

**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, and (x) 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)

	<u>Q1 FY20</u>	<u>Q2 FY20</u>	<u>Q3 FY20</u>	<u>Q4 FY20</u>	<u>Q1 FY21</u>	<u>Q2 FY21</u>	<u>Q3 FY21</u>	<u>Q4 FY21</u>	<u>Q1 FY22</u>	<u>Fiscal Year Ended June 30,</u>	
										<u>2020</u>	<u>2021</u>
Net revenue	\$ 12,741	\$ 13,228	\$ 16,512	\$ 17,397	\$ 17,146	\$ 16,585	\$ 17,108	\$ 20,638	\$ 27,705	\$ 59,878	\$ 71,477
Cost of revenue	6,546	6,451	9,135	10,846	8,907	9,589	9,390	10,566	15,242	32,978	38,452
Gross profit	6,195	6,777	7,377	6,551	8,239	6,996	7,718	10,072	12,463	26,900	33,025
Operating expenses:											
Selling, general and administrative	4,473	4,871	5,558	4,680	4,899	4,853	4,995	6,061	7,906	19,582	20,808
Research and development	2,621	2,336	2,724	2,010	2,572	2,449	2,519	3,573	4,041	9,691	11,113
Restructuring, severance and related charges	749	354	2,263	478	92	137	120	157	542	3,844	506
Acquisition-related costs	643	353	1,250	38	-	-	178	663	541	2,284	841
Impairment of long-lived asset	-	-	-	-	-	-	-	-	-	-	-
Amortization of purchased intangible assets	144	151	801	941	882	879	754	579	1,193	2,037	3,094
Total operating expenses	8,630	8,065	12,596	8,147	8,445	8,318	8,566	11,033	14,223	37,438	36,362
Income (loss) from operations	(2,435)	(1,288)	(5,219)	(1,596)	(206)	(1,322)	(848)	(961)	(1,760)	(10,538)	(3,337)
Interest income (expense), net	56	(16)	(83)	(90)	(85)	(82)	(77)	(71)	(379)	(133)	(315)
Other income (expense), net	(43)	(10)	129	1	39	2	(224)	(14)	(102)	77	(197)
Income (loss) before income taxes	(2,422)	(1,314)	(5,173)	(1,685)	(252)	(1,402)	(1,149)	(1,046)	(2,241)	(10,594)	(3,849)
Provision (benefit) for income taxes	48	37	43	16	50	57	38	50	42	144	195
Net income (loss)	\$ (2,470)	\$ (1,351)	\$ (5,216)	\$ (1,701)	\$ (302)	\$ (1,459)	\$ (1,187)	\$ (1,096)	\$ (2,283)	\$ (10,738)	\$ (4,044)
Basic net income (loss) per share	\$ (0.11)	\$ (0.06)	\$ (0.19)	\$ (0.06)	\$ (0.01)	\$ (0.05)	\$ (0.04)	\$ (0.04)	\$ (0.08)	\$ (0.42)	\$ (0.14)
Diluted net income (loss) per share	\$ (0.11)	\$ (0.06)	\$ (0.19)	\$ (0.06)	\$ (0.01)	\$ (0.05)	\$ (0.04)	\$ (0.04)	\$ (0.08)	\$ (0.42)	\$ (0.14)
Basic weighted-average shares	22,913	23,145	27,048	28,046	28,371	28,661	28,819	28,979	29,228	25,281	28,708
Diluted weighted-average shares	22,913	23,145	27,048	28,046	28,371	28,661	28,819	28,979	29,228	25,281	28,708
<i>Non-GAAP Information:</i>											
Non-GAAP operating expenses	\$ 6,280	\$ 6,231	\$ 6,986	\$ 5,624	\$ 6,820	\$ 6,401	\$ 6,422	\$ 8,538	\$ 10,227	\$ 25,121	\$ 28,181
Non-GAAP net income (loss)	\$ 7	\$ 667	\$ 611	\$ 1,191	\$ 1,654	\$ 860	\$ 1,539	\$ 1,709	\$ 2,473	\$ 2,476	\$ 5,762
Non-GAAP basic net income (loss) per share	\$ 0.00	\$ 0.03	\$ 0.02	\$ 0.04	\$ 0.06	\$ 0.03	\$ 0.05	\$ 0.06	\$ 0.08	\$ 0.10	\$ 0.20
Non-GAAP diluted net income (loss) per share	\$ 0.00	\$ 0.03	\$ 0.02	\$ 0.04	\$ 0.05	\$ 0.03	\$ 0.05	\$ 0.06	\$ 0.08	\$ 0.09	\$ 0.19

