

# LANTRONIX<sup>®</sup>

Global Industrial IoT Leader based in Irvine, CA

## Enabling Edge Intelligence

September 2024

LTRX: NASDAQ

### Quarterly Financial Highlights June – Q4 FY24

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- Record revenue of \$49.1m up 41% YoY
- GAAP EPS of \$0.01 improved by \$0.06 from the prior year
- Non-GAAP EPS of \$0.15 up 150% YoY
- Cash of \$26.2m up 95% YoY

# 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 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, 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 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 in 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 Appendix A of this Presentation.

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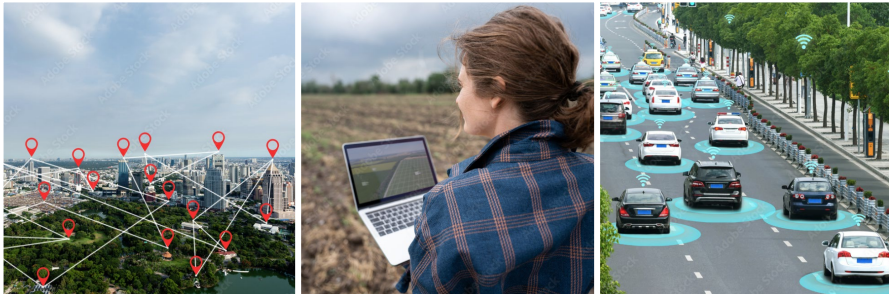
# The Lantronix Growth Engine

- Focus on three high-potential vertical markets with double-digit growth rates and favorable secular trends
- Uniquely positioned to provide complete solutions with hardware, software and services
- Driving larger customer engagements globally
- Positive financial outlook with operating leverage in the model
- Experienced leadership team with a track record of scaling businesses

# Enabling Edge Intelligence with Compute & Connect



COMPUTE



CONNECT

- **Proven Scalable Solutions**
- **Driving Operational Efficiency**
- **Real-Time Decision Making**

# Focus on Three High-Potential Vertical Markets

Combined CAGR of 12% and Favorable Secular Trends

## Smart Cities



## Automotive



## Enterprise



Apps

- Smart Utilities
- Critical Infrastructure

- Digital Cockpit
- Video Telematics

- Data Centers OOB Mgmt.
- Video Conference

Focus

- CY2024 SAM: \$3.9B
- CY2027 SAM: \$5.5B
- CAGR: 12%

- CY2024 SAM: \$0.9B
- CY2027 SAM: \$1.6B
- CAGR: 21%

- CY2024 SAM: \$3.7B
- CY2027 SAM: \$4.8B
- CAGR: 9%

Sources: **Berg Insights reports**, The Video Telematics Market Apr 24, Connected Public Spaces Mar 24, Smart Metering in Europe and NA Feb 24, The Global Smart Street Lighting Market Nov 23, The Global Cellular Router and Gateway Market Nov 23, The Global Vehicle Telematics Hardware Market Oct 23, EV Charging Infrastructure in Europe and North America Jan 23; **Dell Oro group**, Ethernet switches, Campus report Mar 2023 and IT Management: KVM Switches & Serial Console Servers Sep 22  
**VDC Research**: 2023 Embedded Boards, Modules & Systems Market Dataset

# Driving Larger Customer Engagements Globally

- Presence in North America, Europe and Asia
- Headquarters in Irvine, US
- ~350 employees worldwide

