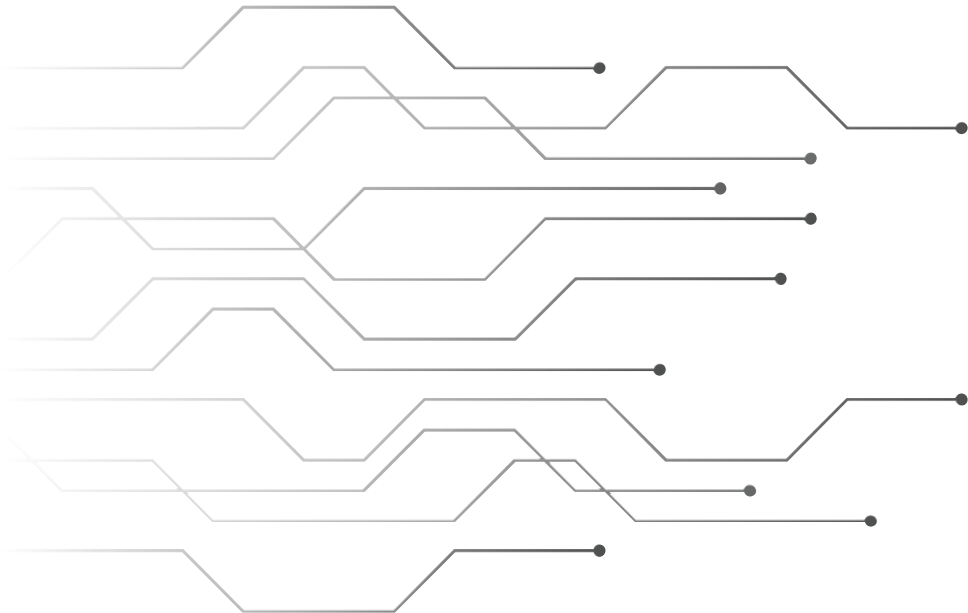




# LANTRONIX®





# FORWARD LOOKING STATEMENTS

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This presentation contains forward-looking statements, including statements concerning our business and product development plans and strategies, the perceived benefits of our products and corporate acquisitions, and our future growth and financial performance. Any statement relating to our plans, goals, expectations or any future event should be considered a forward-looking statement. While we have based our forward-looking statements on our current assumptions and expectations, forward-looking statements are not guarantee of future performance and are subject to substantial risks and uncertainties. As a result, our actual results could differ materially from those indicated in our forward-looking statements, and you should not rely on any of these forward-looking statements.

Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include the impact of the COVID-19 pandemic; volatility in global economic conditions; product development and marketing risks; risks related to manufacturing and international operations; difficulties associated with our suppliers, distributors or resellers; intense competition in our industry; changes in applicable U.S. and foreign government laws, regulations, and tariffs; risks associated with acquisitions, divestitures, mergers, or joint ventures; intellectual property and cybersecurity risks; the outcome of legal proceedings; and other risks and uncertainties described in “Risk Factors” in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, as well as in our other filings with the SEC. In addition, new risks emerge from time-to-time and we cannot predict all future risks or assess the impact of all risks to our business. Our forward-looking statements are based on our view as of the date they are made. Except as required by law, we expressly disclaim any intent or obligation to update any forward-looking statements after the date hereof because of new information, future events or otherwise.

This presentation references certain non-GAAP financial measures, including non-GAAP net income (loss). A reconciliation of the non-GAAP financial measures to the corresponding GAAP financial measures, along with important information regarding our disclosure of the non-GAAP financials, is provided in Appendix A.

# OUR VISION

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## **TO PROVIDE TURNKEY CUSTOMER SOLUTIONS FOR IIoT AND REMOTE ENVIRONMENT MANAGEMENT**

Lantronix aims to be the go-to industry IoT and REM partner, providing full stack turnkey solutions comprised of SaaS products and features, Professional Services, and Hardware.

Customers get a "one stop shop" experience enabled by ease of purchase, activation, deployment, and management, leaving them to focus on their core products and business.

# Secure Turnkey Solutions for Industrial IoT

- Global provider of secure turnkey management solutions for IIoT
- Connectivity products and SaaS services which are easy to deploy and manage, and accelerate customer time to market
- Growing Market opportunity with billions of devices connected WW\*
- Strong Blue-Chip customer base
- Partnerships with top SOC manufacturers\*\*
- Significant financial momentum and operating leverage



