



Extreme Networks FQ1'21 Financial Results

Oct 28, 2020

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 October 28, 2020, which is posted on the “Investor Relations” section of our website and to pages 16-19 and 23 of this presentation for the required reconciliation to the most comparable GAAP financial measures.

Forward-Looking Statements:

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



FQ1'21 Financial Results

GAAP Financial Highlights – Financial Operations



(In \$M's except percentages and EPS)

	Quarter		
	FQ1'20	FQ4'20	FQ1'21
GAAP			
Product Revenue	\$185.1	\$141.5	\$161.4
Services Revenue	\$70.4	\$74.0	\$74.4
Total Revenue	\$255.5	\$215.5	\$235.8
Total GM %	53.7%	56.0%	57.3%
Operating Loss \$	(\$32.2)	(\$13.1)	(\$0.1)
Operating Margin %	(12.6%)	(6.1%)	(0.0%)
Net Loss	(\$37.7)	(\$21.2)	(\$8.8)
EBITDA	(\$16.1)	\$2.1	\$14.3
EPS	(\$0.31)	(\$0.18)	(\$0.07)

Non-GAAP Financial Highlights – Financial Operations



(In \$M's except percentages and EPS)

	Quarter		
	FQ1'20	FQ4'20	FQ1'21
Non-GAAP^{1,2}			
Product Revenue	\$185.1	\$141.5	\$161.4
Services Revenue	\$70.4	\$74.0	\$74.4
Total Revenue	\$255.5	\$215.5	\$235.8
Total GM %	59.9%	59.4%	60.3%
Operating Income \$	\$15.9	\$11.2	\$19.7
Operating Margin %	6.2%	5.2%	8.3%
Net Income	\$8.9	\$3.3	\$11.0
EBITDA	\$23.6	\$17.8	\$25.6
EPS	\$0.07	\$0.03	\$0.09

