

# Extreme Networks

FQ4'16 Financial Results

# 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 and 10 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.*





# FQ4'16 Financial Results

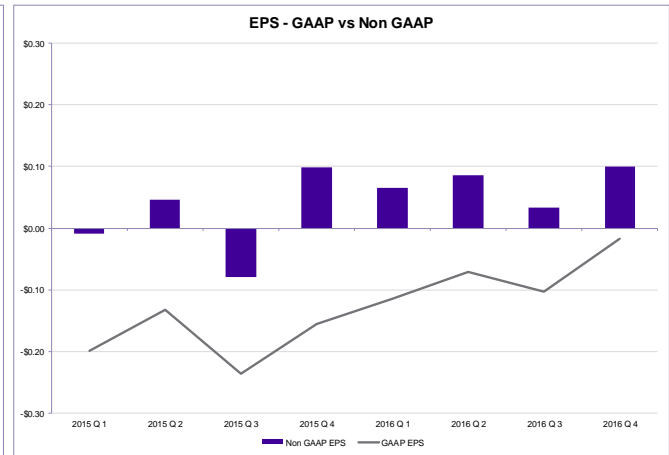
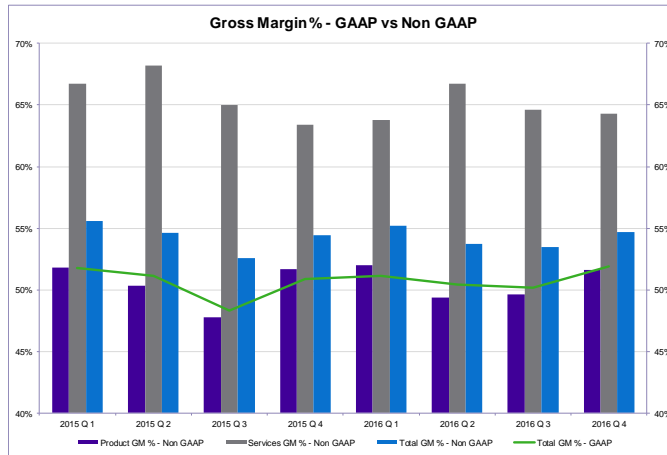
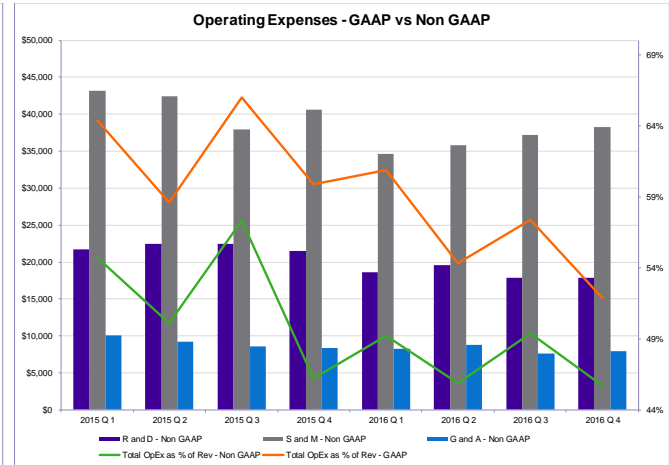
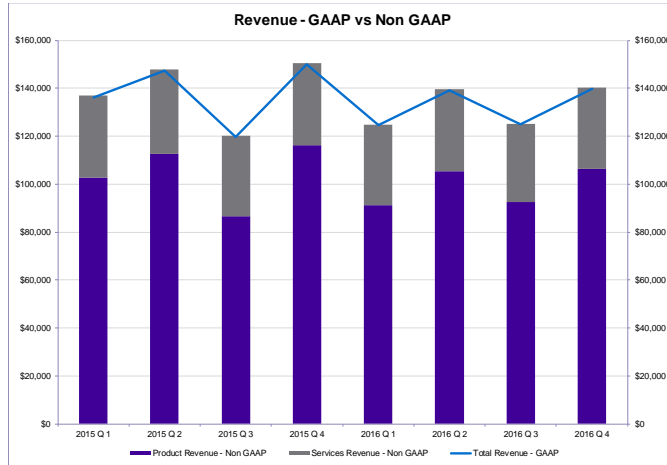


