

# Extreme Networks

FQ2'16 Financial Results

## **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 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.*

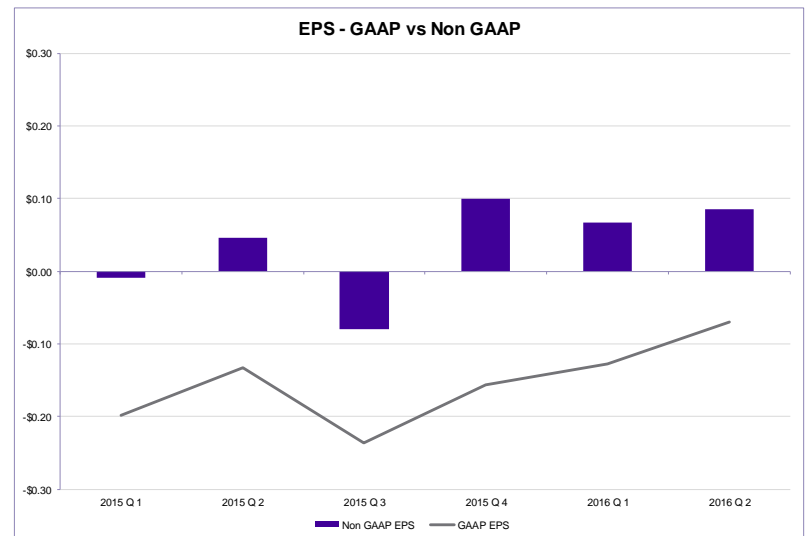
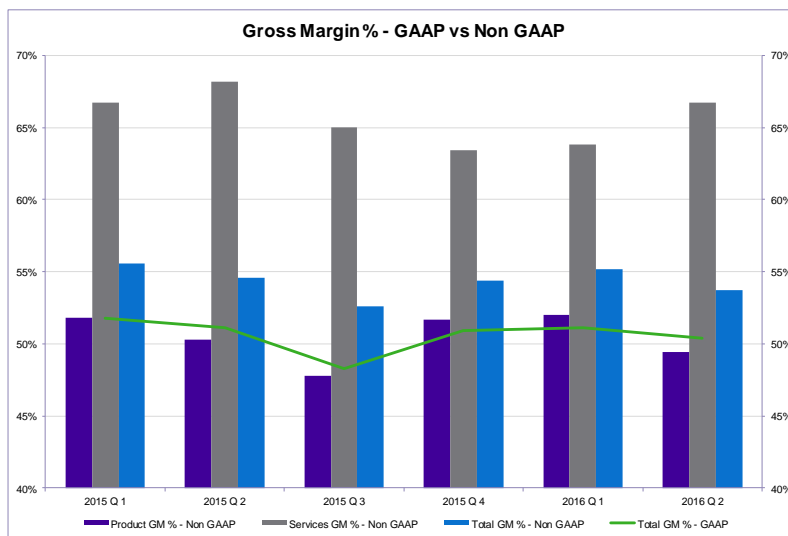
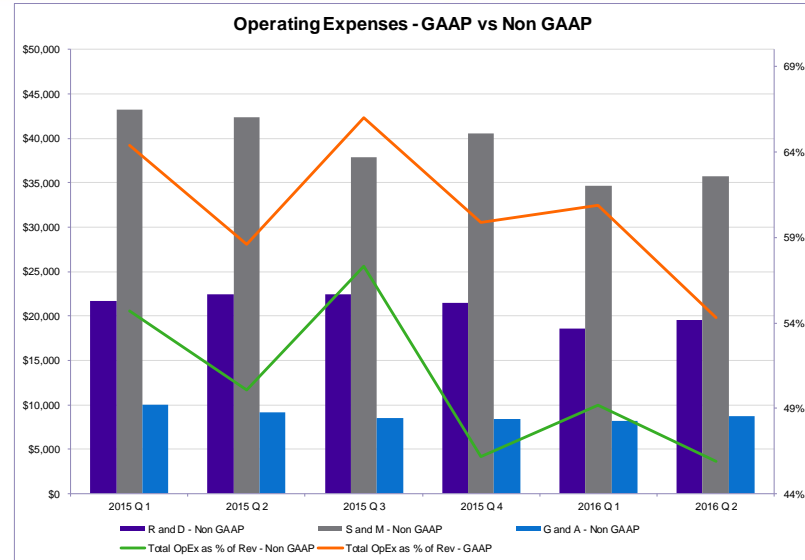
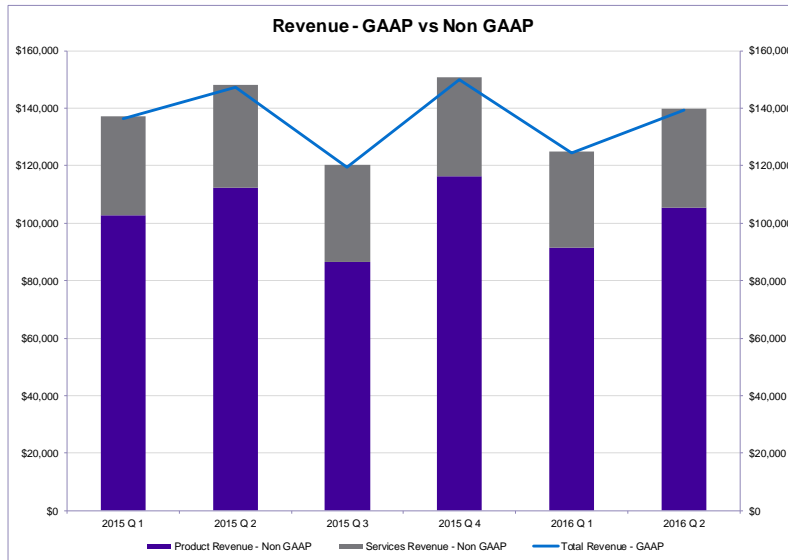
# FQ2'16 Financial Results

