LANTRONIX

Powering the Intelligent Edge

- UNMANNED SYSTEMS
- CRITICAL INFRASTRUCTURE
- ENTERPRISE & AI INFRASTRUCTURE

INVESTOR PRESENTATION

SEPTEMBER 2026 | NASDAQ: LTRX

Forward-Looking Statements

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 a 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, but are not limited to, 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 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.

Some of the financial information and data contained in this Presentation, including non-GAAP operating expenses, non-GAAP net income (loss), and non-GAAP earnings (loss) per share, have not been prepared in accordance with United States generally accepted accounting principles (“GAAP”). We believe that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating historical or projected operating results and trends and in comparing our financial measures with other similar companies, many of which present similar non-GAAP financial measures to investors. We do not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitation of these non-GAAP financial measures is that they exclude significant expenses and revenue that are required by GAAP to be recorded in our financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management about which expense and revenue items are excluded or included in determining these non-GAAP financial measures. In order to compensate for these limitations, management presents historical non-GAAP financial measures in connection with GAAP results. 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 the Appendix to this Presentation.

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Who We Are

An intelligent edge platform combining compute, connectivity and software

Lantronix enables mission-critical systems to sense, connect and act at the edge, powering physical AI across unmanned systems, critical infrastructure and enterprise environments.

20+ YEARS of embedded systems expertise, now applied to AI-ready compute, secure connectivity and edge software.

THE LANTRONIX PLATFORM

Compute

Edge AI processing and system-on-modules for real-time intelligence.

Connect

Secure, resilient connectivity across cellular, satellite and wired networks.

Software & Services

Centralized management, orchestration and engineering services.

Why Lantronix Now

Positioned for stronger FY27 growth, an improving revenue mix and greater operating leverage

FY27 POSITIONING

A stronger foundation for scalable growth

Multiple growth drivers across Unmanned Systems, Critical Infrastructure, and Enterprise & AI Infrastructure, supported by increasing recurring revenue and the strongest financial position in company history.

$60M
Cash (6/30/26)

Debt Free
Balance Sheet (6/30/26)

Growth + ARR + Financial Strength

UNMANNED SYSTEMS SCALING

15%-20%

of FY27 revenue • 30+ active engagements

Moving Up the Value Stack

Expanding from embedded compute into imaging, connectivity, software, edge AI and autonomy.

RECURRING REVENUE EXPANDING

10%+

Software & Services mix, lifted by Nero

AI Infrastructure Opportunity

SambaNova provides a key proof point for Lantronix's out-of-band (OOB) opportunity in next-generation AI data centers.

FINANCIAL MODEL POSITIONED TO SCALE

Double-digit FY27 revenue growth, stable gross margins, and positive cash generation provide a foundation for continued operating leverage.

Note: Lantronix's fiscal year ends June 30.

Lantronix by the Numbers

A strong financial foundation supporting multiple growth engines

FY26 FINANCIAL FOUNDATION

$121M
Revenue

44%
Non-GAAP GM

$6.4M
Adj. EBITDA

$60M
Cash at 6/30/26

Debt Free
Balance Sheet at 6/30/26

NASDAQ
LTRX
~300 employees

FY27 GROWTH DRIVERS

Double-Digit
Revenue Growth Expected

15%-20%
Expected FY27 Revenue from Unmanned Systems

10%+
Pro Forma Software & Services Mix

AI Infrastructure
OOB / AI Data Center Opportunity

INVESTMENT TAKEAWAY

Lantronix is positioned to translate FY27 revenue growth into stronger earnings growth through an improving revenue mix and greater operating leverage.

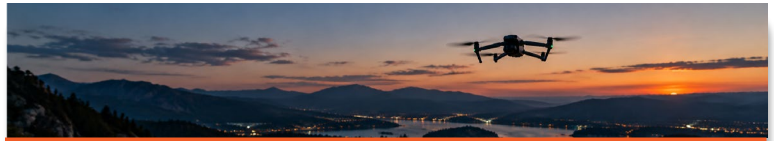
Note: FY27 growth expectations as of August 26, 2026.

One Platform, Powering Three Growth Markets

Intelligent edge platform combining compute, connectivity and software across three key markets

Compute + **Connect** + **Software & Services**

ACROSS OUR GROWTH MARKETS



Unmanned Systems & Autonomy

Edge compute for drones and autonomous platforms

- **Blue UAS-approved,** NDAA/TAA-compliant SOM platform
- **30+ active engagements** across defense, commercial, public safety and counter-UAS

Critical Infrastructure

Remote monitoring for mission-critical networks and power systems

- **Nationwide backup-power monitoring** for a Tier-1 U.S. carrier — hardware deployed, ARR ramping
- **Nero Global's asset-tracking software** ~125k tags monitored, high-60% gross margin ARR

Enterprise & AI Infrastructure

Secure remote access for AI data centers and enterprise IT

- **SambaNova DataScale** — lead AI infrastructure design win
- **Enterprise customers** include Bank of America, Abbott and Motorola Solutions

NDAA/TAA: National Defense Authorization Act and Trade Agreements Act. Blue UAS: DIU-maintained list of NDAA-compliant unmanned aircraft systems and components.

Unmanned Systems

30+ active engagements spanning defense, commercial, public safety and counter-UAS applications.

