



**FQ3'23**

*Financial Results*

April 26, 2023



## DISCLAIMER



### **Non-GAAP Financial Measures:**

*This presentation includes certain financial measures that are not presented in accordance with generally accepted accounting principles in the United States (“GAAP”), such as, among other things, non-GAAP Net Income; non-GAAP EPS, SaaS ARR, non-GAAP Operating Margin, Free Cash Flow, Net Debt, Non-GAAP Gross Margin, Non-GAAP Operating Income, and Adjusted EBITDA. Extreme Networks Inc. (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. However, non-GAAP financial measures have limitations in their usefulness to investors because they have no standardized meaning prescribed by GAAP and are not prepared under any comprehensive set of accounting rules or principles. 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 April 26, 2023, which is posted on the “Investor Relations” section of our website and to pages 19-22 and 26 of this presentation for the required reconciliation to the most comparable GAAP financial measures. Reconciliations for prior quarters are available in the earnings press releases for such previous quarters, also available on the “Investor Relations” section of our website.*

### **Forward-Looking Statements:**

*This presentation contains forward-looking statements including, but not limited to: the expected performance and growth of the Company, including its financial outlook for the fourth quarter of fiscal year 2023; expectations regarding growth trends across relevant verticals; and the Company’s business strategy and plans. 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 Annual Report on Form 10-K for the fiscal year ended June 30, 2022, our most recent Quarterly Reports on Form 10Q for the fiscal quarters ended September 30, 2022 and December 31, 2022, and any subsequent filings which are or will be on file with the Securities and Exchange Commission.*



**FQ3'23**

*FINANCIAL RESULTS*



# FQ3'23 RESULTS SUMMARY

CONTINUED DOUBLE-DIGIT Y/Y REVENUE GROWTH



## Continued Strong Growth

- Record Revenue on 16% Y/Y Revenue Growth
- Record \$39M Non-GAAP Net Income<sup>1</sup>
- Record \$0.29 Non-GAAP EPS<sup>1</sup>
- Q4FY23 Revenue Growth Outlook of Over 20% Y/Y
- FY23 Revenue Growth Outlook of 16% Y/Y



## Cloud SaaS Subscriptions

- New SaaS Subscription Bookings Growth of 29% Y/Y
- Ending SaaS Deferred Revenue<sup>1</sup> of \$199M, up 39% Y/Y
- Ending SaaS ARR<sup>1</sup> of \$117M, up 22% Y/Y



## Record Profitability and Cash Generation

- Record 16% Non-GAAP Operating Margin<sup>1</sup>
- Record Adjusted EBITDA of \$57M
- Net Debt<sup>2</sup> of \$34M, Down 77% Y/Y
- Repurchased 1.4M shares for a total of \$25M
- Prepayment of \$25M debt

<sup>1</sup> See Appendices for SaaS ARR Definition, SaaS Deferred Revenue Definition, & GAAP to Non-GAAP Reconciliation

<sup>2</sup> Net debt is defined as Gross Debt minus Cash, see slide 14

# FQ3'23 HIGHLIGHTS



## CLOUD ADOPTION

SaaS ARR<sup>2</sup> **\$117M**



**26%**

Recurring Revenue<sup>3</sup>



**\$199M**

SaaS Deferred Revenue<sup>2</sup>



New SaaS Subscription Bookings Growth (Y/Y %) **29%**



## DRIVING GROWTH

Large Customers (Over \$1M in bookings for the Quarter) **36**

Total Revenue **\$333M**

Total Revenue Growth (Y/Y %) **16%**

Product Revenue Growth (Y/Y %) **22%**

Service & Subscription Revenue Growth (Y/Y %) **5%**

Operating Income Growth Non-GAAP (Y/Y %) **46%**



## PROFITABILITY AND CASH FLOW

Non-GAAP Gross Margin %<sup>1</sup> **59.1%**

**15.6%** **\$0.29**  
Non-GAAP Operating Margin%<sup>1</sup> Non-GAAP EPS (\$) <sup>1</sup>



**\$46M**  
Free Cash Flow



Net Debt

**\$34M**

<sup>1</sup> See Appendices for GAAP to Non-GAAP reconciliation

<sup>2</sup> See Appendices for ARR & SaaS Deferred Revenue Definition

<sup>3</sup> Recurring revenue consists of subscription and service contracts that are recognized over multiple periods

# MAJOR VERTICAL BOOKINGS CONTRIBUTION

Relative Bookings strength in Government + Education, Retail + Transportation, & Hospitality + Venues



