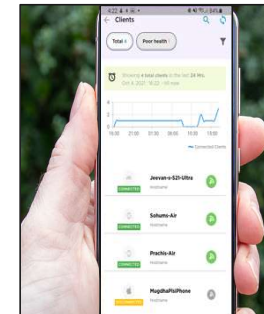
- Wired Client visibility
- Wireless Highlights

API Phase 3



Foundational Elements

Mobile App 3.0



Universal Onboarding & D360

GAAP Financial Highlights – Financial Operations

(In M's except percentages and EPS)



GAAP	Quarter		
	FQ1'21	FQ4'21	FQ1'22
Product Revenue	\$161.4	\$195.8	\$185.2
Services Revenue	\$74.4	\$82.3	\$82.5
Total Revenue	\$235.8	\$278.1	\$267.7
Total GM %	57.3%	57.9%	58.1%
Operating Income (Loss) \$	(\$0.1)	\$17.6	\$18.3
Operating Margin %	(0.0%)	6.3%	6.9%
Net Income (Loss)	(\$8.8)	\$10.3	\$12.7
EBITDA	\$14.3	\$30.5	\$30.2
EPS	(\$0.07)	\$0.08	\$0.10

Non-GAAP Financial Highlights – Financial Operations

(In M's except percentages and EPS)



Non-GAAP ¹	Quarter		
	FQ1'21	FQ4'21	FQ1'22
Product Revenue	\$161.4	\$195.8	\$185.2
Services Revenue	\$74.4	\$82.3	\$82.5
Total Revenue	\$235.8	\$278.1	\$267.7
Total GM %	60.3%	60.5%	60.3%
Operating Income \$	\$19.7	\$37.4	\$37.0
Operating Margin %	8.3%	13.4%	13.8%
Net Income	\$11.0	\$24.6	\$28.0
EBITDA	\$25.6	\$42.4	\$42.4
EPS	\$0.09	\$0.19	\$0.21

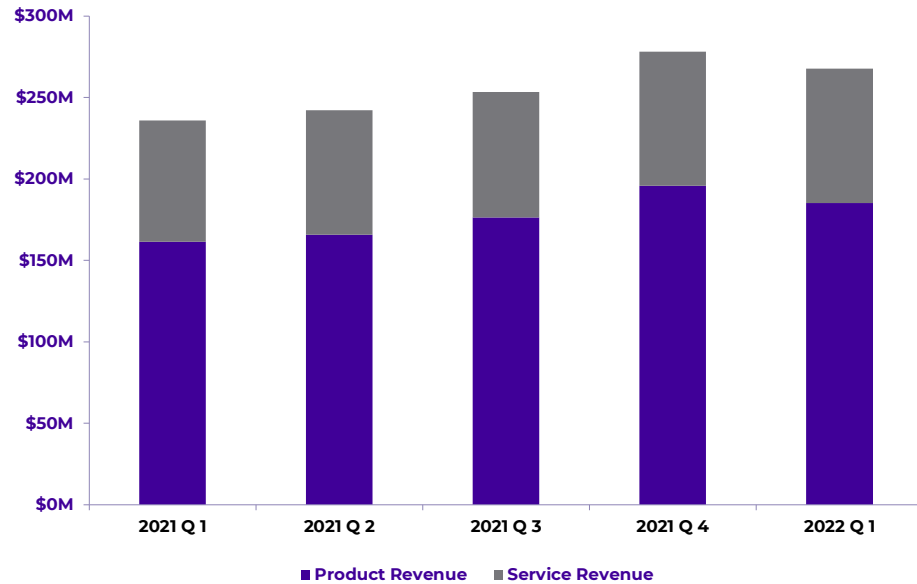
¹ See Appendices for GAAP to Non-GAAP reconciliation.