Expanding Unmanned Systems Ecosystem

Representative publicly disclosed customers, partners and technology collaborators

OEM / Platform Customers

AIR / LAND / SEA / ANYWHERE

- RED CAT
- TEAL DRONES
- FlightWave
- SIGHTLINE INTELLIGENCE
- TRILLIUM ENGINEERING
- GREMSY
- EVOLVE DYNAMICS
- AVT AUSTRALIA
- DoD Solution®
- SWARMER®
- AERORA™

Defense / Autonomy / AI Partners

STRONGER TOGETHER FOR A MORE SECURE TOMORROW

- SAFE PRO GROUP
- UNUSUAL MACHINES®

Technology Ecosystem

POWERING THE NEXT GENERATION OF UNMANNED SYSTEMS

- Qualcomm®
- MEDIATEK
- TELEDYNE FLIR®

Positioned to Capitalize on the $70B+ DoW UAS Opportunity

Positioned across the unmanned systems value chain, from reconnaissance drones to counter-drone systems

1 Trusted Supply Chain

2 Mission-Critical Edge AI

3 30+ Active Engagements

MULTI-YEAR GROWTH

Positioned for multi-year growth across UAS reconnaissance, autonomy and counter-drone platforms.

$1.1B program deploying 200,000+ units through 2027 • NDAA/TAA-compliant supply chain • Open-Q™ platform supporting real-time, on-device threat detection through Safe Pro partnership • 30+ active engagements with defense and commercial vendors

NDAA/TAA: National Defense Authorization Act and Trade Agreements Act.

Leading Edge AI Platform for Drone Imaging & Autonomy

Enabling defense and autonomous drone applications with one unified platform

Defensible Market Position

Relied on by leading defense and industry programs.

Strategic Differentiation

Camera, compute and connectivity in one integrated platform.

Revenue Potential

15%–20% of FY27 revenue from Unmanned Systems.

Edge Processing

Lower latency, less network dependency and real-time response.

INTEGRATED ARCHITECTURE

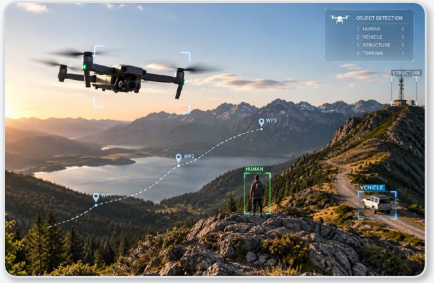
1 Sensing & Imaging

Multispectral EO + IR cameras, sensor fusion, AI video pipelines

2 Compute & Platform

Open-Q™ SOMs, flight control and payload systems

3 Edge AI & Autonomy



Real-time inference, navigation and on-device decision-making

Reference Platform & Technology Partnerships

Accelerating autonomous drone development from concept to flight

FLIGHT-READY REFERENCE PLATFORM

Concept to flight in weeks, not months

- **Integrated Edge AI Architecture**

  Combines Qualcomm® Dragonwing™, Pixhawk PX4, FLIR thermal imaging and onboard AI in a validated design.
- **Optimized for Autonomous Systems**

  SWaP-optimized, NDAA/TAA-compliant reference platform accelerates autonomous UAV development.
- **Engineering Services**

  Turnkey development and design expertise help OEMs accelerate commercialization.

PROVEN IN PRODUCTION

In production today — powers Teal Drones' Black Widow™, Swarmer's autonomy stack and Sightline's vision AI.

STRATEGIC TECHNOLOGY PARTNERSHIPS

Qualcomm

Scaling Advantage: Recognized as Qualcomm's key Western scaling partner.

Innovative Pipeline: Developing next-generation Edge AI programs with Qualcomm.

TELEDYNE FLIR

Technology Foundation: Powered by Lantronix Open-Q™ SOMs on Qualcomm's Dragonwing platform.

Differentiated Capability: Advanced thermal image signal processing and AI at the edge.

NDAA/TAA: National Defense Authorization Act and Trade Agreements Act.

Extending Edge AI to Public Safety: Search & Rescue

Applying the same SOM platforms and edge AI to public safety

Thermal Detection at the Edge

Multi-camera fusion across visible, thermal and depth sensing, with onboard processing supported by the Teledyne FLIR partnership.

Mission-Aware Autonomy

Onboard compute lets the drone understand mission objectives and act accordingly.