# Financial Highlights – Financial Operations



	FY'15			FY'16		FQ2'16 v	FQ2'16 v
	Q2	Q3	Q4	Q1	Q2	FQ1'16	FQ2'15
Product Revenue - Non GAAP	\$112,501	\$86,527	\$116,346	\$91,381	\$105,355	\$13,974	(\$7,146)
Services Revenue - Non GAAP	\$35,473	\$33,829	\$34,288	\$33,577	\$34,327	\$750	(\$1,146)
Total Revenue - Non GAAP	\$147,974	\$120,356	\$150,634	\$124,958	\$139,682	\$14,724	(\$8,292)
Total GM % - Non GAAP	54.6%	52.6%	54.4%	55.2%	53.6%	-1.6%	-1.0%
Operating Margin % - Non GAAP	4.5%	-4.7%	8.2%	6.0%	7.8%	1.8%	3.3%
Net Income (Loss) - Non GAAP	\$4,670	(\$7,925)	\$10,068	\$6,729	\$8,964	\$2,235	\$4,294
EBITDA - Non GAAP	\$10,235	(\$2,709)	\$15,498	\$11,633	\$13,382	\$1,749	\$3,147
EPS - Non GAAP	\$0.05	(\$0.08)	\$0.10	\$0.07	\$0.09	\$0.02	\$0.04
EPS - GAAP	(\$0.13)	(\$0.24)	(\$0.16)	(\$0.11)	(\$0.07)	\$0.04	\$0.06

