



**LANTRONIX**  
CONNECT SMART. DO MORE.

**Investor  
Presentation**  
June 2019

# 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 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 guarantees 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 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 MISSION

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## CREATING SECURE DATA ACCESS & MANAGEMENT SOLUTIONS FOR THE INDUSTRIAL IOT

*Our mission is to be the leading supplier of IoT solutions that enable companies to dramatically simplify the creation, deployment, and management of IoT projects while providing secure access to data for applications and people.*



# Lantronix

## Enabling the Industrial Internet of Things

- Global provider of secure data access and management solutions for Industrial IoT
- Industry leading connectivity solutions that are easy to deploy and accelerate time to market
- Millions of devices connected worldwide
- Strong Blue Chip customer base
- Significant financial momentum and operating leverage



**IoT Pure Play**



**Return to Growth with Margin Expansion**



**Global Revenue**

- Americas 55%
- EMEA 30%
- APJ 15%



**Experienced Leadership Team**

# PROVEN LEADERSHIP TEAM



**Paul Pickle**  
CEO



**Jeremy Whitaker**  
CFO



**Kevin Yoder**  
VP, WW Sales & Marketing



**Jon Shipman**  
VP, Strategy



**Fathi Hakam**  
VP, Engineering



**Michael A. Fink**  
VP, Operations



**David Goren**  
VP, Business Affairs,  
Legal



**Tom Morton**  
VP, Human Resources





# OUR GROWTH STRATEGY

01

Pursue Market Share Gains with IT Management Products

02

Grow IoT Revenue with New Gateway Products

03

Expand SaaS IoT Platform with New IoT and ITM Applications

04

Increase IoT SAM with the Expansion of Enablement Technologies



# STRONG BASE OF GLOBAL BLUE-CHIP CUSTOMERS

Well Positioned in Key Market Segments

## INTERNET OF THINGS

CAGR  
Embedded Gateways: 13%  
Device Gateways: 15%

## INDUSTRIAL



## HEALTHCARE



## ENERGY / UTILITIES



## SMART BUILDING & Energy



## IT MANAGEMENT

CAGR  
Data Center : 3%  
Edge Management: 24%

## FINANCIALS



## MILITARY & GOV'T



## EDUCATION



## TELECOM





# FAVORABLE SECULAR TRENDS

Integration of  
Renewables &  
Distributed  
Energy



Connected  
Healthcare &  
Remote  
Patient  
Monitoring



Smart Building  
Integration



Rise of  
Robotics &  
Automation



M2M, Big  
Data, Analytics



Increase  
Government &  
Defense  
Spending



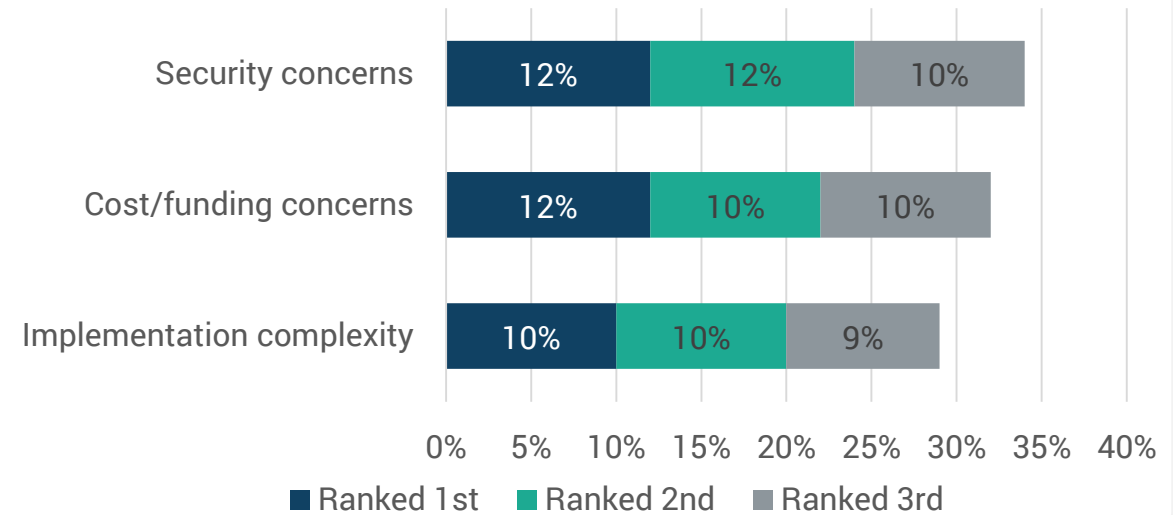


# THE LANTRONIX DIFFERENCE

Lantronix takes care of IoT connectivity, management and security so our customers can take care of their business