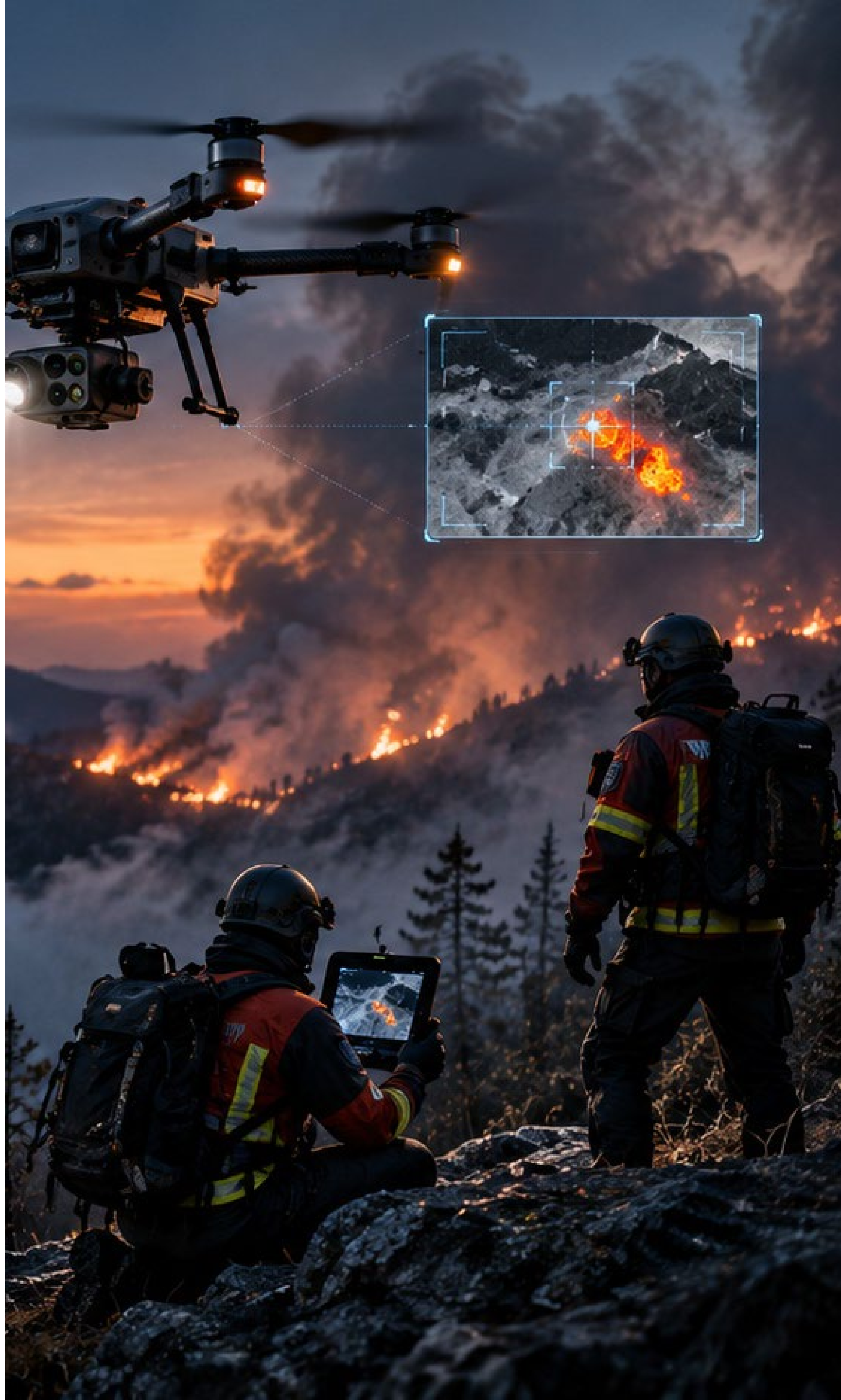
Reduced Operator Workload

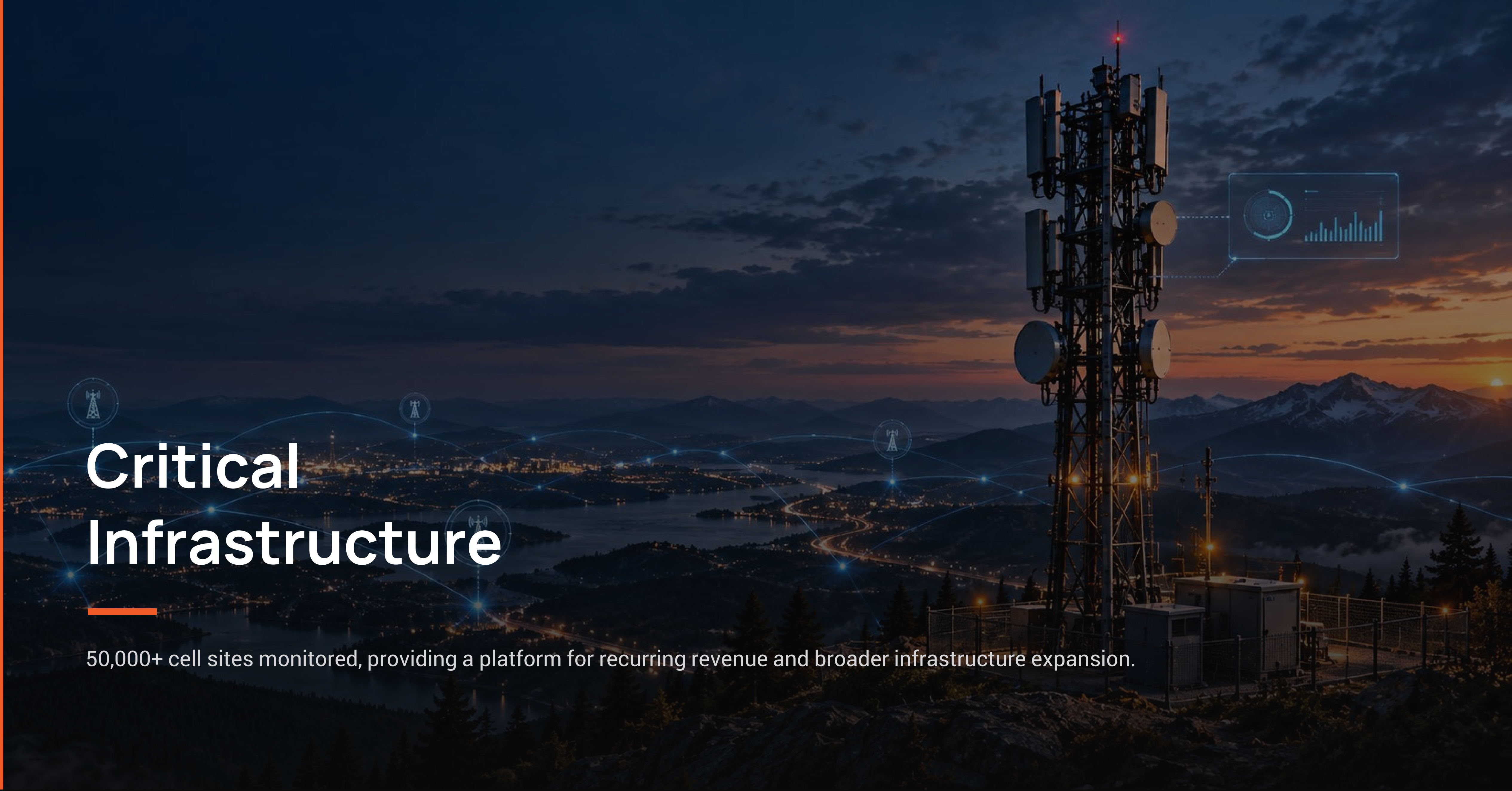
Onboard perception and rapid autonomous responses extend the reach of understaffed response teams.

