



**LANTRONIX**  
CONNECT SMART. DO MORE.

**Investor  
Presentation**  
June 2020

# 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 VISION

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**TO PROVIDE FULL STACK SOLUTIONS ENABLING  
CUSTOMER IOT SOLUTIONS**

*To be the go to industry IoT partner, providing full stack solutions comprised of Professional Services, Hardware, and SaaS products, enabling customers to focus on their core product value and related technical expertise.*

# Lantronix

## Secure Solutions for the Internet of Things

- Global provider of secure data access and management solutions for IoT
- Connectivity solutions that are easy to deploy and accelerate time to market
- Growing Market with millions of devices connected worldwide
- Strong Blue Chip customer base
- Significant financial momentum and operating leverage



**IoT Market Growth Opportunity**



**Growth and Improvement in Operating Model**




**Strong Global Revenue Base**





**Experienced Leadership Team**



# PROVEN LEADERSHIP TEAM





**Paul Pickle**  
CEO





**Jeremy Whitaker**  
CFO





**Roger Holliday**  
VP, WW Sales



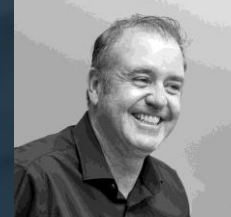

**Jon Shipman**  
VP, Strategy




**Fathi Hakam**  
VP, Engineering



**David Goren**  
VP, Business Affairs,  
Legal & Human  
Resources



**Michael A. Fink**  
VP, Operations



# FAVORABLE SECULAR TRENDS

Integration of  
Renewables &  
Distributed  
Energy



Connected  
Healthcare &  
Remote  
Patient  
Monitoring



Smart Building  
Integration



Rise of  
Robotics &  
Automation



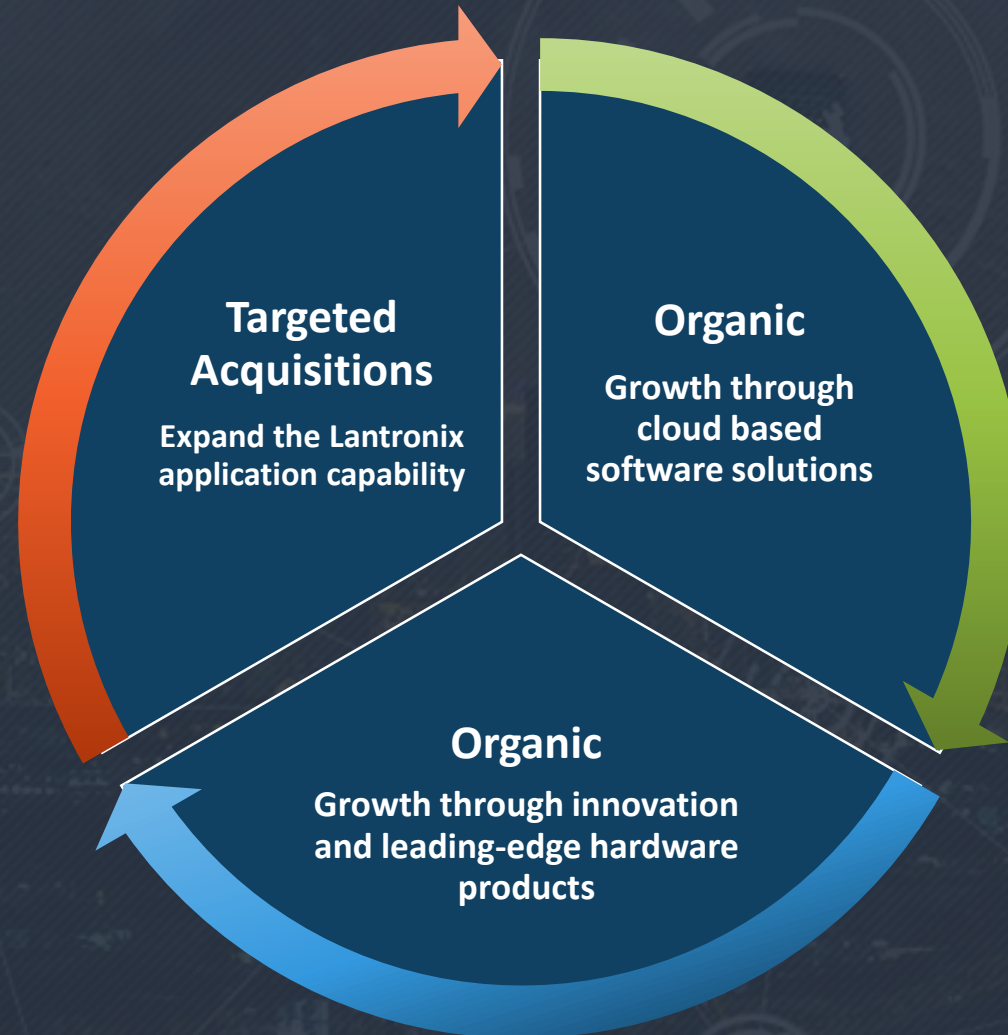
M2M, Big  
Data, Analytics



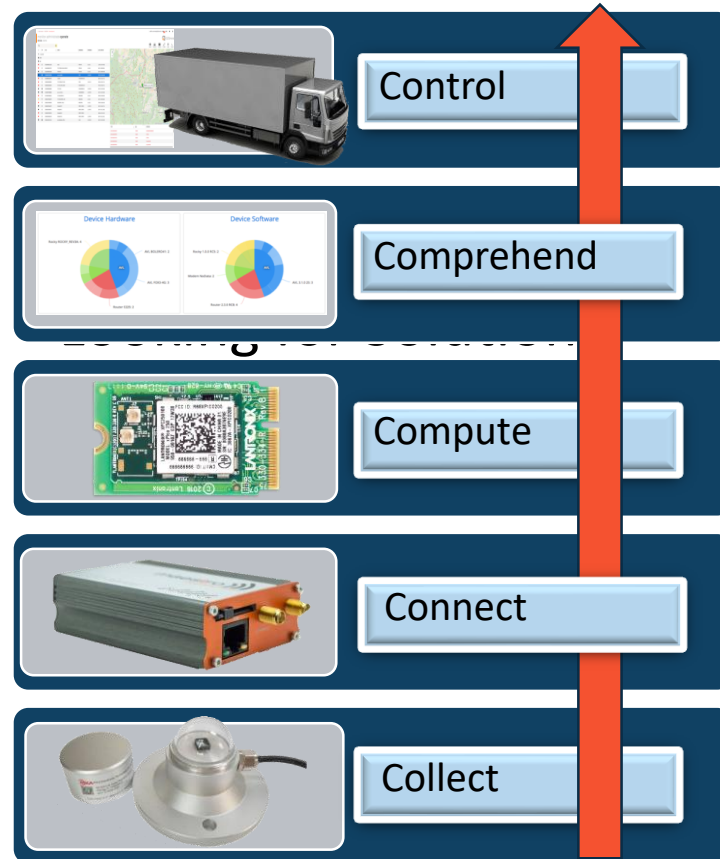
Increase  
Government &  
Defense  
Spending



# OUR GROWTH STRATEGY



# IoT SUPPLIERS SIMPLIFIED





# LANTRONIX

Acquires asset tracking solutions, IoT Cellular Gateway, and LoRa/LPWAN capability



