

Enabling Edge Intelligence



LANTRONIX

Global Industrial IoT Leader based in Irvine, CA

November 2024

LTRX:NASDAQ

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.

Presentation contains our trademarks, service marks, trade names & copyrights and other companies which are property of their respective owners.

Lantronix Growth Engine



Focused on three vertical markets (Smart Cities; Enterprise; and Auto) with strong secular growth



Uniquely positioned in the IoT ecosystem to provide complete solutions with hardware, software and services



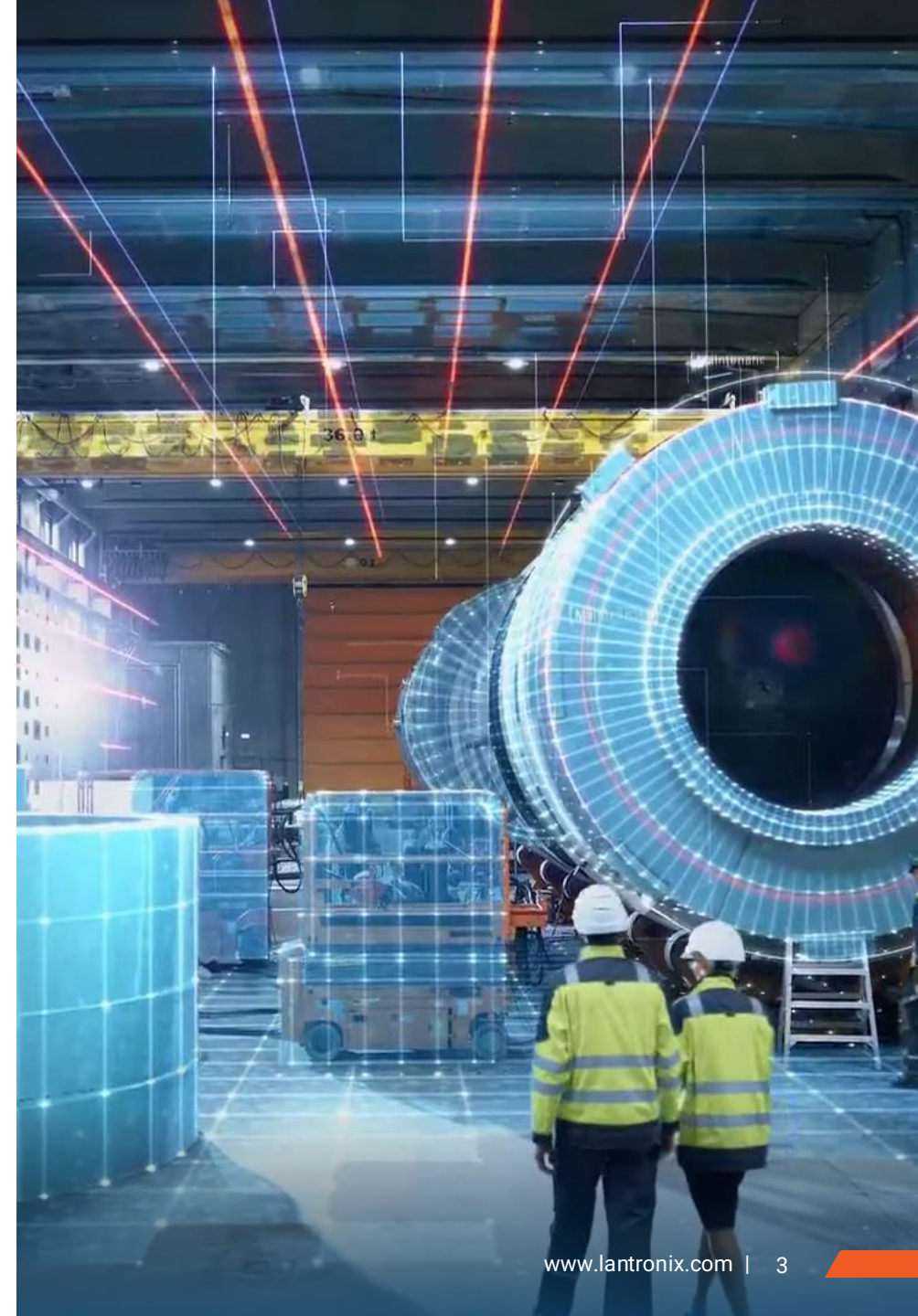
Developing new leading-edge products and software to accelerate Edge AI and manage complex workflows