**IIoT and SaaS Market  
Growth Opportunity**



**Increasing Scale and  
Improving Profitability**



**Expanding Customer  
Base Worldwide**



**Experienced  
Leadership Team**

# Proven Leadership Team



**Paul Pickle**  
CEO



**Jeremy Whitaker**  
CFO



**Roger Holliday**  
VP, WW Sales



**Jon Shipman**  
VP, Strategy



**Fathi Hakam**  
VP, Engineering



**David Goren**  
VP, Business Affairs & HR



**Robert Adams**  
Head of Corp Dev &  
Investor Relations



**Michael A. Fink**  
VP, Operations



# FAVORABLE SECULAR TRENDS



Monitoring and  
Management

Energy &  
Distributed  
Utilities



Healthcare &  
Remote Patient  
Monitoring  
Commercial  
Applications



IoT Smart Cities

Building  
Infrastructure  
Integration



Rise of Robotics

Automation in  
Industrial  
Manufacturing  
and Logistics



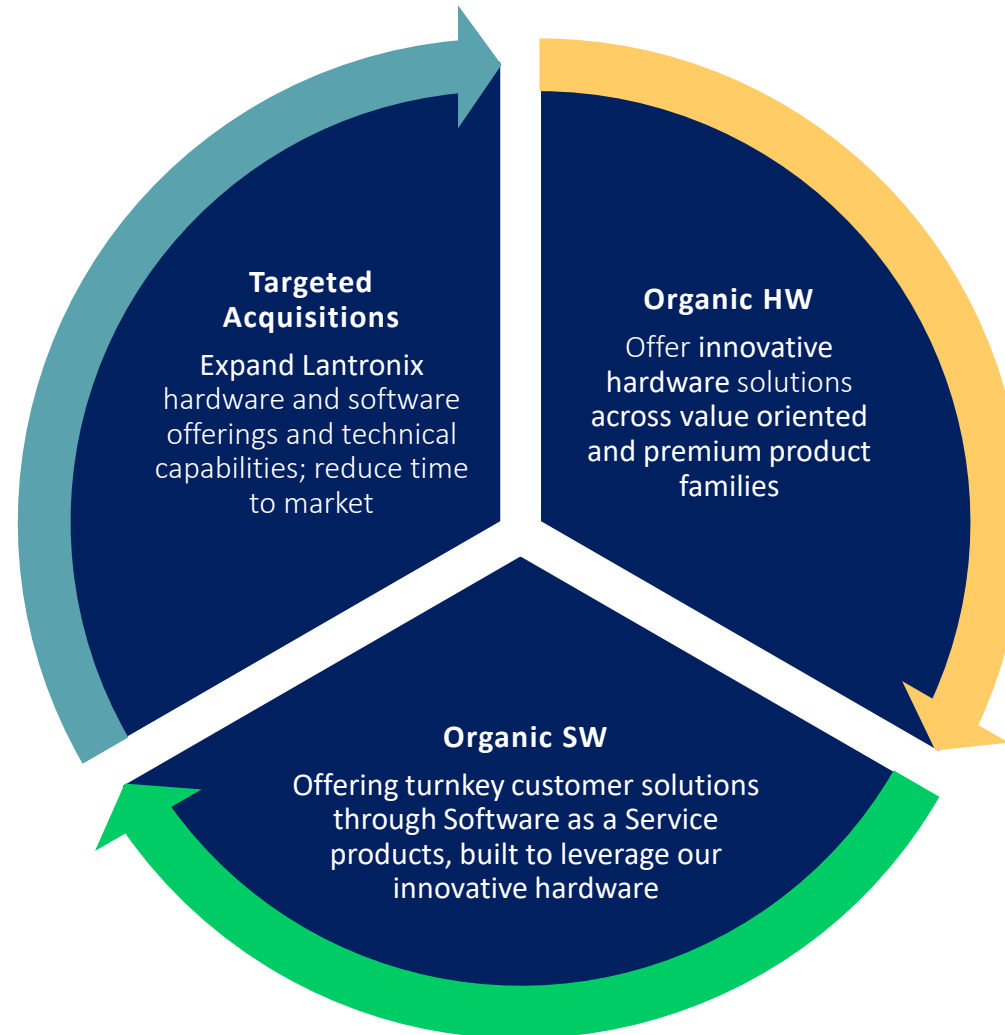
Edge Compute,  
Computer Vision  
& AI

Big Data Store and  
Sort, Predictive  
Analytics



Increased  
Government &  
Defense Spending  
for the Internet of  
Military Things

# Lantronix Growth Strategy



# IoT as a Solution

## The IoT Stack

### **COLLECT**

Ingest environmental data from an end point.

### **CONNECT**

Access or transmit data to achieve a purpose.

### **COMPUTE**

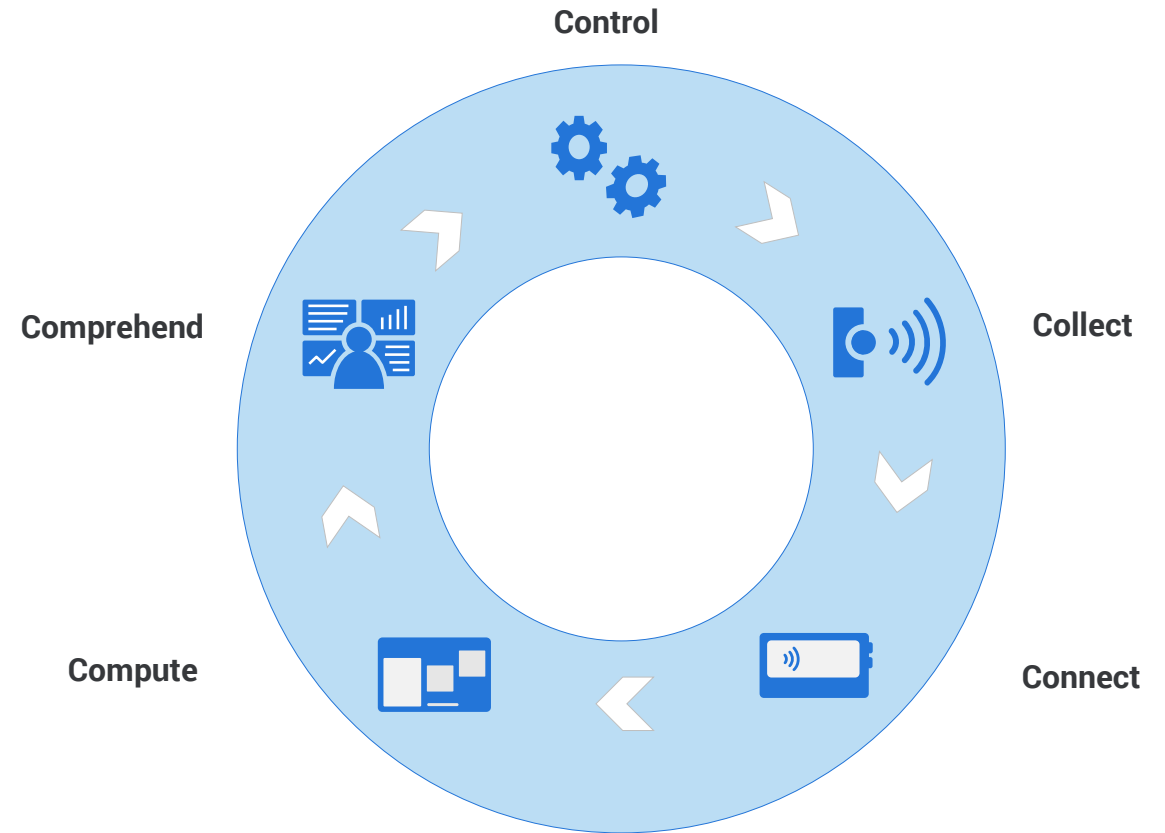
Normalize the data from edge to cloud and use it for simple events or complex machine learning.