Quarterly Results of Operations

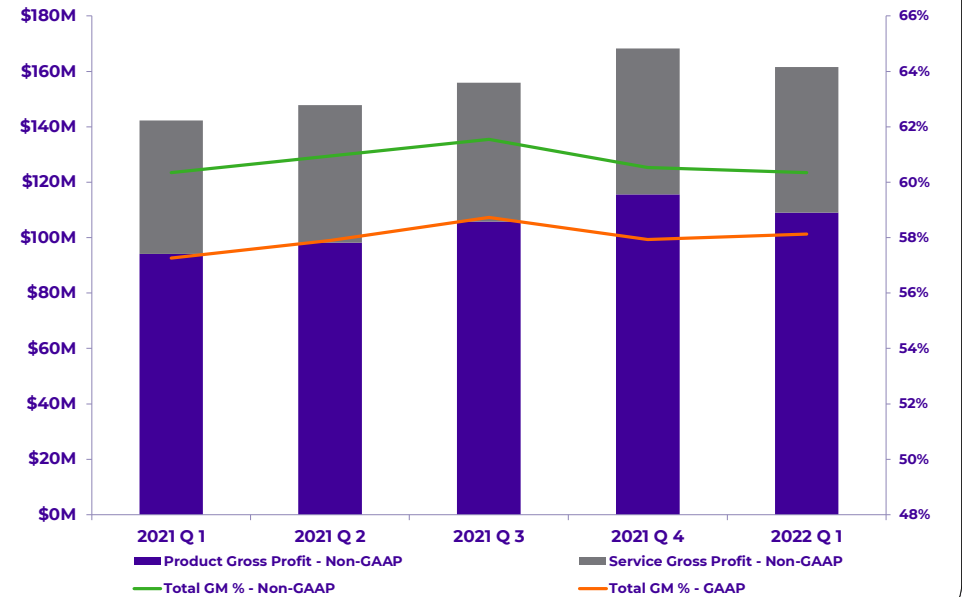
(In M's except percentages and EPS)



Total Revenue

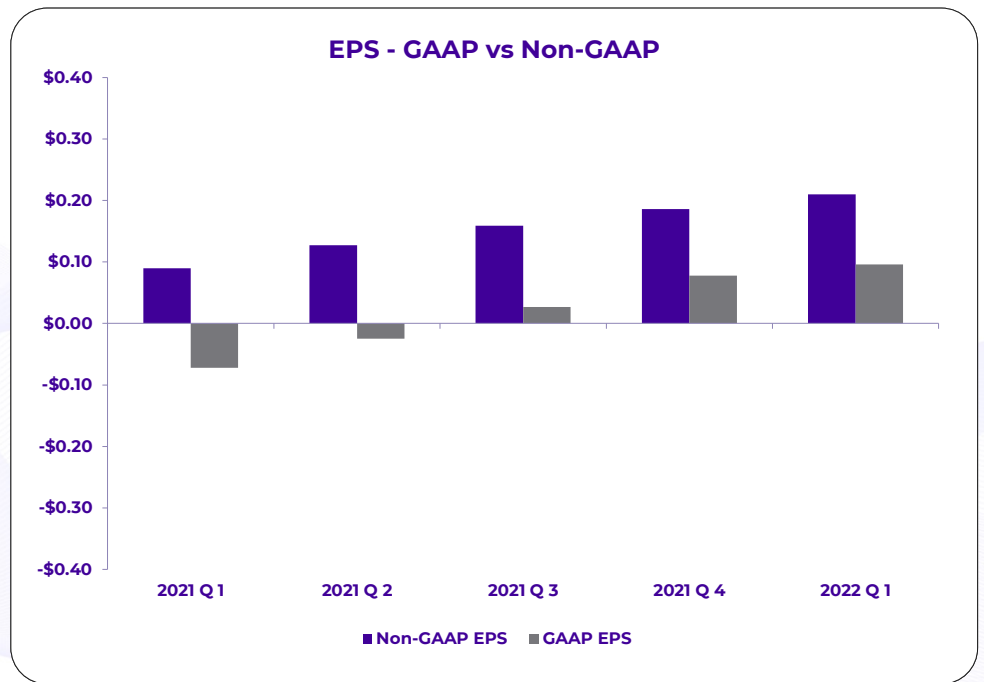
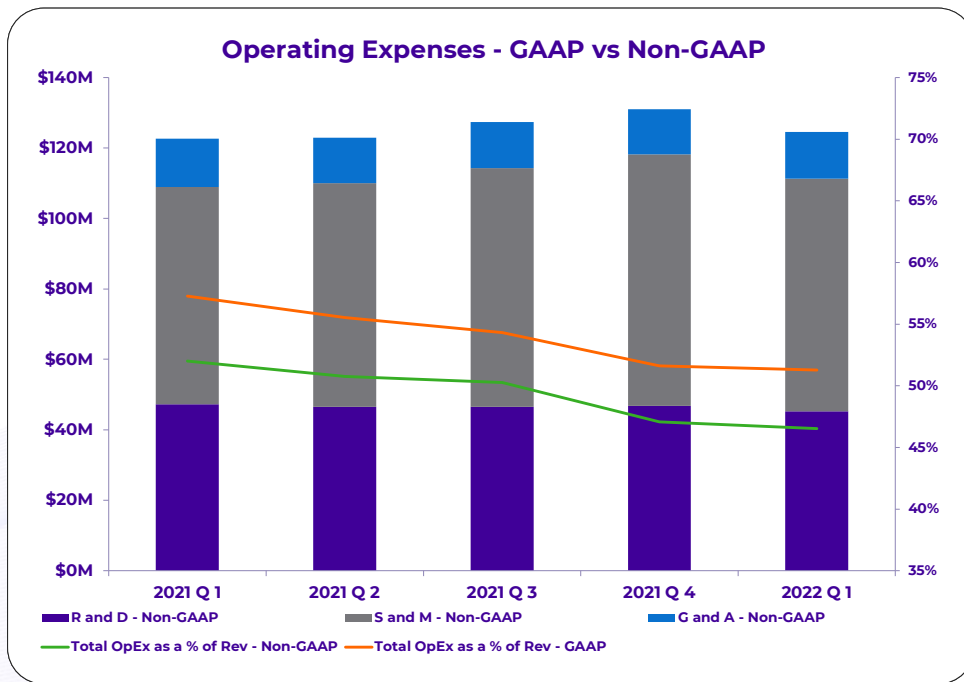