# Financial Highlights – Financial Operations

|                                | FY'15     |           |           |           | FY'16     |           |           |           | FQ4'16 v | FQ4'16 v   |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|------------|
|                                | Q1        | Q2        | Q3        | Q4        | Q1        | Q2        | Q3        | Q4        | FQ3'16   | FQ4'15     |
| Product Revenue - Non GAAP     | \$102,672 | \$112,501 | \$86,527  | \$116,346 | \$91,381  | \$105,355 | \$92,712  | \$106,018 | \$13,306 | (\$10,328) |
| Services Revenue - Non GAAP    | \$34,368  | \$35,473  | \$33,829  | \$34,288  | \$33,577  | \$34,327  | \$32,552  | \$33,978  | \$1,426  | (\$310)    |
| Total Revenue - Non GAAP       | \$137,040 | \$147,974 | \$120,356 | \$150,634 | \$124,958 | \$139,682 | \$125,264 | \$139,996 | \$14,732 | (\$10,638) |
| Total GM % - Non GAAP          | 55.6%     | 54.6%     | 52.6%     | 54.4%     | 55.2%     | 53.6%     | 53.4%     | 54.8%     | 1.4%     | 0.4%       |
| Operating Income \$ - Non GAAP | \$1,198   | \$6,693   | (\$5,641) | \$12,278  | \$7,459   | \$10,835  | \$5,366   | \$12,065  | \$6,699  | (\$213)    |
| Operating Margin % - Non GAAP  | 0.9%      | 4.5%      | -4.7%     | 8.2%      | 6.0%      | 7.8%      | 4.3%      | 8.6%      | 4.3%     | 0.4%       |
| Net Income (Loss) - Non GAAP   | (\$934)   | \$4,670   | (\$7,925) | \$10,068  | \$6,729   | \$8,964   | \$3,494   | \$10,206  | \$6,712  | \$138      |
| EBITDA - Non GAAP              | \$4,043   | \$10,235  | (\$2,709) | \$15,498  | \$11,633  | \$13,382  | \$8,092   | \$15,018  | \$6,926  | (\$480)    |
| EPS - Non GAAP                 | (\$0.01)  | \$0.05    | (\$0.08)  | \$0.10    | \$0.07    | \$0.09    | \$0.03    | \$0.10    | \$0.07   | (\$0.00)   |
| EPS - GAAP                     | (\$0.20)  | (\$0.13)  | (\$0.24)  | (\$0.16)  | (\$0.11)  | (\$0.07)  | (\$0.10)  | (\$0.02)  | \$0.08   | \$0.14     |