### **COMPREHEND**

Visualize and Analyze collected data from different forms to comprehend business outcomes.

### **CONTROL**

Remote visibility and control over the end-to-end operational details of an IoT solution.





# IoT as a Solution

## Lantronix Key Pieces

### ConsoleFlow

Visibility and Control in an easy single pane of glass application. Knowing what is happening across your deployment and having the tools to respond.

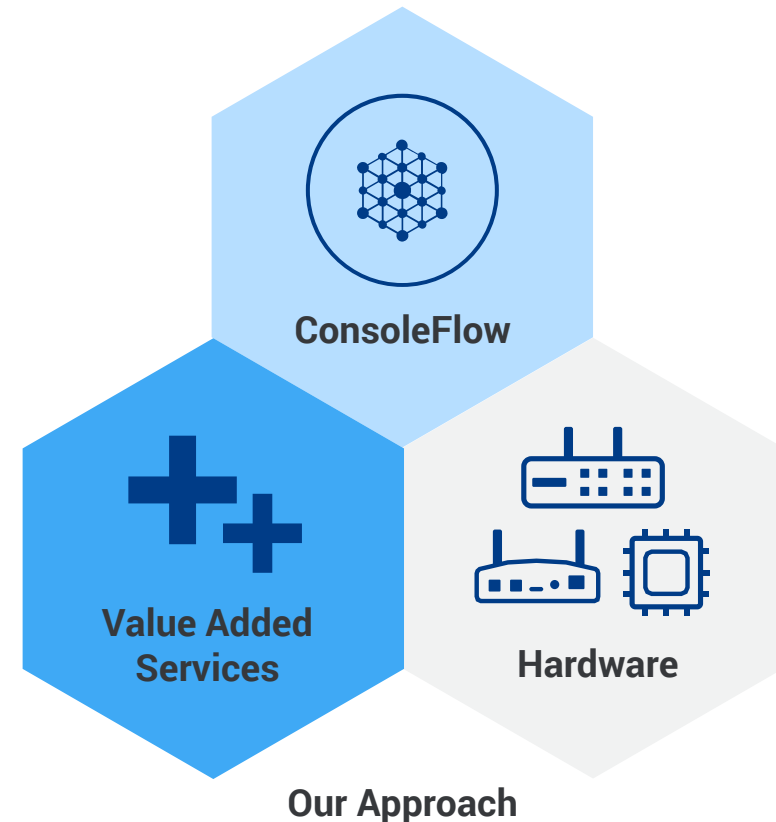
### Value Added Services

Go beyond just visibility and control by easily selecting the service(s) you need. Provision cellular and VPN services for pick and go worldwide connectivity. Request engineering services for assistance with custom software and hardware projects.