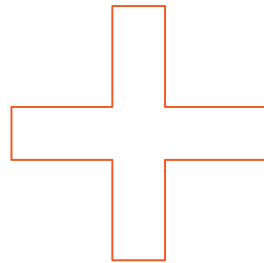
Recently announced the acquisition of Netcomm's IoT product line; expect the deal to be immediately accretive



Experienced leadership team with a solid track record of scaling technology businesses



COMPUTE



CONNECT



Enabling Edge Intelligence with Compute & Connect



Proven Scalable
Solutions



Driving Operational
Efficiency



Real-Time Decision
Making

Focus on Three High-Potential Vertical Markets

Combined double-digit Growth and Favorable Secular Trends



Smart Cities



Automotive



Enterprise

Apps

- Smart Utilities
- Critical Infrastructure

Focus

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

Apps

- Digital Cockpit
- Video Telematics

Focus

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

Apps

- Data Centers OOB Mgmt.
- Video Conference

Focus

- 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



Lead Smart Grid Customer

Enabling grid resiliency and flexibility with intelligence at the edge

- 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 and 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 with German truck OEM



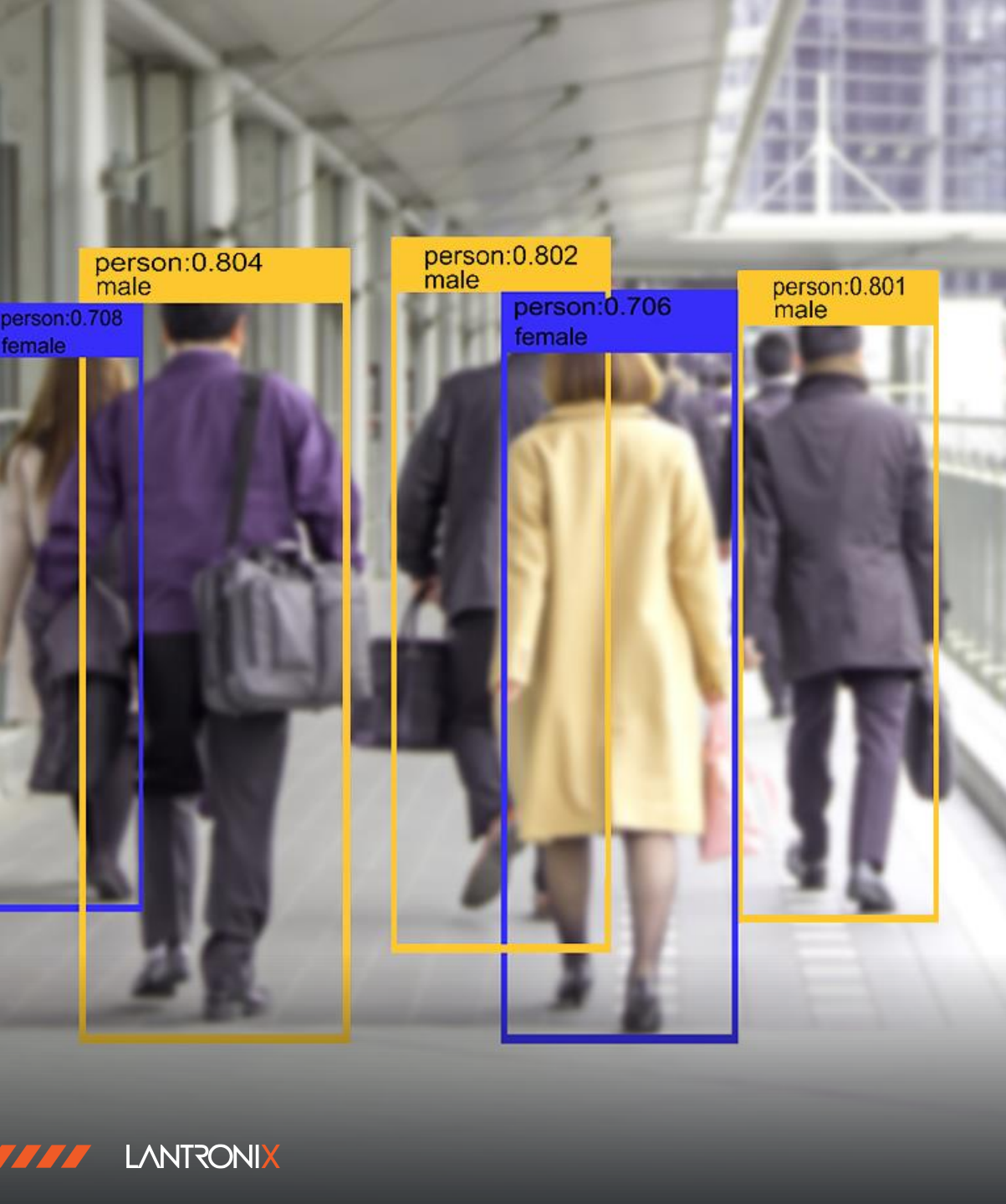
