



Extreme Networks FQ2'21 Financial Results

Feb 9, 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 February 9, 2021, 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.



FQ2'21 Financial Results

GAAP Financial Highlights – Financial Operations



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

	Quarter		
	FQ2'20	FQ1'21	FQ2'21
GAAP			
Product Revenue	\$190.5	\$161.4	\$165.8
Services Revenue	\$77.0	\$74.4	\$76.3
Total Revenue	\$267.5	\$235.8	\$242.1
Total GM %	55.6%	57.3%	57.9%
Operating Income (Loss) \$	(\$15.2)	(\$0.1)	\$5.7
Operating Margin %	(5.7%)	(0.0%)	2.4%
Net Loss	(\$23.5)	(\$8.8)	(\$3.1)
EBITDA	\$0.5	\$14.3	\$18.7
EPS	(\$0.20)	(\$0.07)	(\$0.02)

Non-GAAP Financial Highlights – Financial Operations



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

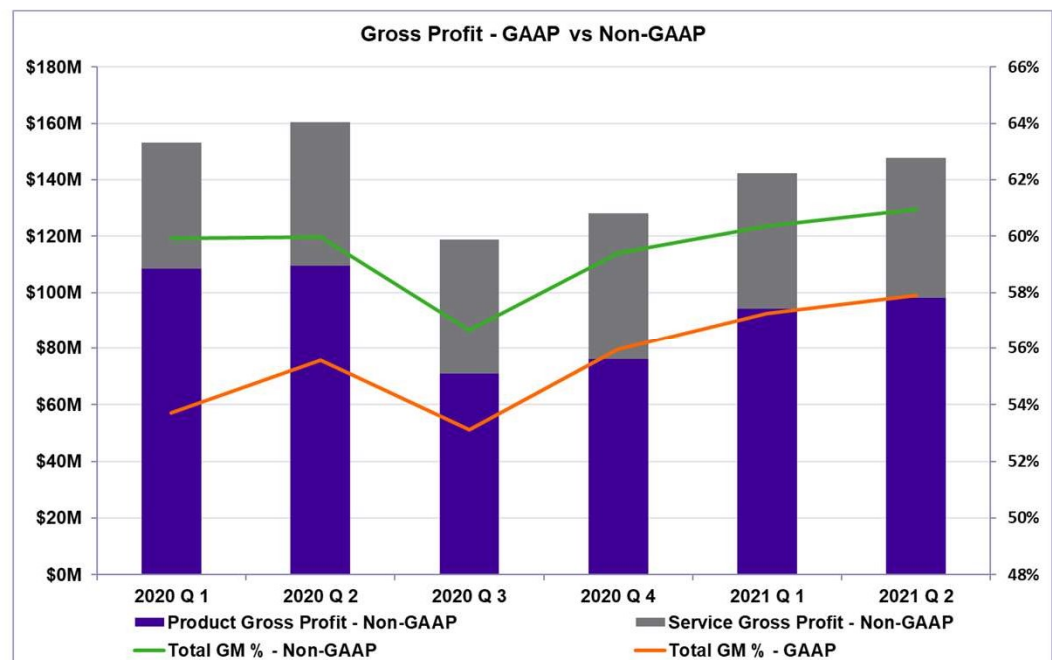
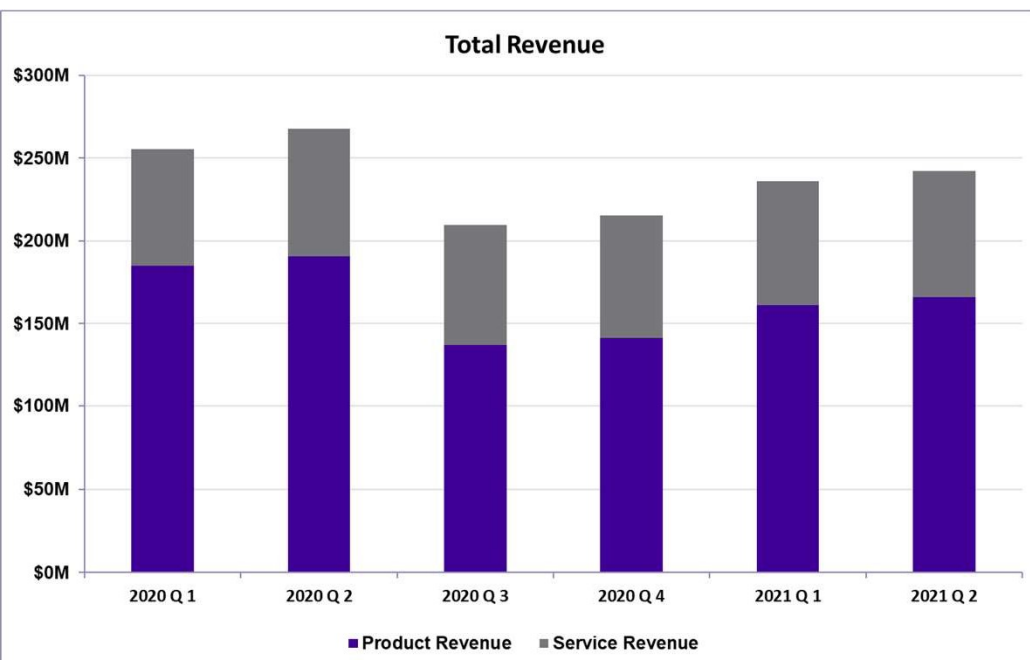
	Quarter		
	FQ2'20	FQ1'21	FQ2'21
Non-GAAP¹			
Product Revenue	\$190.5	\$161.4	\$165.8
Services Revenue	\$77.0	\$74.4	\$76.3
Total Revenue	\$267.5	\$235.8	\$242.1
Total GM %	60.0%	60.3%	61.0%
Operating Income \$	\$24.1	\$19.7	\$24.6
Operating Margin %	9.0%	8.3%	10.2%
Net Income	\$13.1	\$11.0	\$16.0
EBITDA	\$30.6	\$25.6	\$29.4
EPS	\$0.11	\$0.09	\$0.13