Gartner

## Top 3 Issues with IoT Deployments



Reducing OEM time to market



Reducing total cost of ownership



Industrial hardened solutions

# THE LANTRONIX DIFFERENCE IN ACTION

Enabling  
Secure Smart  
Meter  
Integration



Enabling  
Secure  
Medical  
Device  
Connectivity



Connecting  
Hospital  
Devices  
Securely to the  
WiFi Network



Enabling New  
Business  
Models in  
Retail



Increasing  
Warehouse  
Efficiency  
Through Fast  
Roaming

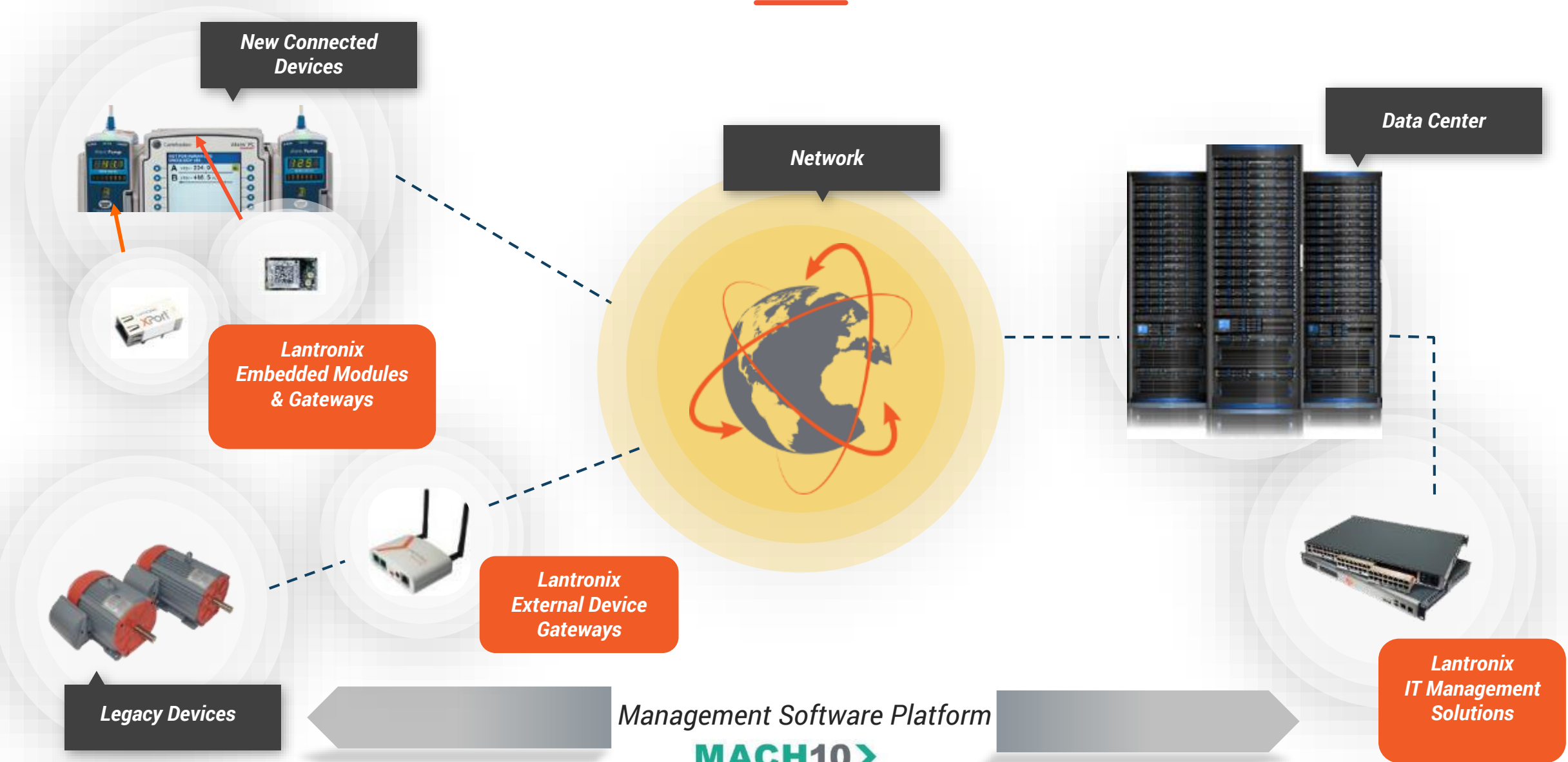


Connecting  
Weighing  
Scale for  
Higher  
Efficiency





# IOT SOLUTIONS FROM THE DEVICE TO THE DATA CENTER





# Broad Suite of IIoT Solutions

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## IOT GATEWAYS & BUILDING BLOCKS



Connectivity Without Complexity

## MANAGEMENT SOFTWARE

**MACH10**



Scalable Software Made Simple

## IT MANAGEMENT SOLUTIONS



Management of Enterprise IT Infrastructure

# LANTRONIX IOT GATEWAYS

*Secure and certified enterprise-ready connectivity, network intelligence and management at scale for industrial and commercial devices and machines*



**XPort Edge**  
*Serial to Ethernet*



**xPico 250**  
*Mid-range Ethernet, Wi-Fi Bluetooth*



**xPico 240**  
*Mid-range Ethernet, Wi-Fi*



**PremierWave 2050**  
*Enhanced Ethernet, Wi-Fi Bluetooth*



**PremierWave XC HSPA+**  
*Ethernet, Cellular*



**SGX5150**  
*Ethernet, Wi-Fi Bluetooth*



**SGX5150-MD**  
*Ethernet, Wi-Fi Bluetooth*

## Embedded IoT Gateways

- *Ideal to drop into any new or inflight design*
- *Small size ideal for high-volume integration*

## External IoT Device Gateways

- *Ideal for connecting existing devices and machines*
- *Or, when it is desirable to keep connectivity external to asset*