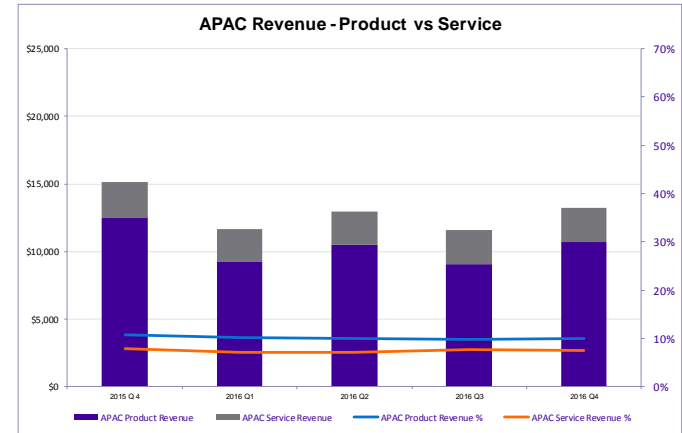
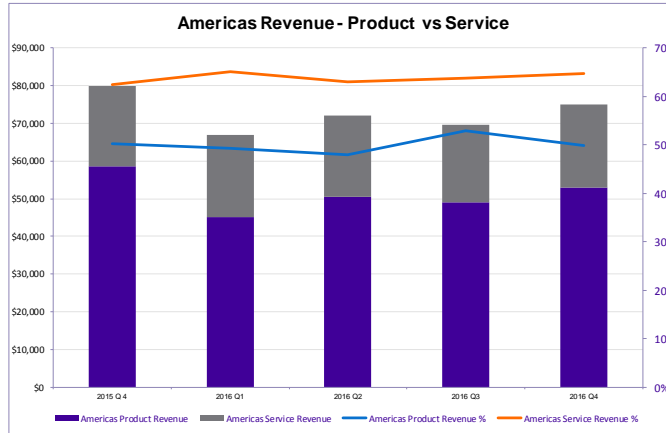
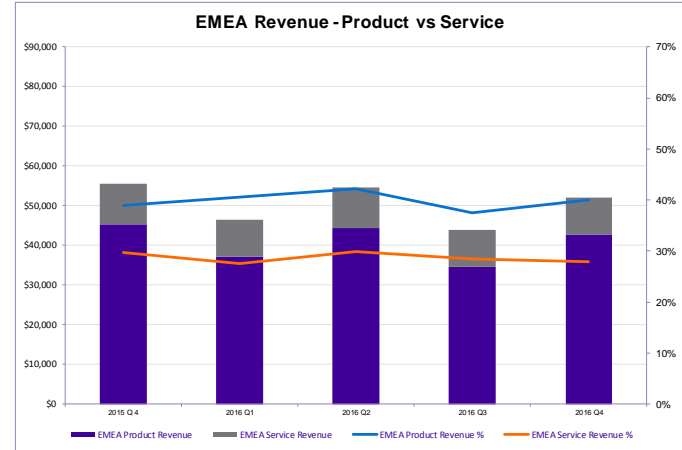
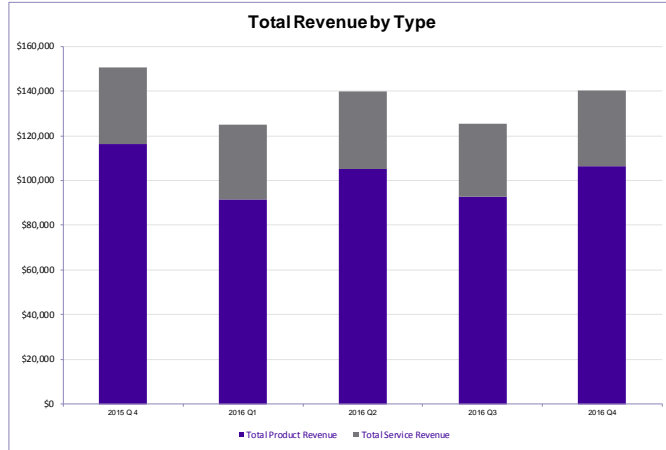
# Quarterly Results of Operations