Cloud Management Solution



Strategically Compelling



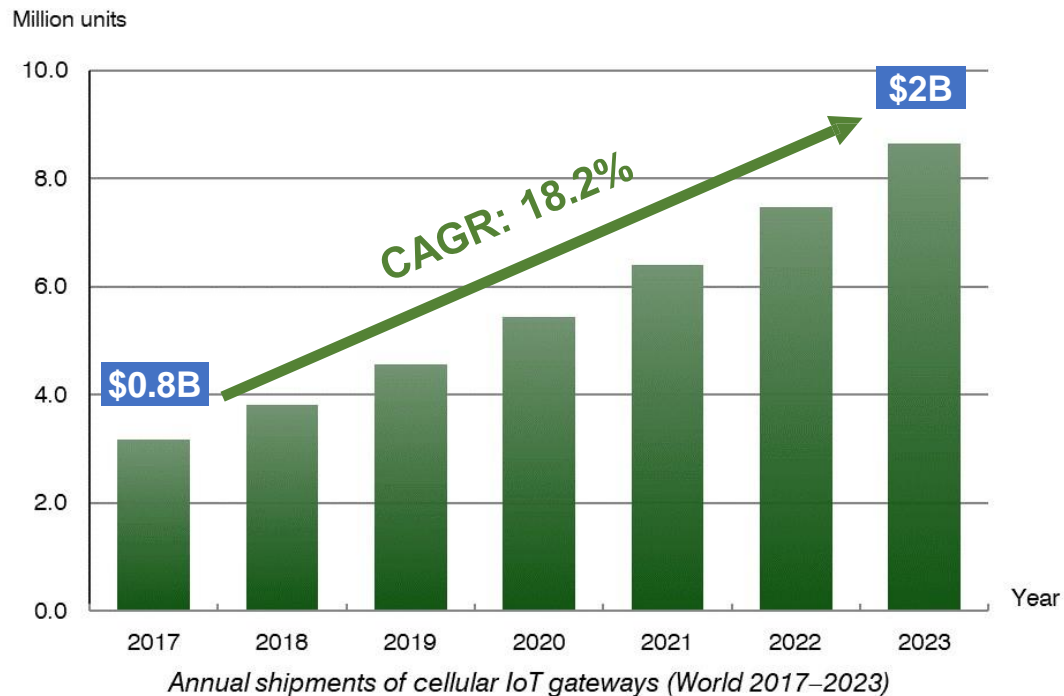
Significant Value Creation



Focused End Markets and Complementary Customer Base

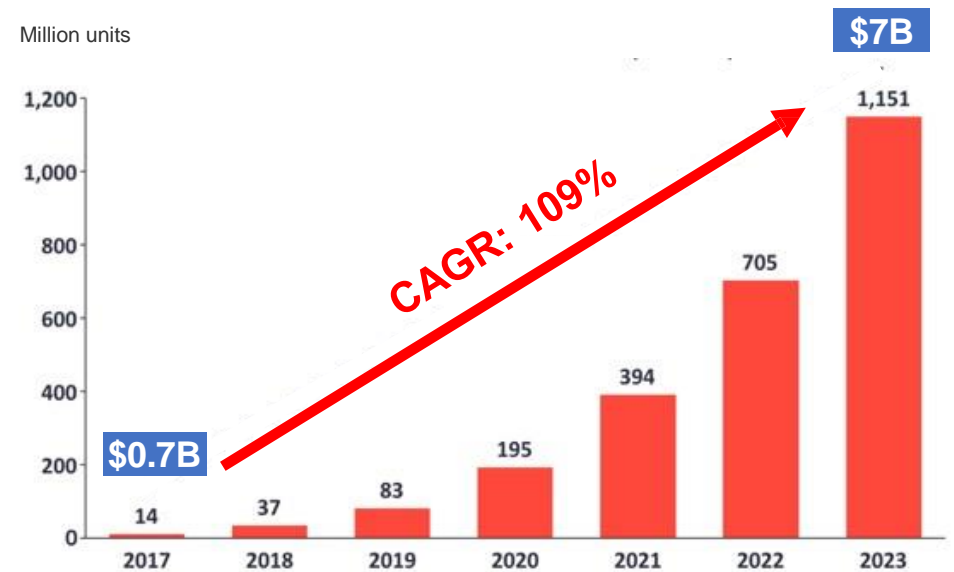
# EXPANDED GROWTH OPPORTUNITY

## Cellular IoT Gateway



Source: Berg Insight, October 2018

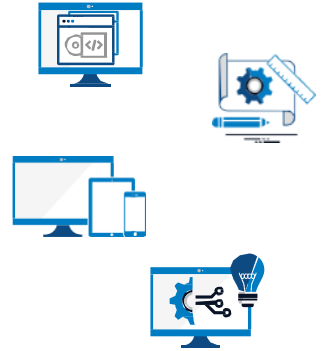
## LPWAN IoT Connectivity



Number of Connected Devices, LPWAN  
Source: IoT Analytics, August 2018

# LANTRONIX

Acquires embedded high-end edge compute solutions provider to expand embedded hardware portfolio, software engineering, AI / Machine Learning, and rapid prototyping capabilities.