TIER 1-BANKING CUSTOMER

Lead Enterprise Customer

Enabling network resiliency with out-of-band management

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





Lantronix & Edge AI

Lantronix is positioned in the AI value chain to take full advantage as Edge AI grows rapidly

We're working on new projects with our key partner Qualcomm

We're also 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
- Revenue opportunities in engineering services and subscription to our AI model optimization & tools

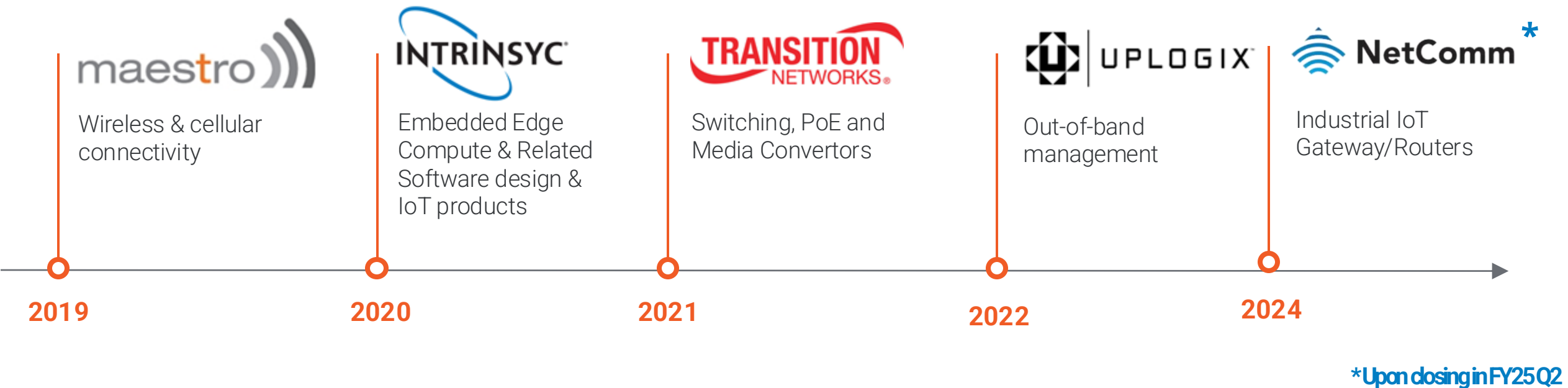
Strategic Rationale for Acquiring Netcomm IIoT

- **Integral to our Compute & Connect focus – Strengths Connect**
 - Expands our Industrial IoT Router portfolio in 4G & 5G
- **Add new Blue-Chip enterprise customers**
 - Opportunity to cross-sell complete portfolio with new and existing customers
- **Positive financial impact**
 - Acquisition is expected to be immediately accretive to EPS
- **Provides geographic diversity**
 - Deeper market penetration into Australia & New Zealand
- **Improves competitive positioning, and economies of scale**
 - Reduces R&D requirement for 5G IoT Routers