¹ See Appendices for GAAP to Non-GAAP reconciliation.

² In the first quarter of fiscal 2021 we adjusted the fiscal 2020 non-GAAP tax provision to reflect the 2020 non-GAAP operating results to be comparable with fiscal 2021 results. Please refer to first quarter fiscal 2021 8-K and press release and investor deck from 10/28/20 for additional details.

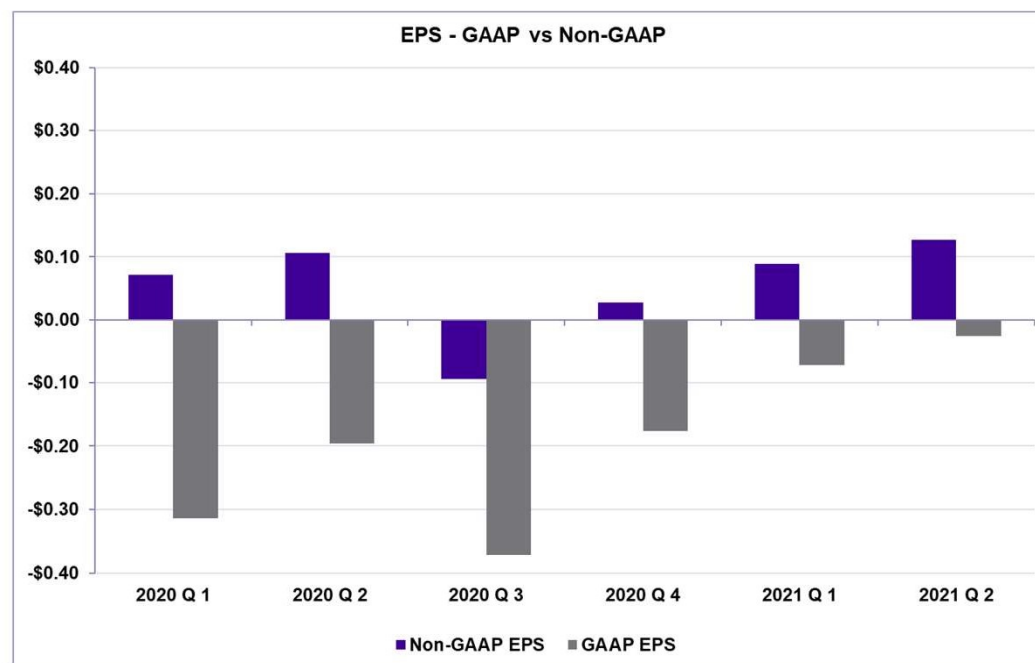
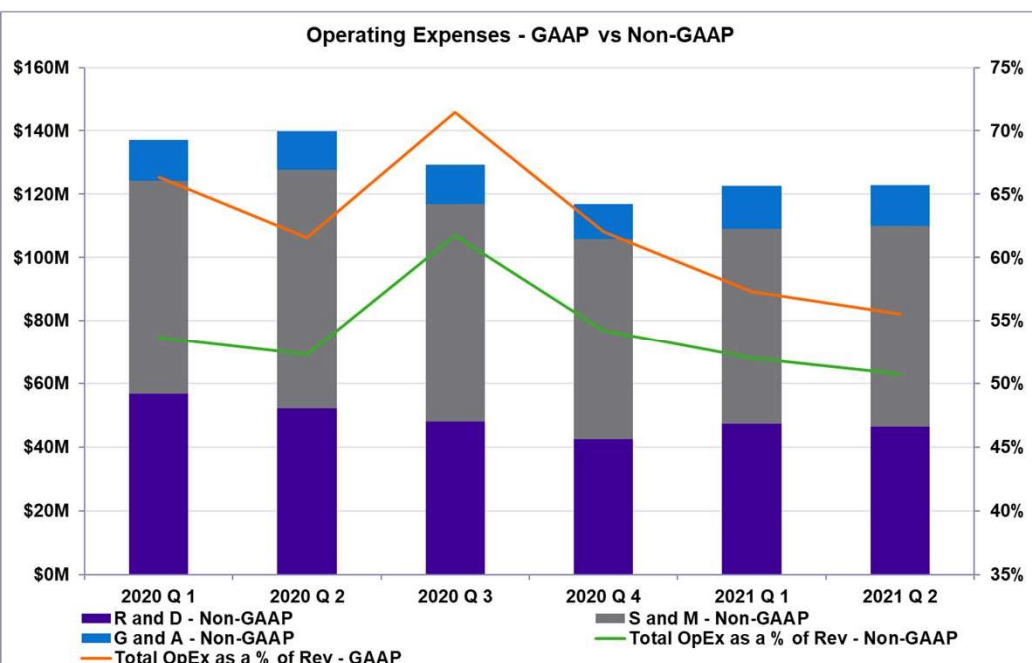
Quarterly Results of Operations

(In \$M's except percentages)