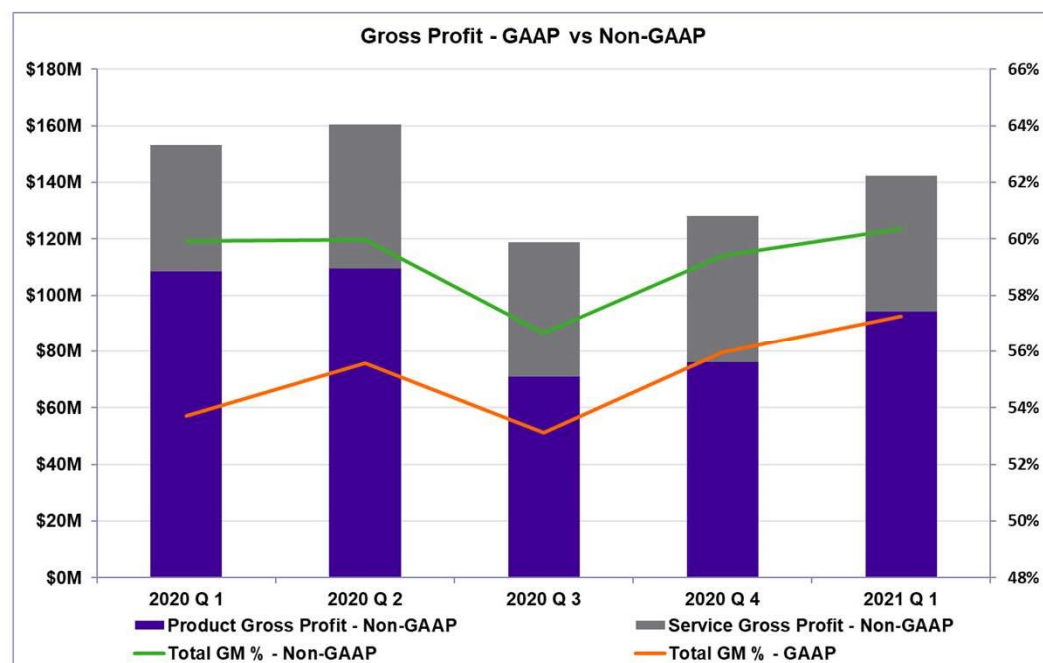
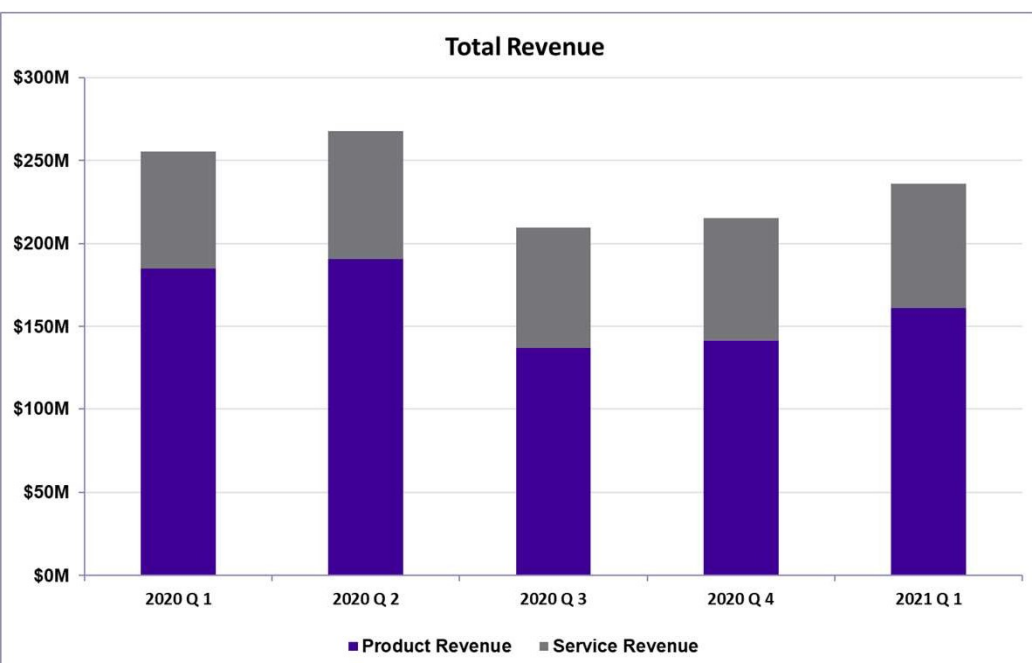
¹ See Appendices for GAAP to Non-GAAP reconciliation.

² We have adjusted the fiscal 2020 non-GAAP tax provision to reflect the 2020 non-GAAP operating results to be comparable with fiscal 2021 results. Please see slides 18 & 19 for the reconciliation and refer to our 8-K and press release from 10/28/20 for additional details.