...and Increased Scale Through Acquisitions

Advancing Our Growth Trajectory in the Compute & Connect Arena



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

Experienced leadership team with a track record of scaling businesses



Kurt Hoff
VP, Sales & Marketing



Saleel Awsare
President & CEO



Mathi Gurusamy
CSO



Eric Bass
VP,
Research &
Development



Brent Stringham
CFO



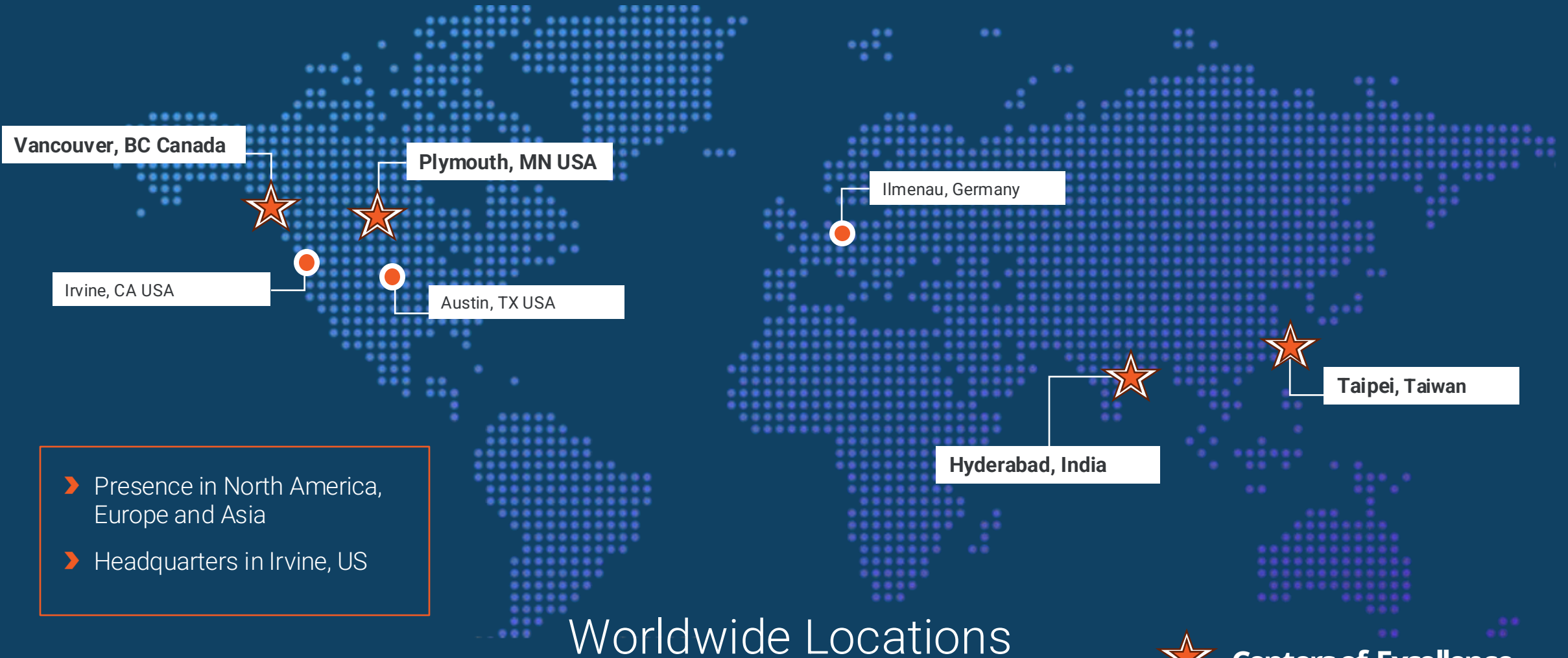
David Goren
VP, Business
Affairs
& Corporate
Secretary