Quarterly Results of Operations

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



Revenue by Geography



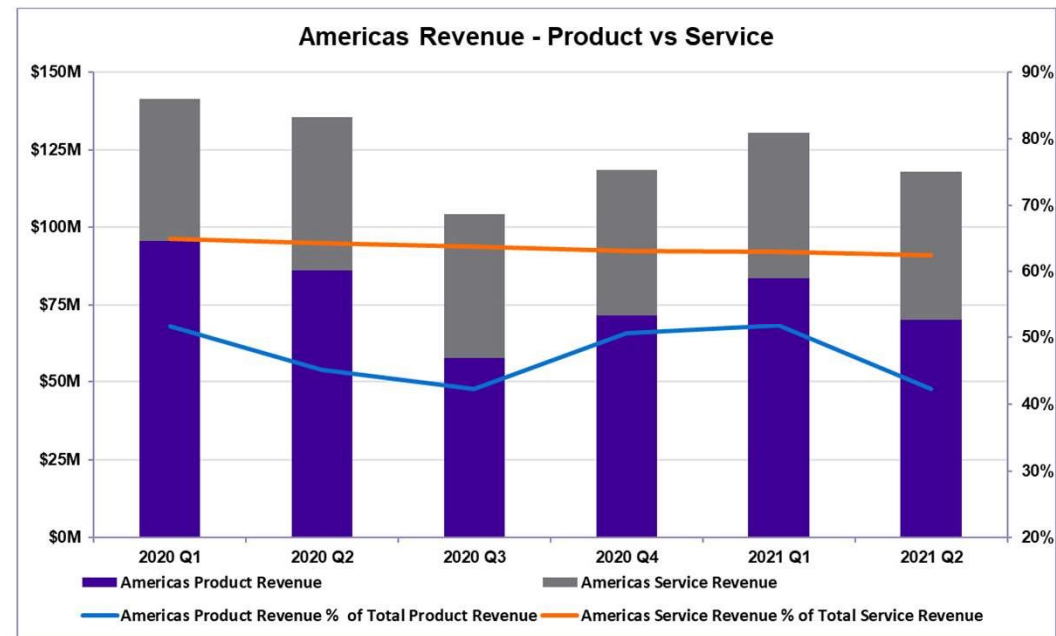
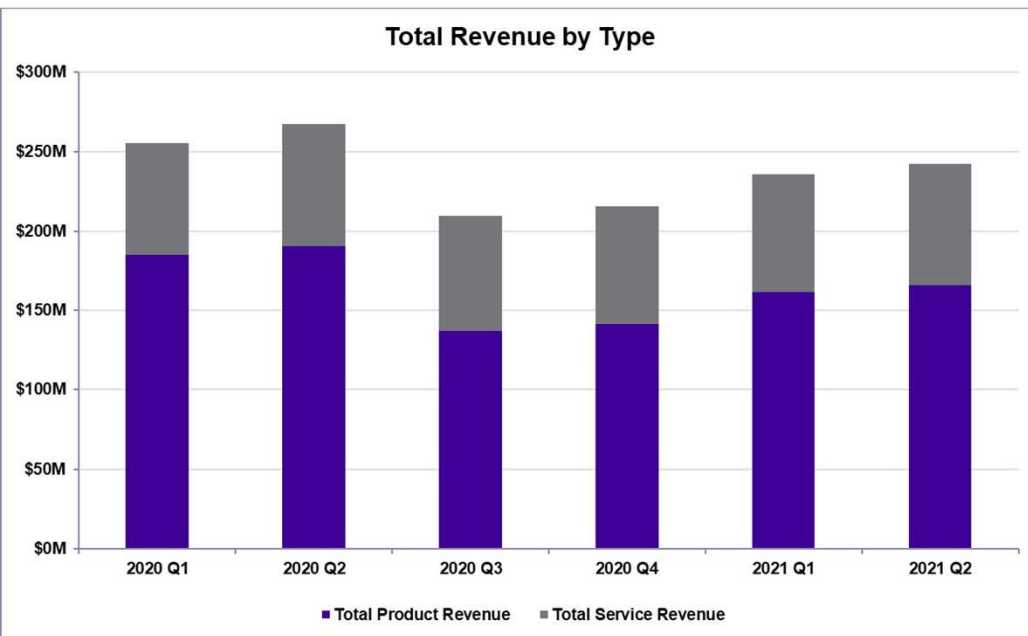
(In \$M's except percentages)

	FQ2'20	FQ1'21	FQ2'21	YoY % Change	QoQ % Change
Product Revenue					
Americas	\$ 86.0	\$ 83.5	\$ 70.1	(18.5%)	(16.0%)
EMEA	86.9	59.4	81.1	(6.7%)	36.5%
APAC	17.6	18.5	14.6	(16.9%)	(20.9%)
Total Product	\$ 190.5	\$ 161.4	\$ 165.8	(12.9%)	2.8%
Service Revenue					
Americas	\$ 49.5	\$ 46.9	\$ 47.7	(3.7%)	1.8%
EMEA	22.1	21.7	22.7	2.9%	4.7%
APAC	5.4	5.8	5.9	8.3%	0.0%
Total Service	\$ 77.0	\$ 74.4	\$ 76.3	(0.9%)	2.5%
Total Revenue					
Americas	\$ 135.5	\$ 130.4	\$ 117.8	(13.0%)	(9.6%)
EMEA	109.0	81.1	103.8	(4.7%)	28.0%
APAC	23.0	24.3	20.5	(11.0%)	(15.9%)
Total Revenue	\$ 267.5	\$ 235.8	\$ 242.1	(9.5%)	2.7%