## GOVT + EDUCATION



>**35%**

## HEALTHCARE



<**10%**

## HOSPITALITY + VENUES



<**10%**

## MANUFACTURING



~**10%**

## RETAIL + TRANSPORTATION



~**15%**

## SERVICE PROVIDER



<**5%**

*Bookings are orders placed by customers within the quarter*

# GAAP FINANCIAL HIGHLIGHTS – FINANCIAL OPERATIONS

(IN M'S EXCEPT PERCENTAGES AND EPS)



|                                | Quarter |         |         |
|--------------------------------|---------|---------|---------|
|                                | FQ3'22  | FQ2'23  | FQ3'23  |
| <b>GAAP</b>                    |         |         |         |
| Product Revenue                | \$198.4 | \$223.4 | \$241.1 |
| Service & Subscription Revenue | \$87.1  | \$94.9  | \$91.4  |
| Total Revenue                  | \$285.5 | \$318.3 | \$332.5 |
| Total GM %                     | 56.5%   | 57.1%   | 57.7%   |
| Operating Income \$            | \$17.3  | \$23.4  | \$29.6  |
| Operating Margin %             | 6.1%    | 7.4%    | 8.9%    |
| Net Income                     | \$12.8  | \$17.9  | \$22.1  |
| EBITDA                         | \$26.7  | \$32.3  | \$37.8  |
| EPS                            | \$0.10  | \$0.13  | \$0.17  |

# NON-GAAP FINANCIAL HIGHLIGHTS – FINANCIAL OPERATIONS

(IN M'S EXCEPT PERCENTAGES AND EPS)



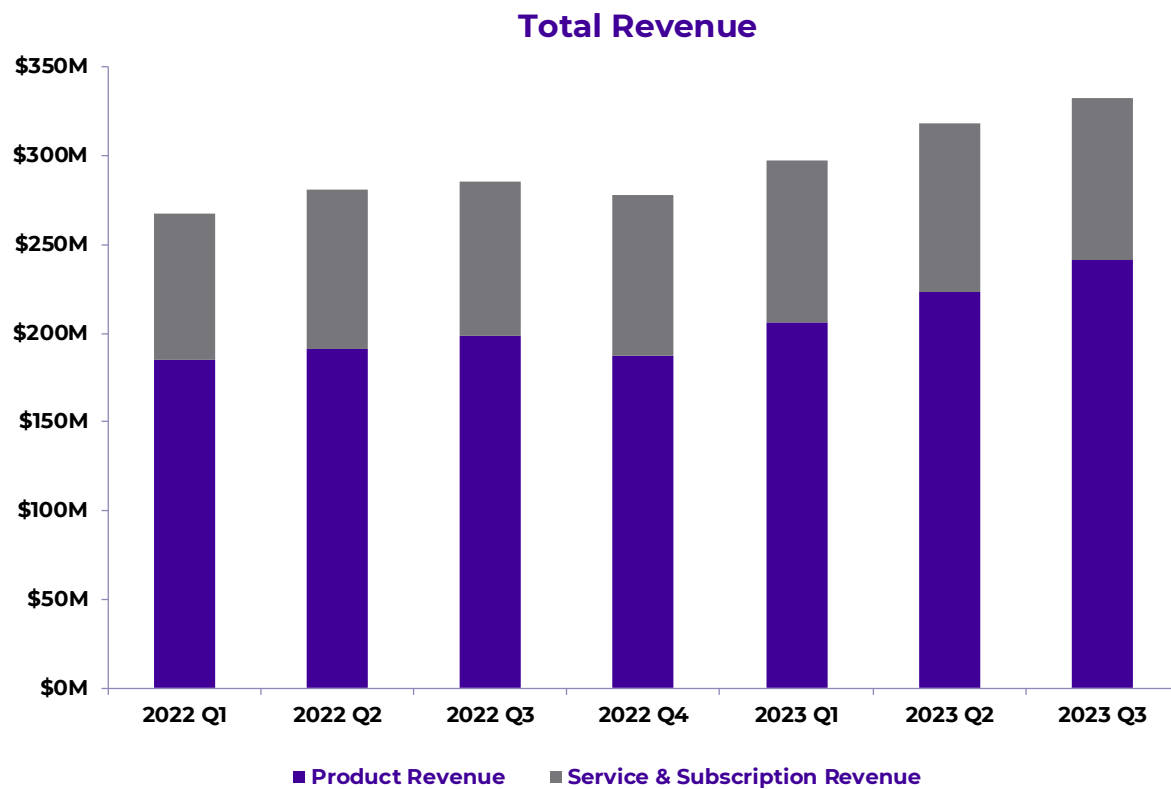
|                                | Quarter |         |         |
|--------------------------------|---------|---------|---------|
|                                | FQ3'22  | FQ2'23  | FQ3'23  |
| <b>Non-GAAP<sup>1</sup></b>    |         |         |         |
| Product Revenue                | \$198.4 | \$223.4 | \$241.1 |
| Service & Subscription Revenue | \$87.1  | \$94.9  | \$91.4  |
| Total Revenue                  | \$285.5 | \$318.3 | \$332.5 |
| Total GM %                     | 58.0%   | 58.5%   | 59.1%   |
| Operating Income \$            | \$35.7  | \$47.3  | \$52.0  |
| Operating Margin %             | 12.5%   | 14.9%   | 15.6%   |
| Net Income                     | \$27.4  | \$36.5  | \$38.8  |
| EBITDA - Adjusted              | \$40.8  | \$52.5  | \$56.7  |
| EPS                            | \$0.21  | \$0.27  | \$0.29  |

<sup>1</sup> See Appendices for GAAP to Non-GAAP reconciliation.



