



Lantronix Reports Record Revenue for the Third Quarter of Fiscal 2020

LANTRONIX, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	March 31, 2020	June 30, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,977	\$ 18,282
Accounts receivable, net	11,958	7,388
Inventories, net	15,246	10,509
Contract manufacturers' receivable	434	1,324
Prepaid expenses and other current assets	2,043	687
Total current assets	36,658	38,190
Property and equipment, net	1,594	1,199
Goodwill	15,813	9,488
Intangible assets, net	13,387	-
Other assets	3,225	67
Total assets	\$ 70,677	\$ 48,944
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 6,164	\$ 4,716
Accrued payroll and related expenses	3,519	2,060
Warranty reserve	209	116
Short-term debt, net	1,472	-
Other current liabilities	6,687	4,580
Total current liabilities	18,051	11,472
Long-term debt, net	4,050	-
Other non-current liabilities	1,631	206
Total liabilities	23,732	11,678
Commitments and contingencies		
Stockholders' equity:		
Common stock	3	2
Additional paid-in capital	244,989	226,274
Accumulated deficit	(198,418)	(189,381)
Accumulated other comprehensive income	371	371
Total stockholders' equity	46,945	37,266
Total liabilities and stockholders' equity	\$ 70,677	\$ 48,944



LANTRONIX, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Three Months Ended			Nine Months Ended	
	March 31, 2020	December 31, 2019	March 31, 2019	March 31,	
				2020	2019
Net revenue	\$ 16,512	\$ 13,228	\$ 12,344	\$ 42,481	\$ 36,737
Cost of revenue	9,135	6,451	5,254	22,132	16,206
Gross profit	7,377	6,777	7,090	20,349	20,531
Operating expenses:					
Selling, general and administrative	5,558	4,871	3,867	14,902	12,297
Research and development	2,724	2,336	2,385	7,681	6,879
Restructuring, severance and related charges	2,263	354	-	3,366	323
Acquisition-related costs	1,250	353	-	2,246	-
Amortization of purchased intangible assets	801	151	-	1,096	-
Total operating expenses	12,596	8,065	6,252	29,291	19,499
Income (loss) from operations	(5,219)	(1,288)	838	(8,942)	1,032
Interest income (expense), net	(83)	(16)	91	(43)	147
Other income (expense), net	129	(10)	(12)	76	(14)
Income (loss) before income taxes	(5,173)	(1,314)	917	(8,909)	1,165
Provision for income taxes	43	37	60	128	114
Net income (loss)	\$ (5,216)	\$ (1,351)	\$ 857	\$ (9,037)	\$ 1,051
Net income (loss) per share - basic	\$ (0.19)	\$ (0.06)	\$ 0.04	\$ (0.37)	\$ 0.05
Net income (loss) per share - diluted	\$ (0.19)	\$ (0.06)	\$ 0.04	\$ (0.37)	\$ 0.05
Weighted-average common shares - basic	27,048	23,145	22,270	24,369	21,237
Weighted-average common shares - diluted	27,048	23,145	23,304	24,369	22,632



LANTRONIX, INC.
UNAUDITED RECONCILIATION OF NON-GAAP ADJUSTMENTS
(In thousands, except per share data)