Gross Profit - GAAP vs Non-GAAP



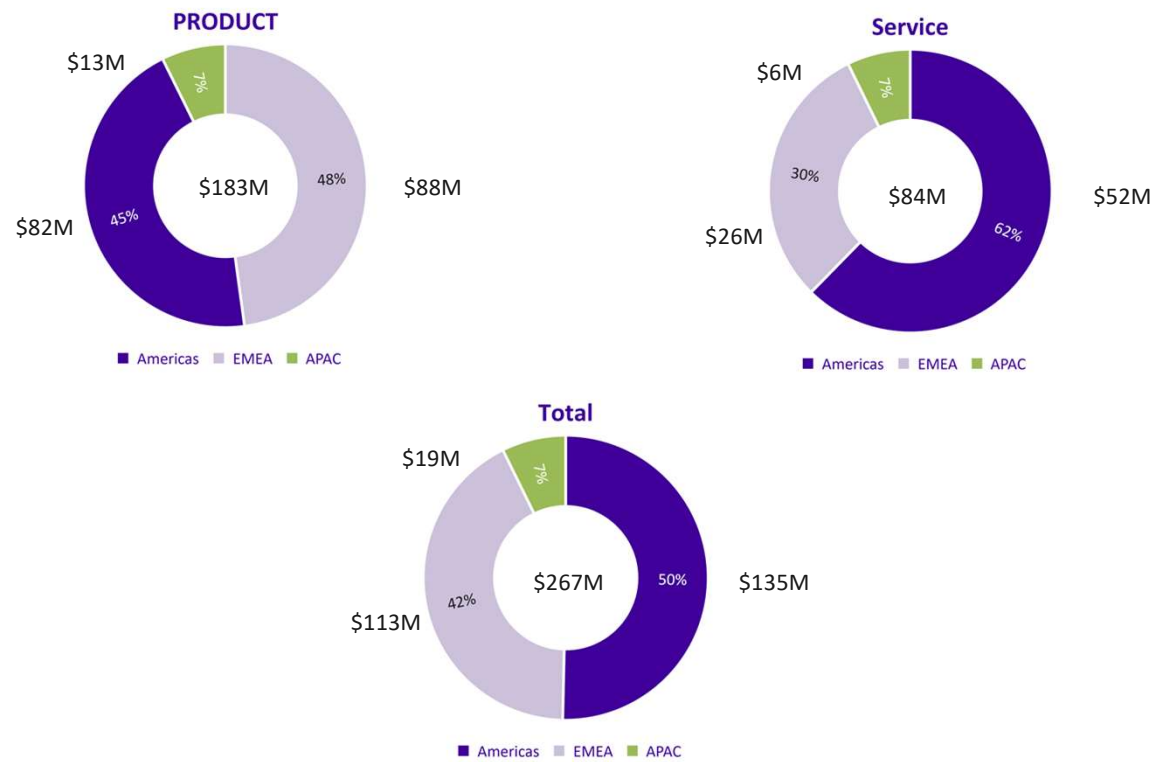
Quarterly Results of Operations

(In M's except percentages and EPS)



