



LANTRONIX, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

| | December 31, 2018 | June 30, 2018 |
|---|------------------------------|--------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 19,367 | \$ 9,568 |
| Accounts receivable, net | 6,134 | 4,244 |
| Inventories, net | 9,352 | 8,439 |
| Contract manufacturers' receivable | 419 | 649 |
| Prepaid expenses and other current assets | 752 | 370 |
| Total current assets | 36,024 | 23,270 |
| Property and equipment, net | 1,184 | 1,036 |
| Goodwill | 9,488 | 9,488 |
| Other assets | 55 | 61 |
| Total assets | <u>\$ 46,751</u> | <u>\$ 33,855</u> |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 4,317 | \$ 3,942 |
| Accrued payroll and related expenses | 2,731 | 2,808 |
| Warranty reserve | 106 | 99 |
| Other current liabilities | 3,325 | 2,877 |
| Total current liabilities | 10,479 | 9,726 |
| Other non-current liabilities | 256 | 316 |
| Total liabilities | <u>10,735</u> | <u>10,042</u> |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock | 2 | 2 |
| Additional paid-in capital | 224,422 | 212,995 |
| Accumulated deficit | (188,779) | (189,555) |
| Accumulated other comprehensive income | 371 | 371 |
| Total stockholders' equity | 36,016 | 23,813 |
| Total liabilities and stockholders' equity | <u>\$ 46,751</u> | <u>\$ 33,855</u> |



LANTRONIX, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

| | <u>Three Months Ended</u> | | | <u>Six Months Ended</u> | |
|--|------------------------------------|-------------------------------------|------------------------------------|--|------------------|
| | <u>December 31,</u> <u>2018</u> | <u>September 30,</u> <u>2018</u> | <u>December 31,</u> <u>2017</u> | <u>December 31,</u> <u>2018</u> <u>2017</u> | |
| Net revenue | \$ 12,114 | \$ 12,279 | \$ 11,336 | \$ 24,393 | \$ 21,942 |
| Cost of revenue | 5,453 | 5,538 | 5,022 | 10,991 | 10,034 |
| Gross profit | 6,661 | 6,741 | 6,314 | 13,402 | 11,908 |
| Operating expenses: | | | | | |
| Selling, general and administrative | 4,159 | 4,472 | 4,173 | 8,631 | 8,159 |
| Research and development | 2,279 | 2,298 | 1,874 | 4,577 | 4,095 |
| Total operating expenses | 6,438 | 6,770 | 6,047 | 13,208 | 12,254 |
| Income (loss) from operations | 223 | (29) | 267 | 194 | (346) |
| Interest income (expense), net | 60 | (4) | (5) | 56 | (9) |
| Other income (expense), net | 8 | (10) | 1 | (2) | 2 |
| Income (loss) before income taxes | 291 | (43) | 263 | 248 | (353) |
| Provision for income taxes | 14 | 40 | 38 | 54 | 63 |
| Net income (loss) | <u>\$ 277</u> | <u>\$ (83)</u> | <u>\$ 225</u> | <u>\$ 194</u> | <u>\$ (416)</u> |
| Net income (loss) per share -basic | <u>\$ 0.01</u> | <u>\$ (0.00)</u> | <u>\$ 0.01</u> | <u>\$ 0.01</u> | <u>\$ (0.02)</u> |
| Net income (loss) per share - diluted | <u>\$ 0.01</u> | <u>\$ (0.00)</u> | <u>\$ 0.01</u> | <u>\$ 0.01</u> | <u>\$ (0.02)</u> |
| Weighted-average common shares - basic | 22,091 | 19,323 | 18,073 | 20,721 | 17,970 |
| Weighted-average common shares - diluted | <u>23,442</u> | <u>19,323</u> | <u>18,739</u> | <u>22,263</u> | <u>17,970</u> |