Complementary Portfolios  
Enable More Complete IoT  
Solution Capability



Diversifies Revenue Base and  
Expands Customer  
Engagement

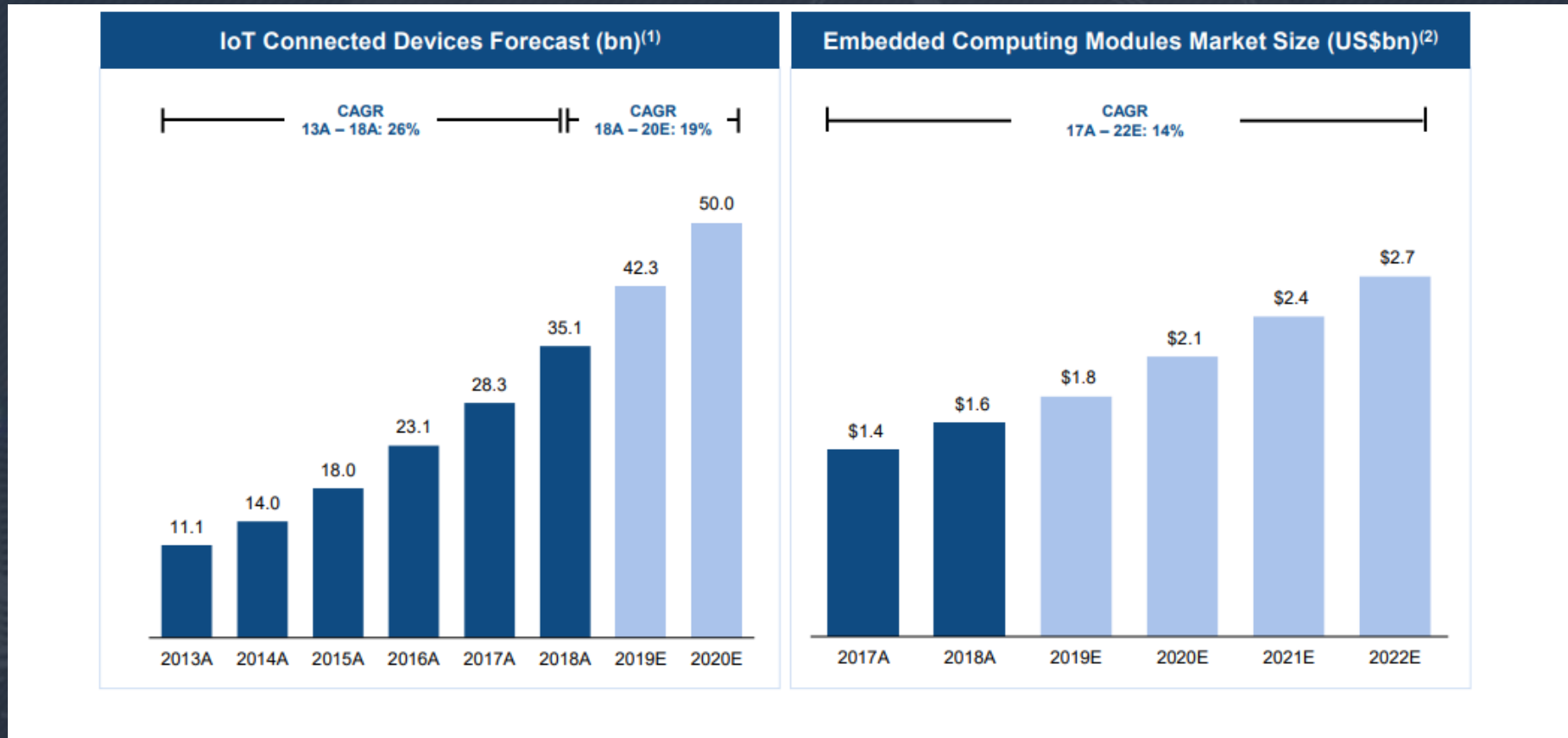


Combined R&D Teams  
Accelerate IoT Product  
Leadership



Increased Scale and  
Efficiencies Drive  
Significant Accretion

# EXPANDED GROWTH OPPORTUNITY



Significant growth expected to continue in overall IoT with embedded computing modules representing a US\$2.7 billion total addressable market for IoT Computing Solutions by 2022

(1) Source: Siemens

(2) Source: QYR Electronics Research Center

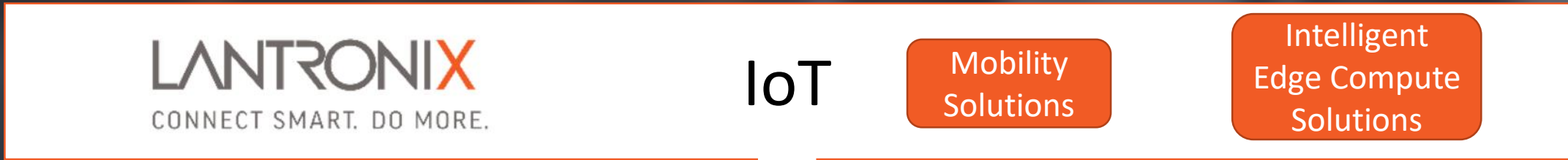
# SIGNIFICANT DESIGN & DEVELOPMENT OPPORTUNITY

**1400+** customer projects on **85+** different silicon platforms using **various HLOS**



Compute Solutions has successfully delivered over 1,400 client projects and is North America's product design and development leader for higher performance, intelligent connected products

# KEY MARKET POSITIONING



**INDUSTRIAL/  
AUTOMATION**

Schneider Electric, OMRON, MITSUBISHI ELECTRIC, Geek+, Rockwell Automation, FUJITEC, ABB, Dräger, JCDecaux

**HEALTHCARE**

Medtronic, FRESENIUS KABI, SIEMENS, GE Healthcare, MASSACHUSETTS GENERAL HOSPITAL, Abbott

**TRACKING & FLEET MGT  
ENERGY / UTILITIES**

Audi, Globalstar, EMERSON, elster, Honeywell, NISSIN ELECTRIC, Shell, SOUTHERN CALIFORNIA EDISON, Continental, TATA POWER, ExxonMobil