Quarterly Results of Operations



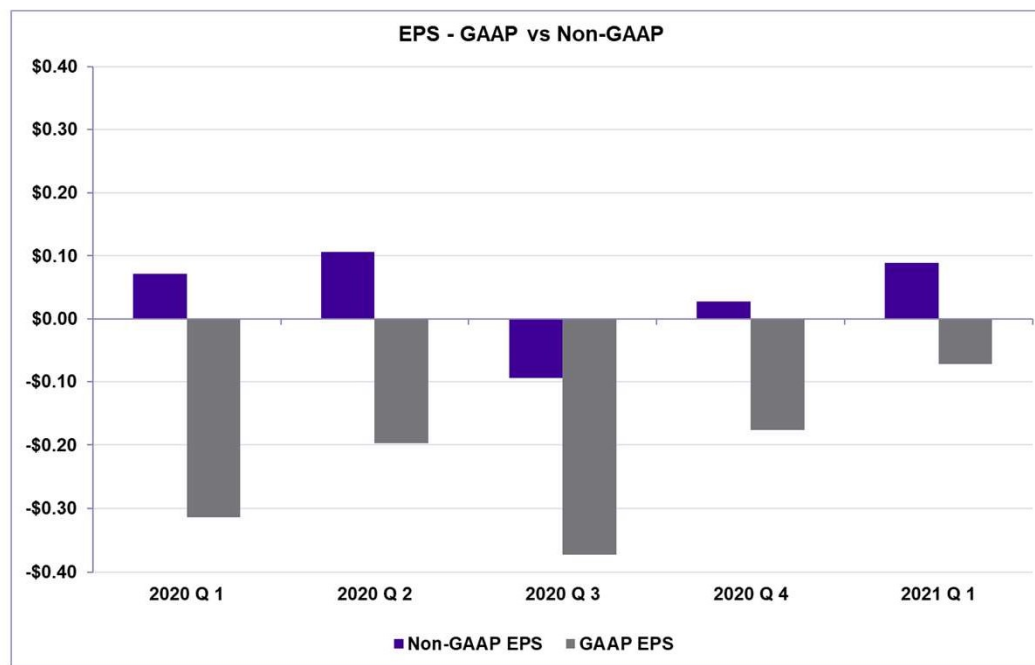
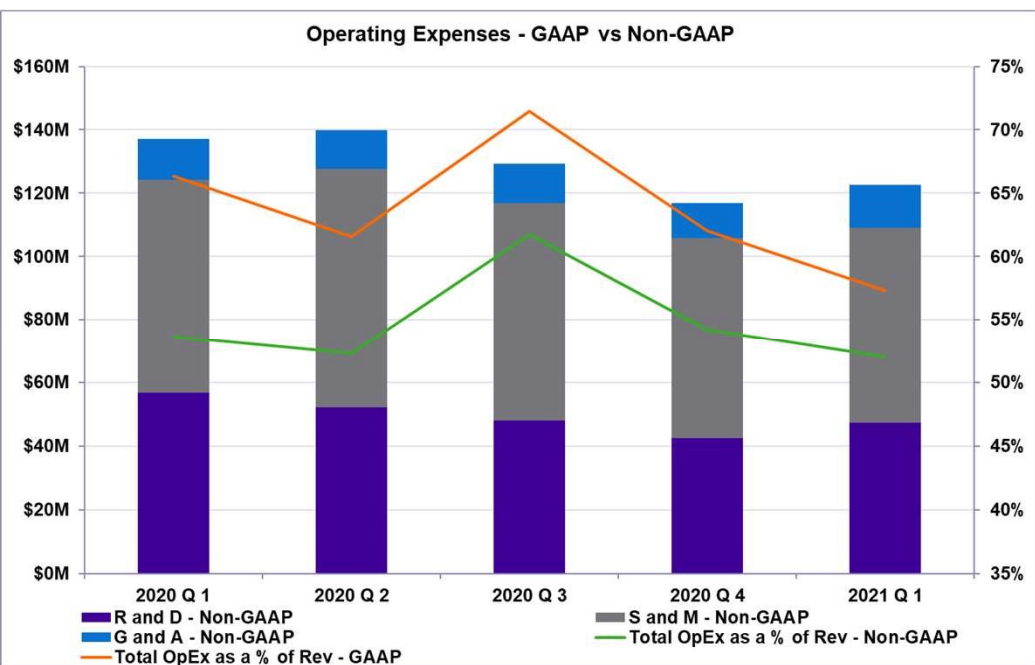
(In \$M's except percentages)



Quarterly Results of Operations



(In \$M's except percentages)



