

Extreme Networks

FQ1'17 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 9-11 of this presentation for the required reconciliation to the most comparable GAAP financial measures. Reconciliation of non-GAAP to corresponding GAAP measures with respect to our business outlook is not possible at this time due to the fact that amortization, stock compensation expense and the impact of the mark-up of inventory to fair value for purchase accounting can only be determined in connection with the post-closing valuation of the assets we acquired in connection with the closing of our transaction with Zebra Technologies Corporation and other post-closing activities of the Company.

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.





FQ1'17 Financial Results

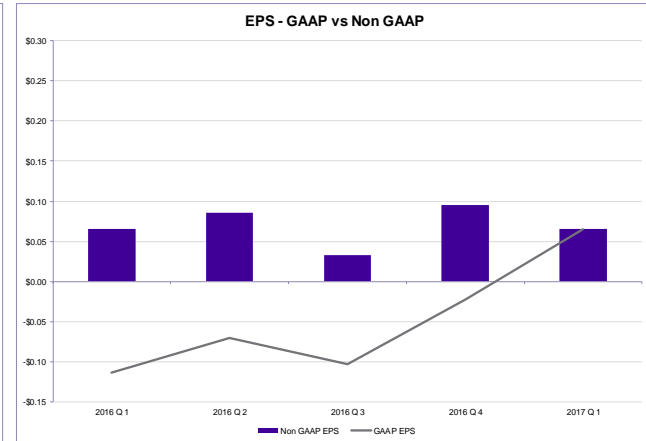
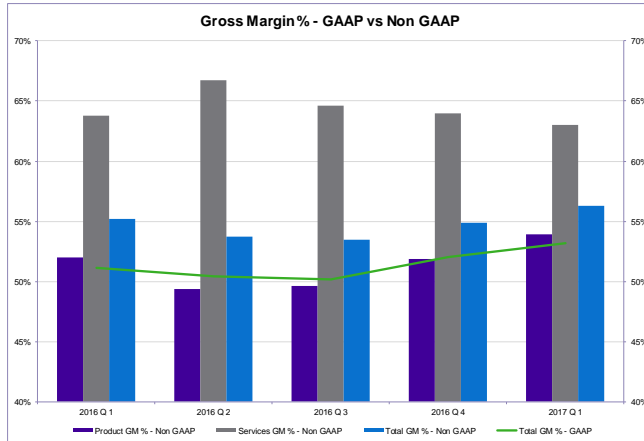
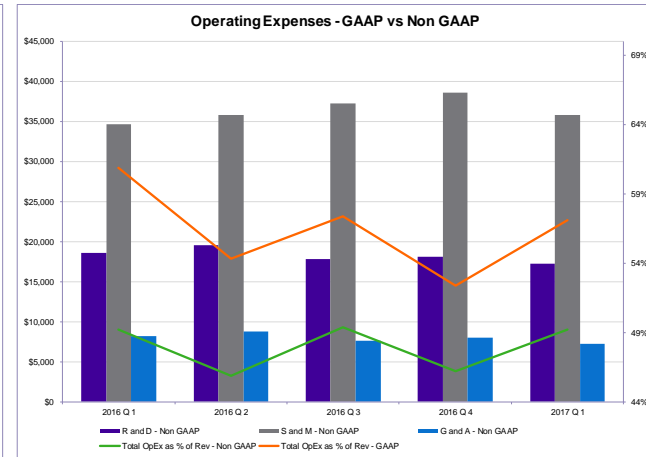
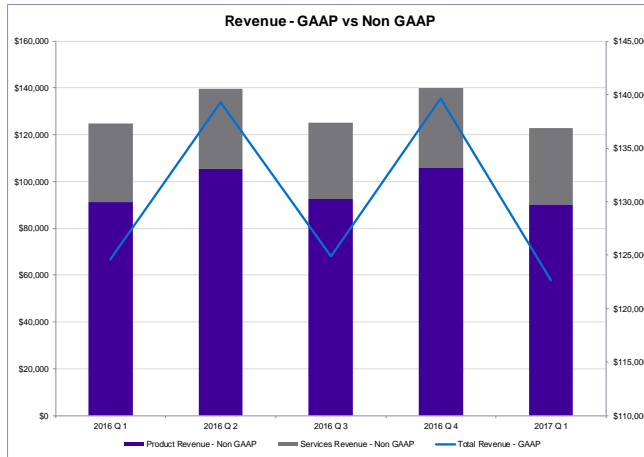