## Worldwide Locations

Vancouver, Canada  
Development Center

Plymouth, MN USA  
Development Center

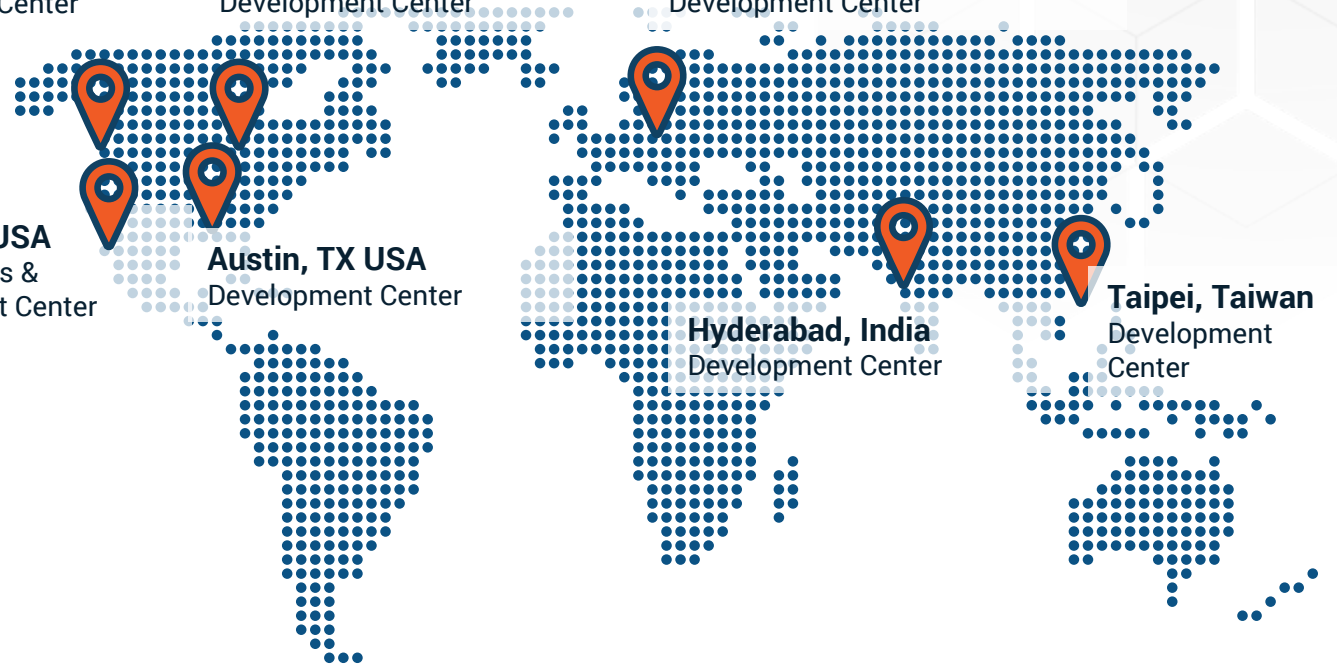
Ilmenau, Germany  
Development Center

Irvine, CA USA  
Headquarters &  
Development Center

Austin, TX USA  
Development Center

Hyderabad, India  
Development Center

Taipei, Taiwan  
Development Center



# Lead Smart Grid Customer

Enabling grid resiliency and flexibility with intelligence at the edge

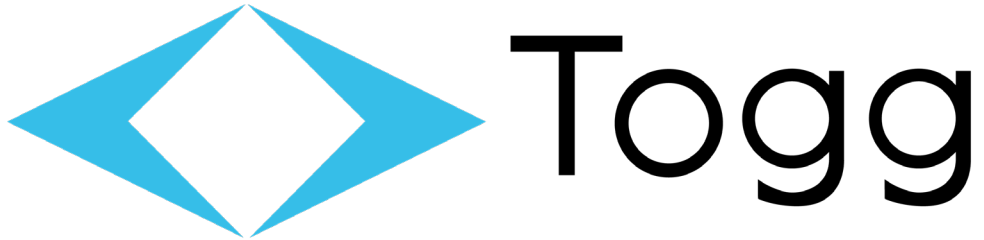


- Shipments of QED (Quantum Edge Device) ramping in second half of Fiscal 2024
- Transitioning from initial deployment to a run-rate business
- Received first follow-on order for the first half of Fiscal 2025



# Lead Automotive Customer

Enabling automotive infotainment with edge compute solution



- In production with volume shipments ramping
- Togg has launched 2nd vehicle and has plans to ship into Germany
- We're focused on other Tier II & III Auto, Truck and Motorcycle OEMs. Recently won design services PO with German truck OEM







# Lead Enterprise Customer

Enabling network resiliency with out-of-band management

## TIER 1 BANKING CUSTOMER

- Providing alternative pathways for servers, networks and routers
- Hardware & management software to provide automation, uptime, and resiliency
- Cybersecurity resiliency and tracking

# Lantronix & Artificial Intelligence

Lantronix enables edge intelligence...

