

LANTRONIX, INC.**Non-GAAP Financial Information**

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. Management uses the aforementioned non-GAAP measures to monitor and evaluate ongoing operating results and trends to gain an understanding of our comparative operating performance. 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.

Non-GAAP net income (loss) consists of net income (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) severance and restructuring charges, (vii) acquisition related costs (viii) impairment of long lived assets, (ix) amortization of purchased intangibles, (x) fair value remeasurement of earnout consideration, (xi) loss on extinguishment of debt, and (xii) amortization of manufacturing profit in acquired inventory.

Non-GAAP net income (loss) per share is calculated by dividing non-GAAP net income (loss) by non-GAAP weighted-average shares outstanding (diluted). For purposes of calculating non-GAAP net income (loss) 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, Inc.
Unaudited GAAP Consolidated Statements of Operations
(In thousands, except per share data)

									Fiscal Year Ended June 30,	
	<u>Q1 FY21</u>	<u>Q2 FY21</u>	<u>Q3 FY21</u>	<u>Q4 FY21</u>	<u>Q1 FY22</u>	<u>Q2 FY22</u>	<u>Q3 FY22</u>	<u>Q4 FY22</u>	<u>2021</u>	<u>2022</u>
Net revenue	\$ 17,146	\$ 16,585	\$ 17,108	\$ 20,638	\$ 27,705	\$ 33,681	\$ 32,324	\$ 35,945	\$ 71,477	\$ 129,655
Cost of revenue	8,907	9,589	9,390	10,566	15,242	19,241	18,708	20,878	38,452	74,069
Gross profit	<u>8,239</u>	<u>6,996</u>	<u>7,718</u>	<u>10,072</u>	<u>12,463</u>	<u>14,440</u>	<u>13,616</u>	<u>15,067</u>	<u>33,025</u>	<u>55,586</u>
Operating expenses:										
Selling, general and administrative	4,899	4,853	4,995	6,061	7,906	8,935	8,326	9,362	20,808	34,529
Research and development	2,572	2,449	2,519	3,573	4,041	4,310	4,483	4,853	11,113	17,687
Restructuring, severance and related charges	92	137	120	157	542	167	51	35	506	795
Acquisition-related costs	-	-	178	663	541	68	154	126	841	889
Fair value remeasurement of earnout consideration	-	-	-	-	-	1,259	1,203	(1,355)	-	1,107
Amortization of purchased intangible assets	882	879	754	579	1,193	1,440	1,479	1,478	3,094	5,590
Total operating expenses	<u>8,445</u>	<u>8,318</u>	<u>8,566</u>	<u>11,033</u>	<u>14,223</u>	<u>16,179</u>	<u>15,696</u>	<u>14,499</u>	<u>36,362</u>	<u>60,597</u>