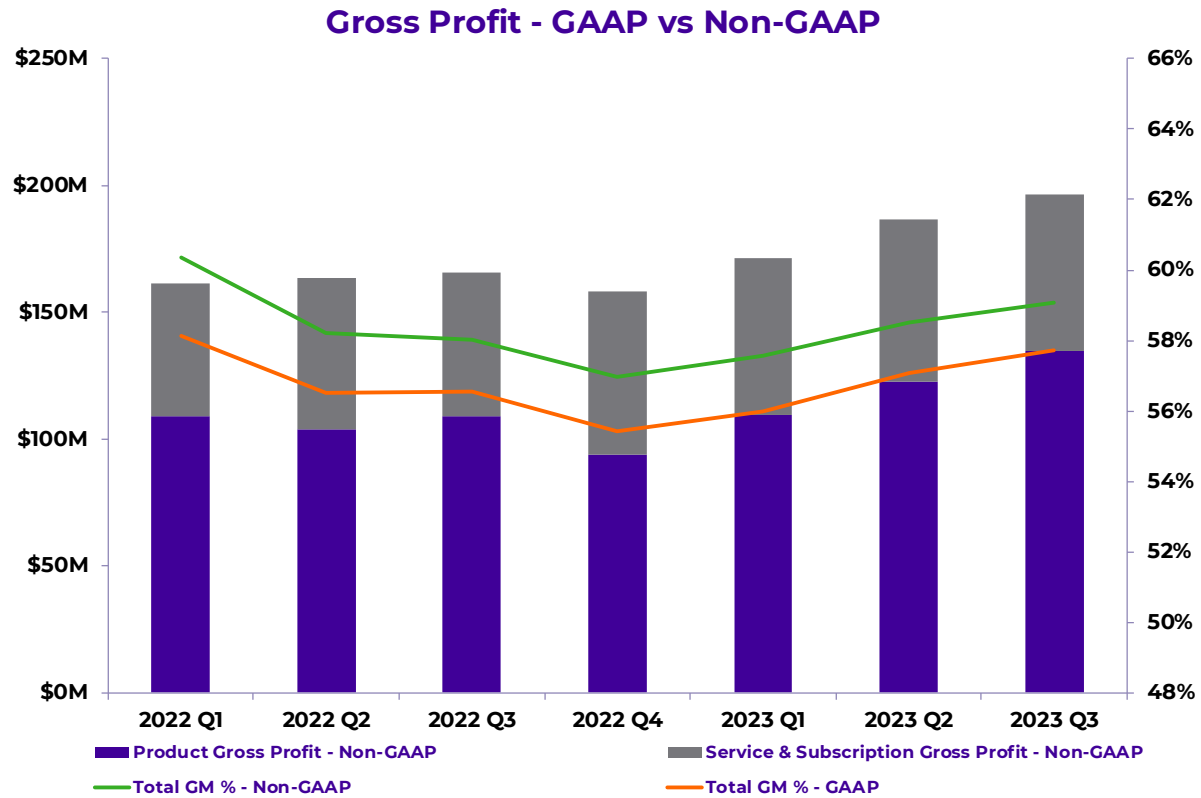
# QUARTERLY RESULTS OF OPERATIONS

(IN M'S)



# QUARTERLY RESULTS OF OPERATIONS

(IN M'S EXCEPT PERCENTAGES)