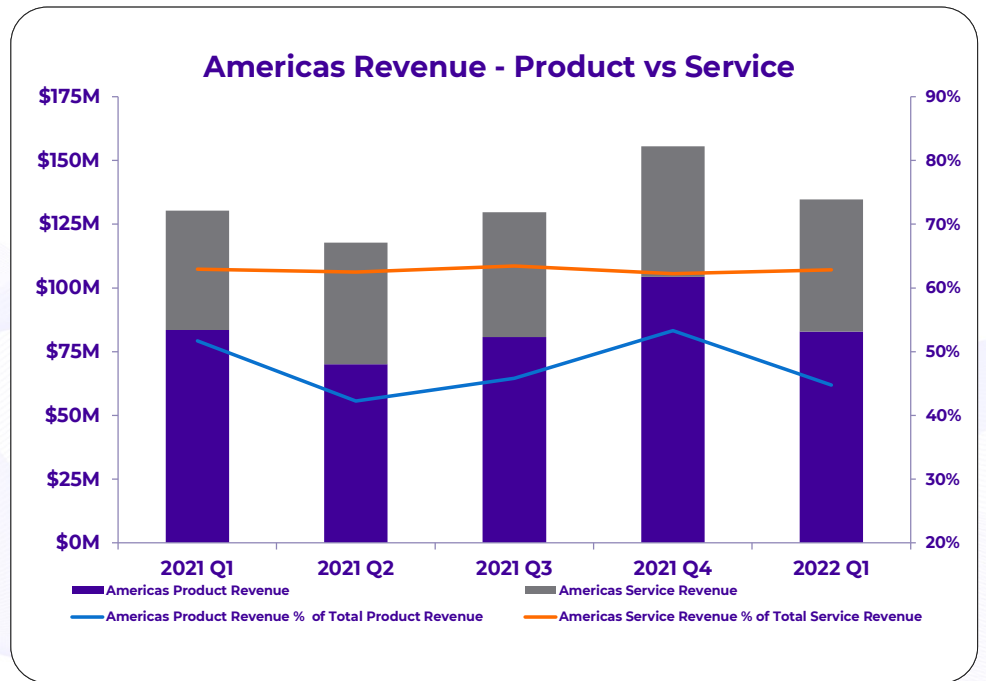
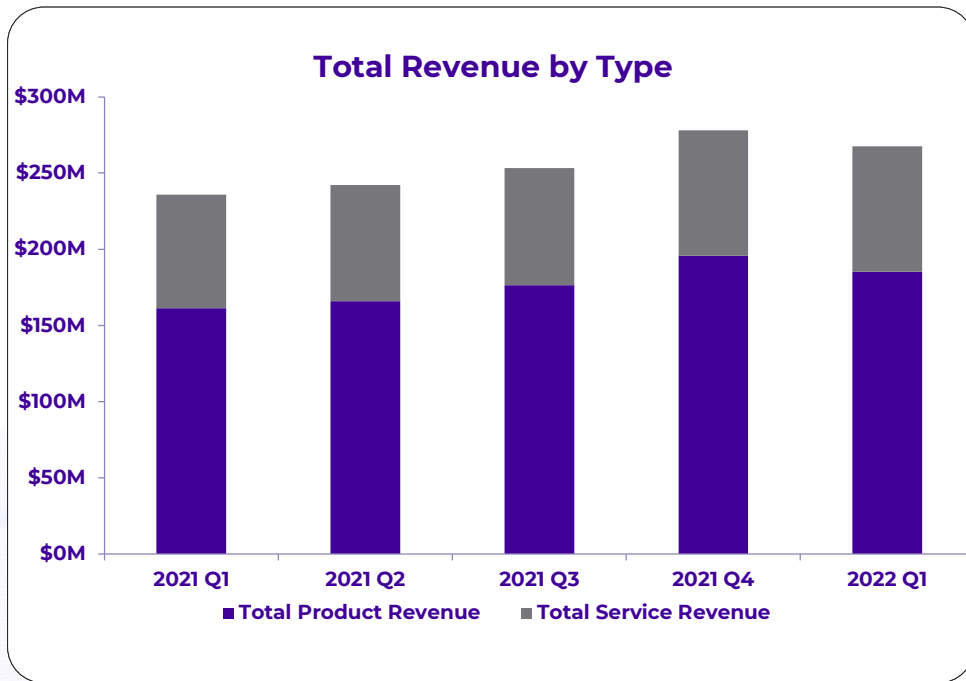
Revenue by Geography