# Historical Revenue by Geography: Non GAAP

|                      | FY'15             |                   |                   |                   | FY'16             |                   |                   |                   | FQ4'16 v         | FQ4'16 v           |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|--------------------|
|                      | Q1                | Q2                | Q3                | Q4                | Q1                | Q2                | Q3                | Q4                | FQ3'16           | FQ4'15             |
| <b>Product</b>       |                   |                   |                   |                   |                   |                   |                   |                   |                  |                    |
| Americas             | \$ 44,670         | \$ 49,083         | \$ 37,474         | \$ 58,489         | \$ 45,001         | \$ 50,467         | \$ 48,974         | \$ 52,677         | \$ 3,703         | \$ (5,812)         |
| EMEA                 | 44,074            | 52,265            | 38,621            | 45,379            | 37,142            | 44,369            | 34,693            | 42,611            | 7,918            | (2,768)            |
| APAC                 | 13,928            | 11,153            | 10,432            | 12,478            | 9,238             | 10,519            | 9,045             | 10,730            | 1,685            | (1,748)            |
| <b>Total Product</b> | <b>102,672</b>    | <b>112,501</b>    | <b>86,527</b>     | <b>116,346</b>    | <b>91,381</b>     | <b>105,355</b>    | <b>92,712</b>     | <b>106,018</b>    | <b>13,306</b>    | <b>(10,328)</b>    |
| <b>Service</b>       |                   |                   |                   |                   |                   |                   |                   |                   |                  |                    |
| Americas             | 21,684            | 22,180            | 21,257            | 21,401            | 21,888            | 21,630            | 20,768            | 22,030            | 1,262            | 629                |
| EMEA                 | 10,081            | 10,528            | 9,827             | 10,195            | 9,271             | 10,259            | 9,247             | 9,426             | 179              | (769)              |
| APAC                 | 2,603             | 2,765             | 2,745             | 2,692             | 2,418             | 2,438             | 2,537             | 2,522             | (15)             | (170)              |
| <b>Total Service</b> | <b>34,368</b>     | <b>35,473</b>     | <b>33,829</b>     | <b>34,288</b>     | <b>33,577</b>     | <b>34,327</b>     | <b>32,552</b>     | <b>33,978</b>     | <b>1,426</b>     | <b>(310)</b>       |
| <b>Total Revenue</b> |                   |                   |                   |                   |                   |                   |                   |                   |                  |                    |
| Americas             | 66,354            | 71,263            | 58,731            | 79,890            | 66,889            | 72,097            | 69,742            | 74,707            | 4,965            | (5,183)            |
| EMEA                 | 54,155            | 62,793            | 48,448            | 55,574            | 46,413            | 54,628            | 43,940            | 52,037            | 8,097            | (3,537)            |
| APAC                 | 16,531            | 13,918            | 13,177            | 15,170            | 11,656            | 12,957            | 11,582            | 13,252            | 1,670            | (1,918)            |
| <b>Total Revenue</b> | <b>\$ 137,040</b> | <b>\$ 147,974</b> | <b>\$ 120,356</b> | <b>\$ 150,634</b> | <b>\$ 124,958</b> | <b>\$ 139,682</b> | <b>\$ 125,264</b> | <b>\$ 139,996</b> | <b>\$ 14,732</b> | <b>\$ (10,638)</b> |

# Revenue by Type (Non GAAP)



# Financial Highlights – Financial Position

|  | FY 2015   |           |           |          | FY 2016  |          |          |          |
|--|-----------|-----------|-----------|----------|----------|----------|----------|----------|
|  | Q1        | Q2        | Q3        | Q4       | Q1       | Q2       | Q3       | Q4       |
| Cash and Securities Available for Sale | \$104,462 | \$109,293 | \$75,573  | \$76,225 | \$82,025 | \$85,865 | \$88,334 | \$94,122 |
| AR                                     | \$99,980  | \$93,519  | \$78,727  | \$92,737 | \$60,330 | \$73,110 | \$62,670 | \$81,419 |
| DSO                                    | 67        | 57        | 59        | 56       | 45       | 48       | 46       | 53       |
| Inventories                            | \$55,341  | \$54,431  | \$66,811  | \$58,014 | \$61,679 | \$56,601 | \$52,755 | \$40,989 |
| DOI                                    | 92        | 81        | 121       | 86       | 121      | 91       | 96       | 68       |
| Debt Payable                           | \$120,750 | \$89,125  | \$68,500  | \$66,875 | \$65,250 | \$62,000 | \$58,750 | \$55,500 |
| Free Cash Flow                         | (\$1,152) | \$38,643  | (\$9,537) | \$2,264  | \$5,893  | \$6,665  | \$3,558  | \$8,922  |
| Cap Ex                                 | \$2,784   | \$1,178   | \$1,648   | \$1,595  | \$633    | \$776    | \$1,388  | \$2,529  |
| Depreciation/Amortization              | \$3,279   | \$3,606   | \$3,467   | \$3,395  | \$3,210  | \$2,435  | \$2,992  | \$2,777  |