Anita Kumar
VP, Business
Operations



Driving Customer Engagements Globally



SUMMARY

Lantronix Growth Engine

- Focus on three high-potential vertical markets with double-digit growth rates and favorable secular trends
- Uniquely positioned in Edge AI to provide complete solutions with HW, SW & Services
- Driving larger customer engagements globally
- Focused on improving operational efficiency
- Experienced leadership team with a track record of scaling businesses
- Continuing to review acquisition opportunities that are strategic to our core business





Appendix



LANTRONIX

GAAP Income Statement

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

	Three Months Ended			Years Ended	
	September 30, 2024	June 30, 2024	September 30, 2023	June 30, 2024	2023
Net revenue	\$ 34,423	\$ 49,075	\$ 33,031	\$ 160,327	\$ 131,189
Cost of revenue	19,948	30,353	18,934	95,973	74,925
Gross profit	14,475	18,722	14,097	64,354	56,264
Operating expenses:					
Selling, general and administrative	9,496	11,059	9,170	40,206	36,948
Research and development	4,956	5,265	5,106	20,282	19,625
Restructuring, severance and related charges	900	523	20	1,423	693
Fair value remeasurement of earnout consideration	-	-	(9)	(9)	(447)
Amortization of intangible assets	1,251	1,310	1,384	5,314	5,804
Total operating expenses	16,603	18,157	15,671	67,216	62,938
Income (loss) from operations	(2,128)	565	(1,574)	(2,862)	(6,674)
Interest expense, net	(119)	(175)	(338)	(916)	(1,485)
Other income (loss), net	(37)	9	19	7	(73)
Income (loss) before income taxes	(2,284)	399	(1,893)	(3,771)	(8,232)
Provision (benefit) for income taxes	218	13	(7)	745	748
Net income (loss)	\$ (2,502)	\$ 386	\$ (1,886)	\$ (4,516)	\$ (8,980)
Net income (loss) per share - basic	\$ (0.07)	\$ 0.01	\$ (0.05)	\$ (0.12)	\$ (0.25)
Net income (loss) per share - diluted	\$ (0.07)	\$ 0.01	\$ (0.05)	\$ (0.12)	\$ (0.25)
Weighted-average common shares - basic	38,024	37,697	36,982	37,386	36,257
Weighted-average common shares - diluted	38,024	38,096	36,982	37,386	36,257

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	
	September 30,	June 30,	September 30,	June 30,	
	2024	2024	2023	2024	2023
GAAP net income (loss)	\$ (2,502)	\$ 386	\$ (1,886)	\$ (4,516)	\$ (8,980)
Non-GAAP adjustments:					
Cost of revenue:					
Share-based compensation	64	66	41	237	158
Employer portion of withholding taxes on stock grants	5	1	4	7	13
Amortization of manufacturing profit in acquired inventory	-	126	317	822	225
Depreciation and amortization	123	124	86	463	466
Total adjustments to cost of revenue	192	317	448	1,529	862
Selling, general and administrative:					
Share-based compensation	1,126	2,010	1,273	6,248	4,546
Employer portion of withholding taxes on stock grants	78	19	37	87	181
Depreciation and amortization	351	369	334	1,393	1,022
Total adjustments to selling, general and administrative	1,555	2,398	1,644	7,728	5,749
Research and development:					
Share-based compensation	410	471	428	1,852	1,504
Employer portion of withholding taxes on stock grants	19	4	13	31	34
Depreciation and amortization	69	72	108	308	248
Total adjustments to research and development	498	547	549	2,191	1,786
Restructuring, severance and related charges	900	523	20	1,423	693
Acquisition related costs	29	-	-	-	315
Fair value remeasurement of earnout consideration	-	-	(9)	(9)	(447)
Amortization of purchased intangible assets	1,251	1,310	1,384	5,314	5,804
Litigation settlement cost	40	115	-	115	330
Total non-GAAP adjustments to operating expenses	4,273	4,893	3,588	16,762	14,230
Interest expense, net	119	175	338	916	1,485
Other (income) expense, net	37	(9)	(19)	(7)	73
Provision (benefit) for income taxes	218	13	(7)	745	748
Total non-GAAP adjustments	4,839	5,389	4,348	19,945	17,398
Non-GAAP net income	\$ 2,337	\$ 5,775	\$ 2,462	\$ 15,429	\$ 8,418
Non-GAAP net income per share - diluted	\$ 0.06	\$ 0.15	\$ 0.07	\$ 0.40	\$ 0.23
Denominator for GAAP net income (loss) per share - diluted	38,024	38,096	36,982	37,386	36,257
Non-GAAP adjustment	1,257	771	693	1,367	932
Denominator for non-GAAP net income per share - diluted	39,281	38,867	37,675	38,753	37,189
GAAP cost of revenue	\$ 19,948	\$ 30,353	\$ 18,934	\$ 95,973	\$ 74,925
Non-GAAP adjustments to cost of revenue	(192)	(317)	(448)	(1,529)	(862)
Non-GAAP cost of revenue	19,756	30,036	18,486	94,444	74,063
Non-GAAP gross profit	\$ 14,667	\$ 19,039	\$ 14,545	\$ 65,883	\$ 57,126
Non-GAAP gross margin	42.6%	38.8%	44.0%	41.1%	43.5%