Revenue by Type and by Geography



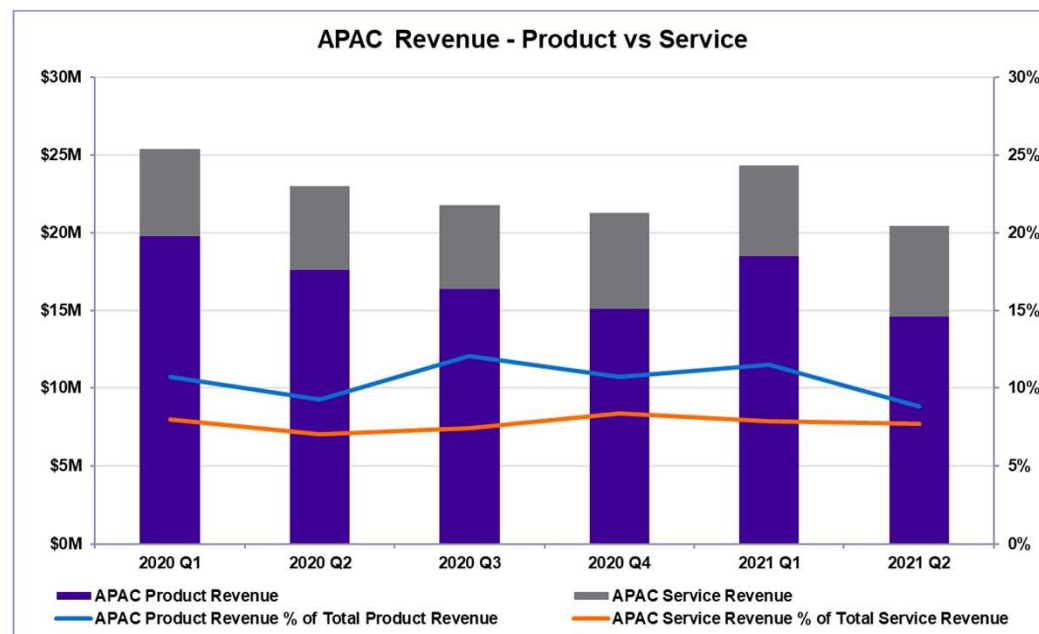
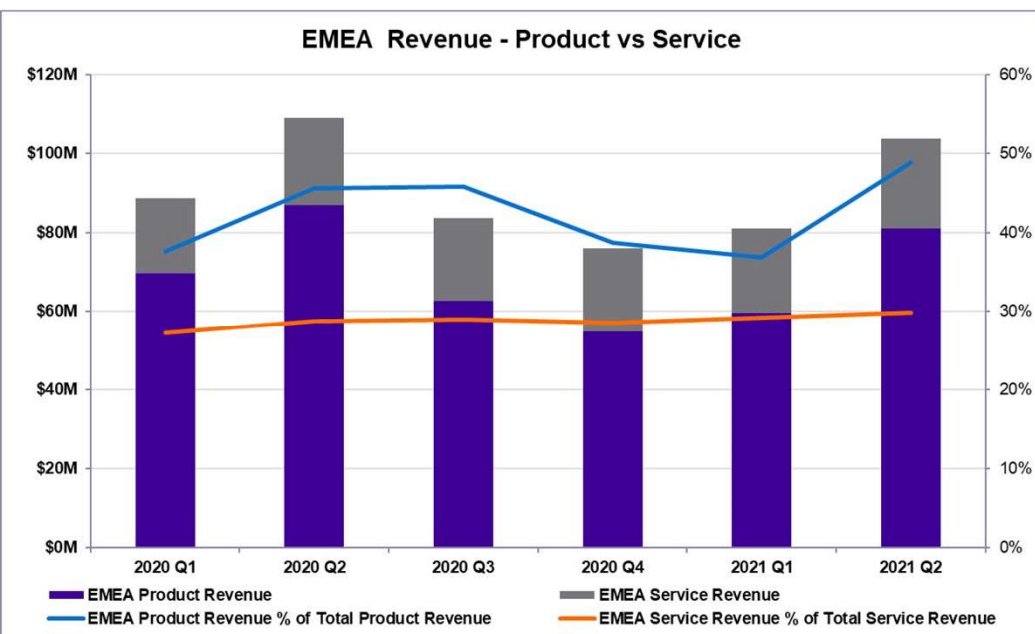
(In \$M's except percentages)



Revenue by Type and by Geography



(In \$M's except percentages)