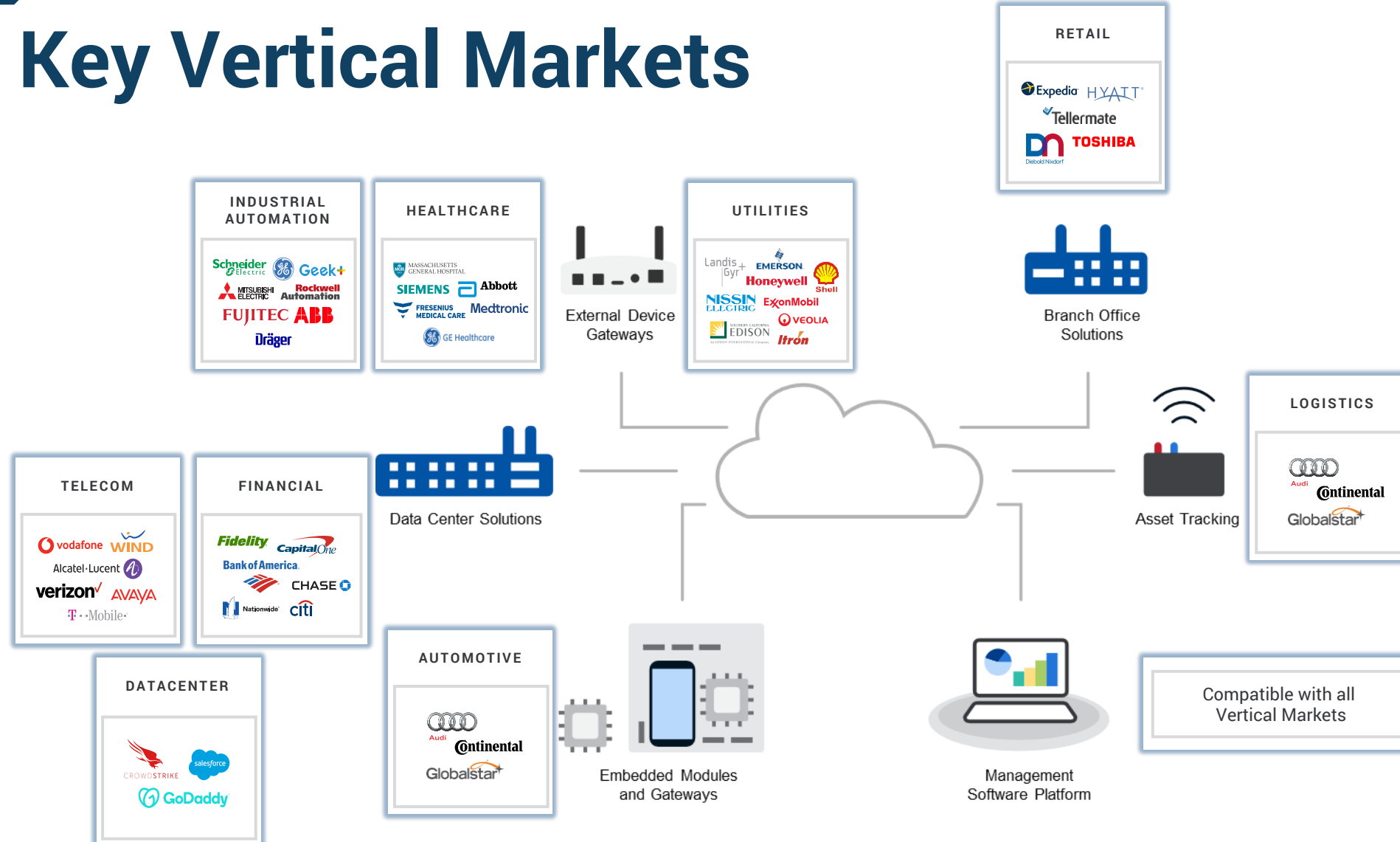
### Hardware

No solution is complete without matching hardware to achieve your specific requirements and real-world applicability.

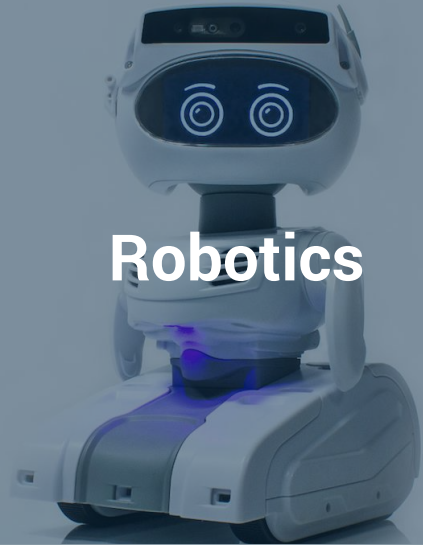
Lantronix offers embedded and external devices for the Industrial Internet of Things and Remote Environment Management access solutions.