Revenue by Geography



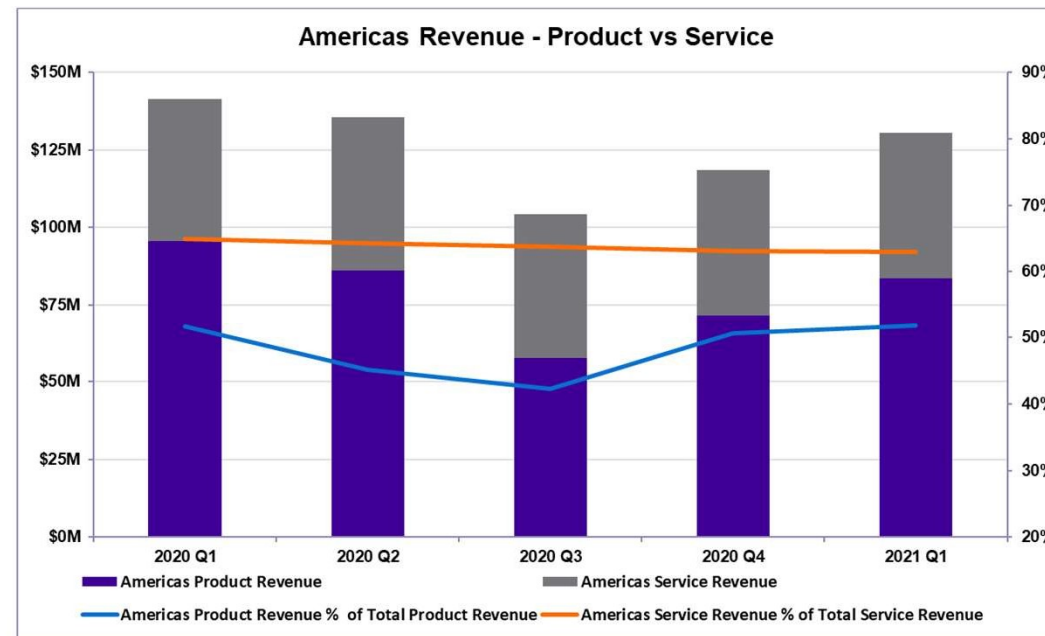
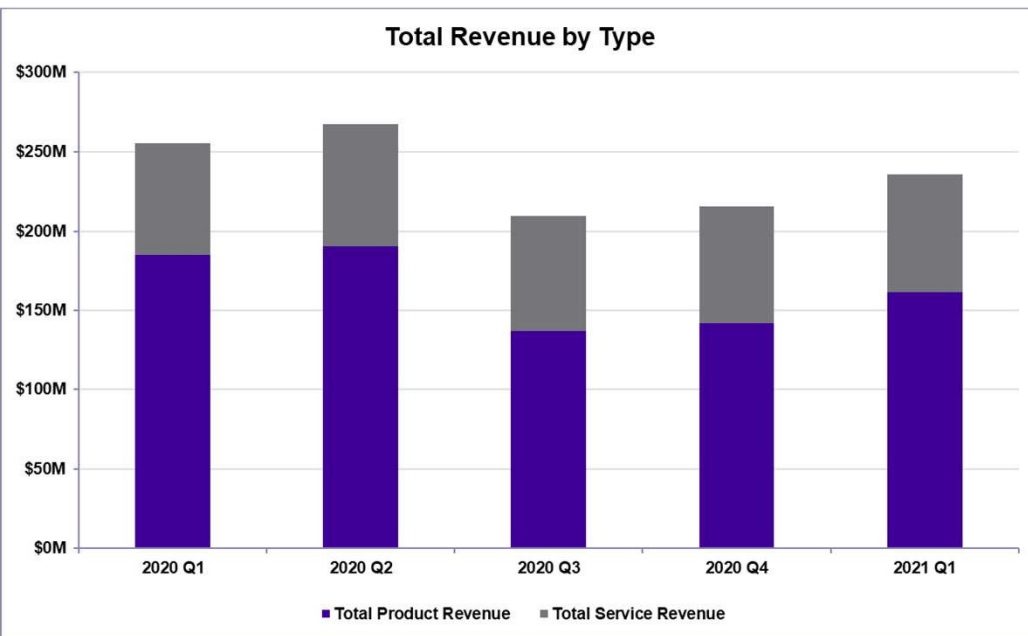
(In \$M's except percentages)