	Three Months Ended			Nine Months Ended	
	March 31, 2020	December 31, 2019	March 31, 2019	March 31, 2020	2019
GAAP net income (loss)	\$ (5,216)	\$ (1,351)	\$ 857	\$ (9,037)	\$ 1,051
Non-GAAP adjustments:					
Cost of revenue:					
Share-based compensation	70	48	22	142	62
Employer portion of withholding taxes on stock grants	1	-	-	2	-
Depreciation and amortization	149	73	51	289	144
Total adjustments to cost of revenue	<u>220</u>	<u>121</u>	<u>73</u>	<u>433</u>	<u>206</u>
Selling, general and administrative:					
Share-based compensation	939	777	213	2,176	950
Employer portion of withholding taxes on stock grants	3	1	4	9	12
Depreciation and amortization	81	53	50	188	144
Total adjustments to selling, general and administrative	<u>1,023</u>	<u>831</u>	<u>267</u>	<u>2,373</u>	<u>1,106</u>
Research and development:					
Share-based compensation	123	113	96	331	248
Employer portion of withholding taxes on stock grants	3	1	-	8	-
Depreciation and amortization	39	30	21	95	53
Total adjustments to research and development	<u>165</u>	<u>144</u>	<u>117</u>	<u>434</u>	<u>301</u>
Restructuring, severance and related charges	2,263	354	-	3,366	323
Acquisition related costs	1,250	353	-	2,246	-
Amortization of purchased intangible assets	801	151	-	1,096	-
Litigation settlement cost	75	-	-	75	-
Amortization of manufacturing profit in acquired inventory	33	-	-	204	-
Total non-GAAP adjustments to operating expenses	<u>5,610</u>	<u>1,833</u>	<u>384</u>	<u>9,794</u>	<u>1,730</u>
Interest (income) expense, net	83	16	(91)	43	(147)
Other (income) expense, net	(129)	10	12	(76)	14
Provision for income taxes	43	37	60	128	114
Total non-GAAP adjustments	<u>5,827</u>	<u>2,017</u>	<u>438</u>	<u>10,322</u>	<u>1,917</u>
Non-GAAP net income	<u>\$ 611</u>	<u>\$ 666</u>	<u>\$ 1,295</u>	<u>\$ 1,285</u>	<u>\$ 2,968</u>
Non-GAAP net income per share - diluted	<u>\$ 0.02</u>	<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.05</u>	<u>\$ 0.13</u>
Denominator for GAAP net income (loss) per share - diluted	27,048	23,145	23,304	24,369	22,632
Non-GAAP adjustment	<u>1,641</u>	<u>1,848</u>	<u>893</u>	<u>1,669</u>	<u>655</u>
Denominator for non-GAAP net income per share - diluted	<u>28,689</u>	<u>24,993</u>	<u>24,197</u>	<u>26,038</u>	<u>23,287</u>
GAAP operating expenses	\$ 12,596	\$ 8,065	\$ 6,252	\$ 29,291	\$ 19,499
Non-GAAP adjustments to operating expenses	<u>(5,610)</u>	<u>(1,833)</u>	<u>(384)</u>	<u>(9,794)</u>	<u>(1,730)</u>
Non-GAAP operating expenses	<u>\$ 6,986</u>	<u>\$ 6,232</u>	<u>\$ 5,868</u>	<u>\$ 19,497</u>	<u>\$ 17,769</u>



LANTRONIX, INC.

UNAUDITED NET REVENUES BY PRODUCT LINE AND REGION

(In thousands)

	Three Months Ended			Nine Months Ended	
	March 31, 2020	December 31, 2019	March 31, 2019	March 31, 2020	March 31, 2019
IoT	\$ 13,922	\$ 11,180	\$ 8,935	\$ 35,323	\$ 26,972
IT Management	2,424	1,832	3,210	6,557	9,199
Other	166	216	199	601	566
	<u>\$ 16,512</u>	<u>\$ 13,228</u>	<u>\$ 12,344</u>	<u>\$ 42,481</u>	<u>\$ 36,737</u>

	Three Months Ended			Nine Months Ended	
	March 31, 2020	December 31, 2019	March 31, 2019	March 31, 2020	March 31, 2019
Americas	\$ 10,126	\$ 5,840	\$ 6,866	\$ 21,730	\$ 19,962
EMEA	3,612	4,362	3,757	12,495	11,357
Asia Pacific Japan	2,774	3,026	1,721	8,256	5,418
	<u>\$ 16,512</u>	<u>\$ 13,228</u>	<u>\$ 12,344</u>	<u>\$ 42,481</u>	<u>\$ 36,737</u>