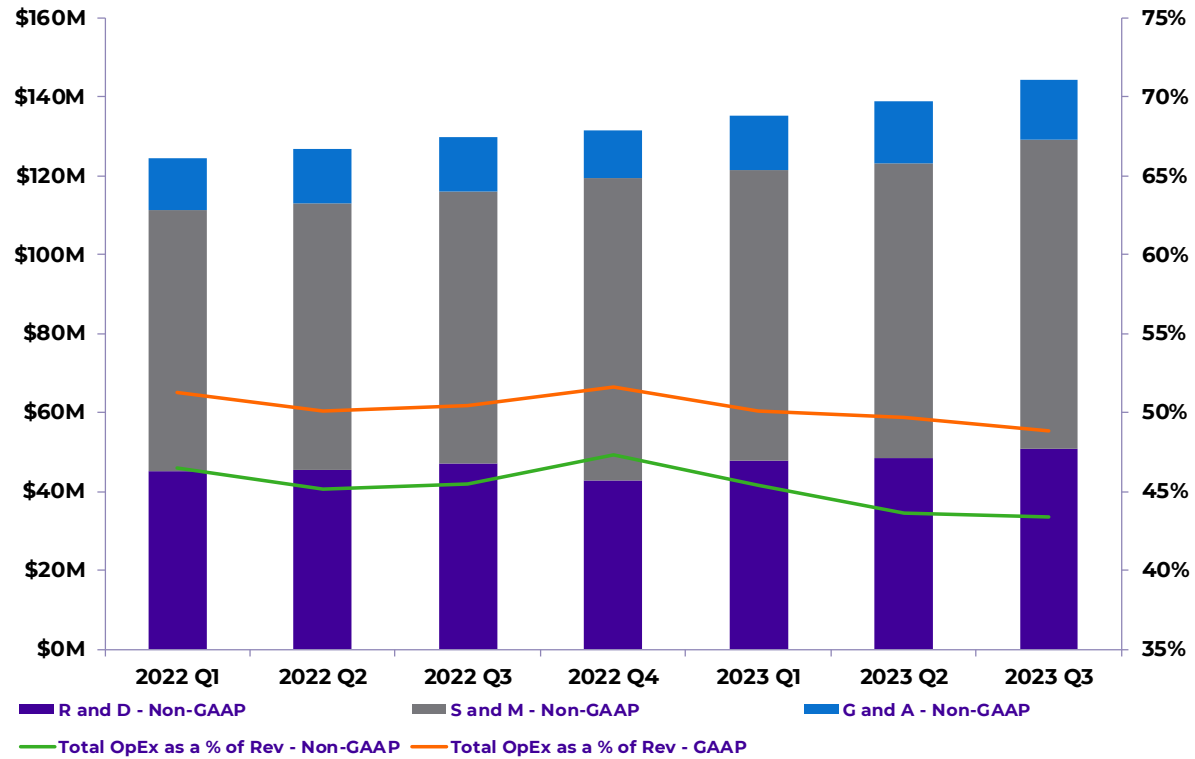


# QUARTERLY RESULTS OF OPERATIONS

(IN M'S EXCEPT PERCENTAGES)



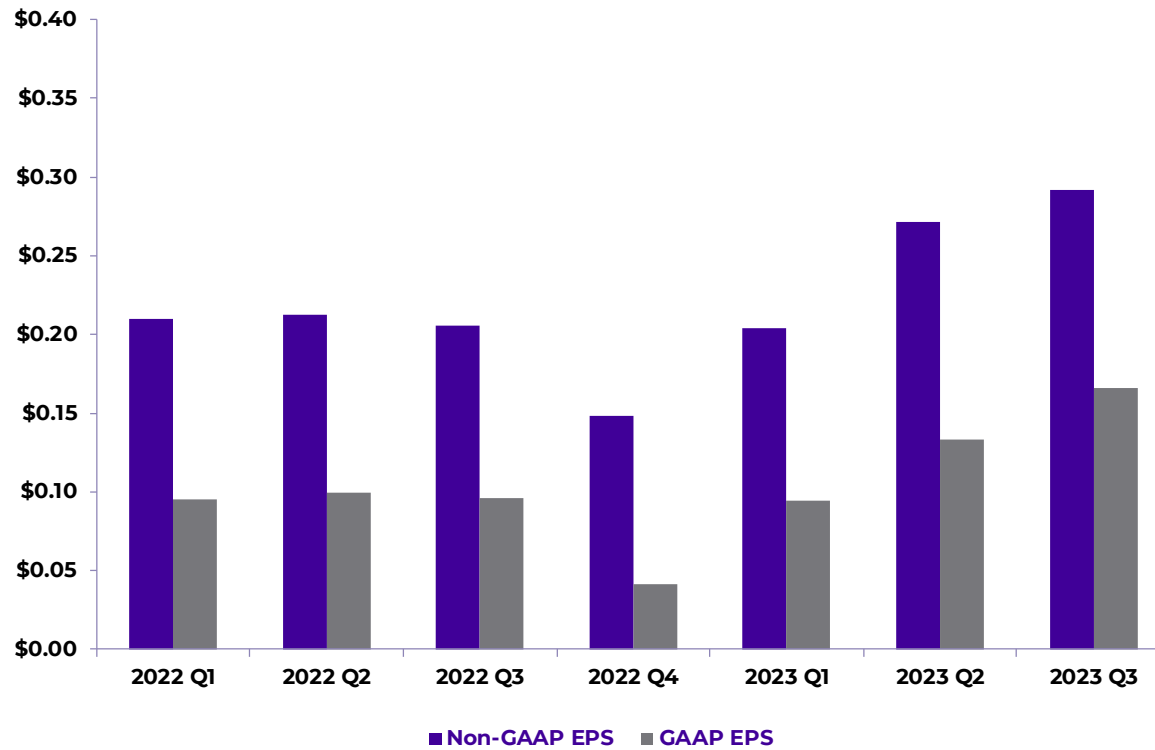
### Operating Expenses - GAAP vs Non-GAAP