# GAAP to Non GAAP Reconciliations

|   | FY'15             |                   |                   |                   | FY'16             |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | Q 1               | Q2                | Q 3               | Q4                | Q 1               | Q2                | Q 3               | Q4                |
| <b>Revenue - GAAP Basis</b>                     | \$ 136,274        | \$ 147,208        | \$ 119,590        | \$ 149,868        | \$ 124,581        | \$ 139,305        | \$ 124,887        | \$ 139,619        |
| Deferred Revenue Adjustment                     | 766               | 766               | 766               | 766               | 377               | 377               | 377               | 377               |
| <b>Revenue - Non GAAP Basis</b>                 | <u>\$ 137,040</u> | <u>\$ 147,974</u> | <u>\$ 120,356</u> | <u>\$ 150,634</u> | <u>\$ 124,958</u> | <u>\$ 139,682</u> | <u>\$ 125,264</u> | <u>\$ 139,996</u> |
| <b>Gross Margin - GAAP Basis</b>                | \$ 70,525         | \$ 75,160         | \$ 57,722         | \$ 76,324         | \$ 65,117         | \$ 70,275         | \$ 62,721         | \$ 72,677         |
| Deferred Revenue Adjustment                     | 766               | 766               | 766               | 766               | 377               | 377               | 377               | 377               |
| Capitalized Overhead                            | -                 | -                 | -                 | -                 | (1,493)           | -                 | -                 | -                 |
| Amortization of Product Intangibles             | 4,292             | 4,292             | 4,292             | 4,292             | 4,292             | 3,708             | 3,417             | 3,417             |
| Stock Comp in Product COGS                      | 283               | 275               | 265               | 244               | 296               | 277               | 205               | 105               |
| Stock Comp in Service COGS                      | 291               | 272               | 254               | 252               | 367               | 277               | 223               | 174               |
| <b>Gross Margin - Non GAAP Basis</b>            | <u>\$ 76,157</u>  | <u>\$ 80,765</u>  | <u>\$ 63,299</u>  | <u>\$ 81,878</u>  | <u>\$ 68,956</u>  | <u>\$ 74,914</u>  | <u>\$ 66,943</u>  | <u>\$ 76,750</u>  |
| <b>Operating Loss - GAAP Basis</b>              | \$ (17,199)       | \$ (11,088)       | \$ (21,264)       | \$ (13,452)       | \$ (10,797)       | \$ (5,361)        | \$ (8,911)        | \$ (480)          |
| Deferred Revenue Adjustment                     | 766               | 766               | 766               | 766               | 377               | 377               | 377               | 377               |
| Capitalized Overhead                            | -                 | -                 | -                 | -                 | (1,493)           | -                 | -                 | -                 |
| Amortization of Product Intangibles             | 4,292             | 4,292             | 4,292             | 4,292             | 4,292             | 3,708             | 3,417             | 3,417             |
| Stock Comp in Product COGS                      | 283               | 275               | 265               | 244               | 296               | 277               | 205               | 105               |
| Stock Comp in Service COGS                      | 291               | 272               | 254               | 252               | 367               | 277               | 223               | 174               |
| Stock Comp in R&D                               | 1,644             | 1,544             | 1,423             | 754               | 1,629             | 1,165             | 996               | 768               |
| Stock Comp in Sales and Marketing               | 1,557             | 1,566             | 1,291             | 755               | 1,428             | 1,291             | 1,137             | 777               |
| Stock Comp in G&A                               | 1,038             | 1,093             | 1,139             | 1,469             | 951               | 935               | 942               | 849               |
| Total Stock Comp                                | 4,813             | 4,750             | 4,372             | 3,474             | 4,671             | 3,945             | 3,503             | 2,673             |
| Executive Transition in R&D                     | -                 | -                 | -                 | 406               | -                 | -                 | -                 | -                 |
| Executive Transition in Sales and Marketing     | -                 | -                 | -                 | 456               | -                 | -                 | 1,067             | 9                 |
| Executive Transition in G&A                     | -                 | -                 | -                 | 1,127             | -                 | -                 | 328               | 762               |
| Total Executive Transition Costs                | -                 | -                 | -                 | 1,989             | -                 | -                 | 1,395             | 771               |
| Restructuring Charges, net                      | -                 | -                 | -                 | 9,819             | 5,603             | 3,031             | 1,358             | 998               |
| Amortization of Non Product Intangibles         | 4,467             | 4,467             | 4,467             | 4,467             | 4,467             | 4,250             | 4,142             | 4,142             |
| Litigation                                      | -                 | -                 | -                 | -                 | -                 | 79                | 85                | 167               |
| Acquisition and Integration Costs               | 4,058             | 3,500             | 1,725             | 923               | 338               | 807               | -                 | -                 |
| <b>Operating Income (Loss) - Non GAAP Basis</b> | <u>\$ 1,197</u>   | <u>\$ 6,687</u>   | <u>\$ (5,642)</u> | <u>\$ 12,278</u>  | <u>\$ 7,458</u>   | <u>\$ 10,836</u>  | <u>\$ 5,366</u>   | <u>\$ 12,065</u>  |