# Key Vertical Markets



# CUSTOMER USE CASES



**Robotics**



**Augmented Reality**



**Medical**



**Video Conferencing**



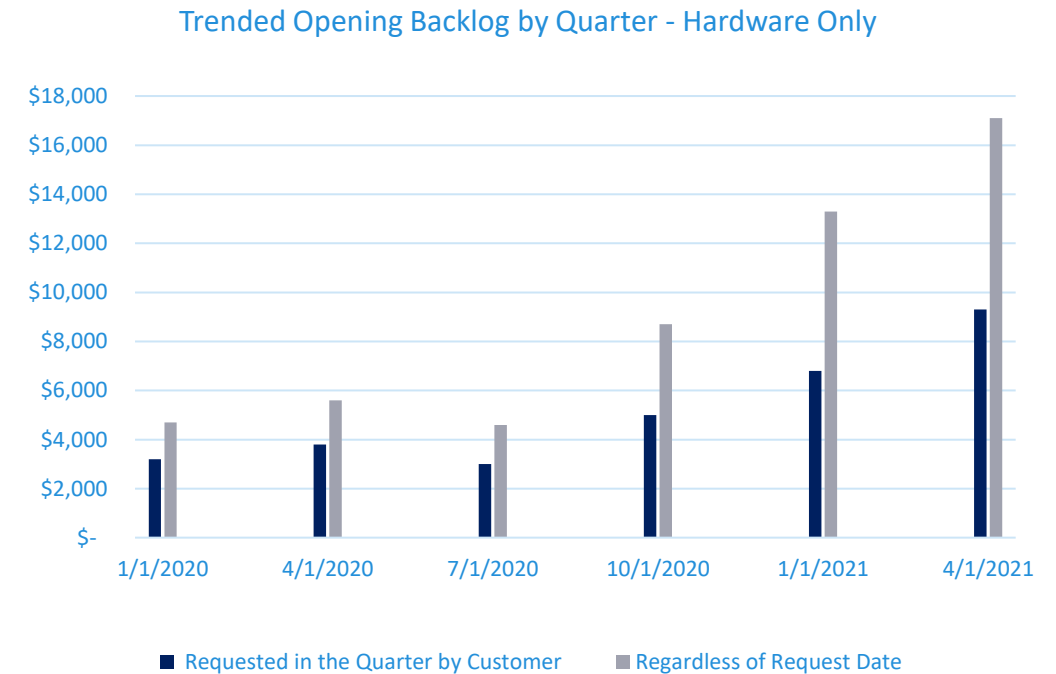
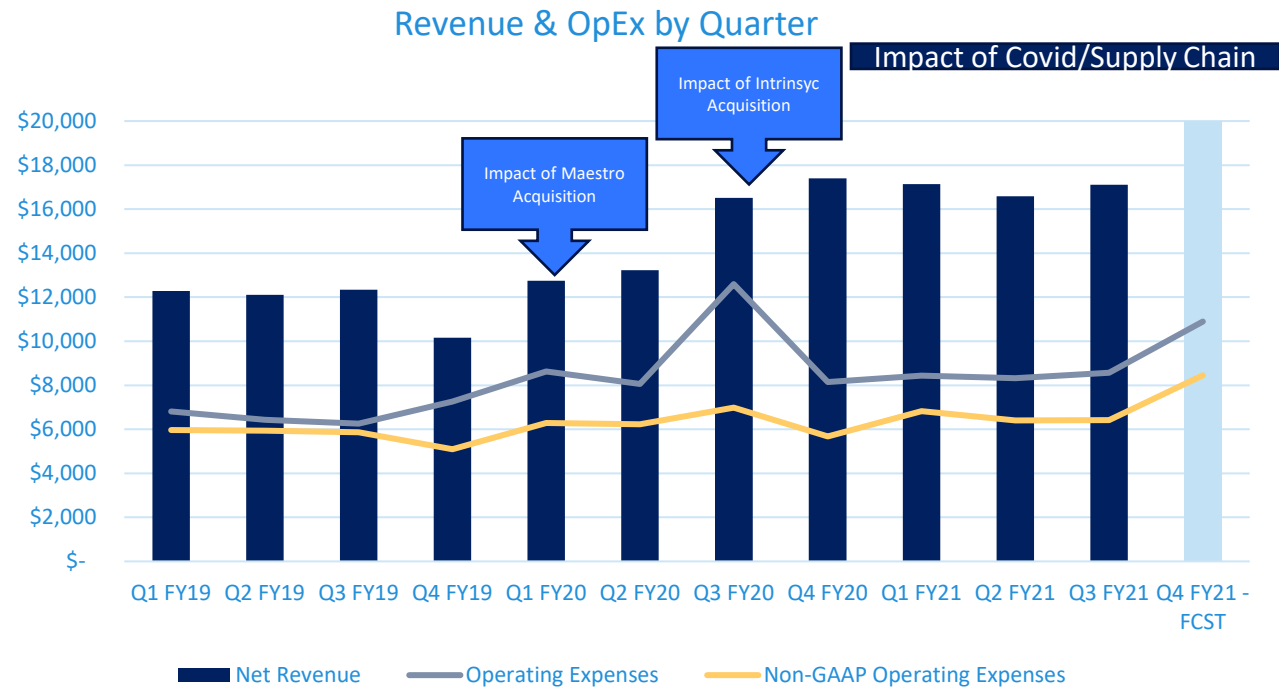
**Commercial IoT**

# Operating Results



# Financial Performance – Revenues, OpEx, and Backlog

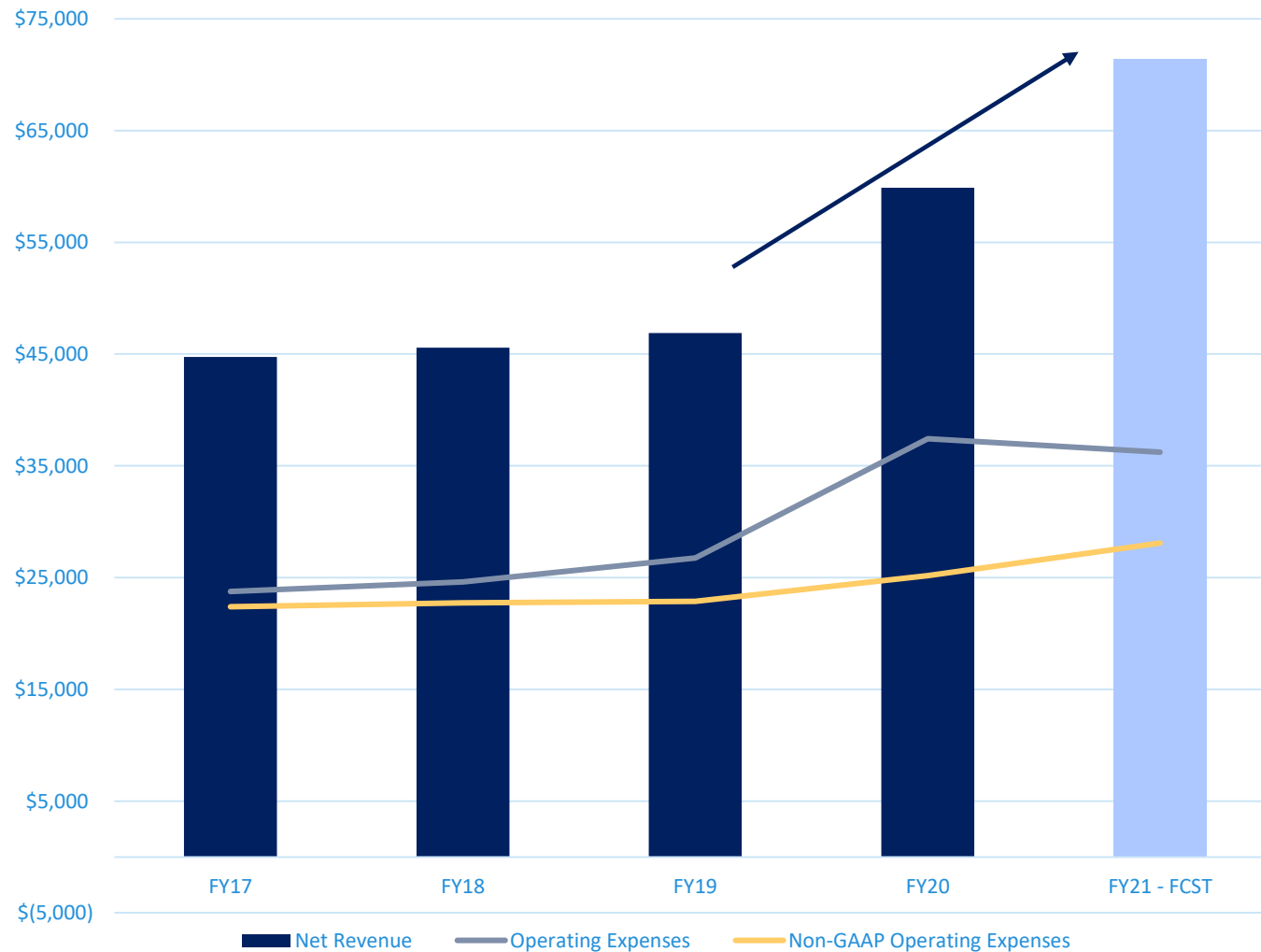
Record Customer Demand Drives Growing Backlog