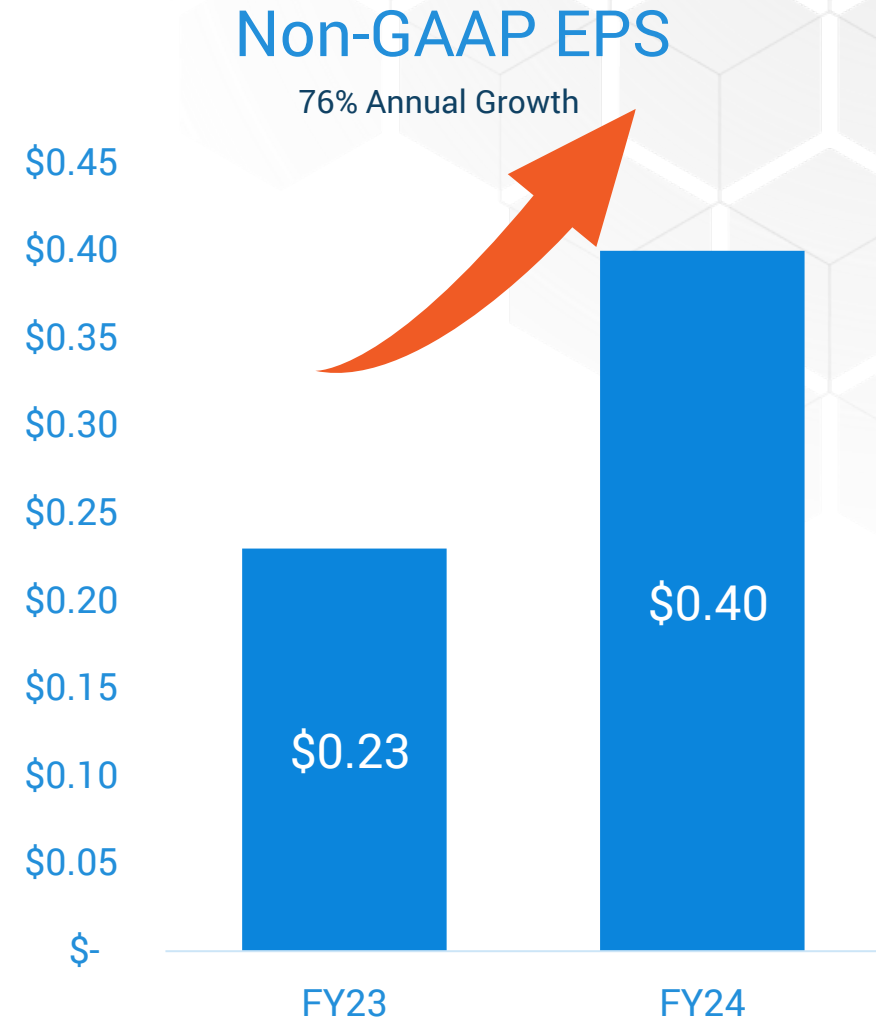
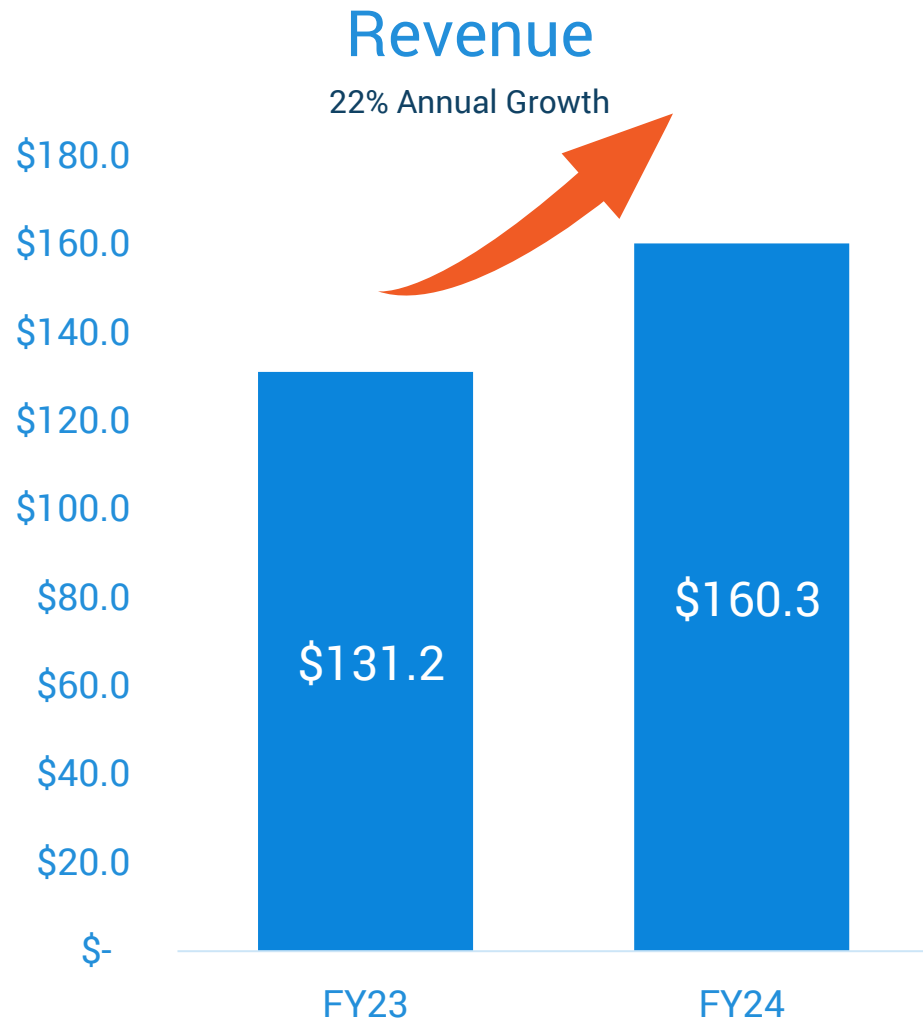
...we sit directly in the AI value chain and are positioning ourselves to take full advantage as AI at the edge grows. We are working on new projects with our key partner Qualcomm.