	FQ1'20	FQ4'20	FQ1'21	YoY % Change	QoQ % Change
Product Revenue					
Americas	\$ 95.7	\$ 71.6	\$ 83.5	(12.8%)	16.6%
EMEA	69.6	54.8	59.4	(14.6%)	8.4%
APAC	19.8	15.1	18.5	(6.6%)	22.5%
Total Product	\$ 185.1	\$ 141.5	\$ 161.4	(12.8%)	14.1%
Service Revenue					
Americas	\$ 45.7	\$ 46.8	\$ 46.9	2.5%	0.1%
EMEA	19.1	21.1	21.7	13.8%	3.0%
APAC	5.6	6.1	5.8	4.4%	(4.7%)
Total Service	\$ 70.4	\$ 74.0	\$ 74.4	5.7%	0.6%
Total Revenue					
Americas	\$ 141.4	\$ 118.4	\$ 130.4	(7.8%)	10.1%
EMEA	88.7	75.9	81.1	(8.5%)	6.9%
APAC	25.4	21.2	24.3	(4.2%)	14.6%
Total Revenue	\$ 255.5	\$ 215.5	\$ 235.8	(7.7%)	9.4%

Revenue by Type and by Geography



(In \$M's except percentages)

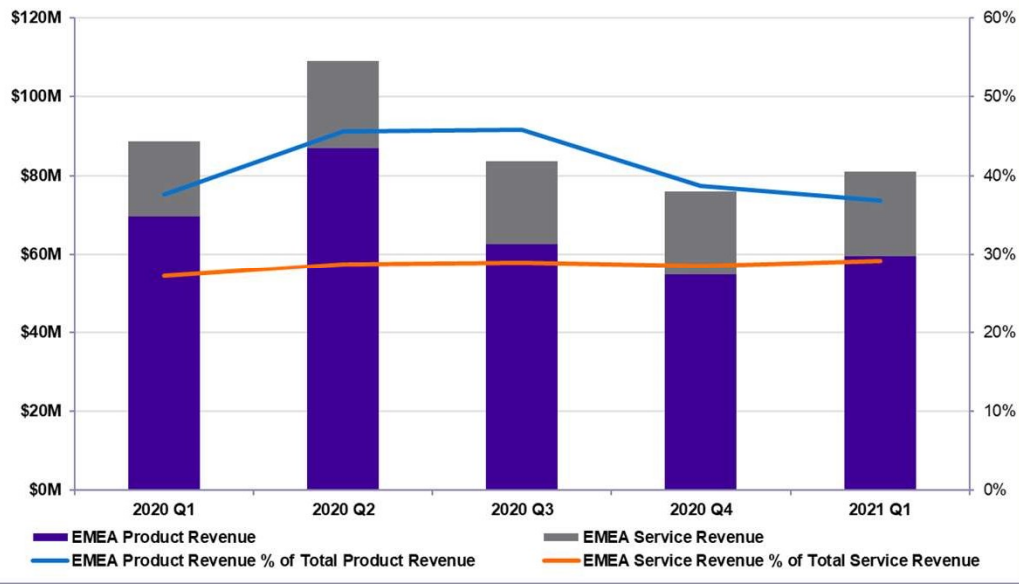


Revenue by Type and by Geography

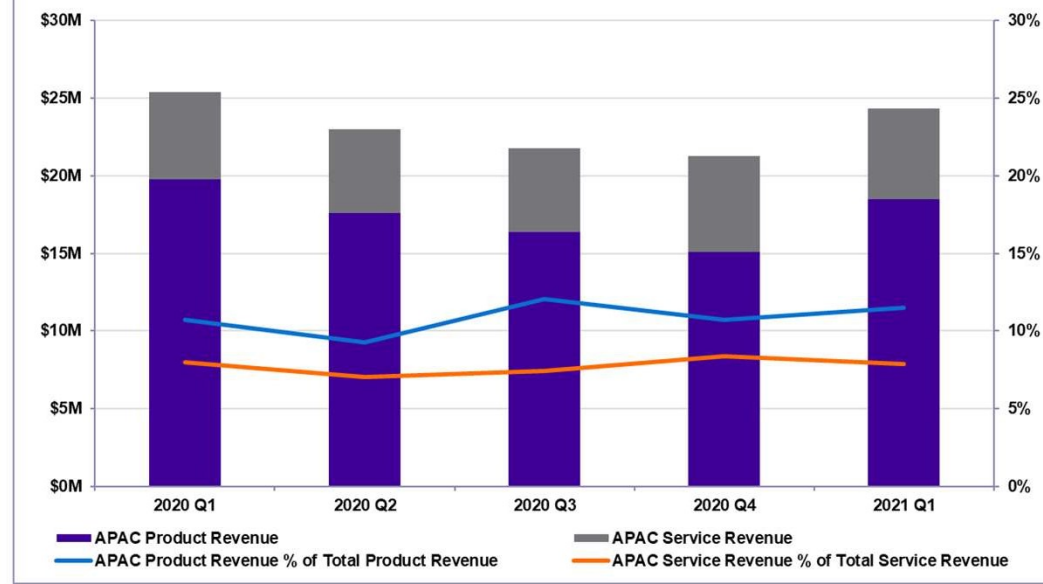


(In \$M's except percentages)

EMEA Revenue - Product vs Service



APAC Revenue - Product vs Service



Financial Highlights – Balance Sheet



(GAAP, BS in \$M's except days)

Balance Sheet Highlights	FQ1'20	FQ4'20	FQ1'21
Cash and Cash Equivalents	\$161.1	\$193.9	\$193.1
Accounts Receivable	\$152.3	\$122.7	\$123.6
Inventories	\$82.4	\$62.6	\$55.8
Accounts Payables	\$63.5	\$48.4	\$59.4
Gross Debt*	\$380.0	\$420.8	\$396.0
Net Debt**	\$218.9	\$226.9	\$202.9

Cash Conversion Cycle Table	FQ1'20	FQ4'20	FQ1'21