Income (loss) from operations	(206)	(1,322)	(848)	(961)	(1,760)	(1,739)	(2,080)	568	(3,337)	(5,011)
Interest income (expense), net	(85)	(82)	(77)	(71)	(379)	(595)	(303)	(195)	(315)	(1,472)
Loss on extinguishment of debt	-	-	-	-	-	-	(764)	-	-	(764)
Other income (expense), net	39	2	(224)	(14)	(102)	45	32	78	(197)	53
Income (loss) before income taxes	(252)	(1,402)	(1,149)	(1,046)	(2,241)	(2,289)	(3,115)	451	(3,849)	(7,194)
Provision (benefit) for income taxes	50	57	38	50	42	106	75	(2,055)	195	(1,832)
Net income (loss)	<u>\$ (302)</u>	<u>\$ (1,459)</u>	<u>\$ (1,187)</u>	<u>\$ (1,096)</u>	<u>\$ (2,283)</u>	<u>\$ (2,395)</u>	<u>\$ (3,190)</u>	<u>\$ 2,506</u>	<u>\$ (4,044)</u>	<u>\$ (5,362)</u>
Basic net income (loss) per share	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>	<u>\$ (0.08)</u>	<u>\$ (0.09)</u>	<u>\$ 0.07</u>	<u>\$ (0.14)</u>	<u>\$ (0.16)</u>
Diluted net income (loss) per share	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>	<u>\$ (0.08)</u>	<u>\$ (0.09)</u>	<u>\$ 0.07</u>	<u>\$ (0.14)</u>	<u>\$ (0.16)</u>
Basic weighted-average shares	<u>28,371</u>	<u>28,661</u>	<u>28,819</u>	<u>28,979</u>	<u>29,228</u>	<u>31,848</u>	<u>34,695</u>	<u>34,933</u>	<u>28,708</u>	<u>32,671</u>
Diluted weighted-average shares	<u>28,371</u>	<u>28,661</u>	<u>28,819</u>	<u>28,979</u>	<u>29,228</u>	<u>31,848</u>	<u>34,695</u>	<u>36,150</u>	<u>28,708</u>	<u>32,671</u>
<i>Non-GAAP Information:</i>										
Non-GAAP operating expenses	<u>\$ 6,827</u>	<u>\$ 6,401</u>	<u>\$ 6,422</u>	<u>\$ 8,538</u>	<u>\$ 10,407</u>	<u>\$ 11,595</u>	<u>\$ 10,321</u>	<u>\$ 12,450</u>	<u>\$ 28,188</u>	<u>\$ 44,773</u>
Non-GAAP net income (loss)	<u>\$ 1,654</u>	<u>\$ 860</u>	<u>\$ 1,539</u>	<u>\$ 1,709</u>	<u>\$ 2,473</u>	<u>\$ 3,280</u>	<u>\$ 2,773</u>	<u>\$ 2,852</u>	<u>\$ 5,762</u>	<u>\$ 11,378</u>
Non-GAAP basic net income (loss) per share	<u>\$ 0.06</u>	<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.06</u>	<u>\$ 0.08</u>	<u>\$ 0.10</u>	<u>\$ 0.08</u>	<u>\$ 0.08</u>	<u>\$ 0.20</u>	<u>\$ 0.35</u>
Non-GAAP diluted net income (loss) per share	<u>\$ 0.05</u>	<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.06</u>	<u>\$ 0.08</u>	<u>\$ 0.10</u>	<u>\$ 0.08</u>	<u>\$ 0.08</u>	<u>\$ 0.19</u>	<u>\$ 0.33</u>