- We are developing product features to make it easier and faster for customers to deploy AI-based solutions
  - Edge AI box (processing power)
  - “AI enabled” SOM middleware
  - AI model optimization and provisioning tools
  - AI GUI engagement w/ Qualcomm AI Hub
- Beyond hardware - revenue-generating opportunities expand to engineering services and subscription to our AI model optimization and provisioning tools



# Operating leverage in the business

Strong operating leverage in the business with non-GAAP earnings outpacing revenue growth



# ...and Increased Scale Through Acquisitions

Advancing Our Growth Trajectory in the Compute & Connect Arena

2022



Out-of-band management

2021



Switching, PoE and Media Convertors

2020



Embedded Edge Compute &  
Related Software design & IoT products

2019



Wireless & cellular connectivity

**Creating scale through strategic accretive acquisitions  
remains an integral part of growth strategy**

# Experienced leadership team with a track record of scaling businesses



**SALEEL AWSARE**

President & CEO



**JEREMY WHITAKER**

CFO



**MATHI GURUSAMY**

CSO



**ERIC BASS**

VP, Research & Development



**Kurt Hoff**

VP, WW Sales



**DAVID GOREN**

VP, Business Affairs  
& Corporate Secretary



**ANITA KUMAR**

VP, Business Operations





# Summary - The Lantronix Growth Engine

- Focus on three high-potential vertical markets with double-digit growth rates and favorable secular trends
- Uniquely positioned to provide complete solutions with hardware, software and services
- Driving larger customer engagements globally
- Positive financial outlook with operating leverage in the model
- Experienced leadership team with a track record of scaling businesses

**LANTRONIX<sup>®</sup>**

**Appendix**

# Q4 FY24 Highlights

- Record Revenue of \$49.1 million, up 41% Y/Y and 19% sequentially
  - ✓ Growth driven by increase in System Solutions with leading Smart Grid customer
- Gross Margin: GAAP of 38.1% & Non-GAAP of 38.8%
  - ✓ Gross margin for the prior quarter GAAP of 40.1% and Non-GAAP of 41.0%
  - ✓ Change primarily due charges related to the build-up of excess inventory costs and product mix with ramp in Q4 shipments to Smart Grid customer
  - ✓ Expect sequential improvement in gross margin percent
- Focus on driving operating leverage and non-GAAP profitability
  - ✓ GAAP net income per share of \$0.01 compared to (\$0.05) in prior year, a \$0.06 improvement
  - ✓ Non-GAAP net income of \$0.15 compared to \$0.06 in the prior year, up 150%
- Improving cash position and liquidity
  - ✓ Cash of \$26.4 million up 95% from the prior year balance