Platform Reuse Across End Markets

Existing SOM platforms, imaging capabilities and AI software can be adapted to public-safety applications.

Note: Beyond Visual Line of Sight (BVLOS) operations currently require an FAA waiver under 14 CFR Part 107. Proposed Part 108 rulemaking is pending.





Critical Infrastructure

50,000+ cell sites monitored, providing a platform for recurring revenue and broader infrastructure expansion.

Critical Infrastructure Monitoring

Enabling infrastructure upgrades at national, state and regional levels

LEAD PROOF POINT

Tier-1 U.S. Mobile Network Operator (MNO)

Monitors backup generators across a Tier-1 carrier's nationwide cell-site footprint.

50,000+ cell sites monitored nationwide

Edge IoT Gateway Solutions

AI-enabled IoT edge gateways for low-voltage grid solutions.

Grid Resiliency

Edge AI supports grid resiliency and flexibility across smart-utility applications.

Note: The applications shown are representative and do not encompass all business within the vertical.

Tier-1 U.S. Carrier Win

Scaling critical network resilience across a nationwide cell-site footprint

NATIONWIDE FOOTPRINT

50,000+

Cell Sites Monitored

Deployment complete • first ARR now recognized

- **Nationwide**
  Full national cell-site footprint coverage
- **24/7 Remote Monitoring**
  Automated alerts for outages and tampering
- **FOX Series + Percepxion™**
  Edge gateways with integrated cloud software
- **Selected From 20+ Competitors**
  Deployment complete; land-and-expand underway

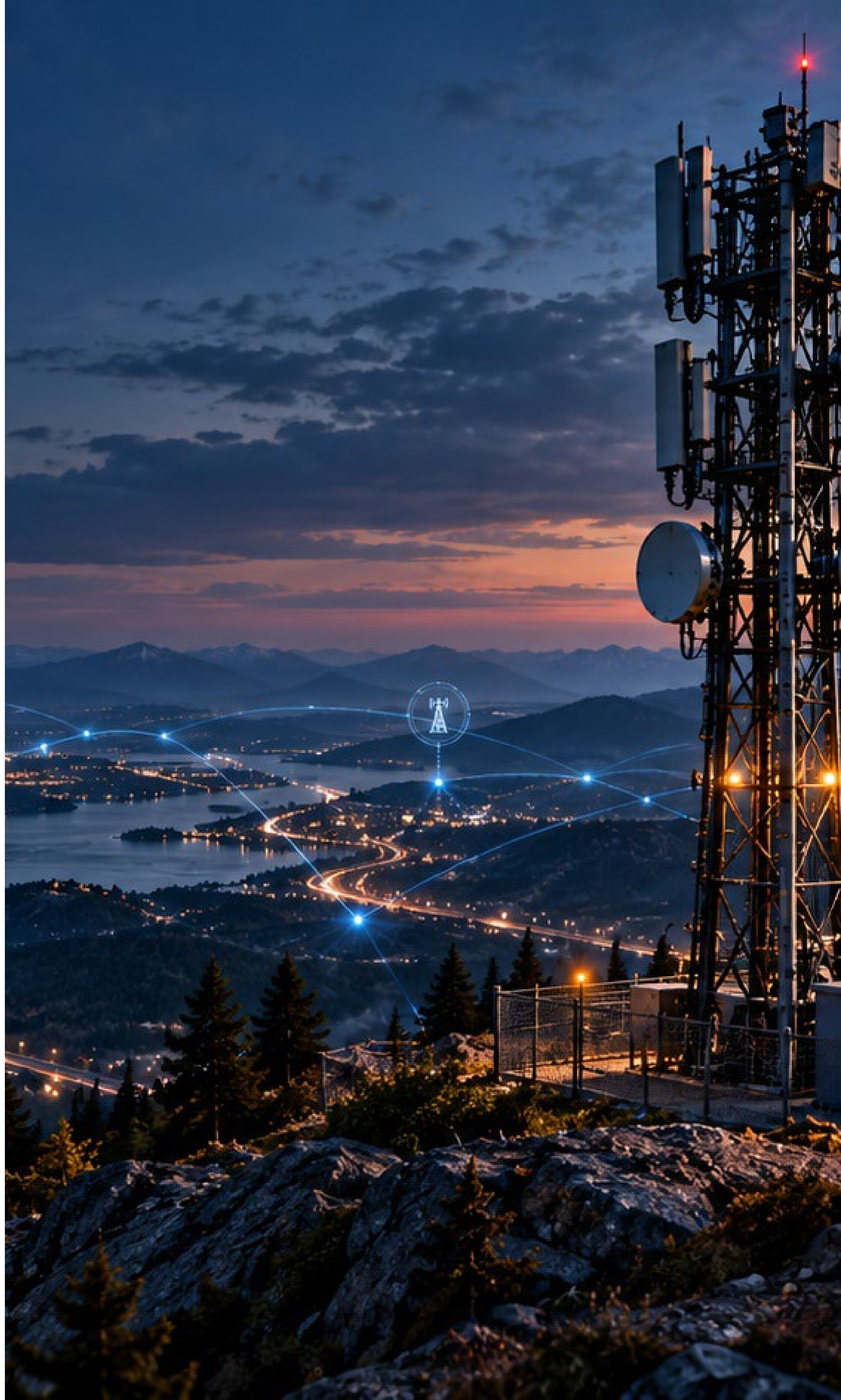
GENERATOR TELEMETRY
- Fuel Levels
- Battery Status
- Oil Pressure
- Coolant Temp