Financial Highlights – Balance Sheet



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

Balance Sheet Highlights

Cash

Accounts Receivable

Inventories

Accounts Payables

Gross Debt*

Net Debt**

FQ2'20	FQ1'21	FQ2'21
\$140.4	\$193.1	\$184.0
\$159.8	\$123.6	\$128.2
\$79.7	\$55.8	\$49.8
\$66.0	\$59.4	\$53.7
\$375.3	\$396.0	\$356.3
\$234.9	\$202.9	\$172.3

Cash Conversion Cycle Table

Days Sales Outstanding

Days of Inventory

Days Payable Outsanding

Cash Conversion Cycle

FQ2'20	FQ1'21	FQ2'21
55	48	49
80	70	62
66	75	67
69	44	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.

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:

	FQ2'20	FQ1'21	FQ2'21
Operating Cash Flow	\$22.1	\$24.7	\$38.0
PP&E Capital Expenditures	(\$4.2)	(\$3.0)	(\$5.0)
Free Cash Flow	\$17.9	\$21.7	\$33.0

Key Performance Metrics
















Financial Metrics	FQ1'21	FQ2'21
Large Customers (Over \$1M in bookings for the Quarter)	22	39
Recurring Revenue* \$ Total Dollar Amount for the Quarter	\$72.9M	\$74.3M
Recurring Revenue % As a % of Total Revenue for the Quarter	31%	31%
Product Book to Bill Ratio	1.05x	1.23x
Service Book to Bill Ratio	1.10x	1.18x
R&D as a % of Revenue Non-GAAP	20.0%	19.2%
S&M as a % of Revenue Non-GAAP	26.2%	26.2%
G&A as a % of Revenue Non-GAAP	5.8%	5.3%

Cloud Metrics	FQ1'21	FQ2'21
Average Daily Traffic Per Day	~5PB	~8.8PB
Managed Devices	1.36M	1.47M
Active Customer Accounts	103K	107K
Average Management Events Per Day	4.7B	5.1B

*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	>35%		Consistent strength in Education and Government spending buoyed by stimulus	Demand in state / local government vertical will depend on future budgets and funding
 Healthcare	>10%		Spending improving with positive outlook for 2H'21 globally	Some budget challenges persist given resurgent lockdown disruptions globally
 Sports / Entertainment & Hospitality	<5%		New wins with additional sports leagues to fuel growth, along with recovery in areas impacted by COVID	Recovery at existing customers depends on easing restrictions for live events attendance and projects
 Manufacturing	~10%		Manufacturing business continues to grow for second quarter in a row	Continued momentum depends on macroeconomic activity
 Retail	<10%		Stabilization of demand in Retail and cloud conversions driving spending. Logistics activity remains solid	Economic activity for in-person shopping in Retail still not back to prior levels, capping outlook
 Logistics / Transport				
 Telco / Service Provider	<10%		Strengthening demand from existing end customers and OEM customers	5G is a catalyst for future spending; Growth will begin to ramp in 2H'CY21



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		
	FQ2'20	FQ1'21	FQ2'21
Product Revenue	\$ 190.5	\$ 161.4	\$ 165.8
Service Revenue	77.0	74.4	76.3
Total Revenue - GAAP	\$ 267.5	\$ 235.8	\$ 242.1
Gross Margin - GAAP	148.7	135.0	140.2
Gross Margin % - GAAP	55.6%	57.3%	57.9%
Inventory Valuation Adjustments	(1.2)	-	-
Integration Costs in COGS	1.7	-	-
Amortization of Product Intangibles	6.9	6.6	6.6
Adjustment to Acquired Inventories	3.4	-	-
Share-Based Compensation in COGS	0.9	0.6	0.8
Gross Margin - Non-GAAP	\$ 160.4	\$ 142.3	\$ 147.6
Gross Margin % - Non-GAAP	60.0%	60.3%	61.0%