(In M's except percentages and EPS)



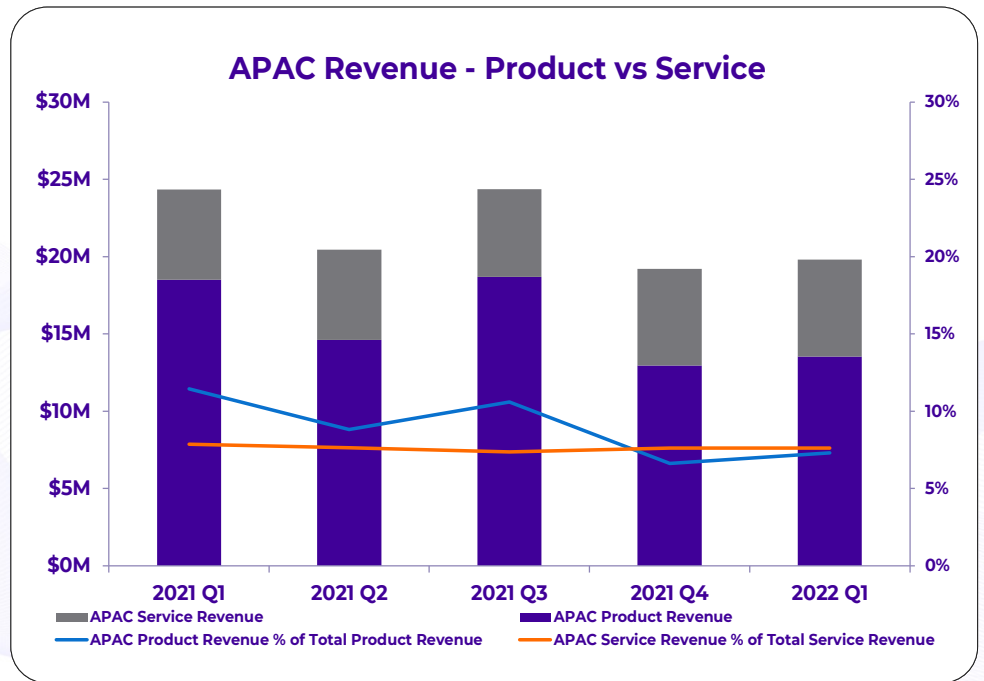
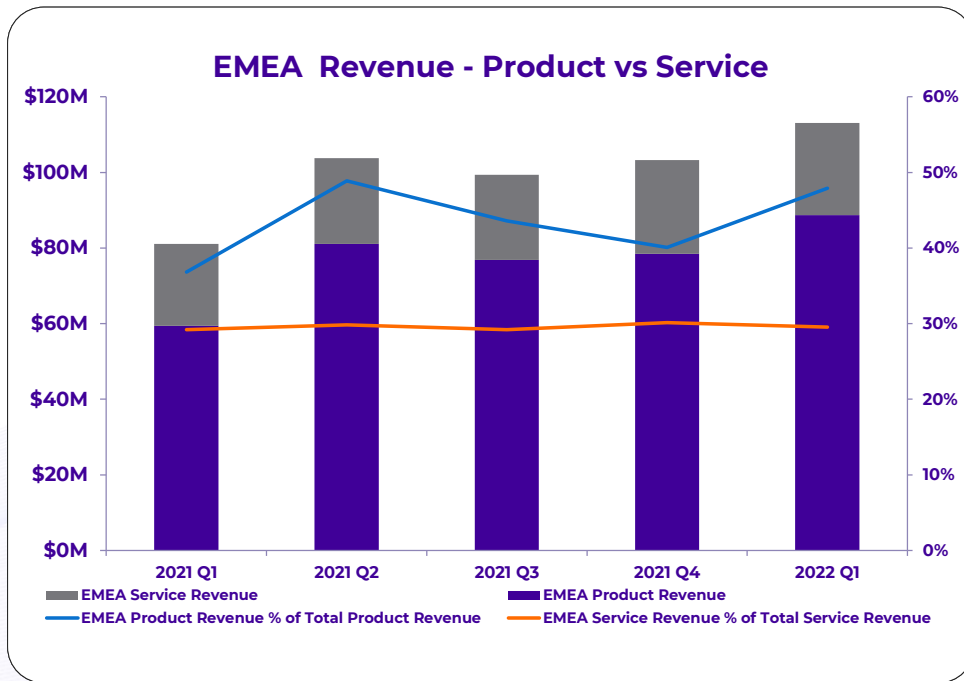
Revenue by Type and by Geography