LAND-AND-EXPAND: BEYOND GENERATOR MONITORING

DEPLOYED	PoCs UNDERWAY	NEXT
Generators	Power Banks	Rectifiers

STRATEGIC RATIONALE

The land-and-expand model extends from generator monitoring into batteries, rectifiers and broader tower infrastructure, increasing revenue per site and expanding Software & Services mix. The deployment provides a repeatable model for expansion across other carrier relationships.



Nero Acquisition Accelerates Higher-Margin Recurring Revenue

Combining Lantronix hardware, connectivity and application-layer software

STRATEGIC TUCK-IN ACQUISITION Acquired Nero Global Tracking for ~$11.7M in August 2026; immediately accretive to earnings

~$5.3M	~$4.5M	High-60%	~125K	10%+
Annual Revenue	ARR	Gross Margin	Asset Tags Managed	Pro Forma S&S Mix

STRATEGIC RATIONALE

- **Higher-Margin Revenue:** Lifts Software & Services to 10%+ of revenue on a pro forma basis.
- **Complete Platform:** Creates an edge-to-cloud asset monitoring solution.
- **Cross-Sell Reach:** Creates opportunities to sell Lantronix gateways, modems and connectivity across Nero's customer base.

PLATFORM EXPANSION

Lantronix Edge
Hardware • Connectivity • Firmware

→

Nero Software
Asset Tracking • Application Layer

→

Higher Revenue per Customer

KEY TAKEAWAY

Nero increases recurring, higher-margin revenue, expands software mix and creates additional cross-sell opportunities across the installed base.

Enterprise
& AI Infrastructure

Secure, resilient infrastructure for enterprise and next-generation AI data centers.

Out-of-Band Management for AI & Mission-Critical Infrastructure

Enabling resilient, secure remote access across enterprise and next-generation AI infrastructure

AI & Data Center Infrastructure → Lantronix SLC 9000 + Percepxion™ → Secure Remote Access & Control

- **AI Infrastructure Validation**
  SambaNova validates Lantronix OOB in next-generation AI deployments.
- **Operational Resiliency**
  Policy-enforced access keeps critical systems recoverable and auditable.
- **Enterprise Validation**
  Validated across mission-critical enterprise deployments:

BANK OF AMERICA | Abbott | MOTOROLA SOLUTIONS

sambanova

SambaNova DataScale

LEAD AI INFRASTRUCTURE PROOF POINT

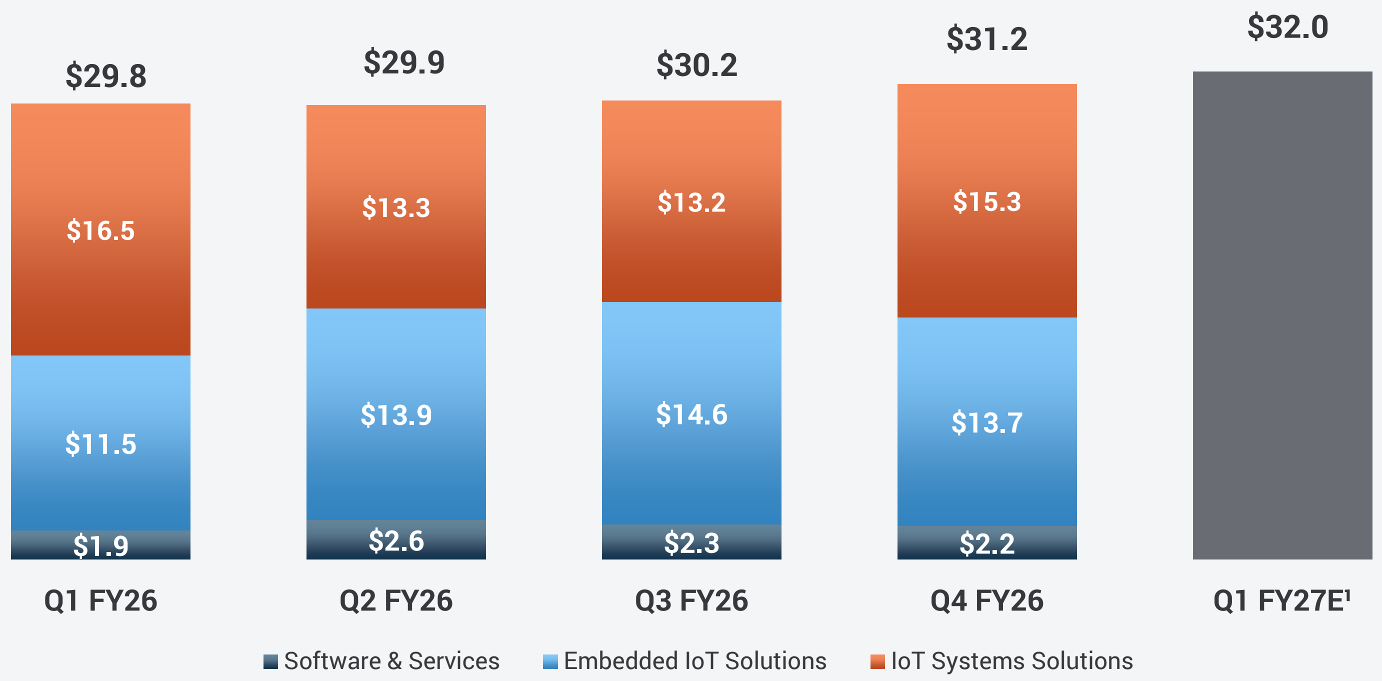
Dedicated remote access to SambaNova DataScale's critical networking and compute infrastructure.

Financial Overview

Double-digit FY27 revenue growth, expanding margins and a strong balance sheet

Revenue Growth with an Expanding Higher-Margin Mix

Revenue growth → mix improvement → operating leverage



1. Midpoint of the company's $31M–$33M revenue guidance, issued August 26, 2026. Segment breakdown not yet available for the guidance quarter.