**INFLIGHT ENTERTAINMENT  
INDUSTRIAL & WEARABLES**

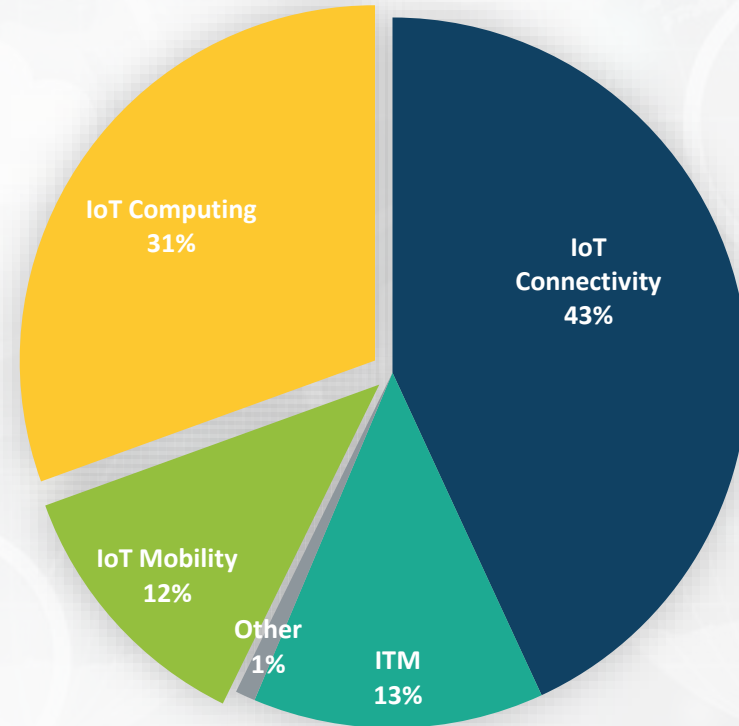
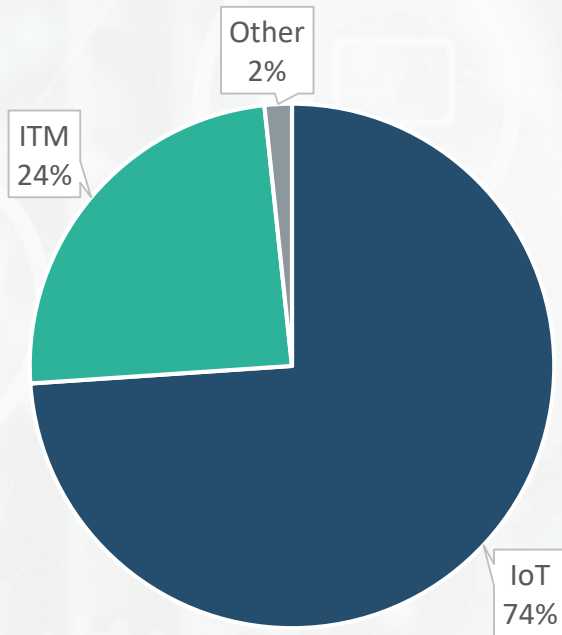
THALES, Misty Robotics, eSight, iRobot, DB