Financial Highlights – Financial Operations

	FY'16				FY'17	FQ1'17 v	FQ1'17 v
	Q1	Q2	Q3	Q4	Q1	FQ4'16	FQ1'16
GAAP							
Product Revenue	\$91,381	\$105,355	\$92,712	\$106,019	\$90,131	(\$15,888)	(\$1,250)
Services Revenue	\$33,200	\$33,950	\$32,175	\$33,600	\$32,511	(\$1,089)	(\$689)
Total Revenue	\$124,581	\$139,305	\$124,887	\$139,619	\$122,642	(\$16,977)	(\$1,939)
Total GM %	52.3%	50.4%	50.2%	52.1%	53.2%	1.1%	0.9%
Operating Income \$	(\$10,796)	(\$5,363)	(\$8,911)	(\$480)	(\$4,759)	(\$4,279)	\$6,037
Operating Margin %	-8.7%	-3.8%	-7.1%	-0.3%	-3.9%	-3.5%	4.8%
Net Income (Loss)	(\$11,527)	(\$7,233)	(\$10,783)	(\$2,339)	(\$6,479)	(\$4,140)	\$5,048
EBITDA	\$2,137	\$5,143	\$1,374	\$10,032	\$5,094	(\$4,938)	\$2,957
EPS	(\$0.11)	(\$0.07)	(\$0.10)	(\$0.02)	(\$0.06)	(\$0.04)	\$0.05
Non GAAP							
Product Revenue	\$91,381	\$105,355	\$92,712	\$106,019	\$90,131	(\$15,888)	(\$1,250)
Services Revenue	\$33,577	\$34,327	\$32,552	\$33,977	\$32,644	(\$1,333)	(\$933)
Total Revenue	\$124,958	\$139,682	\$125,264	\$139,996	\$122,775	(\$17,221)	(\$2,183)
Total GM %	55.2%	53.6%	53.4%	54.8%	56.3%	1.5%	1.1%
Operating Income \$	\$7,459	\$10,835	\$5,366	\$12,065	\$8,790	(\$3,275)	\$1,331
Operating Margin %	6.0%	7.8%	4.3%	8.6%	7.2%	-1.4%	1.2%
Net Income (Loss)	\$6,729	\$8,964	\$3,494	\$10,206	\$7,070	(\$3,136)	\$341
EBITDA	\$11,633	\$13,382	\$8,092	\$15,018	\$11,084	(\$3,934)	(\$549)
EPS	\$0.07	\$0.09	\$0.03	\$0.10	\$0.07	(\$0.03)	\$0.00