REVENUE GROWTH

$29.8M → $32.0M

Q1 FY26 to Q1 FY27E midpoint

MIX IMPROVEMENT

Software & Services

contribution expanded across FY26

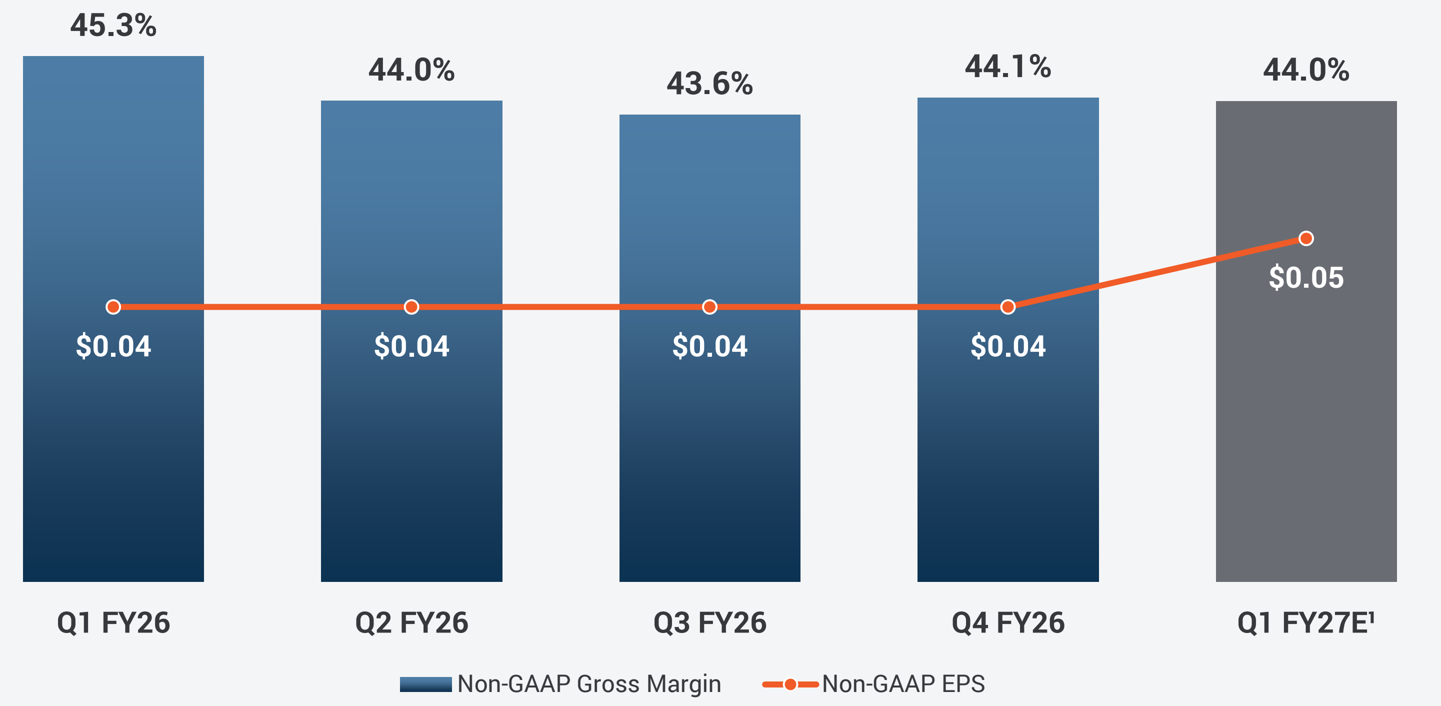
OPERATING LEVERAGE

Scaling a disciplined cost base

supports stronger earnings conversion as revenue scales

Margin Stability Supporting EPS Expansion

Gross margin durability pairs with cost discipline to expand earnings



1. Q1 FY27E non-GAAP EPS and non-GAAP gross margin represent the midpoint of guidance ($0.04–$0.06 EPS; 43%–45% gross margin), issued August 26, 2026.

Operating Leverage

Earnings positioned to outpace revenue as the business scales.

Margin Durability

Gross margins of 43.6%–45.3% across FY26, with Q1 FY27E midpoint guidance of 44.0%.

Cost Discipline

A lean cost structure supports stronger earnings conversion as revenue scales.

Proven Leadership Team Driving Scalable Growth

Experienced executive team with a track record across semiconductor, IoT and edge compute

Saleel Awsare

President & Chief Executive Officer

PRIOR EXPERIENCE

synaptics

Brent Stringham

Chief Financial Officer

PRIOR EXPERIENCE

EY

Mathi Gurusamy

Chief Product & Strategy Officer

PRIOR EXPERIENCE

Telit Cinterion

Kurt Hoff

Chief Revenue Officer

PRIOR EXPERIENCE

synaptics

Steve Burrington

VP, Global Research & Development

PRIOR EXPERIENCE

SIERRA WIRELESS

Dennis Gallagher

VP, General Counsel & Corporate Secretary

PRIOR EXPERIENCE

CONEXANT

RECOGNIZED INDUSTRY LEADERSHIP

IoT Company CEO of the Year • Top 50 Edge Computing Innovators

KEY TAKEAWAYS

Investment Takeaways

Double-Digit FY27 Revenue Growth

Led by Unmanned Systems, supported by Critical Infrastructure and Enterprise & AI Infrastructure.

Unmanned Systems Scaling

15%–20% of FY27 revenue.

Recurring Revenue Expanding

Nero acquisition adds ~$4.5M of ARR and lifts pro forma Software & Services mix above 10%.

Multiple Growth Engines

Growth extends beyond Unmanned Systems across Critical Infrastructure and OOB / AI Infrastructure.

Greater Operating Leverage

Improving mix and cost discipline position earnings growth to outpace revenue growth.

A Platform for Scale

Strong Financial Foundation

$60M of cash and no debt at June 30, 2026, combined with strong cash generation, provide flexibility to invest in organic growth and strategic opportunities.

Multiple growth engines, improving revenue quality and greater operating leverage support the next phase of growth.

GET IN TOUCH

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Gateway Group, Inc.

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Powering the Intelligent Edge

Appendix

GAAP Income Statement

Unaudited Consolidated Statements of Operations (In thousands, except per share data)

	Three Months Ended			Years Ended	
	June 30, 2026	March 31, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Net revenue	$ 31,154	$ 30,177	$ 28,839	$ 120,899	$ 122,923
Cost of revenue	17,549	17,172	17,302	67,976	71,224
Gross profit	13,605	13,005	11,537	52,923	51,699
Operating expenses:					
Selling, general and administrative	9,334	9,432	9,009	37,048	36,246
Research and development	4,187	4,149	4,194	17,554	18,597
Restructuring, severance and related charges	142	288	861	566	3,535
Acquisition-related costs	184	48	34	315	371
Amortization of intangible assets	150	216	573	1,561	3,951
Total operating expenses	13,997	14,133	14,671	57,044	62,700
Loss from operations	(392)	(1,128)	(3,134)	(4,121)	(11,001)
Interest income (expense), net	159	(2)	(107)	133	(511)
Other income (expense), net	(76)	(17)	(52)	86	(100)
Loss before income taxes	(309)	(1,147)	(3,293)	(3,902)	(11,612)
Provision for (benefit from) income taxes	(40)	34	(662)	279	(239)
Net loss	$ (269)	$ (1,181)	$ (2,631)	$ (4,181)	$ (11,373)
Net loss per share - basic and diluted	$ (0.01)	$ (0.03)	$ (0.07)	$ (0.10)	$ (0.29)
Weighted-average common shares - basic and diluted	42,186	39,731	38,975	40,145	38,613

GAAP to Non-GAAP Reconciliation

Unaudited Reconciliation of GAAP to Non-GAAP Adjustments (in thousands, excerpt per share data & %'s)