# EXPANDING INTO THE IoT STACK



IoT Computing Solutions

Mobility & Wireless Solutions



Based on Fiscal 2019 Revenues as Reported

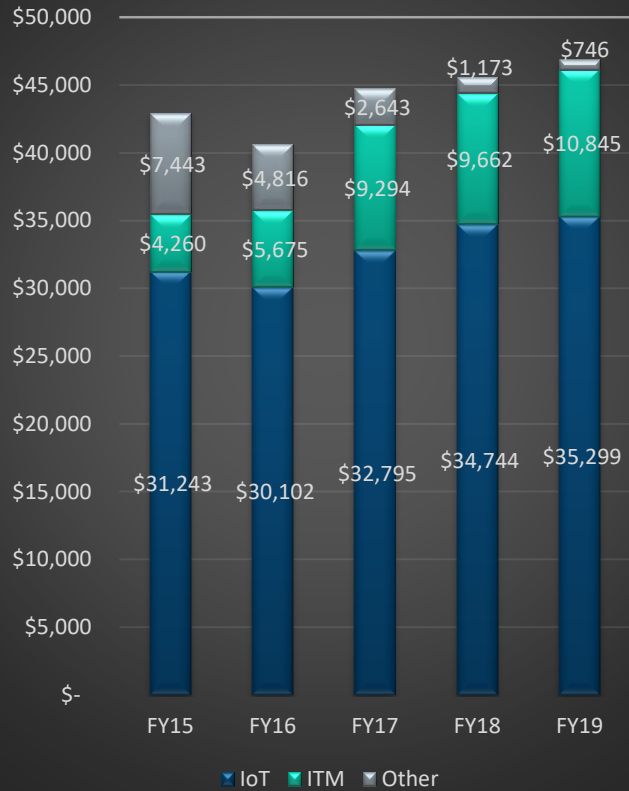


# Operating Results

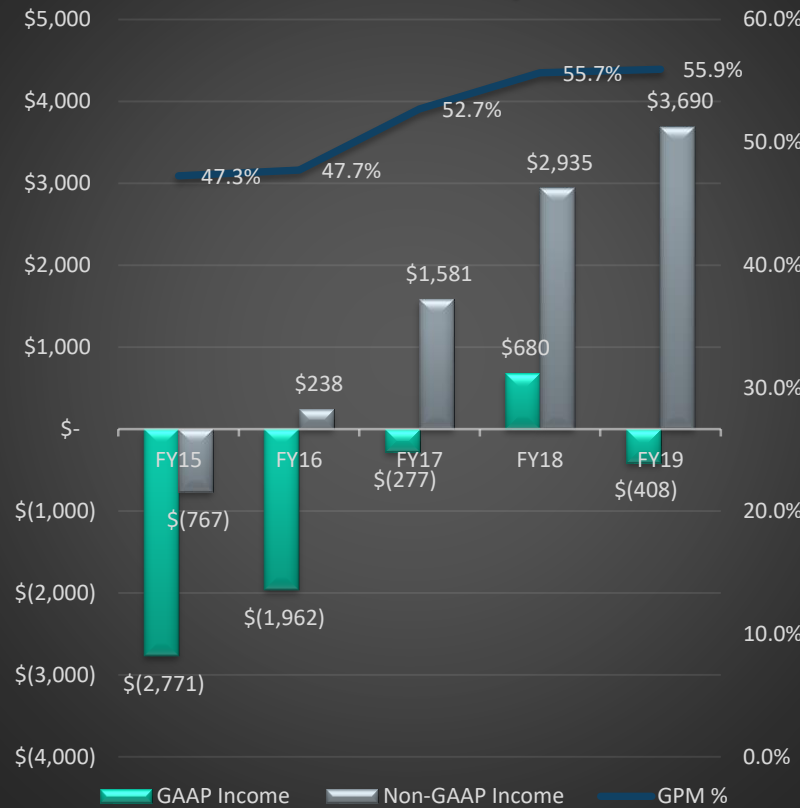


# STRENGTHENING FINANCIALS

## Net Revenue by Product Line



## Improving Margins and Profitability



## Liquidity



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

# SELECTED INCOME STATEMENT INFORMATION

<i>(In thousands)</i>	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	FY17	FY18	FY19
Net Revenue	\$ 12,334	\$ 10,153	\$ 12,741	\$ 13,228	\$ 16,512	\$ 44,730	\$ 45,580	\$ 46,890
Gross Profit	\$ 7,090	\$ 5,742	\$ 6,195	\$ 6,777	\$ 7,377	\$ 23,580	\$ 25,368	\$26,273
% of Net Revenue	57.4%	56.6%	48.6%	51.2%	44.7%	52.7%	55.7%	56.0%
GAAP Net Income (Loss)	\$ 857	\$ (1,459)	\$ (2,470)	\$ (1,351)	\$ (5,216)	\$ (277)	\$ 680	\$ (408)
Non-GAAP Net Income (Loss)	\$ 1,295	\$ 722	\$ 7	\$ 666	\$ 611	\$ 1,581	\$2,935	\$3,690



## Q3 FY 2020 HIGHLIGHTS:

- Record revenue, sequential and year-over-year revenue growth primarily due to revenue contribution from recent acquisitions
- Change in gross profit as percentage of net revenue primarily due to change in product mix from recent acquisitions