(In M's except percentages and EPS)



Revenue by Type and by Geography Cont.

(In M's except percentages and EPS)



Financial Highlights – Balance Sheet

(In M's except percentages and EPS)



Balance Sheet Highlights

	FQ1'21	FQ4'21	FQ1'22
Cash	\$193.1	\$246.9	\$191.3
Accounts Receivable	\$123.6	\$156.5	\$129.6
Inventories	\$55.8	\$32.9	\$32.4
Accounts Payables	\$59.4	\$60.1	\$63.4
Gross Debt*	\$396.0	\$346.8	\$330.0
Net Debt**	\$202.9	\$99.9	\$138.7

Cash Conversion Cycle Table

	FQ1'21	FQ4'21	FQ1'22
Days Sales Outstanding	48	51	45
Days of Inventory	70	35	37
Days Payable Outstanding	75	64	72
Cash Conversion Cycle	44	22	9

*Gross Debt is defined as long-term and current portion of long-term debt as shown on the balance sheet plus unamortized debt issuance costs.

**Net Debt is defined as Gross Debt minus Cash.

Non-GAAP Free Cash Flow



(In \$M's)

Extreme uses the non-GAAP free cash flow metric as a measure of operating performance. Free cash flow represents GAAP net cash provided by operating activities, less purchases of property, plant and equipment. Extreme considers free cash flow as useful information for management and investors regarding the amount of cash generated by the business after the purchases of property, plant and equipment, which can then be used to, among other

things, invest in Extreme's business, make strategic acquisitions, and strengthen the balance sheet. A limitation of the utility of the non-GAAP free cash flow metric as a measure of financial performance is that it does not represent the total increase or decrease in the Company's cash balance for the period. As shown in the table below:

	FQ1'21	FQ4'21	FQ1'22
Operating Cash Flow	\$24.7	\$57.0	\$40.3
PP&E Capital Expenditures	(\$3.0)	(\$4.8)	(\$3.4)
Free Cash Flow	\$21.7	\$52.2	\$36.8