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

										<b>Fiscal Year Ended June 30,</b>	
	<u>Q1 FY20</u>	<u>Q2 FY20</u>	<u>Q3 FY20</u>	<u>Q4 FY20</u>	<u>Q1 FY21</u>	<u>Q2 FY21</u>	<u>Q3 FY21</u>	<u>Q4 FY21</u>	<u>Q1 FY22</u>	<u>2020</u>	<u>2021</u>
GAAP net income (loss)	\$ (2,470)	\$ (1,351)	\$ (5,216)	\$ (1,701)	\$ (302)	\$ (1,459)	\$ (1,187)	\$ (1,096)	\$ (2,283)	\$ (10,738)	\$ (4,044)
Non-GAAP adjustments:											
Cost of revenue:											
Share-based compensation	24	48	70	85	58	84	70	69	100	227	281
Employer portion of withholding taxes on stock grants	1	-	1	-	-	-	3	2	1	2	5
Depreciation and amortization	67	73	149	179	177	181	170	104	136	468	632
Total adjustments to cost of revenue	<u>92</u>	<u>121</u>	<u>220</u>	<u>264</u>	<u>235</u>	<u>265</u>	<u>243</u>	<u>175</u>	<u>237</u>	<u>697</u>	<u>918</u>
Selling, general and administrative:											
Costs associated with the investigation										-	-
Separation costs associated with the former CEO and CFO										-	-
Consulting fees for former CEO and CFO										-	-
Costs associated with the contested proxy										-	-
Share-based compensation and related withholding taxes	459	778	939	783	445	671	803	800	1,126	2,959	2,719
Employer portion of withholding taxes on stock grants	5	1	3	12	5	6	19	13	13	21	43
Depreciation and amortization	54	53	81	69	55	37	38	40	67	257	170
Total adjustments to selling, general and administrative	<u>518</u>	<u>832</u>	<u>1,023</u>	<u>864</u>	<u>505</u>	<u>714</u>	<u>860</u>	<u>853</u>	<u>1,206</u>	<u>3,237</u>	<u>2,932</u>
Research and development:											
Share-based compensation	95	113	123	122	100	135	170	179	255	453	584
Employer portion of withholding taxes on stock grants	4	1	3	2	6	2	5	6	8	10	19
Depreciation and amortization	26	30	39	27	33	50	57	58	71	122	198
Total adjustments to research and development	<u>125</u>	<u>144</u>	<u>165</u>	<u>151</u>	<u>139</u>	<u>187</u>	<u>232</u>	<u>243</u>	<u>334</u>	<u>585</u>	<u>801</u>
Restructuring, severance and related charges	749	354	2,263	478	92	137	120	157	542	3,844	506
Litigation settlement cost (recovery)	-	-	75	-	-	-	-	-	-	75	-
Acquisition related costs	643	353	1,250	38	-	-	178	663	541	2,284	841
Impairment of long-lived asset	-	-	-	-	-	-	-	-	-	-	-
Amortization of purchased intangible assets	144	151	801	941	882	879	754	579	1,193	2,037	3,094
Amortization of manufacturing profit in acquired inventory	171	-	33	51	7	-	-	-	180	255	7
Total non-GAAP adjustments to operating expenses	<u>2,350</u>	<u>1,834</u>	<u>5,610</u>	<u>2,523</u>	<u>1,625</u>	<u>1,917</u>	<u>2,144</u>	<u>2,495</u>	<u>3,996</u>	<u>12,317</u>	<u>8,181</u>
Interest expense (income), net	(56)	16	83	90	85	82	77	71	379	133	315
Other (income) expense, net	43	10	(129)	(1)	(39)	(2)	224	14	102	(77)	197
Provision (benefit) for income taxes	48	37	43	16	50	57	38	50	42	144	195
Total non-GAAP adjustments	<u>2,477</u>	<u>2,018</u>	<u>5,827</u>	<u>2,892</u>	<u>1,956</u>	<u>2,319</u>	<u>2,726</u>	<u>2,805</u>	<u>4,756</u>	<u>13,214</u>	<u>9,806</u>
Non-GAAP net income (loss)	<u>\$ 7</u>	<u>\$ 667</u>	<u>\$ 611</u>	<u>\$ 1,191</u>	<u>\$ 1,654</u>	<u>\$ 860</u>	<u>\$ 1,539</u>	<u>\$ 1,709</u>	<u>\$ 2,473</u>	<u>\$ 2,476</u>	<u>\$ 5,762</u>
Non-GAAP net income (loss) per share - diluted	<u>\$ 0.00</u>	<u>\$ 0.03</u>	<u>\$ 0.02</u>	<u>\$ 0.04</u>	<u>\$ 0.05</u>	<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.06</u>	<u>\$ 0.08</u>	<u>\$ 0.09</u>	<u>\$ 0.19</u>
<i>Reconciliation of non-GAAP operating expenses</i>											
GAAP operating expenses	8,630	8,065	12,596	8,147	8,445	8,318	8,566	11,033	14,223	37,438	36,362
Non-GAAP adjustments to operating expenses	(2,350)	(1,834)	(5,610)	(2,523)	(1,625)	(1,917)	(2,144)	(2,495)	(3,996)	(12,317)	(8,181)
Non-GAAP operating expenses	<u>\$ 6,280</u>	<u>\$ 6,231</u>	<u>\$ 6,986</u>	<u>\$ 5,624</u>	<u>\$ 6,820</u>	<u>\$ 6,401</u>	<u>\$ 6,422</u>	<u>\$ 8,538</u>	<u>\$ 10,227</u>	<u>\$ 25,121</u>	<u>\$ 28,181</u>
Denominator for GAAP net income (loss) per share - diluted	22,913	23,145	27,048	28,046	28,371	28,661	28,819	28,979	29,228	25,281	28,708
Non-GAAP adjustment	1,834	1,848	1,641	1,959	1,833	1,695	1,700	1,716	1,672	1,603	1,689
Denominator for non-GAAP net income (loss) per share - diluted	<u>24,747</u>	<u>24,993</u>	<u>28,689</u>	<u>30,005</u>	<u>30,204</u>	<u>30,356</u>	<u>30,519</u>	<u>30,695</u>	<u>30,900</u>	<u>26,884</u>	<u>30,397</u>