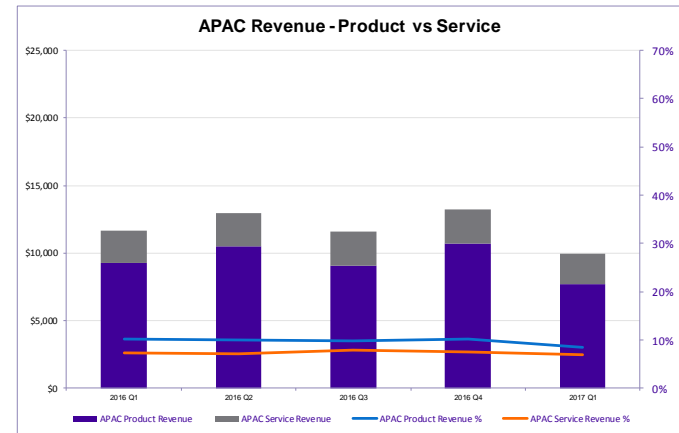
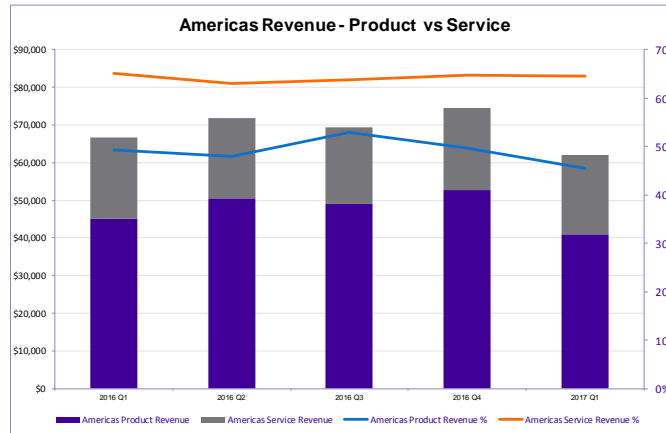
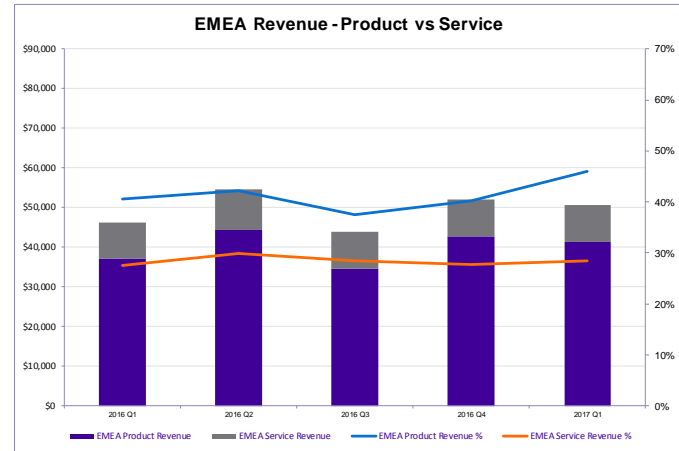
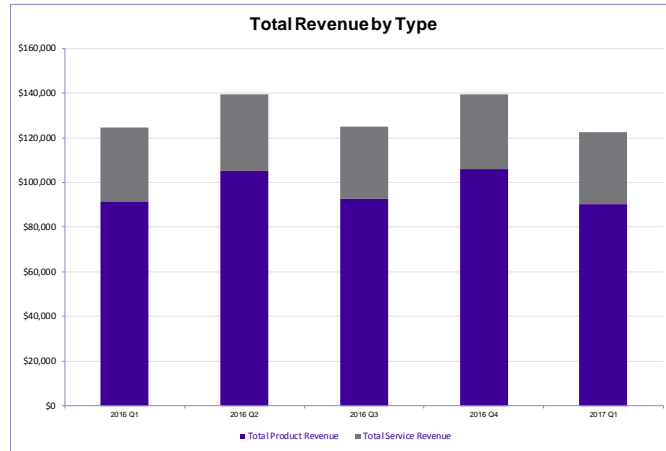
Quarterly Results of Operations



Historical Revenue by Geography: GAAP

	FY'16				FY'17	FQ1'17 v	FQ1'17 v
	Q1	Q2	Q3	Q4	Q1	FQ4'16	FQ1'16
Product							
Americas	\$ 45,001	\$ 50,467	\$ 48,974	\$ 52,676	\$ 41,068	\$ (11,608)	\$ (3,933)
EMEA	37,142	44,369	34,693	42,611	41,377	(1,234)	4,235
APAC	9,238	10,519	9,045	10,730	7,686	(3,044)	(1,552)
Total Product	91,381	105,355	92,712	106,017	90,131	(15,886)	(1,250)
Service							
Americas	21,630	21,372	20,510	21,770	20,974	(796)	(656)
EMEA	9,162	10,150	9,138	9,318	9,273	(45)	111
APAC	2,408	2,428	2,527	2,512	2,264	(248)	(144)
Total Service	33,200	33,950	32,175	33,600	32,511	(1,089)	(689)
Total Revenue							
Americas	66,631	71,839	69,484	74,446	62,042	(12,404)	(4,589)
EMEA	46,304	54,519	43,831	51,929	50,650	(1,279)	4,346
APAC	11,646	12,947	11,572	13,242	9,950	(3,292)	(1,696)
Total Revenue	\$ 124,581	\$ 139,305	\$ 124,887	\$ 139,617	\$ 122,642	\$ (16,975)	\$ (1,939)