Appendices

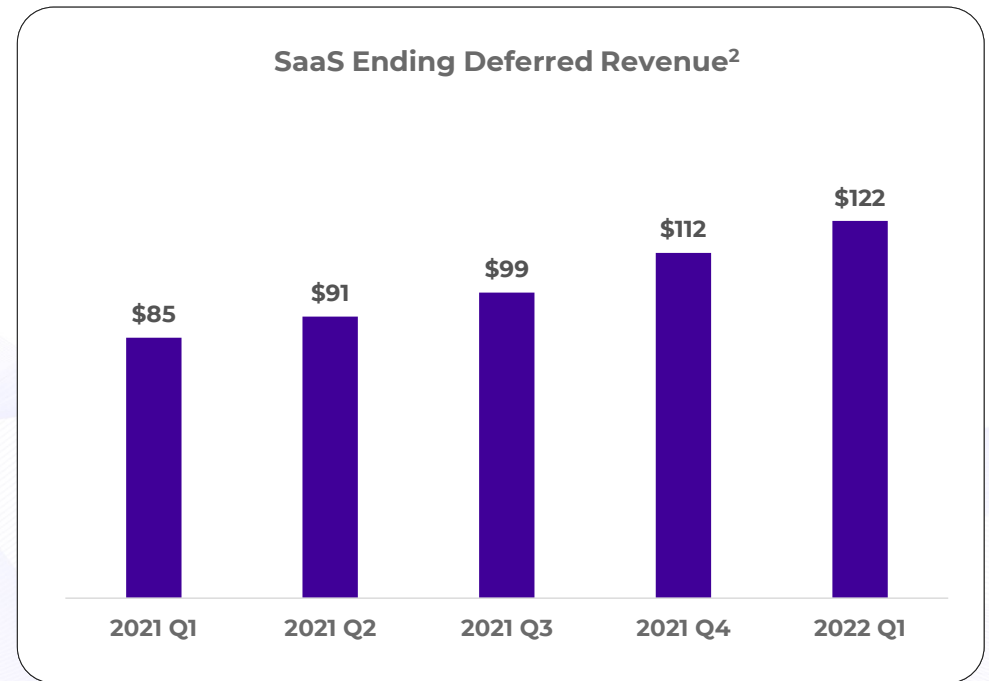
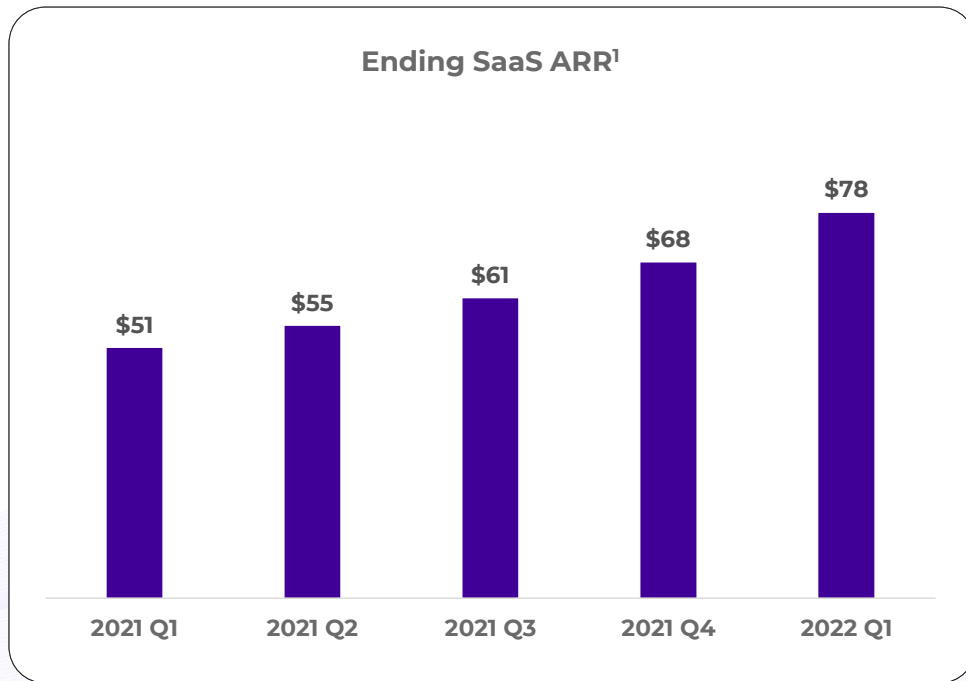
- GAAP to Non-GAAP Reconciliations

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

Historical SaaS Disclosures



SaaS ARR & SaaS Deferred Ending Revenue (In \$M's except percentages)



¹ SaaS Annual Recurring Revenue (ARR) is the value of the contracted recurring revenue components of term subscriptions normalized to a one-year period. ARR is calculated as (Total Annual Subscription Cost) + (Recurring Revenue From Add-ons and Upgrades) - (Revenue Lost from Churn).

² SaaS Ending Deferred Revenue refers to the ending quarterly balance of advance payments received for SaaS goods or services that are to be delivered or performed in the future.

GAAP to Non-GAAP Reconciliations

Revenue & Gross Margin (In M's except percentages)



	Quarter		
	FQ1'21	FQ4'21	FQ1'22
Product Revenue	\$ 161.4	\$ 195.8	\$ 185.2
Service Revenue	74.4	82.3	82.5
Total Revenue - GAAP	\$ 235.8	\$ 278.1	\$ 267.7
Gross Margin - GAAP	135.0	161.1	155.6
Gross Margin % - GAAP	57.3%	57.9%	58.1%
Inventory Valuation Adjustments	-	-	-
Integration Costs in COGS	-	-	-
Amortization of Product Intangibles	6.6	6.4	5.2
Share-Based Compensation in COGS	0.6	0.8	0.7
Gross Margin - Non-GAAP	\$ 142.3	\$ 168.3	\$ 161.5
Gross Margin % - Non-GAAP	60.3%	60.5%	60.3%