Days Sales Outstanding	55	52	48
Days of Inventory	83	80	70
Days Payable Outsanding	64	62	75
Cash Conversion Cycle	74	70	44

*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 and Cash Equivalents.

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:

	FQ1'20	FQ4'20	FQ1'21
Operating Cash Flow	(\$0.2)	\$8.8	\$24.7
PP&E Capital Expenditures	(\$5.2)	(\$2.6)	(\$3.0)
Free Cash Flow	(\$5.4)	\$6.2	\$21.7

Key Performance Metrics















Financial Metrics	FQ4'20	FQ1'21
Large Customers (Over \$1M in bookings for the Quarter)	23	22
Recurring Revenue* \$ Total Dollar Amount for the Quarter	\$73.5M	\$72.9M
Recurring Revenue % As a % of Total Revenue for the Quarter	34%	31%
Product Book to Bill Ratio	1.12x	1.05x
Service Book to Bill Ratio	1.26x	1.08x
R&D as a % of Revenue Non-GAAP	19.7%	20.0%
S&M as a % of Revenue Non-GAAP	29.4%	26.2%
G&A as a % of Revenue Non-GAAP	5.1%	5.8%

Cloud Metrics	FQ4'20	FQ1'21
Average Daily Traffic Per Day	~3PB	~5PB
Managed Devices	1.14M	1.36M
Active Customer Accounts	98K	103K
Average Management Events Per Day	3.5B	4.7B

*Recurring Revenue is defined as the sum, without duplication, of subscription revenue, maintenance revenue and services revenue, including subscription and services revenue from the Aerohive business acquired by the Company in August 2019.