# GAAP to Non GAAP Reconciliations (cont'd)

|   | FY'15             |                  |                   |                   | FY'16            |                  |                  |                  |
|---|-------------------|------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
|   | Q 1               | Q2               | Q 3               | Q4                | Q 1              | Q2               | Q 3              | Q4               |
| <b>Net Loss - GAAP Basis</b>                | \$ (19,328)       | \$ (13,110)      | \$ (23,547)       | \$ (15,662)       | \$ (11,527)      | \$ (7,233)       | \$ (10,783)      | \$ (2,339)       |
| Deferred Revenue Adjustment                 | 766               | 766              | 766               | 766               | 377              | 377              | 377              | 377              |
| Capitalized Overhead                        | -                 | -                | -                 | -                 | (1,493)          | -                | -                | -                |
| Amortization of Product Intangibles         | 4,292             | 4,292            | 4,292             | 4,292             | 4,292            | 3,708            | 3,417            | 3,417            |
| Stock Comp in Product COGS                  | 283               | 275              | 265               | 244               | 296              | 277              | 205              | 105              |
| Stock Comp in Service COGS                  | 291               | 272              | 254               | 252               | 367              | 277              | 223              | 174              |
| Stock Comp in R&D                           | 1,644             | 1,544            | 1,423             | 754               | 1,629            | 1,165            | 996              | 768              |
| Stock Comp in Sales and Marketing           | 1,557             | 1,566            | 1,291             | 755               | 1,428            | 1,291            | 1,137            | 777              |
| Stock Comp in G&A                           | 1,038             | 1,093            | 1,139             | 1,469             | 951              | 935              | 942              | 849              |
| <b>Total Stock Comp</b>                     | <b>4,813</b>      | <b>4,750</b>     | <b>4,372</b>      | <b>3,474</b>      | <b>4,671</b>     | <b>3,945</b>     | <b>3,503</b>     | <b>2,673</b>     |
| Executive Transition in R&D                 | -                 | -                | -                 | 406               | -                | -                | -                | -                |
| Executive Transition in Sales and Marketing | -                 | -                | -                 | 456               | -                | -                | 1,067            | 9                |
| Executive Transition in G&A                 | -                 | -                | -                 | 1,127             | -                | -                | 328              | 762              |
| <b>Total Executive Transition Costs</b>     | <b>-</b>          | <b>-</b>         | <b>-</b>          | <b>1,989</b>      | <b>-</b>         | <b>-</b>         | <b>1,395</b>     | <b>771</b>       |