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

	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	June 30, 2020	June 30, 2021
<b>Assets</b>											
Current assets:											
Cash and cash equivalents	\$ 12,028	\$ 9,347	\$ 6,977	\$ 7,691	\$ 7,709	\$ 7,621	\$ 8,277	\$ 9,739	\$ 10,270	\$ 7,691	\$ 9,739
Restricted Cash	-	6,000	-	-	-	-	-	-	-	-	-
Accounts receivable, net	7,845	9,379	11,958	11,411	12,345	13,298	11,623	13,515	21,766	11,411	13,515
Inventories, net	12,423	11,024	15,246	13,781	13,888	14,304	15,079	15,059	26,557	13,781	15,059
Contract manufacturers' receivable	419	373	434	337	551	646	1,258	1,960	1,149	337	1,960
Prepaid expenses and other current assets	1,274	1,307	2,043	1,290	1,690	1,622	2,337	2,880	3,551	1,290	2,880
Total current assets	33,989	37,430	36,658	34,510	36,183	37,491	38,574	43,153	63,293	34,510	43,153
Property and equipment, net	1,351	1,412	1,594	1,587	1,555	1,589	1,442	1,577	1,772	1,587	1,577
Goodwill	12,458	12,458	15,813	15,810	15,810	15,810	15,810	15,810	18,270	15,810	15,810
Purchased intangible assets, net	1,768	1,615	13,387	12,449	11,567	10,688	9,934	9,355	19,396	12,449	9,355
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-
Other assets	1,188	2,040	3,225	3,577	3,215	2,843	2,509	2,671	2,456	3,577	2,671
Total assets	<u>\$ 50,754</u>	<u>\$ 54,955</u>	<u>\$ 70,677</u>	<u>\$ 67,933</u>	<u>\$ 68,330</u>	<u>\$ 68,421</u>	<u>\$ 68,269</u>	<u>\$ 72,566</u>	<u>\$ 105,187</u>	<u>\$ 67,933</u>	<u>\$ 72,566</u>
<b>Liabilities and stockholders' equity</b>											
Current liabilities:											
Accounts payable	\$ 5,986	\$ 5,065	\$ 6,164	\$ 5,331	\$ 6,676	\$ 7,472	\$ 6,791	\$ 9,122	\$ 15,600	\$ 5,331	\$ 9,122
Accrued payroll and related expenses	2,588	2,248	3,519	2,658	2,390	2,317	2,427	4,942	3,894	2,658	4,942
Short-term debt	-	1,472	1,472	1,472	1,472	1,472	1,472	1,472	1,515	1,472	1,472
Other current liabilities	6,404	5,337	6,896	6,308	6,339	6,808	8,033	7,328	10,093	6,308	7,328
Total current liabilities	14,978	14,122	18,051	15,769	16,877	18,069	18,723	22,864	31,102	15,769	22,864
Long-term debt	-	4,418	4,050	3,682	3,314	2,946	2,578	2,210	27,075	3,682	2,210
Other non-current liabilities	384	1,137	1,631	1,962	1,640	1,293	1,061	1,396	1,376	1,962	1,396
Total liabilities	<u>15,362</u>	<u>19,677</u>	<u>23,732</u>	<u>21,413</u>	<u>21,831</u>	<u>22,308</u>	<u>22,362</u>	<u>26,470</u>	<u>59,553</u>	<u>21,413</u>	<u>26,470</u>
Commitments and contingencies											
Stockholders' equity:											
Common Stock	2	2	3	3	3	3	3	3	3	3	3
Additional paid-in capital	226,870	228,107	244,989	246,265	246,546	247,619	248,600	249,885	251,706	246,265	249,885
Accumulated deficit	(191,851)	(193,202)	(198,418)	(200,119)	(200,421)	(201,880)	(203,067)	(204,163)	(206,446)	(200,119)	(204,163)
Accumulated other comprehensive income	371	371	371	371	371	371	371	371	371	371	371
Total stockholders' equity	35,392	35,278	46,945	46,520	46,499	46,113	45,907	46,096	45,634	46,520	46,096
Total liabilities and stockholders' equity	<u>\$ 50,754</u>	<u>\$ 54,955</u>	<u>\$ 70,677</u>	<u>\$ 67,933</u>	<u>\$ 68,330</u>	<u>\$ 68,421</u>	<u>\$ 68,269</u>	<u>\$ 72,566</u>	<u>\$ 105,187</u>	<u>\$ 67,933</u>	<u>\$ 72,566</u>