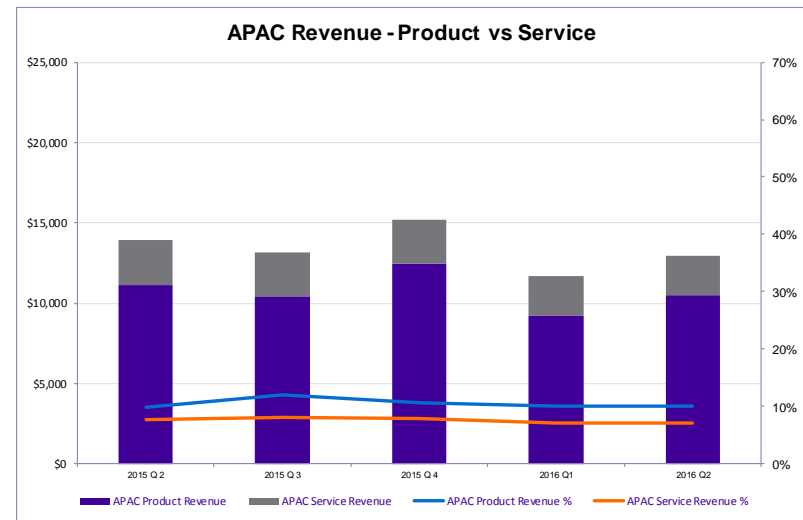
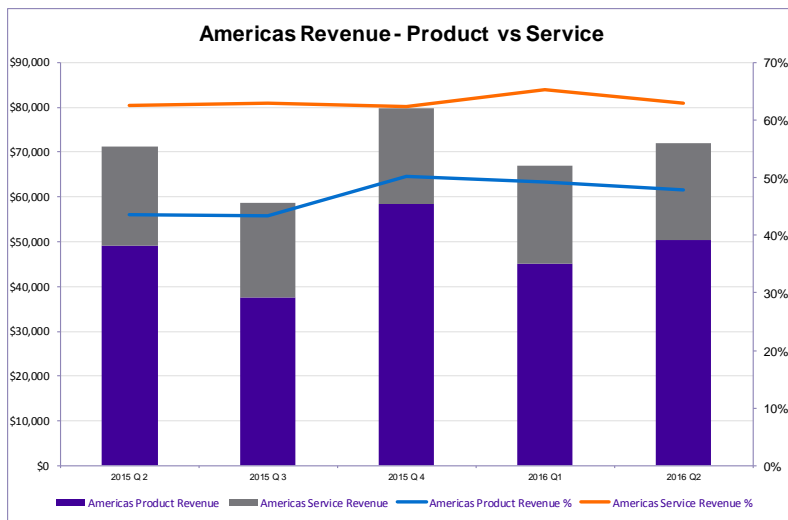
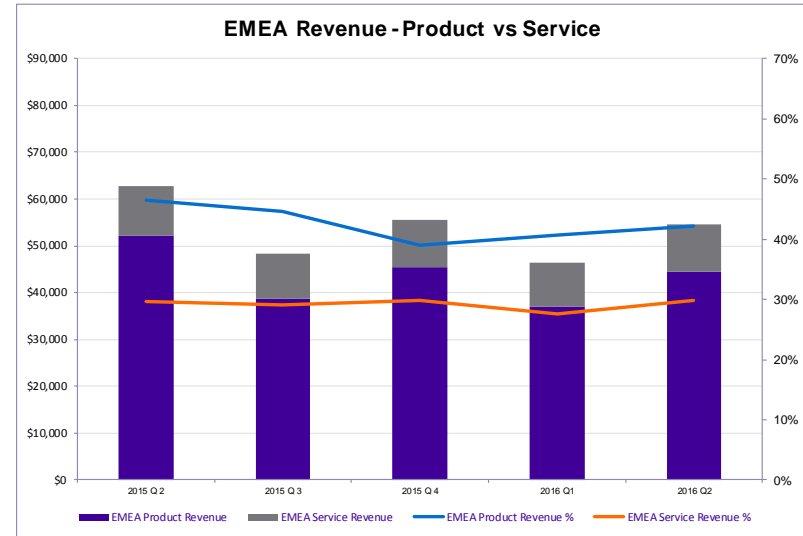
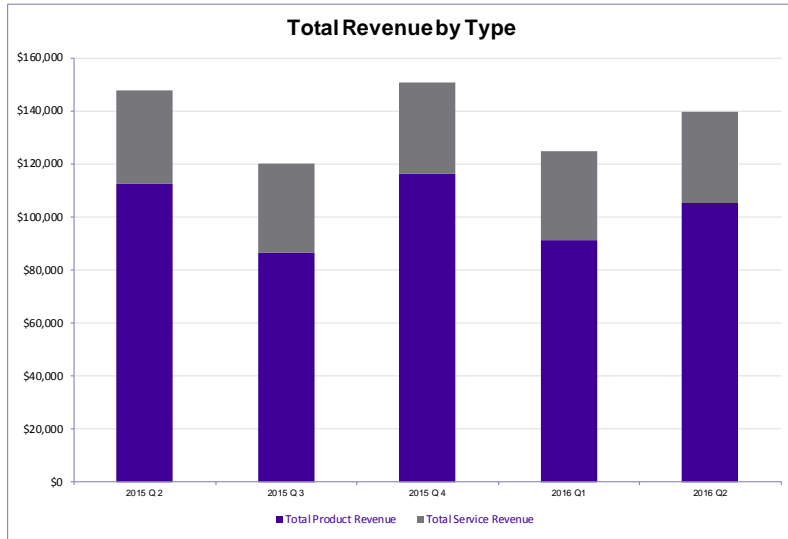
# Quarterly Results of Operations