# Selected Financial Information

(In thousands, except per share values)	QUARTERLY								FISCAL YEAR					
	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	FY19	FY20	FY21	FY22	FY23	FY24
<b>Selected Income Statement Information:</b>														
Net Revenue	\$ 31,795	\$ 31,506	\$ 32,964	\$ 34,924	\$ 33,031	\$ 37,038	\$ 41,183	\$ 49,075	\$ 46,890	\$ 59,878	\$ 71,477	\$ 129,655	\$ 131,189	\$ 160,327
Y/Y Change	15%	(6%)	2%	(3%)	4%	18%	25%	41%	3%	28%	19%	81%	1%	22%
Sequential Change	(12%)	(1%)	5%	6%	(5%)	12%	11%	19%						
Gross Profit	\$ 14,036	\$ 13,794	\$ 14,636	\$ 13,798	\$ 14,097	\$ 15,031	\$ 16,504	\$ 18,722	\$ 26,273	\$ 26,900	\$ 33,025	\$ 55,586	\$ 56,264	\$ 64,354
% of Net Revenue	44.1%	43.8%	44.4%	39.5%	42.7%	40.6%	40.1%	38.1%	56.0%	44.9%	46.2%	42.9%	42.9%	40.1%
GAAP Operating Expenses	15,407	15,905	17,067	14,559	15,671	16,789	16,599	18,157	\$ 26,761	\$ 37,438	\$ 36,362	\$ 60,597	\$ 62,938	\$ 67,216
GAAP Opex as a % of Net Revenue	48%	50%	52%	42%	47%	45%	40%	37%	57%	63%	51%	47%	48%	42%
GAAP Net Income (Loss)	\$ (1,653)	\$ (2,609)	\$ (3,065)	\$ (1,653)	\$ (1,886)	\$ (2,593)	\$ (423)	\$ 386	\$ (408)	\$ (10,738)	\$ (4,044)	\$ (5,362)	\$ (8,980)	\$ (4,516)
% of Net Revenue	-5%	-8%	-9%	-5%	-6%	-7%	-1%	1%	-1%	-18%	-6%	-4%	-7%	-3%
GAAP Earnings (Loss) Per Share	\$ (0.05)	\$ (0.07)	\$ (0.08)	\$ (0.05)	\$ (0.05)	\$ (0.07)	\$ (0.01)	\$ 0.01	\$ (0.02)	\$ (0.42)	\$ (0.14)	\$ (0.18)	\$ (0.25)	\$ (0.12)
<b>Non-GAAP Measures:</b>														
Non-GAAP Gross Profit	\$ 14,253	\$ 14,053	\$ 14,877	\$ 13,943	\$ 14,545	\$ 15,394	\$ 16,905	\$ 19,039	\$ 26,555	\$ 27,852	\$ 33,950	\$ 56,915	\$ 57,126	\$ 65,883
Non-GAAP Gross Profit as a % of Net Revenue	44.8%	44.6%	45.1%	39.9%	44.0%	41.6%	41.0%	38.8%	56.6%	46.5%	47.5%	43.9%	43.5%	41.1%
Non-GAAP Operating Expenses	\$ 11,573	\$ 12,678	\$ 12,735	\$ 11,722	\$ 12,083	\$ 12,432	\$ 12,675	\$ 13,264	\$ 22,865	\$ 25,376	\$ 28,188	\$ 44,773	\$ 48,708	\$ 50,454
Non-GAAP Opex as a % of Net Revenue	36%	40%	39%	34%	37%	34%	31%	27%	49%	42%	39%	35%	37%	31%
Non-GAAP Net Income (Loss)	\$ 2,680	\$ 1,375	\$ 2,142	\$ 2,221	\$ 2,462	\$ 2,962	\$ 4,230	\$ 5,775	\$ 3,690	\$ 2,476	\$ 5,762	\$ 11,378	\$ 8,418	\$ 15,429
% of Net Revenue	8%	4%	6%	6%	7%	8%	10%	12%	8%	4%	8%	9%	6%	10%
Non-GAAP Earnings (Loss) Per Share	\$ 0.07	\$ 0.04	\$ 0.06	\$ 0.06	\$ 0.07	\$ 0.08	\$ 0.11	\$ 0.15	\$ 0.16	\$ 0.09	\$ 0.19	\$ 0.33	\$ 0.23	\$ 0.40
<b>Selected Balance Sheet Information:</b>														
Cash	\$ 13,125	\$ 6,805	\$ 12,795	\$ 13,452	\$ 19,479	\$ 22,146	\$ 24,642	\$ 26,237	\$ 18,282	\$ 7,691	\$ 9,739	\$ 17,221	\$ 13,452	\$ 26,237
Long-term Debt	\$ 18,473	\$ 17,723	\$ 16,972	\$ 16,221	\$ 15,471	\$ 14,720	\$ 13,970	\$ 13,219	\$ -	\$ 3,682	\$ 2,210	\$ 14,274	\$ 16,221	\$ 13,219
Working Capital	\$ 50,316	\$ 50,570	\$ 49,937	\$ 50,163	\$ 50,153	\$ 51,918	\$ 54,310	\$ 58,794	\$ 26,718	\$ 18,741	\$ 20,289	\$ 54,512	\$ 50,163	\$ 58,794