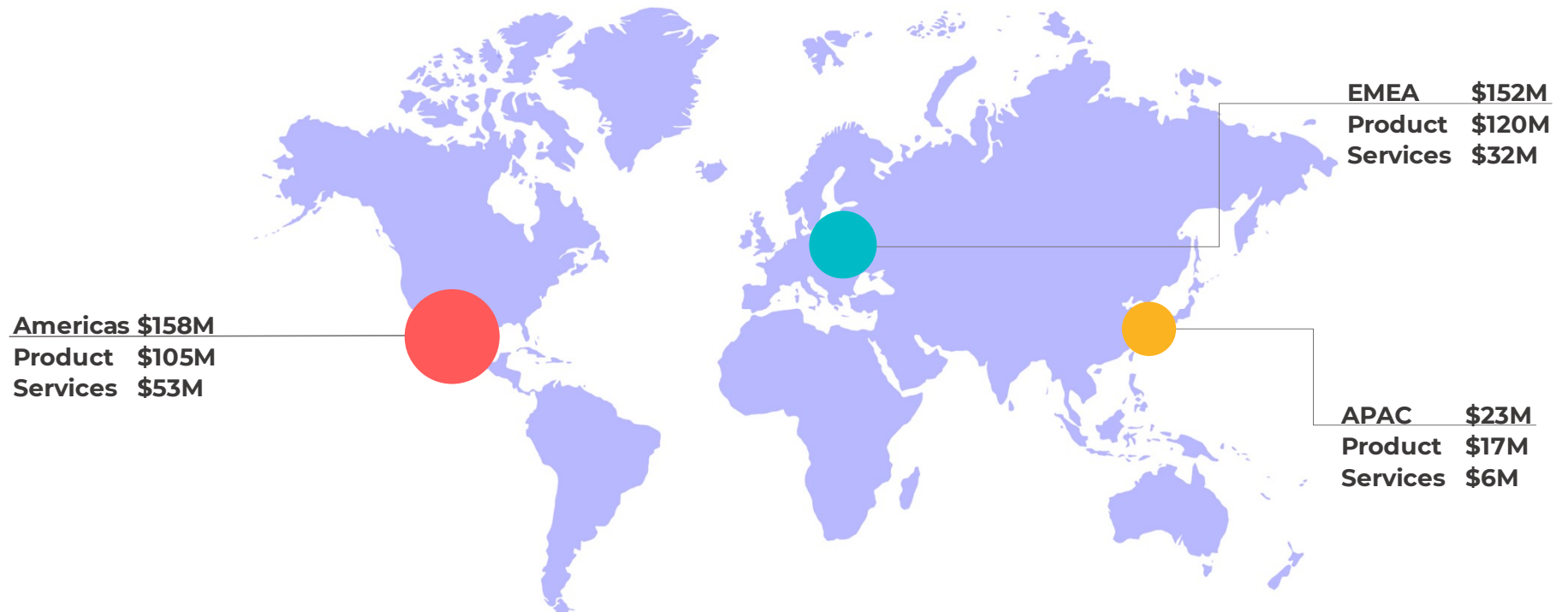
# QUARTERLY RESULTS OF OPERATIONS



### EPS - GAAP vs Non-GAAP



## FQ3'23 REVENUE BY GEOGRAPHY



Note: May not foot due to rounding

# FINANCIAL HIGHLIGHTS – BALANCE SHEET

(IN M'S EXCEPT DAYS)



| <b>Balance Sheet Highlights</b> | <b>FQ3'22</b> | <b>FQ2'23</b> | <b>FQ3'23</b> |
|---------------------------------|---------------|---------------|---------------|
| <b>Cash</b>                     | \$166.6       | \$202.5       | \$203.0       |
| <b>Accounts Receivable</b>      | \$163.0       | \$152.1       | \$158.6       |
| <b>Inventories</b>              | \$37.7        | \$63.8        | \$70.3        |
| <b>Accounts Payable</b>         | \$68.5        | \$86.4        | \$96.0        |
| <b>Gross Debt*</b>              | \$315.8       | \$262.0       | \$237.0       |
| <b>Net Debt**</b>               | \$149.2       | \$59.5        | \$34.0        |

| <b>Cash Conversion Cycle Table</b> | <b>FQ3'22</b> | <b>FQ2'23</b> | <b>FQ3'23</b> |
|------------------------------------|---------------|---------------|---------------|
| <b>Days Sales Outstanding</b>      | 51            | 44            | 43            |
| <b>Days of Inventory</b>           | 37            | 57            | 58            |
| <b>Days Payable Outstanding</b>    | 67            | 77            | 79            |
| <b>Cash Conversion Cycle</b>       | <b>21</b>     | <b>24</b>     | <b>22</b>     |

\*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, if any.