\* Note: FQ421 forecast assumes the Company achieves guidance it provided in its announcement on August 9, 2021.

# Financial Performance - Fiscal Year

Synergy Capture Drives Improving Operating Model



\* Note: FQ421 and FY21 forecast assumes the Company achieves guidance it provided in its announcement on August 9, 2021.

# Selected Financial Information

(In thousands)	QUARTERLY								YEAR-TO-DATE		FISCAL YEAR		
	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21		YTD FY20	YTD FY21	FY18	FY19	FY20
<b>Selected Income Statement Information:</b>													
Net Revenue	\$ 12,741	\$ 13,228	\$ 16,512	\$ 17,397	\$ 17,146	\$ 16,585	\$ 17,108		\$ 42,481	\$ 50,839	\$ 45,580	\$ 46,890	\$ 59,878
Y/Y Change	4%	9%	34%	71%	35%	25%	4%		16%	20%	2%	3%	28%
Sequential Change	25%	4%	25%	5%	(1%)	(3%)	3%						
Gross Profit	\$ 6,195	\$ 6,777	\$ 7,377	\$ 6,551	\$ 8,239	\$ 6,996	\$ 7,718		\$ 20,349	\$ 22,953	\$ 25,368	\$ 26,273	\$ 26,900
% of Net Revenue	48.6%	51.2%	44.7%	37.7%	48.1%	42.2%	45.1%		47.9%	45.1%	55.7%	56.0%	44.9%
GAAP Operating Expenses	8,630	8,065	12,596	8,147	8,445	8,318	8,566		29,291	25,329	\$ 24,602	\$ 26,761	\$ 37,438
% of Net Revenue	68%	61%	76%	47%	49%	50%	50%		69%	50%	54%	57%	63%
GAAP Net Income (Loss)	\$ (2,470)	\$ (1,351)	\$ (5,216)	\$ (1,701)	\$ (302)	\$ (1,459)	\$ (1,187)		\$ (9,037)	\$ (2,948)	\$ 680	\$ (408)	\$ (10,738)
% of Net Revenue	-19%	-10%	-32%	-10%	-2%	-9%	-7%		-21%	-6%	1%	-1%	-18%
GAAP Earnings (Loss) Per Share	\$ (0.11)	\$ (0.06)	\$ (0.19)	\$ (0.06)	\$ (0.01)	\$ (0.05)	\$ (0.04)		\$ (0.36)	\$ (0.10)	\$ 0.03	\$ (0.02)	\$ (0.42)
<b>Non-GAAP Measures:</b>													
Non-GAAP Operating Expenses	\$ 6,280	\$ 6,231	\$ 6,986	\$ 5,624	\$ 6,820	\$ 6,401	\$ 6,422		\$ 19,497	\$ 19,643	\$ 22,741	\$ 22,865	\$ 25,121
% of Net Revenue	49%	47%	42%	32%	40%	39%	38%		46%	39%	50%	49%	42%
Non-GAAP Net Income (Loss)	\$ 7	\$ 667	\$ 611	\$ 1,191	\$ 1,654	\$ 861	\$ 1,539		\$ 1,285	\$ 4,054	\$ 2,935	\$ 3,690	\$ 2,476
% of Net Revenue	0%	5%	4%	7%	10%	5%	9%		3%	8%	6%	8%	4%
Non-GAAP Earnings (Loss) Per Share	\$ 0.00	\$ 0.03	\$ 0.02	\$ 0.04	\$ 0.05	\$ 0.03	\$ 0.05		\$ 0.05	\$ 0.13	\$ 0.15	\$ 0.16	\$ 0.09
<b>Selected Balance Sheet Information:</b>													
Cash	\$ 12,028	\$ 9,347	\$ 6,977	\$ 7,691	\$ 7,709	\$ 7,621	\$ 8,277		\$ 6,977	\$ 8,277	\$ 9,568	\$ 18,282	\$ 7,691
Long-term Debt	\$ -	\$ 4,418	\$ 4,050	\$ 3,682	\$ 3,314	\$ 2,946	\$ 2,578		\$ 4,050	\$ 2,578	\$ -	\$ -	\$ 3,682
Working Capital	\$ 19,011	\$ 23,308	\$ 18,607	\$ 18,741	\$ 19,306	\$ 19,422	\$ 19,851		\$ 18,607	\$ 19,851	\$ 13,544	\$ 26,718	\$ 18,741
Fully Diluted Weighted Average Shares Outstanding	22,913	23,145	27,048	28,046	28,371	28,661	28,819		27,048	28,819	19,158	21,580	25,281