Vertical Trends



	Extreme Exposure	Demand Outlook	Tailwinds	Headwinds
 Government & Education	~40%		Strong continued trends in K-12, Higher Ed; Solid State / Local and Fed spending globally	Demand in state / local government dependent on future government budgets and funding
 Healthcare	~10%		Stable spending activity and visibility over multiple quarters globally	Some budget challenges from lack of highly profitable elective procedures at hospitals
 Sports / Entertainment & Hospitality	<5%		Strong pipeline of activity with new logos; Building pipeline of future business	Recovery still depends on social distancing easing for live sporting events and new projects
 Manufacturing	>10%		Manufacturing business continues to grow for second quarter in a row	Continued momentum depends on macroeconomic activity
 Retail Logistics / Transport	~10%		Stabilization of demand in Retail and cloud conversions driving spending. Logistics activity remains solid	Social distancing and economic activity for in-person shopping in Retail caps near-term outlook
 Telco / Service Provider	<10%		Stable demand from existing customers	5G is a catalyst for future spending, but significant growth is still several quarters ahead



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.

GAAP to Non-GAAP Reconciliations



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

	Quarter		
	FQ1'20	FQ4'20	FQ1'21
Product Revenue	\$ 185.1	\$ 141.5	\$ 161.4
Service Revenue	70.4	74.0	74.4
Total Revenue - GAAP	\$ 255.5	\$ 215.5	\$ 235.8
Gross Margin - GAAP	137.2	120.6	135.0
Gross Margin % - GAAP	53.7%	56.0%	57.3%
Inventory Valuation Adjustments	4.8	-	-
Integration Costs in COGS	0.2	0.1	-
Amortization of Product Intangibles	6.4	6.6	6.6
Adjustment to Acquired Inventories	3.9	-	-
Share-Based Compensation in COGS	0.6	0.7	0.6
Gross Margin - Non-GAAP	\$ 153.1	\$ 128.0	\$ 142.3
Gross Margin % - Non-GAAP	59.9%	59.4%	60.3%

GAAP to Non-GAAP Reconciliations



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

	Quarter		
	FQ1'20	FQ4'20	FQ1'21
Operating Loss - GAAP	\$ (32.2)	\$ (13.1)	\$ (0.1)
Operating Margin- GAAP	(12.6%)	(6.1%)	(0.0%)
Adjustment to Acquired Inventories	3.9	-	-
Integration Costs in COGS	0.2	0.1	-
Amortization of Product Intangibles	6.4	6.6	6.6
Inventory Valuation Adjustments	4.8	-	-
Total Share-Based Compensation	8.8	10.9	8.3
Restructuring Charges, net	6.1	2.6	1.0
Amortization of Non Product Intangibles	1.9	2.1	1.8
Integration Costs in OpEx	15.9	2.0	2.0
Operating Income - Non-GAAP	\$ 15.9	\$ 11.2	\$ 19.7
Operating Margin - Non-GAAP	6.2%	5.2%	8.3%