(In thousands, except per share values)	QUARTERLY								FISCAL YEAR					
	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	FY19	FY20	FY21	FY22	FY23	FY24
GAAP net income (loss)	\$ (1,653)	\$ (2,609)	\$ (3,065)	\$ (1,653)	\$ (1,886)	\$ (2,593)	\$ (423)	\$ 386	\$ (408)	\$ (10,738)	\$ (4,044)	\$ (5,362)	\$ (8,980)	\$ (4,516)
Non-GAAP adjustments:														
Cost of revenue:														
Share-based compensation	51	61	47	(1)	41	64	66	66	85	227	281	369	158	237
Employer portion of withholding taxes on stock grants	12	-	1	-	4	1	1	1	-	2	5	9	13	7
Amortization of manufacturing profit in acquired inventory	24	80	77	44	317	189	190	126	-	255	7	380	225	822
Depreciation and amortization	130	118	116	102	86	109	144	124	197	468	632	571	466	463
Total adjustments to cost of revenue	217	259	241	145	448	363	401	317	282	952	925	1,329	862	1,529
Selling, general and administrative:														
Share-based compensation and related withholding taxes	1,405	1,434	1,293	414	1,273	1,628	1,337	2,010	1,441	2,959	2,719	4,862	4,546	6,248
Employer portion of withholding taxes on stock grants	132	10	25	14	37	10	21	19	12	21	43	144	181	87
Depreciation and amortization	155	260	280	327	334	338	352	369	192	257	170	324	1,022	1,393
Total adjustments to selling, general and administrative	1,692	1,704	1,598	755	1,644	1,976	1,710	2,398	1,645	3,237	2,932	5,330	5,749	7,728
Research and development:														
Share-based compensation	332	370	388	414	428	484	469	471	345	453	584	1,015	1,504	1,852
Employer portion of withholding taxes on stock grants	22	2	5	5	13	5	9	4	-	10	19	34	34	31
Depreciation and amortization	64	63	37	84	108	52	76	72	75	122	198	300	248	308
Total adjustments to research and development	418	435	430	503	549	541	554	547	420	585	801	1,349	1,786	2,191
Restructuring, severance and related charges	92	82	490	29	20	530	350	523	1,146	3,844	506	956	693	621
Litigation settlement cost (recovery)	-	80	250	-	-	-	-	115	-	75	-	-	330	115
Acquisition related costs	213	102	-	-	-	-	-	-	410	2,284	841	889	315	-
Impairment of long-lived asset	-	(673)	140	86	(9)	-	-	-	275	-	-	(591)	(447)	(9)
Amortization of purchased intangible assets	-	-	-	-	-	-	-	-	-	2,037	3,094	4,112	-	-
Fair value remeasurement of earnout consideration	1,419	1,497	1,424	1,464	1,384	1,310	1,310	1,310	-	-	-	3,940	5,804	5,314
Total non-GAAP adjustments to operating expenses	3,834	3,227	4,332	2,837	3,588	4,357	3,924	4,893	3,896	12,062	8,174	15,985	14,230	15,960
