

LANTRONIX, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 31, 2019	June 30, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,347	\$ 18,282
Restricted cash	6,000	-
Accounts receivable, net	9,379	7,388
Inventories, net	11,024	10,509
Contract manufacturers' receivable	373	1,324
Prepaid expenses and other current assets	1,307	687
Total current assets	37,430	38,190
Property and equipment, net	1,412	1,199
Goodwill	12,458	9,488
Intangible assets, net	1,615	-
Other assets	2,040	67
Total assets	\$ 54,955	\$ 48,944
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 5,065	\$ 4,716
Accrued payroll and related expenses	2,248	2,060
Warranty reserve	89	116
Short-term debt, net	1,472	-
Other current liabilities	5,248	4,580
Total current liabilities	14,122	11,472
Long-term debt, net	4,418	-
Other non-current liabilities	1,137	206
Total liabilities	19,677	11,678
Commitments and contingencies		
Stockholders' equity:		
Common stock	2	2
Additional paid-in capital	228,107	226,274
Accumulated deficit	(193,202)	(189,381)
Accumulated other comprehensive income	371	371
Total stockholders' equity	35,278	37,266
Total liabilities and stockholders' equity	\$ 54,955	\$ 48,944

LANTRONIX, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended			Six Months Ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	2018
Net revenue	\$ 13,228	\$ 12,741	\$ 12,114	\$ 25,969	\$ 24,393
Cost of revenue	6,451	6,546	5,453	12,997	10,952
Gross profit	6,777	6,195	6,661	12,972	13,441
Operating expenses:					
Selling, general and administrative	4,871	4,473	4,159	9,344	8,430
Research and development	2,336	2,621	2,279	4,957	4,494
Restructuring, severance and related charges	354	749	-	1,103	323
Acquisition-related costs	353	643	-	996	-
Amortization of purchased intangible assets	151	144	-	295	-
Total operating expenses	8,065	8,630	6,438	16,695	13,247
Income (loss) from operations	(1,288)	(2,435)	223	(3,723)	194
Interest income (expense), net	(16)	56	60	40	56
Other income (expense), net	(10)	(43)	8	(53)	(2)
Income (loss) before income taxes	(1,314)	(2,422)	291	(3,736)	248
Provision for income taxes	37	48	14	85	54
Net income (loss)	\$ (1,351)	\$ (2,470)	\$ 277	\$ (3,821)	\$ 194
Net income (loss) per share - basic	\$ (0.06)	\$ (0.11)	\$ 0.01	\$ (0.17)	\$ 0.01
Net income (loss) per share - diluted	\$ (0.06)	\$ (0.11)	\$ 0.01	\$ (0.17)	\$ 0.01
Weighted-average common shares - basic	23,145	22,913	22,091	23,029	20,721
Weighted-average common shares - diluted	23,145	22,913	23,442	23,029	22,263

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

	<u>Three Months Ended</u>			<u>Six Months Ended</u>	
	<u>December 31,</u> <u>2019</u>	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2019</u>	<u>2018</u>
GAAP net income (loss)	\$ (1,351)	\$ (2,470)	\$ 277	\$ (3,821)	\$ 194
Non-GAAP adjustments:					
Cost of revenue:					
Share-based compensation	48	24	23	72	40
Employer portion of withholding taxes on stock grants	-	1	-	1	-
Depreciation and amortization	73	67	45	140	93
Total adjustments to cost of revenue	<u>121</u>	<u>92</u>	<u>68</u>	<u>213</u>	<u>133</u>
Selling, general and administrative:					
Share-based compensation	777	459	337	1,236	737
Employer portion of withholding taxes on stock grants	1	5	2	6	8
Depreciation and amortization	53	54	48	107	94
Total adjustments to selling, general and administrative	<u>831</u>	<u>518</u>	<u>387</u>	<u>1,349</u>	<u>839</u>
Research and development:					
Share-based compensation	113	95	91	208	152
Employer portion of withholding taxes on stock grants	1	4	-	5	-
Depreciation and amortization	30	26	21	56	32
Total adjustments to research and development	<u>144</u>	<u>125</u>	<u>112</u>	<u>269</u>	<u>184</u>
Restructuring, severance and related charges	354	749	-	1,103	323
Acquisition related costs	353	643	-	996	-
Amortization of purchased intangible assets	151	144	-	295	-
Amortization of manufacturing profit in acquired inventory	-	171	-	171	-
Total non-GAAP adjustments to operating expenses	<u>1,833</u>	<u>2,350</u>	<u>499</u>	<u>4,183</u>	<u>##### ##</u>
Interest (income) expense, net	16	(56)	(60)	(40)	(56)
Other (income) expense, net	10	43	(8)	53	2
Provision for income taxes	37	48	14	85	54
Total non-GAAP adjustments	<u>2,017</u>	<u>2,477</u>	<u>513</u>	<u>4,494</u>	<u>1,479</u>
Non-GAAP net income	<u>\$ 666</u>	<u>\$ 7</u>	<u>\$ 790</u>	<u>\$ 673</u>	<u>\$ 1,673</u>
Non-GAAP net income per share - diluted	<u>\$ 0.03</u>	<u>\$ 0.00</u>	<u>\$ 0.03</u>	<u>\$ 0.03</u>	<u>\$ 0.07</u>
Denominator for GAAP net income (loss) per share - diluted	23,145	22,913	23,442	23,029	22,263
Non-GAAP adjustment	<u>1,848</u>	<u>1,834</u>	<u>824</u>	<u>1,791</u>	<u>701</u>
Denominator for non-GAAP net income per share - diluted	<u>24,993</u>	<u>24,747</u>	<u>24,266</u>	<u>24,820</u>	<u>22,964</u>

LANTRONIX, INC.
UNAUDITED NET REVENUES BY PRODUCT LINE AND REGION
(In thousands)

	Three Months Ended			Six Months Ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
IoT	\$ 11,180	\$ 10,221	\$ 9,070	\$ 21,401	\$ 18,037
IT Management	1,832	2,301	2,888	4,133	5,989
Other	216	219	156	435	367
	<u>\$ 13,228</u>	<u>\$ 12,741</u>	<u>\$ 12,114</u>	<u>\$ 25,969</u>	<u>\$ 24,393</u>

	Three Months Ended			Six Months Ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Americas	\$ 5,840	\$ 5,764	\$ 6,182	\$ 11,604	\$ 13,096
EMEA	4,362	4,521	4,080	8,883	7,600
Asia Pacific Japan	3,026	2,456	1,852	5,482	3,697
	<u>\$ 13,228</u>	<u>\$ 12,741</u>	<u>\$ 12,114</u>	<u>\$ 25,969</u>	<u>\$ 24,393</u>