\*\*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:

|                                      | <b>FQ3'22</b>  | <b>FQ2'23</b> | <b>FQ3'23</b> |
|--------------------------------------|----------------|---------------|---------------|
| <b>Operating Cash Flow</b>           | \$1.6          | \$70.6        | \$48.2        |
| <b>PP&amp;E Capital Expenditures</b> | (\$4.5)        | (\$3.1)       | (\$2.4)       |
| <b>Free Cash Flow</b>                | <b>(\$2.9)</b> | <b>\$67.5</b> | <b>\$45.8</b> |



# APPENDICES

## *GAAP to Non-GAAP Reconciliations & Operating Metrics*

*Note: The totals for some periods may not foot due to rounding.  
Please see press release for full reconciliation.*

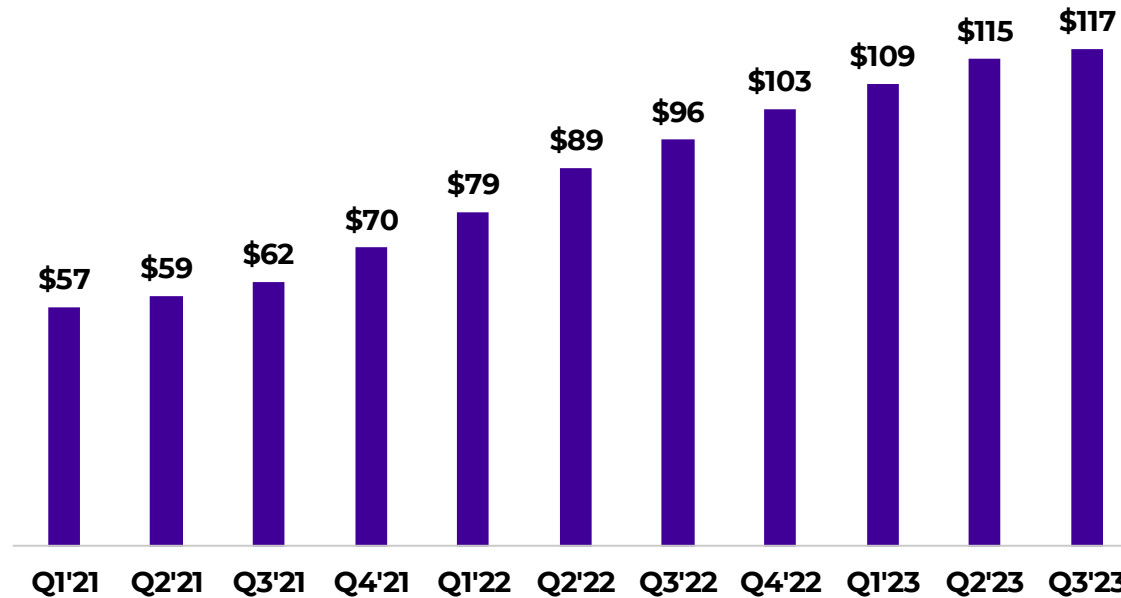


# HISTORICAL SAAS DISCLOSURES – SaaS ARR

(IN \$M'S)



SaaS ARR<sup>1</sup>



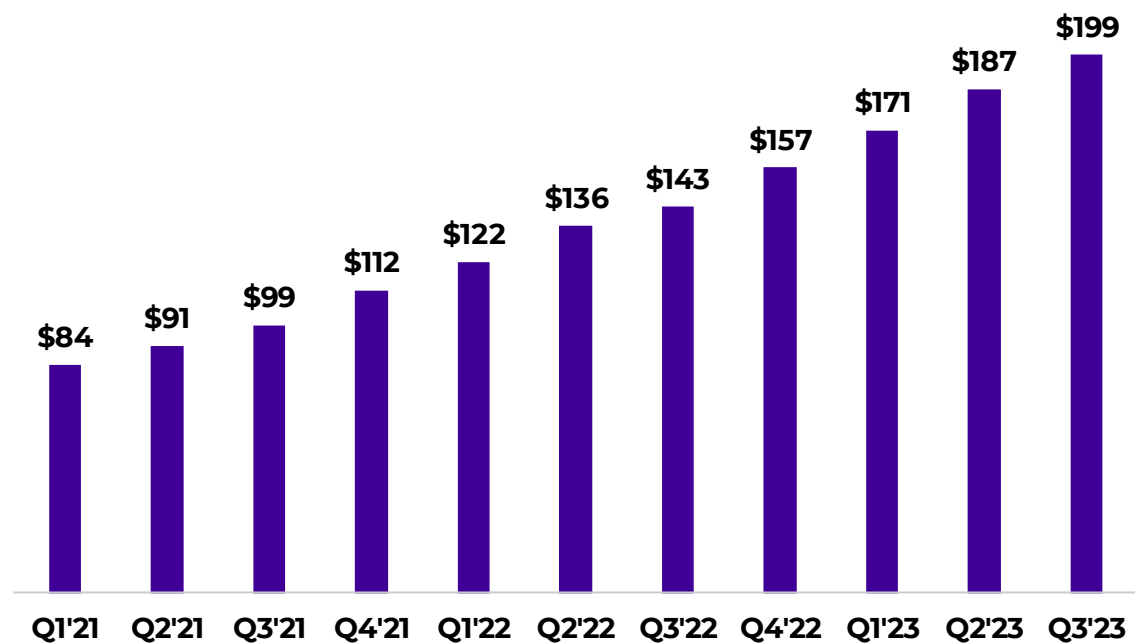
<sup>1</sup>Extreme uses SaaS annual recurring revenue (“SaaS ARR”) to identify the annual recurring revenue of ExtremeCloud™ IQ (XIQ) and other subscription revenue, based on the annualized value of quarterly subscription revenue and term-based licenses. We believe that SaaS ARR is an important metric because it is driven by our ability to acquire new customers and to maintain and expand our relationship with existing customers. SaaS ARR should be viewed independently of revenue, deferred revenue and other U.S. GAAP accounting. SaaS ARR does not have a standardized meaning and therefore may not be comparable to similarly titled measures presented by other companies. SaaS ARR is not intended to be a replacement for forecasts of revenue.