GAAP to Non-GAAP Reconciliations

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



	Quarter		
	FQ1'21	FQ4'21	FQ1'22
Operating Income (Loss) - GAAP	\$ (0.1)	\$ 17.6	\$ 18.3
Operating Margin- GAAP	(0.0%)	6.3%	6.9%
Amortization of Product Intangibles	6.6	6.4	5.2
Total Share-Based Compensation	8.3	11.5	10.4
Restructuring Charges, net	1.0	0.5	0.3
Amortization of Non Product Intangibles	1.8	1.4	1.3
Integration Costs in OpEx	2.0	-	1.5
Operating Income - Non-GAAP	\$ 19.7	\$ 37.4	\$ 37.0
Operating Margin - Non-GAAP	8.3%	13.4%	13.8%

GAAP to Non-GAAP Reconciliations

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



	Quarter		
	FQ1'21	FQ4'21	FQ1'22
Net Income (Loss) - GAAP	\$ (8.8)	\$ 10.3	\$ 12.7
Shares - GAAP	121.7	132.4	133.2
EPS - GAAP (Diluted)	\$ (0.07)	\$ 0.08	\$ 0.10
Amortization of Product Intangibles	6.6	6.4	5.2
Total Share-Based Compensation	8.3	11.5	10.4
Restructuring Charges, net	1.0	0.5	0.3
Amortization of Non Product Intangibles	1.8	1.4	1.3
Tax Effect of non-GAAP Adjustments	0.1	(5.5)	(3.4)
Integration and Acquisition Costs in OpEx	2.0	-	1.5
Net Non-GAAP Adjustments	19.8	14.3	15.3
Net Income - Non-GAAP	\$ 11.0	\$ 24.6	\$ 28.0
Shares - Non-GAAP	122.6	132.4	133.2
EPS - Non-GAAP	\$ 0.09	\$ 0.19	\$ 0.21

GAAP to Non-GAAP Reconciliations

EBITDA (In \$M's)



	Quarter		
	FQ1'21	FQ4'21	FQ1'22
Net Income (Loss) - GAAP	\$ (8.8)	\$ 10.3	\$ 12.7
Interest	6.5	\$ 4.5	\$ 3.8
Provision for Income Taxes	1.3	\$ 2.7	\$ 2.1
Depreciation/Amortization	15.2	\$ 13.0	\$ 11.6
EBITDA - GAAP	14.3	30.5	30.2
Net Non-GAAP Adjustments	19.8	14.3	15.3
Income taxes included in Net Non-GAAP Adjustments	(0.1)	5.5	3.4
Amortization included in Net Non-GAAP Adjustments	(8.4)	(7.8)	(6.5)
EBITDA - Non-GAAP	\$ 25.6	\$ 42.4	\$ 42.4



FQ2'22 Financial Guidance



FQ2'22 Guidance – GAAP

(In M's except percentages and EPS)



	FQ1'22	FQ2'22 Guidance
Revenue (\$M)	\$267.7	\$265.0 - \$280.0
Gross Margin %	58.1%	55.4% - 57.5%
Net Income	\$12.7	\$0.00 – \$11.9
EPS	\$0.10	\$0.00 – \$0.09

FQ2'22 Guidance – Non-GAAP

(In M's except percentages and EPS)



	FQ1'22	FQ2'22 Guidance
Revenue (\$M)	\$267.7	\$265.0 - \$280.0
Gross Margin %	60.3%	57.0% - 59.0%
Net Income	\$28.0	\$18.4-\$28.9
EPS	\$0.21	\$0.14 – \$0.21

FQ2'22 Guidance - GAAP to Non-GAAP Reconciliation



	Gross Margin Rate	Operating Margin Rate	Earnings per Share
GAAP	55.4% - 57.5%	2.3%-6.4%	\$0.00-\$0.09
Estimated Adjustments for:			
Amortization of Product Intangibles	1.0%	1.0%	\$0.02
Share-Based Compensation	0.3%	4.1%	\$0.08
Restructuring Charges, net	-	0.1%	\$0.00
Acquisition and Integration Costs	-	1.4%	\$0.03
Amortization of Non-product Intangibles	0.3%	0.6%	\$0.01
Non-GAAP Tax Adjustment	-	-	(\$0.00)-(\$0.02)
Non-GAAP	57.0% - 59.0%	9.5% - 13.5%	\$0.14 - \$0.21



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WITH US™