Lantronix Inc.
Unaudited Reconciliation of Non-GAAP Adjustments
(In thousands, except per share data)

									Fiscal Year Ended June 30,	
	<u>Q1 FY21</u>	<u>Q2 FY21</u>	<u>Q3 FY21</u>	<u>Q4 FY21</u>	<u>Q1 FY22</u>	<u>Q2 FY22</u>	<u>Q3 FY22</u>	<u>Q4 FY22</u>	<u>2021</u>	<u>2022</u>
GAAP net income (loss)	\$ (302)	\$ (1,459)	\$ (1,187)	\$ (1,096)	\$ (2,283)	\$ (2,395)	\$ (3,190)	\$ 2,506	\$ (4,044)	\$ (5,362)
Non-GAAP adjustments:										
Cost of revenue:										
Share-based compensation	58	84	70	69	100	100	80	89	281	369
Employer portion of withholding taxes on stock grants	-	-	3	2	1	7	1	-	5	9
Amortization of manufacturing profit in acquired inventory	7	-	-	-	180	200	-	-	7	380
Depreciation and amortization	177	181	170	104	136	128	161	146	632	571
Total adjustments to cost of revenue	<u>242</u>	<u>265</u>	<u>243</u>	<u>175</u>	<u>417</u>	<u>435</u>	<u>242</u>	<u>235</u>	<u>925</u>	<u>1,329</u>
Selling, general and administrative:										
Share-based compensation	445	671	803	800	1,126	1,178	1,264	1,294	2,719	4,862
Employer portion of withholding taxes on stock grants	5	6	19	13	13	91	25	15	43	144
Depreciation and amortization	55	37	38	40	67	75	78	104	170	324
Total adjustments to selling, general and administrative	<u>505</u>	<u>714</u>	<u>860</u>	<u>853</u>	<u>1,206</u>	<u>1,344</u>	<u>1,367</u>	<u>1,413</u>	<u>2,932</u>	<u>5,330</u>
Research and development:										
Share-based compensation	100	135	170	179	255	222	268	270	584	1,015
Employer portion of withholding taxes on stock grants	6	2	5	6	8	10	10	6	19	34
Depreciation and amortization	33	50	57	58	71	74	79	76	198	300
Total adjustments to research and development	<u>139</u>	<u>187</u>	<u>232</u>	<u>243</u>	<u>334</u>	<u>306</u>	<u>357</u>	<u>352</u>	<u>801</u>	<u>1,349</u>
Restructuring, severance and related charges	92	137	120	157	542	167	51	35	506	795
Restructuring, severance and related charges										
Litigation settlement cost (recovery)	-	-	-	-	-	-	-	-	-	-
Acquisition related costs	-	-	178	663	541	68	154	126	841	889
Fair value remeasurement of earnout consideration	-	-	-	-	-	1,259	1,203	(1,355)	-	1,107
Loss on extinguishment of debt	-	-	-	-	-	-	764	-	-	764
Amortization of purchased intangible assets	882	879	754	579	1,193	1,440	1,479	1,478	3,094	5,590
Total non-GAAP adjustments to operating expenses	<u>1,618</u>	<u>1,917</u>	<u>2,144</u>	<u>2,495</u>	<u>3,816</u>	<u>4,584</u>	<u>5,375</u>	<u>2,049</u>	<u>8,174</u>	<u>15,824</u>
Interest expense (income), net	85	82	77	71	379	595	303	195	315	1,472
Other (income) expense, net	(39)	(2)	224	14	102	(45)	(32)	(78)	197	(53)
Provision (benefit) for income taxes	50	57	38	50	42	106	75	(2,055)	195	(1,832)
Total non-GAAP adjustments	<u>1,956</u>	<u>2,319</u>	<u>2,726</u>	<u>2,805</u>	<u>4,756</u>	<u>5,675</u>	<u>5,963</u>	<u>346</u>	<u>9,806</u>	<u>16,740</u>
Non-GAAP net income (loss)	<u>\$ 1,654</u>	<u>\$ 860</u>	<u>\$ 1,539</u>	<u>\$ 1,709</u>	<u>\$ 2,473</u>	<u>\$ 3,280</u>	<u>\$ 2,773</u>	<u>\$ 2,852</u>	<u>\$ 5,762</u>	<u>\$ 11,378</u>
Non-GAAP net income (loss) per share - diluted	<u>\$ 0.05</u>	<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.06</u>	<u>\$ 0.08</u>	<u>\$ 0.10</u>	<u>\$ 0.08</u>	<u>\$ 0.08</u>	<u>\$ 0.19</u>	<u>\$ 0.33</u>
<i>Reconciliation of non-GAAP operating expenses</i>										
GAAP operating expenses	8,445	8,318	8,566	11,033	14,223	16,179	15,696	14,499	36,362	60,597
Non-GAAP adjustments to operating expenses	(1,618)	(1,917)	(2,144)	(2,495)	(3,816)	(4,584)	(5,375)	(2,049)	(8,174)	(15,824)
Non-GAAP operating expenses	<u>\$ 6,827</u>	<u>\$ 6,401</u>	<u>\$ 6,422</u>	<u>\$ 8,538</u>	<u>\$ 10,407</u>	<u>\$ 11,595</u>	<u>\$ 10,321</u>	<u>\$ 12,450</u>	<u>\$ 28,188</u>	<u>\$ 44,773</u>
Denominator for GAAP net income (loss) per share - diluted	28,371	28,661	28,819	28,979	29,228	31,848	34,695	36,150	28,708	32,671
Non-GAAP adjustment	1,833	1,695	1,700	1,716	1,672	2,145	1,992	853	1,689	1,891
Denominator for non-GAAP net income (loss) per share - diluted	<u>30,204</u>	<u>30,356</u>	<u>30,519</u>	<u>30,695</u>	<u>30,900</u>	<u>33,993</u>	<u>36,687</u>	<u>37,003</u>	<u>30,397</u>	<u>34,562</u>

Lantronix, Inc.
Unaudited GAAP Condensed Consolidated Balance Sheets
(In thousands)