# HISTORICAL SAAS DISCLOSURES – SaaS Deferred Revenue

(IN \$M'S)



SaaS Deferred Revenue<sup>1</sup>



<sup>1</sup>SaaS Ending Deferred Revenue refers to the ending quarterly balance of advance payments received for SaaS goods or services that are to be delivered or performed in the future.

## GAAP TO NON-GAAP RECONCILIATIONS – GROSS MARGIN

(IN M'S EXCEPT PERCENTAGES)



|                                      | Quarter         |                 |                 |
|--------------------------------------|-----------------|-----------------|-----------------|
|                                      | FQ3'22          | FQ2'23          | FQ3'23          |
| Product Revenue                      | \$ 198.4        | \$ 223.4        | \$ 241.1        |
| Service & Subscription Revenue       | 87.1            | 94.9            | 91.4            |
| <b>Total Revenue - GAAP</b>          | <b>\$ 285.5</b> | <b>\$ 318.3</b> | <b>\$ 332.5</b> |
| <b>Gross Margin - GAAP</b>           | <b>161.4</b>    | <b>181.7</b>    | <b>191.9</b>    |
| <b>Gross Margin % - GAAP</b>         | <b>56.5%</b>    | <b>57.1%</b>    | <b>57.7%</b>    |
| Amortization of Intangibles, Product | 2.8             | 2.4             | 2.2             |
| Amortization of Intangibles, Service | 0.8             | 0.8             | 0.8             |
| Share-Based Compensation, Product    | 0.3             | 0.5             | 0.6             |
| Share-Based Compensation, Service    | 0.3             | 0.9             | 0.9             |
| <b>Gross Margin - Non-GAAP</b>       | <b>\$ 165.6</b> | <b>\$ 186.3</b> | <b>\$ 196.4</b> |
| <b>Gross Margin % - Non-GAAP</b>     | <b>58.0%</b>    | <b>58.5%</b>    | <b>59.1%</b>    |

# GAAP TO NON-GAAP RECONCILIATIONS – OPERATING INCOME

(IN M'S EXCEPT PERCENTAGES)



|  | Quarter        |                |                |
|--|----------------|----------------|----------------|
|  | FQ3'22         | FQ2'23         | FQ3'23         |
| <b>Operating Income - GAAP</b>                 | \$ 17.3        | \$ 23.4        | \$ 29.6        |
| <b>Operating Margin - GAAP</b>                 | 6.1%           | 7.4%           | 8.9%           |
| Amortization of Intangibles, Product & Service | 3.6            | 3.2            | 3.0            |
| Share-Based Compensation, Total                | 10.9           | 17.4           | 15.4           |
| Restructuring Charges, net                     | 0.4            | 0.5            | 1.4            |
| Amortization of Non Product Intangibles        | 0.7            | 0.5            | 0.5            |
| System Transition Costs                        | -              | -              | 0.5            |
| Litigation Costs                               | -              | 2.3            | 1.7            |
| Integration & Acquisition Costs in OpEx        | 2.8            | -              | -              |
| <b>Operating Income - Non-GAAP</b>             | <b>\$ 35.7</b> | <b>\$ 47.3</b> | <b>\$ 52.0</b> |
| <b>Operating Margin - Non-GAAP</b>             | <b>12.5%</b>   | <b>14.9%</b>   | <b>15.6%</b>   |