GAAP to Non-GAAP Reconciliations



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

	Quarter		
	FQ2'20	FQ1'21	FQ2'21
Operating Income (Loss) - GAAP	\$ (15.2)	\$ (0.1)	\$ 5.7
Operating Margin- GAAP	(5.7%)	(0.0%)	2.4%
Adjustment to Acquired Inventories	3.4	-	-
Integration Costs in COGS	1.7	-	-
Amortization of Product Intangibles	6.9	6.6	6.6
Inventory Valuation Adjustments	(1.2)	-	-
Total Share-Based Compensation	10.5	8.3	10.1
Restructuring Charges, net	6.6	1.0	0.7
Amortization of Non Product Intangibles	2.4	1.8	1.5
Integration Costs in OpEx	9.0	2.0	-
Operating Income - Non-GAAP	\$ 24.1	\$ 19.7	\$ 24.6
Operating Margin - Non-GAAP	9.0%	8.3%	10.2%

GAAP to Non-GAAP Reconciliations



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

	Quarter		
	FQ2'20	FQ1'21	FQ2'21
Net Loss - GAAP	\$ (23.5)	\$ (8.8)	\$ (3.1)
Shares - GAAP	119.6	121.7	123.3
EPS - GAAP	\$ (0.20)	\$ (0.07)	\$ (0.02)
Adjustment to Acquired Inventories	3.4	-	-
Integration Costs in COGS	1.7	-	-
Amortization of Product Intangibles	6.9	6.6	6.6
Inventory Valuation Adjustments	(1.2)	-	-
Total Share-Based Compensation	10.5	8.3	10.1
Restructuring Charges, net	6.6	1.0	0.7
Amortization of Non Product Intangibles	2.4	1.8	1.5
Tax Effect of non-GAAP Adjustments	(2.7)	0.1	0.2
Integration and Acquisition Costs in OpEx	9.0	2.0	-
Net Non-GAAP Adjustments	36.7	19.8	19.1
Net Income - Non-GAAP	\$ 13.1	\$ 11.0	\$ 16.0
Shares - Non-GAAP	123.2	122.6	125.7
EPS - Non-GAAP	\$ 0.11	\$ 0.09	\$ 0.13

GAAP to Non-GAAP Reconciliations



EBITDA (In \$M's)

	Quarter		
	FQ2'20	FQ1'21	FQ2'21
Net Loss - GAAP	\$ (23.5)	\$ (8.8)	\$ (3.1)
Interest	5.8	6.5	\$ 6.0
Provision for Income Taxes	1.8	1.3	\$ 1.9
Depreciation/Amortization	16.5	15.2	\$ 13.9
EBITDA - GAAP	0.5	14.3	18.7
Net Non-GAAP Adjustments	36.7	19.8	19.1
Income taxes included in Net Non-GAAP Adjustments	2.7	(0.1)	(0.2)
Amortization included in Net Non-GAAP Adjustments	(9.2)	(8.4)	(8.2)
EBITDA - Non-GAAP	\$ 30.6	\$ 25.6	\$ 29.4



FQ3'21 Financial Guidance

FQ3'21 Guidance – GAAP

(In M's except percentages and EPS)



	FQ2'21	FQ3'21 Guidance
Revenue (\$M)	\$242.1	\$240.0 - \$250.0
Gross Margin %	57.9%	58.4% - 59.5%
Net Income (Loss)	(\$3.1)	(\$5.5) – \$1.1
EPS	(\$0.02)	(\$0.04) – \$0.01

FQ3'21 Guidance – Non-GAAP



(In M's except percentages and EPS)

	FQ2'21	FQ3'21 Guidance
Revenue (\$M)	\$242.1	\$240.0 - \$250.0
Gross Margin %	61.0%	61.5% - 62.5%
Net Income	\$16.0	\$13.5 – \$20.1
EPS	\$0.13	\$0.11 – \$0.16

FQ3'21 Guidance - GAAP to Non-GAAP Reconciliation



	Gross Margin Rate	Operating Margin Rate	Earnings per Share
GAAP	58.4% - 59.5%	1.1% - 3.7%	(\$0.04) – \$0.01
Estimated Adjustments for:			
Amortization of Product Intangibles	2.4%	2.4%	\$0.05
Stock-Based Compensation	0.3%	4.1%	\$0.08
Restructuring Charges, net	-	0.3%	\$0.01
Amortization of Non-product Intangibles	0.3%	0.9%	\$0.02
Non-GAAP	61.5% - 62.5%	9.0% - 11.3%	\$0.11 - \$0.16



ADVANCE
WITH US™