Revenue by Type (GAAP)



Financial Highlights – Financial Position (GAAP)

	FY 2016				FY 2017
	Q1	Q2	Q3	Q4	Q1
Cash and Securities Available for Sale	\$82,025	\$85,865	\$88,334	\$94,122	\$102,265
AR	\$60,330	\$73,110	\$62,670	\$81,419	\$68,246
DSO	45	48	46	53	51
Inventories	\$61,679	\$56,601	\$52,755	\$40,989	\$43,395
DOI	121	91	96	68	89
Debt Payable	\$65,250	\$62,000	\$58,750	\$55,500	\$51,890
Depreciation/Royalty Amortization	\$3,210	\$2,435	\$2,992	\$2,777	\$2,518
Free Cash Flow					
Operating Cash Flow	\$6,526	\$7,441	\$4,946	\$11,451	\$9,575
Capital Expenditures	(\$633)	(\$776)	(\$1,388)	(\$2,529)	(\$1,635)
Free Cash Flow	\$5,893	\$6,665	\$3,558	\$8,922	\$7,940



GAAP to Non GAAP Reconciliations Revenue & Gross Margin

	FY'16				FY'17
	Q 1	Q2	Q 3	Q4	Q 1
Product Revenue - GAAP Basis	\$ 91,381	\$ 105,355	\$ 92,712	\$ 106,019	\$ 90,131
Service Revenue - GAAP Basis	33,200	33,950	32,175	33,600	32,511
Total Revenue - GAAP Basis	124,581	139,305	124,887	139,619	122,642
Deferred Service Revenue Adjustment	377	377	377	377	133
Product Revenue - Non GAAP Basis	91,381	105,355	92,712	106,019	90,131
Service Revenue - Non GAAP Basis	33,577	34,327	32,552	33,977	32,644
Total Revenue - Non GAAP Basis	\$ 124,958	\$ 139,682	\$ 125,264	\$ 139,996	\$ 122,775
Gross Margin - GAAP Basis	\$ 65,117	\$ 70,275	\$ 62,721	\$ 72,677	\$ 65,246
Gross Margin % - GAAP Basis	52.3%	50.4%	50.2%	52.1%	53.2%
Deferred Revenue Adjustment	377	377	377	377	133
Capitalized Overhead	(1,493)	-	-	-	-
Amortization of Product Intangibles	4,292	3,708	3,417	3,417	3,417
Stock Comp in Product COGS	296	277	205	105	68
Stock Comp in Service COGS	367	277	223	174	232
Gross Margin - Non GAAP Basis	\$ 68,956	\$ 74,914	\$ 66,943	\$ 76,750	\$ 69,096
Gross Margin % - Non GAAP Basis	55.2%	53.6%	53.4%	54.8%	56.3%



GAAP to Non GAAP Reconciliations

Operating Income (Loss)

	FY'16				FY'17
	Q 1	Q2	Q 3	Q4	Q 1
Operating Loss - GAAP Basis	\$ (10,797)	\$ (5,361)	\$ (8,911)	\$ (480)	\$ (4,759)
Operating Margin- GAAP Basis	-8.7%	-3.8%	-7.1%	-0.3%	-3.9%
Deferred Revenue Adjustment	377	377	377	377	133
Capitalized Overhead	(1,493)	-	-	-	-
Amortization of Product Intangibles	4,292	3,708	3,417	3,417	3,417
Stock Comp in Product COGS	296	277	205	105	68
Stock Comp in Service COGS	367	277	223	174	232
Stock Comp in R&D	1,629	1,165	996	768	1,062
Stock Comp in Sales and Marketing	1,428	1,291	1,137	777	1,141
Stock Comp in G&A	951	935	942	849	972
Total Stock Comp	4,671	3,945	3,503	2,673	3,475
Executive Transition in R&D	-	-	-	-	-
Executive Transition in Sales and Marketing	-	-	1,067	9	-
Executive Transition in G&A	-	-	328	762	34
Total Executive Transition Costs	-	-	1,395	771	34
Restructuring Charges, net	5,603	3,031	1,358	998	-
Amortization of Non Product Intangibles	4,467	4,250	4,142	4,142	4,142
Litigation	-	79	85	167	27
Acquisition and Integration Costs	338	807	-	-	2,321
Operating Income - Non GAAP Basis	\$ 7,458	\$ 10,836	\$ 5,366	\$ 12,065	\$ 8,790
Operating Margin - Non GAAP Basis	6.0%	7.8%	4.3%	8.6%	7.2%