Balance Sheet

Unaudited Consolidated BS (In thousands)

	<u>September 30, 2024</u>	<u>June 30, 2024</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 26,395	\$ 26,237
Accounts receivable, net	30,801	31,279
Inventories, net	29,533	27,698
Contract manufacturers' receivables	2,722	1,401
Prepaid expenses and other current assets	3,169	2,335
Total current assets	<u>92,620</u>	<u>88,950</u>
Property and equipment, net	3,642	4,016
Goodwill	27,824	27,824
Intangible assets, net	4,000	5,251
Lease right-of-use assets	9,165	9,567
Other assets	607	600
Total assets	<u>\$ 137,858</u>	<u>\$ 136,208</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 17,149	\$ 10,347
Accrued payroll and related expenses	3,440	5,836
Current portion of long-term debt, net	3,057	3,002
Other current liabilities	11,859	10,971
Total current liabilities	<u>35,505</u>	<u>30,156</u>
Long-term debt, net	12,409	13,219
Other non-current liabilities	11,014	11,478
Total liabilities	<u>58,928</u>	<u>54,853</u>
Stockholders' equity:		
Common stock	4	4
Additional paid-in capital	304,078	304,001
Accumulated deficit	(225,523)	(223,021)
Accumulated other comprehensive income	371	371
Total stockholders' equity	<u>78,930</u>	<u>81,355</u>
Total liabilities and stockholders' equity	<u>\$ 137,858</u>	<u>\$ 136,208</u>

Segmented Revenue

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

	Three Months Ended			Years Ended	
	September 30, 2024	June 30, 2024	September 30, 2023	June 30, 2024	June 30, 2023
Embedded IoT Solutions	\$ 13,387	\$ 11,364	\$ 11,373	\$ 46,953	\$ 63,636
IoT System Solutions	18,759	35,603	19,036	104,450	57,496
Software & Services	2,277	2,108	2,622	8,924	10,057
	<u>\$ 34,423</u>	<u>\$ 49,075</u>	<u>\$ 33,031</u>	<u>\$ 160,327</u>	<u>\$ 131,189</u>

	Three Months Ended			Years Ended	
	September 30, 2024	June 30, 2024	September 30, 2023	June 30, 2024	June 30, 2023
Americas	\$ 17,420	\$ 17,126	\$ 22,933	\$ 78,203	\$ 78,557
EMEA	10,484	26,194	6,591	64,025	23,286
Asia Pacific Japan	6,519	5,755	3,507	18,099	29,346
	<u>\$ 34,423</u>	<u>\$ 49,075</u>	<u>\$ 33,031</u>	<u>\$ 160,327</u>	<u>\$ 131,189</u>

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.

Thank You!



www.lantronix.com



[/user/LantronixInc](https://www.youtube.com/user/LantronixInc)



[/LantronixIoT](https://www.facebook.com/LantronixIoT)



[/lantronix](https://www.linkedin.com/company/lantronix)



[@lantronix](https://twitter.com/lantronix)

LANTRONIX

Global Industrial IoT Leader based in Irvine, CA