\* Note: Refer to Appendix for Reconciliation of Non-GAAP Measures



# Lantronix Acquires Transition Networks, Net2Edge from Communications Systems, Inc.

Bringing scale, efficiencies, and accretion to turnkey IoT solutions providers



# Transaction Summary

## Acquired Businesses

**Carve out of broadband connectivity infrastructure equipment (Electronics & Software Business Segment) from CSI (TKR: JCS)**

- PoE, Network Switches, Media Converters, Network Adapters
- \$34.5mm in CY 2020, Mid-40s GMs, Adjusted EBITDA <\$1mm

## Transaction Consideration

**\$25mm in cash**

- ~0.7x TTM Revenues
- Performance-based earnout of up to \$7mm if target achieves revenue of \$42mm during the 12- month period following close of the transaction

## Financial Impacts

**Combined pro-forma company revenues expected to exceed \$100 million**

- ~\$7mm in combined annual run rate synergies expected within 24 months post-close, substantial day one synergies between the two companies
- Significant, immediate accretion to non-GAAP EPS

## Financing

**\$32mm of committed financing from SVB: \$17.5mm term loan, \$2.5mm revolver; \$12mm second lien**

## Closing

**August 2, 2021**

## *Strategic Rationale*

Increased scale and cost efficiencies; Pro-forma combined revenue > \$100 million annually

Strengthens exposure to Smart Cities, Intelligent Transportation, and Security market verticals

Significant synergy potential across COGS, operating expenses, and revenues

Immediately accretive with significant non-GAAP EPS accretion in first full year

Complementary product offering broadens customer base and increases cross sell opportunities;  
International markets a greenfield opportunity

Combined R&D engine accelerates turnkey IoT solutions capabilities

Attractive valuation relative to IoT hardware suppliers, with significant upside for pro-forma combination

## *Long-Term Shareholder Value*

# Complementary Products

New Verticals Expertise

The LANTRONIX logo features the word "LANTRONIX" in a dark blue, sans-serif font, with the letter "X" in orange.The TRANSITION NETWORKS logo features the word "TRANSITION" in red, bold, sans-serif font, with a red swoosh above it, and the word "NETWORKS" in a smaller, red, sans-serif font below it.

- Remote Management (NEM, NDM, NIM)
  - Datacenter / MDF
  - Branch Office / Unmanned Site
- External IoT
  - Industrial Automation
  - Logistics
  - Fleet
  - Healthcare
  - Security
- Embedded IoT
  - Edge Connectivity
  - Edge Computing
  - RF Mesh / SDRF
- Network Infrastructure
  - Switches
  - Media Converters
  - Adapters & Optics
  - PoE
- Segmentation
  - Traditional (Now)
  - Intelligent (Future)
- Verticals
  - Smart Cities
  - Enterprise
  - Federal
  - Service Providers

# Product Development

Leveraging Each Other's Competencies

## LANTRONIX

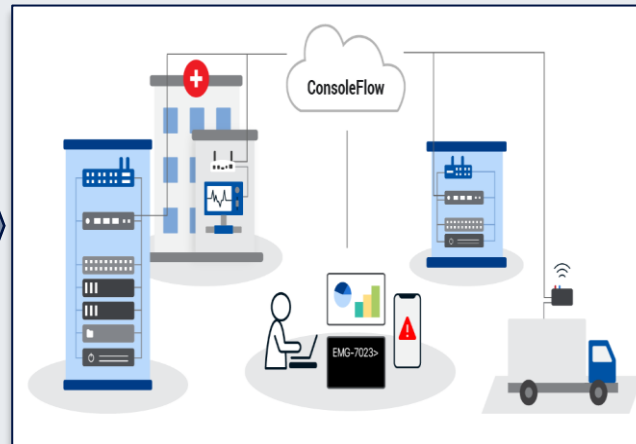
Cellular Connectivity

Open Q, Computing

Remote Management

Gateways

SaaS



## TRANSITION NETWORKS®

Switching

PoE

Smart Cities

Federal/Municipalities

Service Providers

# Financial Efficiencies

## Revenue

**\$34.5mm in TTM revenue, bringing combined pro-forma revenue to > \$100mm**

- Complementary product offering brings multiple cross sell opportunities
- Adds exposure to key growth verticals: Smart Cities, Smart Buildings, Intelligent Transportation
- International sales a greenfield opportunity when combined with Lantronix international reach & sales team

## Gross Margin/ COGS

### **Significant CM overlap**

- Increased volume driving better component and manufacturing pricing
- Headcount efficiencies
- Global supply chain savings