# Historical Revenue by Geography: Non GAAP

	FY'15			FY'16		FQ2'16 v	FQ2'16 v
	Q2	Q3	Q4	Q1	Q2	FQ1'16	FQ2'15
<b>Product</b>							
Americas	\$ 49,083	\$ 37,474	\$ 58,489	\$ 45,001	\$ 50,467	\$ 5,466	\$ 1,384
EMEA	52,265	38,621	45,379	37,142	44,369	7,227	(7,896)
APAC	11,153	10,432	12,478	9,238	10,519	1,281	(634)
<b>Total Product</b>	<b>112,501</b>	<b>86,527</b>	<b>\$ 116,346</b>	<b>91,381</b>	<b>105,355</b>	<b>13,974</b>	<b>(7,146)</b>
<b>Service</b>							
Americas	22,180	21,257	21,401	21,888	21,630	(258)	(550)
EMEA	10,528	9,827	10,195	9,271	10,259	988	(269)
APAC	2,765	2,745	2,692	2,418	2,438	20	(327)
<b>Total Service</b>	<b>35,473</b>	<b>33,829</b>	<b>\$ 34,288</b>	<b>33,577</b>	<b>34,327</b>	<b>750</b>	<b>(1,146)</b>
<b>Total Revenue</b>							
Americas	71,263	58,731	79,890	66,889	72,097	5,208	834
EMEA	62,793	48,448	55,574	46,413	54,628	8,215	(8,165)
APAC	13,918	13,177	15,170	11,656	12,957	1,301	(961)
<b>Total Revenue</b>	<b>\$ 147,974</b>	<b>\$ 120,356</b>	<b>\$ 150,634</b>	<b>\$ 124,958</b>	<b>\$ 139,682</b>	<b>\$ 14,724</b>	<b>\$ (8,292)</b>

# Revenue by Type (Non GAAP)



# Financial Highlights – Financial Position



	FY 2015			FY 2016	
	Q2	Q3	Q4	Q1	Q2
Cash and Securities Available for Sale	\$109,293	\$75,573	\$76,225	\$82,025	\$85,865
AR	\$93,519	\$78,727	\$92,737	\$60,330	\$73,110
DSO	57	59	56	45	48
Inventories	\$54,431	\$66,811	\$58,014	\$61,679	\$56,601
DOI	81	121	86	121	91
Debt Payable	\$89,125	\$68,500	\$66,875	\$65,250	\$62,000
Free Cash Flow	\$38,643	(\$9,537)	\$2,264	\$5,893	\$6,665
Cap Ex	\$1,178	\$1,648	\$1,595	\$633	\$776



# Non-GAAP Adjustment Trends



	FY'15			FY'16	
	Q 2	Q 3	Q4	Q 1	Q2
Deferred Revenue Adjustment	\$ 766	\$ 766	\$ 766	\$ 377	\$ 377
Capitalized Overhead	-	-	-	(1,493)	
Amortization of Product Intangibles	4,292	4,292	4,292	4,292	3,708
Stock Comp in Product COGS	275	265	244	296	277
Stock Comp in Service COGS	272	254	252	367	277
Stock Comp in R&D	1,544	1,423	754	1,629	1,165
Stock Comp in Sales and Marketing	1,566	1,291	755	1,428	1,291
Stock Comp in G&A	1,093	1,139	1,469	951	935
<b>Total Stock Comp</b>	<b>4,750</b>	<b>4,372</b>	<b>3,474</b>	<b>4,671</b>	<b>3,945</b>
Executive Transition in R&D	-	-	406	-	-
Executive Transition in Sales and Marketing	-	-	456	-	-
Executive Transition in G&A	-	-	1,127	-	-
<b>Total Executive Transition Costs</b>	<b>-</b>	<b>-</b>	<b>1,989</b>	<b>-</b>	<b>-</b>
Restructuring Charges, net	-	-	9,819	5,603	3,031
Amortization of Non Product Intangibles	4,467	4,467	4,467	4,467	4,250
Litigation	-	-	-	-	79
Acquisition and Integration Costs	3,500	1,725	923	338	807
<b>Net Non GAAP Adjustments</b>	<b>\$ 17,775</b>	<b>\$ 15,622</b>	<b>\$ 25,730</b>	<b>\$ 18,255</b>	<b>\$ 16,197</b>

# FQ3'16 Financial Guidance

# FQ3'16 Guidance – Non GAAP (in M's except EPS)

	FQ2'16	FQ3'16 Guidance
Revenue (\$M)	\$139.7	\$118.0 - \$128.0
Gross Margin %	53.6%	53.5% - 54.5%
Net Income (Loss)	\$9.0	(\$1.0) – \$3.0
EPS: non-GAAP	\$0.09	(\$0.01) - \$0.03



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