# Lantronix IT Management



**DATA CENTERS  
& TEST LABS**

**BRANCH OFFICES**

**EDGE COMPUTING  
MANAGEMENT**



**Enterprise Data Centers &  
Development Labs**



**Retail Store & Branch Offices**



**Remote Sites**



# MACH10 Management Software Platform

## Recurring Revenue Through SaaS Model



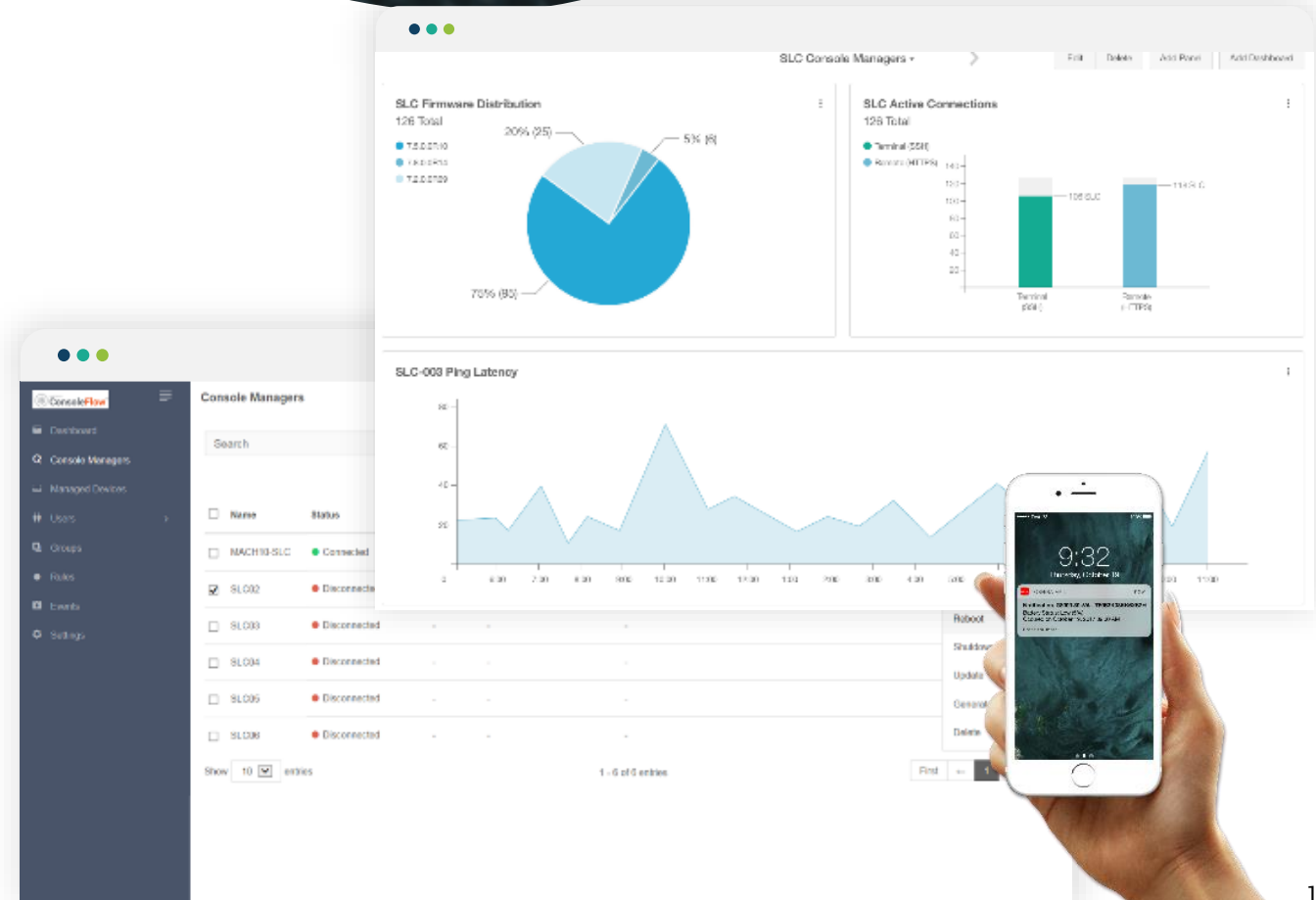
**Global Device Manager**  
*for IoT OEMs*



**Gateway Central**  
*for Lantronix Gateways*



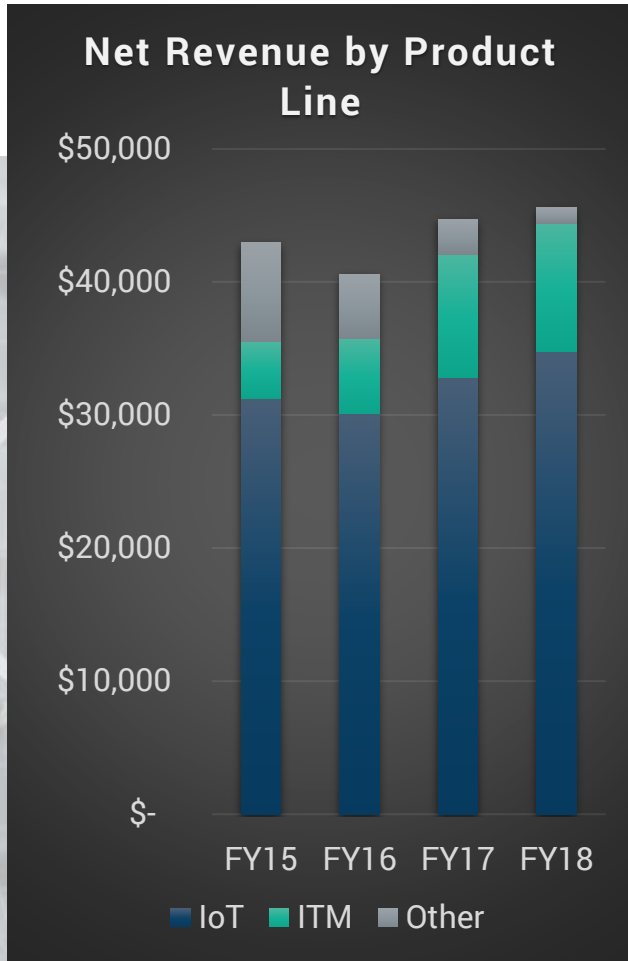
**ConsoleFlow**  
*for Lantronix Console Managers*