## FY 2019 HIGHLIGHTS:

- 3% revenue growth
- Improved gross profit % despite impact from tariff costs
- 26% improvement in non-GAAP net income

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

## SELECTED BALANCE SHEET INFORMATION

<i>(In thousands except price per share data)</i>	<b>June 30, 2019</b>	<b>March 31, 2020</b>
Cash, Cash Equivalents and Restricted Cash	\$ 18,282	\$ 6,977
Accounts Receivable, Net	7,388	11,958
Inventories, Net	10,509	15,246
Total Current Assets	38,190	36,658
Current Liabilities	11,472	18,051
Long-term Debt	-	4,050
Working Capital	26,718	18,607
Common Shares Outstanding	22,812	27,869
Restricted & Performance Stock Units Outstanding	866	2,030
Stock Options Outstanding	3,147	2,306
Weighted Average Exercise Price Per Option	\$ 2.29	\$ 2.58

## SUMMARY

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- Established global IoT solutions provider with blue chip customer base
- Seasoned leadership team with enterprise and M&A experience
- Focused on organic and inorganic growth, scale, and profit efficiencies
- Maestro and Intrinsic acquisitions significantly increase IoT SAM with addition of cellular, tracking, LoRa, intelligent compute solutions, and custom application development product lines
- SaaS cloud platform creates complete solution enabling incremental growth opportunity and driving customer stickiness
- Business model with potential for significant operating leverage



**LANTRONIX**  
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# APPENDIX A: Reconciliation of Non-GAAP Financial Measures

<i>(In thousands)</i>	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	FY17	FY18	FY19
GAAP Net Income (Loss)	\$ 857	\$ (1,459)	\$ (2,470)	\$ (1,351)	\$ (5,216)	\$ (277)	\$ 680	\$ (408)
Non-GAAP Adjustments:								
Share-based Compensation	331	611	578	938	1,132	912	1,169	1,871
Withholding Taxes on Stock Grants	4	-	10	2	7	12	14	12
Depreciation and Amortization	122	123	147	156	269	594	442	464
Severance and Restructuring Costs	-	823	749	749	2,263	246	506	1,146
Acquisition Related Costs	-	410	643	353	1,250	-	-	410
Impairment of Long-Lived Asset	-	275	-	-	-	-	-	275
Amortization of Purchased Intangible Assets	-	-	144	151	801	-	-	-
Amortization of Manufacturing Profit in Acquired Inventory	-	-	171	-	33	-	-	-
Litigation Settlement Cost	-	-	-	-	75	-	-	-
Interest Expense (Income) , Net	(91)	(89)	(56)	16	83	23	18	(236)
Other (Income) Expense, Net	12	1	43	10	(129)	3	8	15
Provision (Benefit) for Income Taxes	<u>60</u>	<u>27</u>	<u>48</u>	<u>37</u>	<u>43</u>	<u>68</u>	<u>98</u>	<u>141</u>
Total Non-GAAP Adjustments	<u>438</u>	<u>2,181</u>	<u>2,477</u>	<u>2,017</u>	<u>5,827</u>	<u>1,858</u>	<u>2,255</u>	<u>4,098</u>
Non-GAAP Net Income (Loss)	<u>\$ 1,295</u>	<u>\$ 722</u>	<u>\$ 7</u>	<u>\$ 666</u>	<u>\$ 611</u>	<u>\$ 1,581</u>	<u>\$ 2,935</u>	<u>\$ 3,690</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.

# BROAD SUITE OF IOT SOLUTIONS

## IOT GATEWAYS & BUILDING BLOCKS



Connectivity Without Complexity

## MANAGEMENT SOFTWARE

**MACH10**



Scalable Software Made Simple

## IT MANAGEMENT SOLUTIONS



Management of Enterprise IT Infrastructure

## INTELLIGENT EDGE COMPUTING



Application Development