GAAP to Non GAAP Reconciliations

Net Income (Loss)

	FY'16				FY'17
	Q 1	Q2	Q 3	Q4	Q 1
Net Loss - GAAP Basis	\$ (11,527)	\$ (7,233)	\$ (10,783)	\$ (2,339)	\$ (6,479)
Shares - GAAP Basis	100,985	102,369	104,104	104,837	105,955
EPS - GAAP Basis	\$ (0.11)	\$ (0.07)	\$ (0.10)	\$ (0.02)	\$ (0.06)
Deferred Revenue Adjustment	377	377	377	377	133
Capitalized Overhead	(1,493)	-	-	-	-
Amortization of Product Intangibles	4,292	3,708	3,417	3,417	3,417
Stock Comp in Product COGS	296	277	205	105	68
Stock Comp in Service COGS	367	277	223	174	232
Stock Comp in R&D	1,629	1,165	996	768	1,062
Stock Comp in Sales and Marketing	1,428	1,291	1,137	777	1,141
Stock Comp in G&A	951	935	942	849	972
Total Stock Comp	4,671	3,945	3,503	2,673	3,475
Executive Transition in R&D	-	-	-	-	-
Executive Transition in Sales and Marketing	-	-	1,067	9	9
Executive Transition in G&A	-	-	328	762	34
Total Executive Transition Costs	-	-	1,395	771	34
Restructuring Charges, net	5,603	3,031	1,358	998	-
Amortization of Non Product Intangibles	4,467	4,250	4,142	4,142	4,142
Litigation	-	79	85	167	27
Acquisition and Integration Costs	338	807	-	-	2,321
Net Income - Non GAAP Basis	6,728	8,964	3,494	10,206	7,070
Shares - Non GAAP Basis	102,907	105,087	105,956	107,275	108,637
EPS - Non GAAP Basis	0.07	0.09	0.03	0.10	0.07
Net Non GAAP Adjustments	\$ 18,255	\$ 16,197	\$ 14,277	\$ 12,545	\$ 13,549



GAAP to Non GAAP Reconciliations

EBITDA

	FY'16				FY'17
	Q 1	Q2	Q 3	Q4	Q 1
Net Loss - GAAP Basis	\$ (11,527)	\$ (7,233)	\$ (10,783)	\$ (2,339)	\$ (6,479)
Interest	799	780	741	666	589
Taxes	898	1,203	865	1,369	907
Depreciation/Amortization	11,967	10,393	10,551	10,336	10,077
EBITDA - GAAP	2,137	5,143	1,374	10,032	5,094
Net Non GAAP Adjustments	18,255	16,197	14,277	12,545	13,549
Amortization included in Net Non GAAP Adjustments	(8,759)	(7,958)	(7,559)	(7,559)	(7,559)
EBITDA - Non GAAP	\$ 11,633	\$ 13,382	\$ 8,092	\$ 15,018	\$ 11,084



FQ2'17 Financial Guidance



FQ2'17 Guidance – GAAP (in M's except EPS)

	FQ1'17	FQ2'17 Guidance
Revenue (\$M)	\$122.6	\$148.0 – 158.0
Gross Margin %	53.2%	53.4% - 55.3%
Net Income (Loss)	(\$6.5)	(\$10.1) – (\$6.4)
EPS: non-GAAP	(\$0.06)	(\$0.09) – (\$0.06)



FQ2'17 Guidance – Non GAAP (in M's except EPS)

	FQ1'17	FQ2'17 Guidance
Revenue (\$M)	\$122.8	\$148.0 – 158.0
Gross Margin %	56.3%	54.5% - 55.5%
Net Income (Loss)	\$7.1	\$5.7 – \$9.4
EPS: non-GAAP	\$0.07	\$0.05 - \$0.09





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