| Restructuring Charges, net                  | -                 | -                | -                 | 9,819             | 5,603            | 3,031            | 1,358            | 998              |
| Amortization of Non Product Intangibles     | 4,467             | 4,467            | 4,467             | 4,467             | 4,467            | 4,250            | 4,142            | 4,142            |
| Litigation                                  | -                 | -                | -                 | -                 | -                | 79               | 85               | 167              |
| Acquisition and Integration Costs           | 4,058             | 3,500            | 1,725             | 923               | 338              | 807              | -                | -                |
| <b>Net Income (Loss) - Non GAAP Basis</b>   | <b>(932)</b>      | <b>4,665</b>     | <b>(7,925)</b>    | <b>10,068</b>     | <b>6,728</b>     | <b>8,964</b>     | <b>3,494</b>     | <b>10,206</b>    |
| Shares - Non GAAP Basis                     | 97,314            | 100,788          | 99,783            | 101,205           | 103,195          | 105,087          | 105,955          | 107,275          |
| <b>EPS - Non GAAP Basis</b>                 | <b>\$ (0.01)</b>  | <b>\$ 0.05</b>   | <b>\$ (0.08)</b>  | <b>\$ 0.10</b>    | <b>\$ 0.07</b>   | <b>\$ 0.09</b>   | <b>\$ 0.03</b>   | <b>\$ 0.10</b>   |
| <b>Net Non GAAP Adjustments</b>             | <b>\$ 18,396</b>  | <b>\$ 17,775</b> | <b>\$ 15,622</b>  | <b>\$ 25,730</b>  | <b>\$ 18,255</b> | <b>\$ 16,197</b> | <b>\$ 14,277</b> | <b>\$ 12,545</b> |
| <b>Non GAAP EBITDA</b>                      | <b>4,043</b>      | <b>10,235</b>    | <b>(2,709)</b>    | <b>15,498</b>     | <b>11,633</b>    | <b>13,382</b>    | <b>8,092</b>     | <b>15,018</b>    |
| Net Non GAAP Adjustments                    | (18,396)          | (17,775)         | (15,622)          | (25,730)          | (18,255)         | (16,197)         | (14,277)         | (12,545)         |
| Amortization included in Non GAAP EBITDA    | 8,759             | 8,759            | 8,759             | 8,759             | 8,759            | 7,958            | 7,559            | 7,559            |
| <b>GAAP EBITDA</b>                          | <b>\$ (5,594)</b> | <b>\$ 1,219</b>  | <b>\$ (9,572)</b> | <b>\$ (1,473)</b> | <b>\$ 2,137</b>  | <b>\$ 5,143</b>  | <b>\$ 1,374</b>  | <b>\$ 10,032</b> |





# FQ1'17 Financial Guidance



# FQ1'17 Guidance – GAAP (in M's except EPS)

|                   | FQ4'16   | FQ1'17 Guidance     |
|-------------------|----------|---------------------|
| Revenue (\$M)     | \$139.6  | \$120.6 - \$130.6   |
| Gross Margin %    | 52.1%    | 53.5% - 55.0%       |
| Net Income (Loss) | (\$2.3)  | (\$6.2) – (\$1.5)   |
| EPS: non-GAAP     | (\$0.02) | (\$0.06) – (\$0.01) |

# FQ1'17 Guidance – Non GAAP (in M's except EPS)

|                   | FQ4'16  | FQ1'17 Guidance   |
|-------------------|---------|-------------------|
| Revenue (\$M)     | \$140.0 | \$121.0 - \$131.0 |
| Gross Margin %    | 54.8%   | 56.7% - 58.1%     |
| Net Income (Loss) | \$10.2  | \$4.3 – \$9.0     |
| EPS: non-GAAP     | \$0.10  | \$0.04 - \$0.09   |



Extreme<sup>®</sup>

Connect Beyond the Network

Thank You

[WWW.EXTREMENETWORKS.COM](http://WWW.EXTREMENETWORKS.COM)