	Three Months Ended			Years Ended June 30,	
	June 30, 2026	March 31, 2026	June 30, 2025	2026	2025
GAAP net loss	$ (269)	$ (1,181)	$ (2,631)	$ (4,181)	$ (11,373)
Non-GAAP adjustments:					
Cost of revenue:					
Share-based compensation	41	36	40	141	186
Employer portion of withholding taxes on stock grants	2	2	1	10	8
Amortization of manufacturing profit in acquired inventory	-	-	44	18	88
Depreciation and amortization	102	108	97	422	435
Total adjustment to costs of revenue	145	146	182	591	717
Selling, general and administrative:					
Share-based compensation	1,067	1,358	1,095	5,233	4,424
Employer portion of withholding taxes on stock grants	36	51	14	152	125
Depreciation and amortization	211	246	316	999	1,360
Total adjustments to selling, general and administrative	1,314	1,655	1,425	6,384	5,909
Research and development:					
Share-based compensation	208	207	367	896	1,522
Employer portion of withholding taxes on stock grants	7	13	2	38	27
Depreciation and amortization	41	41	53	181	289
Total adjustments to research and development	256	261	422	1,115	1,838
Restructuring, severance and related charges	142	288	861	566	3,535
Acquisition related costs	184	48	34	315	371
Amortization of purchased intangible assets	150	216	573	1,561	3,951
Litigation settlement cost	-	-	-	-	198
Total non-GAAP adjustments to operating expenses	2,046	2,468	3,315	9,941	15,802
Interest (income) expense, net	(159)	2	107	(133)	511
Other expense (income), net	76	17	52	(86)	100
Provision for (benefit from) income taxes	(40)	34	(662)	279	(239)
Total Non-GAAP adjustments	2,068	2,667	2,994	10,592	16,891
Non-GAAP net income	$ 1,799	$ 1,486	$ 363	$ 6,411	$ 5,518
Non-GAAP net income per share (diluted)	$ 0.04	$ 0.04	$ 0.01	$ 0.15	$ 0.14
Denominator for GAAP net income per share (diluted)	42,186	39,731	38,975	40,145	38,613
Non-GAAP adjustment	2,040	2,134	108	2,193	820
Denominator for non-GAAP net income per share (diluted)	44,226	41,865	39,083	42,338	39,433
GAAP cost of revenue	$ 17,549	$ 17,172	$ 17,302	$ 67,976	$ 71,224
Non-GAAP adjustments to cost of revenue	(145)	(146)	(182)	(591)	(717)
Non-GAAP cost of revenue	17,404	17,026	17,120	67,385	70,507
Non-GAAP gross profit	$ 13,750	$ 13,151	$ 11,719	$ 53,514	$ 52,416
Non-GAAP gross margin	44.1%	43.6%	40.6%	44.3%	42.6%

Balance Sheet

Unaudited Condensed Consolidated BS (In thousands)

	June 30, 2026	June 30, 2025
Assets		
Current Assets:		
Cash and cash equivalents	$ 60,466	$ 20,098
Accounts receivable, net	25,317	25,092
Inventories, net	25,804	26,371
Contract manufacturers' receivable	3,500	3,071
Prepaid expenses and other current assets	2,347	2,761
Total current assets	117,434	77,393
Property and equipment, net	1,453	2,456
Goodwill	31,089	31,089
Intangible assets, net	2,177	3,738
Lease right-of-use assets	7,428	8,422
Other assets	755	624
Total assets	$ 160,336	$ 123,722
Liabilities and stockholders' equity		
Current Liabilities:		
Accounts payable	$ 16,971	$ 13,259
Accrued payroll and related expenses	4,820	3,471
Current portion of long-term debt, net	-	3,070
Other current liabilities	10,284	10,622
Total current liabilities	32,075	30,422
Long-term debt, net	-	8,684
Other non-current liabilities	8,985	10,238
Total liabilities	41,060	49,344
Commitments and contingencies		
Stockholders' equity:		
Total stockholders' equity	119,276	74,378
Total liabilities and stockholders' equity	$ 160,336	$ 123,722

Segmented Revenue

Unaudited Net Revenues by Product Line and Region (In thousands)

	Three Months Ended			Years Ended	
	June 30, 2026	March 31, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Embedded IoT Solutions	$ 13,659	$ 14,616	$ 10,219	$ 53,607	$ 46,380
IoT System Solutions	15,301	13,229	16,654	58,270	68,735
Software & Services	2,194	2,332	1,966	9,022	7,808
	$ 31,154	$ 30,177	$ 28,839	$ 120,899	$ 122,923

	Three Months Ended			Years Ended	
	June 30, 2026	March 31, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Americas	$ 22,896	$ 20,268	$ 19,823	$ 84,296	$ 70,126
EMEA	5,155	6,175	5,330	21,555	30,898
APJ	3,103	3,734	3,686	15,048	21,899
	$ 31,154	$ 30,177	$ 28,839	$ 120,899	$ 122,923

Discussion of Non-GAAP Financial Measures

- Non-GAAP net income consists of net loss excluding (i) share-based compensation and the employer portion of withholding taxes on stock grants, (ii) depreciation and amortization, (iii) interest income (expense), (iv) other income (expense), (v) income tax provision (benefit), (vi) restructuring, severance and related charges, (vii) acquisition related costs, (viii) impairment of long-lived assets, (ix) amortization of purchased intangibles, and (x) amortization of manufacturing profit in acquired inventory.
- Non-GAAP net income per share is calculated by dividing non-GAAP net loss by non-GAAP weighted-average shares outstanding (diluted). For purposes of calculating non-GAAP net income per share, the calculation of GAAP weighted-average shares outstanding (diluted) is adjusted to exclude share-based compensation, which for GAAP purposes is treated as proceeds assumed to be used to repurchase shares under the GAAP treasury stock method.