## Operating Expenses

### **Burdensome corporate allocation – greater than \$3mm - disappears day one**

- G&A expenses centralized and consolidated
- Third-party contracted development offshore consolidated into existing offshore design teams
- Third-party contracted international sales consolidated into existing international sales teams

# Appendix: Non-GAAP Reconciliation

(In thousands)	QUARTERLY							YEAR-TO-DATE		FISCAL YEAR		
	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	YTD FY20	YTD FY21	FY18	FY19	FY20
GAAP net income (loss)	\$ (2,470)	\$ (1,351)	\$ (5,216)	\$ (1,701)	\$ (302)	\$ (1,459)	\$ (1,187)	\$ (9,037)	\$ (2,948)	\$ 680	\$ (408)	\$ (10,738)
Non-GAAP adjustments:												
Cost of revenue:												
Share-based compensation	24	48	70	85	58	85	70	142	213	53	85	227
Employer portion of withholding taxes on stock grants	1	-	1	-	-	-	3	2	3	-	-	2
Depreciation and amortization	67	73	149	179	177	181	170	289	528	217	197	468
Total adjustments to cost of revenue	92	121	220	264	235	266	243	433	744	270	282	697
Selling, general and administrative:												
Share-based compensation and related withholding taxes	459	778	939	783	445	671	803	2,176	1,919	924	1,441	2,959
Employer portion of withholding taxes on stock grants	5	1	3	12	5	6	19	9	30	13	12	21
Depreciation and amortization	54	53	81	69	55	37	38	188	130	184	192	257
Total adjustments to selling, general and administrative	518	832	1,023	864	505	714	860	2,373	2,079	1,121	1,645	3,237
Research and development:												
Share-based compensation	95	113	123	122	100	135	170	331	405	192	345	453
Employer portion of withholding taxes on stock grants	4	1	3	2	6	2	5	8	13	1	-	10
Depreciation and amortization	26	30	39	27	33	50	57	95	140	41	75	122
Total adjustments to research and development	125	144	165	151	139	187	232	434	558	234	420	585
Restructuring, severance and related charges	749	354	2,263	478	92	137	120	120	120	506	1,146	3,844
Litigation settlement cost (recovery)	-	-	75	-	-	-	-	75	-	-	-	75
Acquisition related costs	643	353	1,250	38	-	-	178	2,246	178	-	410	2,284
Impairment of long-lived asset	-	-	-	-	-	-	-	-	-	-	275	-
Amortization of purchased intangible assets	144	151	801	941	882	879	754	1,096	2,515	-	-	2,037
Amortization of manufacturing profit in acquired inventory	171	-	33	51	7	-	-	204	7	-	-	255
Total non-GAAP adjustments to operating expenses	2,350	1,834	5,610	2,523	1,625	1,917	2,144	6,548	5,457	1,861	3,896	12,317
Non-GAAP operating expenses	6,280	6,231	6,986	5,624	6,820	6,401	6,422	2,018	3,109	22,741	22,865	25,121
Interest expense (income), net	(56)	16	83	90	85	82	77	43	244	18	(236)	133
Other (income) expense, net	43	10	(129)	(1)	(39)	(2)	224	(76)	183	8	15	(77)
Provision (benefit) for income taxes	48	37	43	16	50	57	38	128	145	98	141	144
Total non-GAAP adjustments	2,477	2,018	5,827	2,892	1,956	2,320	2,726	7,076	6,773	2,255	4,098	13,214
Non-GAAP net income (loss)	\$ 7	\$ 667	\$ 611	\$ 1,191	\$ 1,654	\$ 861	\$ 1,539	\$ (1,961)	\$ 3,825	\$ 2,935	\$ 3,690	\$ 2,476
Non-GAAP net income (loss) per share - diluted	\$ 0.00	\$ 0.03	\$ 0.02	\$ 0.04	\$ 0.05	\$ 0.03	\$ 0.05	\$ 0.05	\$ 0.13	\$ 0.15	\$ 0.16	\$ 0.09
Reconciliation of non-GAAP operating expenses												
GAAP operating expenses	8,630	8,065	12,596	8,147	8,445	8,318	8,566	29,291	25,329	24,602	26,761	37,438
Non-GAAP adjustments to operating expenses	(2,350)	(1,834)	(5,610)	(2,523)	(1,625)	(1,917)	(2,144)	(9,794)	(5,686)	(1,861)	(3,896)	(12,317)
Non-GAAP operating expenses	\$ 6,280	\$ 6,231	\$ 6,986	\$ 5,624	\$ 6,820	\$ 6,401	\$ 6,422	\$ 19,497	\$ 19,643	\$ 22,741	\$ 22,865	\$ 25,121
Denominator for GAAP net income (loss) per share - diluted	22,913	23,145	27,048	28,046	28,371	28,661	28,819					
Non-GAAP adjustment	1,834	1,848	1,641	1,959	1,833	1,695	1,700					
Denominator for non-GAAP net income (loss) per share - diluted	24,747	24,993	28,689	30,005	30,204	30,356	30,519					

Lantronix believes that the presentation of non-GAAP financial information, when presented in conjunction with the corresponding GAAP measures, provides important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations. The non-GAAP financial measures disclosed by the Company should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations of the non-GAAP financial measures to the financial measures calculated in accordance with GAAP should be carefully evaluated. The non-GAAP financial measures used by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. The Company has provided reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures. Management believes that non-GAAP net income (loss) is an important measure of the Company's business. Management uses this financial measure to monitor and evaluate ongoing operating results and trends to gain an understanding of our comparative operating performance.