# Operating Results

# SELECTED FISCAL YEAR AND QUARTERLY FINANCIAL DATA



\* Refer to Appendix A for reconciliation of Non-GAAP financial measures

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## SELECTED BALANCE SHEET INFORMATION

<i>(In thousands except price per share data)</i>	June 30, 2018	March 31, 2019
Cash and Cash Equivalents	\$ 9,568	\$ 18,212
Accounts Receivable, Net	4,244	8,351
Inventories, Net	8,439	9,809
Total Current Assets	23,270	37,695
Current Liabilities	9,726	10,886
Working Capital	13,544	26,809
Common Shares Outstanding	18,908	22,270
RSUs Outstanding	140	571
Stock Options Outstanding	3,931	2,900
Weighted Average Exercise Price Per Option	\$ 1.73	\$ 1.77

# SUMMARY

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- Established global IoT solutions provider with blue chip customer base
- Seasoned leadership team w/ significant enterprise experience
- Pursuing fast growing IoT in high reliability end markets
- Management software platform and related applications enable incremental growth opportunity
- Business model with potential for significant operating leverage
- No long-term debt





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# APPENDIX A: Reconciliation of Non-GAAP Financial Measures

<i>(In thousands)</i>	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	FY16	FY17	FY18
GAAP Net Income (Loss)	\$ 344	\$ 752	\$ (83)	\$ 277	\$ 857	\$ (1,962)	\$ (277)	\$ 680
Non-GAAP Adjustments:								
Share-based Compensation	295	292	478	451	331	870	912	1,169
Depreciation and Amortization	110	106	105	114	122	759	594	442
Interest Expense (Income) , Net	5	4	4	(60)	(91)	32	23	18
Other (Income) Expense, Net	1	9	10	(8)	12	(61)	3	8
Withholding Taxes on Stock Grants	4	4	6	2	4	4	12	14
Severance and Restructuring Costs	(21)	-	323	-	-	533	246	506
Provision (Benefit) for Income Taxes	<u>29</u>	<u>6</u>	<u>40</u>	<u>14</u>	<u>60</u>	<u>63</u>	<u>68</u>	<u>98</u>
Total Non-GAAP Adjustments	<u>423</u>	<u>421</u>	<u>966</u>	<u>513</u>	<u>438</u>	<u>2,200</u>	<u>1,858</u>	<u>2,255</u>
Non-GAAP Net Income (Loss)	<u>\$ 767</u>	<u>\$ 1,173</u>	<u>\$ 883</u>	<u>\$ 790</u>	<u>\$ 1,295</u>	<u>\$ 238</u>	<u>\$ 1,581</u>	<u>\$2,935</u>

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.

# SELECTED INCOME STATEMENT INFORMATION

<i>(In thousands)</i>	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	FY16	FY17	FY18
Net Revenue	\$ 11,601	\$ 12,037	\$ 12,279	\$ 12,114	\$ 12,334	\$ 40,592	\$ 44,730	\$ 45,580
Gross Profit	\$ 6,584	\$ 6,876	\$ 6,741	\$ 6,661	\$ 7,090	\$ 19,378	\$ 23,580	\$ 25,368
% of Net Revenue	56.8%	57.1%	54.9%	55.0%	57.4%	47.7%	52.7%	55.7%
GAAP Net Income (Loss)	\$ 344	\$ 752	\$ (83)	\$ 277	\$ 857	\$ (1,962)	\$ (277)	\$ 680
Non-GAAP Net Income (Loss)	\$ 767	\$ 1,173	\$ 883	\$ 790	\$ 1,295	\$ 238	\$ 1,581	\$2,935



### Q3 FY 2019 HIGHLIGHTS:

- Maintained gross profit % at mid-50s despite tariff impact
- Continued GAAP profitability
- 13th consecutive quarter of non-GAAP net income

### FY 2018 HIGHLIGHTS:

- 2<sup>nd</sup> year of sequential revenue growth
- 300 BP improvement in gross profit%
- Nearly doubled non-GAAP net income

\* Refer to Appendix A for reconciliation of Non-GAAP financial measures