GAAP to Non-GAAP Reconciliations



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

	Quarter				Full Year	Quarter
	FQ1'20	FQ2'20	FQ3'20	FQ4'20	FY20	FQ1'21
Net Loss - GAAP	\$ (37.7)	\$ (23.5)	\$ (44.4)	\$ (21.2)	\$ (126.8)	\$ (8.8)
Shares - GAAP	120.2	119.6	119.2	120.3	119.8	121.7
EPS - GAAP	\$ (0.31)	\$ (0.20)	\$ (0.37)	\$ (0.18)	\$ (1.06)	\$ (0.07)
Adjustment to Acquired Inventories	3.9	3.4	-	-	7.3	-
Integration Costs in COGS	0.2	1.7	0.2	0.1	2.2	-
Amortization of Product Intangibles	6.4	6.9	6.5	6.6	26.4	6.6
Inventory Valuation Adjustments	4.8	(1.2)	-	-	3.7	-
Total Share-Based Compensation	8.8	10.5	7.2	10.9	37.4	8.3
Restructuring Charges, net	6.1	6.6	6.6	2.6	22.0	1.0
Amortization of Non Product Intangibles	1.9	2.4	2.1	2.1	8.4	1.8
Tax Effect of non-GAAP Adjustments	(1.4)	(2.7)	5.4	0.3	1.5	0.1
Integration and Acquisition Costs in OpEx	15.9	9.0	5.2	2.0	32.1	2.0
Net Non-GAAP Adjustments	46.6	36.7	33.1	24.6	141.0	19.8
Net Income - Non-GAAP	\$ 8.9	\$ 13.1	(11.2)	\$ 3.3	\$ 14.1	\$ 11.0
Shares - Non-GAAP	123.7	123.2	119.2	120.8	122.2	122.6
EPS - Non-GAAP	\$ 0.07	\$ 0.11	\$ (0.09)	\$ 0.03	\$ 0.12	\$ 0.09

GAAP to Non-GAAP Reconciliations



EBITDA (In \$M's)

	Quarter				Full Year	Quarter
	FQ1'20	FQ2'20	FQ3'20	FQ4'20	FY20	FQ1'21
Net Loss - GAAP	\$ (37.7)	\$ (23.5)	\$ (44.4)	\$ (21.2)	\$ (126.8)	\$ (8.8)
Interest	4.5	5.8	5.8	6.3	22.3	6.5
Provision for Income Taxes	1.6	1.8	1.6	1.4	6.4	1.3
Depreciation/Amortization	15.5	16.5	16.2	15.6	63.8	15.2
EBITDA - GAAP	(16.1)	0.5	(20.9)	2.1	(34.3)	14.3
Net Non-GAAP Adjustments	46.6	36.7	33.1	24.6	141.0	19.8
Income taxes included in Net Non-GAAP Adjustments	1.4	2.7	(5.4)	(0.3)	(1.5)	(0.1)
Amortization included in Net Non-GAAP Adjustments	(8.3)	(9.2)	(8.6)	(8.7)	(34.9)	(8.4)
EBITDA - Non-GAAP	\$ 23.6	\$ 30.6	(1.7)	\$ 17.8	\$ 70.2	\$ 25.6



FQ2'21 Financial Guidance

FQ2'21 Guidance – GAAP



(In M's except percentages and EPS)

	FQ1'21	FQ2'21 Guidance
Revenue (\$M)	\$235.8	\$235.0 - \$245.0
Gross Margin %	57.3%	56.8% - 57.5%
Net Loss	(\$8.8)	(\$9.2) – (\$4.3)
EPS	(\$0.07)	(\$0.7) – (\$0.03)

FQ2'21 Guidance – Non-GAAP



(In M's except percentages and EPS)

	FQ1'21	FQ2'21 Guidance
Revenue (\$M)	\$235.8	\$235.0 - \$245.0
Gross Margin %	60.3%	60.0% - 60.6%
Net Income	\$10.9	\$10.6 – \$15.5
EPS	\$0.09	\$0.09 – \$0.12

FQ2'21 Guidance - GAAP to Non-GAAP Reconciliation



	Gross Margin Rate	Operating Margin Rate	Earnings per Share
GAAP	56.8% - 57.5%	(0.4)% - 1.4%	(\$0.07) - (\$0.03)
Estimated Adjustments for:			
Amortization of Product Intangibles	2.4%	2.4%	\$0.05
Stock-Based Compensation	0.4%	4.3%	\$0.08
Restructuring Charges, net	-	0.3%	\$0.01
Amortization of Non-product Intangibles	0.3%	1.2%	\$0.02
Non-GAAP	60.0% - 60.6%	8.0% - 9.5%	\$0.09 - \$0.12



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