	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	June 30, 2021	June 30, 2022
Assets										
Current assets:										
Cash and cash equivalents	\$ 7,709	\$ 7,621	\$ 8,277	\$ 9,739	\$ 10,270	\$ 36,364	\$ 22,782	\$ 17,221	\$ 9,739	\$ 17,221
Accounts receivable, net	12,345	13,298	11,623	13,515	21,766	23,865	23,189	26,262	13,515	26,262
Inventories, net	13,888	14,304	15,079	15,059	26,557	29,369	33,166	37,679	15,059	37,679
Contract manufacturers' receivable	551	646	1,258	1,960	1,149	1,752	2,028	3,454	1,960	3,454
Prepaid expenses and other current assets	1,690	1,622	2,337	2,880	3,551	2,987	3,995	5,417	2,880	5,417
Total current assets	36,183	37,491	38,574	43,153	63,293	94,337	85,160	90,033	43,153	90,033
Property and equipment, net	1,555	1,589	1,442	1,577	1,772	1,829	2,333	3,652	1,577	3,652
Goodwill	15,810	15,810	15,810	15,810	18,270	18,757	18,757	20,768	15,810	20,768
Purchased intangible assets, net	11,567	10,688	9,934	9,355	19,396	17,516	16,037	14,559	9,355	14,559
Other assets	3,215	2,843	2,509	2,671	2,456	2,039	8,692	8,362	2,671	8,362
Total assets	\$ 68,330	\$ 68,421	\$ 68,269	\$ 72,566	\$ 105,187	\$ 134,478	\$ 130,979	\$ 137,374	\$ 72,566	\$ 137,374
Liabilities and stockholders' equity										
Current liabilities:										
Accounts payable	\$ 6,676	\$ 7,472	\$ 6,791	\$ 9,122	\$ 15,600	\$ 13,306	\$ 15,510	\$ 20,644	\$ 9,122	\$ 20,644
Accrued payroll and related expenses	2,390	2,317	2,427	4,942	3,894	5,103	3,690	4,729	4,942	4,729
Short-term debt	1,472	1,472	1,472	1,472	1,515	1,466	1,671	1,671	1,472	1,671
Other current liabilities	6,339	6,808	8,033	7,328	10,093	10,288	12,468	8,477	7,328	8,477
Total current liabilities	16,877	18,069	18,723	22,864	31,102	30,163	33,339	35,521	22,864	35,521
Long-term debt	3,314	2,946	2,578	2,210	27,075	26,520	14,691	14,274	2,210	14,274
Other non-current liabilities	1,640	1,293	1,061	1,396	1,376	1,286	7,920	7,683	1,396	7,683
Total liabilities	21,831	22,308	22,362	26,470	59,553	57,969	55,950	57,478	26,470	57,478
Commitments and contingencies										
Stockholders' equity:										
Common Stock	3	3	3	3	3	3	3	4	3	4
Additional paid-in capital	246,546	247,619	248,600	249,885	251,706	284,976	286,686	289,046	249,885	289,046
Accumulated deficit	(200,421)	(201,880)	(203,067)	(204,163)	(206,446)	(208,841)	(212,031)	(209,525)	(204,163)	(209,525)
Accumulated other comprehensive income	371	371	371	371	371	371	371	371	371	371
Total stockholders' equity	46,499	46,113	45,907	46,096	45,634	76,509	75,029	79,896	46,096	79,896
Total liabilities and stockholders' equity	\$ 68,330	\$ 68,421	\$ 68,269	\$ 72,566	\$ 105,187	\$ 134,478	\$ 130,979	\$ 137,374	\$ 72,566	\$ 137,374

Lantronix, Inc.
Unaudited Net Revenue by Product Line and Region
(In thousands, except percentages)

Net Revenue by Product Line	Fiscal Quarter Ended								Fiscal Year Ended June 30,	
	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	2021	2022
Embedded IoT Solutions	\$ 10,067	\$ 8,941	\$ 8,637	\$ 10,966	\$ 12,377	\$ 15,602	\$ 15,351	\$ 18,443	\$ 38,611	\$ 61,773
IoT System Solutions	5,459	6,425	6,544	5,761	13,158	16,367	14,861	14,633	24,189	59,019
Software & Services	1,620	1,219	1,927	3,911	2,170	1,712	2,112	2,869	8,677	8,863
Net revenue	\$ 17,146	\$ 16,585	\$ 17,108	\$ 20,638	\$ 27,705	\$ 33,681	\$ 32,324	\$ 35,945	\$ 71,477	\$ 129,655

Net Revenue by Geographic Region	Fiscal Quarter Ended,								Fiscal Year Ended June 30,	
	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	2021	2022
Americas	\$ 10,929	\$ 8,023	\$ 8,615	\$ 11,071	\$ 18,227	\$ 20,073	\$ 20,448	\$ 19,051	\$ 38,638	\$ 77,799
EMEA	2,639	4,740	4,096	5,711	4,659	5,751	5,071	7,061	17,186	22,542
Asia Pacific Japan	3,578	3,822	4,397	3,856	4,819	7,857	6,805	9,833	15,653	29,314
Net revenue	\$ 17,146	\$ 16,585	\$ 17,108	\$ 20,638	\$ 27,705	\$ 33,681	\$ 32,324	\$ 35,945	\$ 71,477	\$ 129,655