# GAAP TO NON-GAAP RECONCILIATIONS – NET INCOME

(IN M'S EXCEPT EPS)



|  | Quarter |         |         |
|--|---------|---------|---------|
|  | FQ3'22  | FQ2'23  | FQ3'23  |
| <b>Net Income - GAAP</b>                       | \$ 12.8 | \$ 17.9 | \$ 22.1 |
| Shares - GAAP                                  | 133.4   | 134.5   | 133.0   |
| <b>EPS - GAAP (Diluted)</b>                    | \$ 0.10 | \$ 0.13 | \$ 0.17 |
| Amortization of Intangibles, Product & Service | 3.6     | 3.2     | 3.0     |
| Share-Based Compensation, Total                | 10.9    | 17.4    | 15.4    |
| Restructuring Charges, net                     | 0.4     | 0.5     | 1.4     |
| Amortization of Non Product Intangibles        | 0.7     | 0.5     | 0.5     |
| System Transition Costs                        | -       | -       | 0.5     |
| Litigation Costs                               | -       | 2.3     | 1.7     |
| Integration and Acquisition Costs in OpEx      | 2.8     | -       | -       |
| Tax Effect of non-GAAP Adjustments             | (3.8)   | (5.3)   | (5.8)   |
| <b>Net Non-GAAP Adjustments</b>                | 14.6    | 18.6    | 16.7    |
| <b>Net Income - Non-GAAP</b>                   | \$ 27.4 | \$ 36.5 | \$ 38.8 |
| Shares - Non-GAAP                              | 133.4   | 134.5   | 133.0   |
| <b>EPS - Non-GAAP</b>                          | \$ 0.21 | \$ 0.27 | \$ 0.29 |

# ADJUSTED EBITDA RECONCILIATION

(IN M'S)



|   | Quarter |         |         |
|---|---------|---------|---------|
|   | FQ3'22  | FQ2'23  | FQ3'23  |
| <b>Net Income - GAAP</b>                          | \$ 12.8 | \$ 17.9 | \$ 22.1 |
| Interest  | \$ 2.7  | \$ 3.0  | \$ 3.2  |
| Provision for Income Taxes                        | \$ 1.9  | \$ 2.6  | \$ 3.9  |
| Depreciation/Amortization                         | \$ 9.3  | \$ 8.8  | \$ 8.6  |
| <b>EBITDA</b>                                     | 26.7    | 32.3    | 37.8    |
| Net Non-GAAP Adjustments                          | 14.6    | 18.6    | 16.7    |
| Tax Effect included in Net Non-GAAP Adjustments   | 3.8     | 5.3     | 5.8     |
| Amortization included in Net Non-GAAP Adjustments | (4.3)   | (3.7)   | (3.6)   |
| <b>EBITDA - Adjusted</b>                          | \$ 40.8 | \$ 52.5 | \$ 56.7 |

For "Net Non-GAAP Adjustments" refer to slide 21



**FQ4'23**

*FINANCIAL GUIDANCE*



## FQ4'23 GUIDANCE – GAAP

(IN M'S EXCEPT PERCENTAGES AND EPS)



|                    | FQ3'23  | FQ4'23<br>Guidance |
|--------------------|---------|--------------------|
| Revenue (\$M)      | \$332.5 | \$340.0 – \$350.0  |
| Gross Margin %     | 57.7%   | 57.7% – 59.7%      |
| Operating Margin % | 8.9%    | 8.9% – 10.8%       |
| EPS                | \$0.17  | \$0.16 – \$0.22    |



## FQ4'23 GUIDANCE – NON-GAAP

(IN M'S EXCEPT PERCENTAGES AND EPS)



|                    | FQ3'23  | FQ4'23<br>Guidance |
|--------------------|---------|--------------------|
| Revenue (\$M)      | \$332.5 | \$340.0 – \$350.0  |
| Gross Margin %     | 59.1%   | 59.0% – 61.0%      |
| Operating Margin % | 15.6%   | 15.5% – 17.3%      |
| EPS                | \$0.29  | \$0.28 – \$0.34    |

## FQ4'23 GUIDANCE – GAAP TO NON-GAAP RECONCILIATION



|   | Gross Margin Rate | Operating Margin Rate | Earnings per Share |
|---|-------------------|-----------------------|--------------------|
| GAAP                                    | 57.7% - 59.7%     | 8.9% - 10.8%          | \$0.16 - \$0.22    |
| Estimated Adjustments for:              |                   |                       |                    |
| Share-Based Compensation                | 0.4%              | 4.8%                  | \$0.12             |
| Amortization of Product Intangibles     | 0.7%              | 0.7%                  | \$0.02             |
| Amortization of Non-product Intangibles | 0.2%              | 0.4%                  | \$0.01             |
| Restructuring Charges, net              | -                 | 0.1%                  | \$0.00             |
| Litigation Charges                      | -                 | 0.3%                  | \$0.01             |
| System Transition Costs                 | -                 | 0.3%                  | \$0.01             |
| Non-GAAP Tax Adjustment                 | -                 | -                     | (\$0.05)           |
| Non-GAAP                                | 59.0% - 61.0%     | 15.5% - 17.3%         | \$0.28 - \$0.34    |



ADVANCE  
WITH US™