Non-GAAP operating expenses	11,573	12,678	12,735	11,722	12,083	12,432	12,675	13,264	22,865	25,376	28,188	44,612	48,708	51,256
Interest expense (income), net	262	354	465	404	338	232	171	175	(236)	133	315	1,472	1,485	916
Other (income) expense, net	(34)	26	29	52	(19)	23	(2)	(9)	15	(77)	197	(53)	73	(7)
Provision (benefit) for income taxes	54	118	140	436	(7)	580	159	13	141	144	195	(1,832)	748	745
Total non-GAAP adjustments	4,333	3,984	5,207	3,874	4,348	5,555	4,653	5,389	4,098	13,214	9,806	16,901	17,398	19,143
Non-GAAP net income (loss)	\$ 2,680	\$ 1,375	\$ 2,142	\$ 2,221	\$ 2,462	\$ 2,962	\$ 4,230	\$ 5,775	\$ 3,690	\$ 2,476	\$ 5,762	\$ 11,539	\$ 8,418	\$ 14,627
Non-GAAP net income (loss) per share - diluted	\$ 0.07	\$ 0.04	\$ 0.06	\$ 0.06	\$ 0.07	\$ 0.08	\$ 0.11	\$ 0.15	\$ 0.16	\$ 0.09	\$ 0.19	\$ 0.33	\$ 0.23	\$ 0.40
Reconciliation of non-GAAP gross profit:														
GAAP gross profit	\$ 14,036	\$ 13,794	\$ 14,636	\$ 13,798	\$ 14,097	\$ 15,031	\$ 16,504	\$ 18,722	\$ 26,273	\$ 26,900	\$ 33,025	\$ 55,586	\$ 56,264	\$ 64,354
Non-GAAP adjustments to gross profit	217	259	241	145	448	363	401	317	282	952	925	1,329	862	1,529
Non-GAAP gross profit	\$ 14,253	\$ 14,053	\$ 14,877	\$ 13,943	\$ 14,545	\$ 15,394	\$ 16,905	\$ 19,039	\$ 26,555	\$ 27,852	\$ 33,950	\$ 56,915	\$ 57,126	\$ 65,883
Reconciliation of non-GAAP operating expenses:														
GAAP operating expenses	\$ 15,407	\$ 15,905	\$ 17,067	\$ 14,559	\$ 15,671	\$ 16,789	\$ 16,599	\$ 18,157	\$ 26,761	\$ 37,438	\$ 36,362	\$ 60,597	\$ 62,938	\$ 67,216
Non-GAAP adjustments to operating expenses	(3,834)	(3,227)	(4,332)	(2,837)	(3,588)	(4,357)	(3,924)	(4,893)	(3,896)	(12,062)	(8,174)	(15,824)	(14,230)	(16,762)
Non-GAAP operating expenses	\$ 11,573	\$ 12,678	\$ 12,735	\$ 11,722	\$ 12,083	\$ 12,432	\$ 12,675	\$ 13,264	\$ 22,865	\$ 25,376	\$ 28,188	\$ 44,773	\$ 48,708	\$ 50,454
Reconciliation of denominator for non-GAAP net income (loss) per share - diluted :														
Denominator for GAAP net income (loss) per share - diluted	35,406	36,352	36,548	36,719	36,982	37,354	37,509	38,096	21,580	25,281	28,708	32,671	36,257	37,386
Non-GAAP adjustment	1,777	819	839	548	693	1,228	1,674	771	1,998	1,603	1,689	1,891	932	1,367
Denominator for non-GAAP net income (loss) per share - diluted	37,183	37,171	37,387	37,267	37,675	38,582	39,183	38,867	23,578	26,884	30,397	34,562	37,189	38,753

# 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.

# LANTRONIX<sup>®</sup>

## Thank You!



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