LANTRONIX, INC.
UNAUDITED RECONCILIATION OF NON-GAAP ADJUSTMENTS
(In thousands, except per share data)

| | Three Months Ended | | | Six Months Ended | |
|--|----------------------|-----------------------|----------------------|----------------------|------------------|
| | December 31, 2018 | September 30, 2018 | December 31, 2017 | December 31, 2018 | 2017 |
| GAAP net income (loss) | \$ 277 | \$ (83) | \$ 225 | \$ 194 | \$ (416) |
| Non-GAAP adjustments: | | | | | |
| Cost of revenue: | | | | | |
| Share-based compensation | 23 | 17 | 13 | 40 | 26 |
| Depreciation and amortization | 45 | 48 | 53 | 93 | 115 |
| Total adjustments to cost of revenue | 68 | 65 | 66 | 133 | 141 |
| Selling, general and administrative: | | | | | |
| Share-based compensation | 337 | 400 | 239 | 737 | 451 |
| Employer portion of withholding taxes on stock grants | 2 | 6 | 3 | 8 | 5 |
| Depreciation and amortization | 48 | 46 | 46 | 94 | 91 |
| Total adjustments to selling, general and administrative | 387 | 452 | 288 | 839 | 547 |
| Research and development: | | | | | |
| Share-based compensation | 91 | 61 | 58 | 152 | 105 |
| Employer portion of withholding taxes on stock grants | - | - | - | - | 1 |
| Depreciation and amortization | 21 | 11 | 10 | 32 | 20 |
| Total adjustments to research and development | 112 | 72 | 68 | 184 | 126 |
| Severance and related charges | - | 323 | - | 323 | 527 |
| Total non-GAAP adjustments to operating expenses | 499 | 847 | 356 | 1,346 | 1,200 |
| Interest (income) expense, net | (60) | 4 | 5 | (56) | 9 |
| Other (income) expense, net | (8) | 10 | (1) | 2 | (2) |
| Provision for income taxes | 14 | 40 | 38 | 54 | 63 |
| Total non-GAAP adjustments | 513 | 966 | 464 | 1,479 | 1,411 |
| Non-GAAP net income | <u>\$ 790</u> | <u>\$ 883</u> | <u>\$ 689</u> | <u>\$ 1,673</u> | <u>\$ 995</u> |
| Non-GAAP net income per share - diluted | <u>\$ 0.03</u> | <u>\$ 0.04</u> | <u>\$ 0.04</u> | <u>\$ 0.07</u> | <u>\$ 0.05</u> |
| Denominator for GAAP net income (loss) per share - diluted | 23,442 | 19,323 | 18,739 | 22,263 | 17,970 |
| Non-GAAP adjustment | 824 | 2,472 | 569 | 701 | 1,382 |
| Denominator for non-GAAP net income per share - diluted | <u>24,266</u> | <u>21,795</u> | <u>19,308</u> | <u>22,964</u> | <u>19,352</u> |
| GAAP operating expenses | \$ 6,438 | \$ 6,770 | \$ 6,047 | \$ 13,208 | \$ 12,254 |
| Non-GAAP adjustments to operating expenses | (499) | (847) | (356) | (1,346) | (1,200) |
| Non-GAAP operating expenses | <u>\$ 5,939</u> | <u>\$ 5,923</u> | <u>\$ 5,691</u> | <u>\$ 11,862</u> | <u>\$ 11,054</u> |



LANTRONIX, INC.
UNAUDITED NET REVENUES BY PRODUCT LINE AND REGION
(In thousands)

| | Three Months Ended | | | Six Months Ended | |
|---------------|----------------------|-----------------------|----------------------|----------------------|----------------------|
| | December 31, 2018 | September 30, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 |
| IoT | \$ 9,070 | \$ 8,967 | \$ 7,961 | \$ 18,037 | \$ 16,419 |
| IT Management | 2,888 | 3,101 | 3,218 | 5,989 | 5,007 |
| Other | 156 | 211 | 157 | 367 | 516 |
| | <u>\$ 12,114</u> | <u>\$ 12,279</u> | <u>\$ 11,336</u> | <u>\$ 24,393</u> | <u>\$ 21,942</u> |

| | Three Months Ended | | | Six Months Ended | |
|--------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|
| | December 31, 2018 | September 30, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 |
| Americas | \$ 6,182 | \$ 6,914 | \$ 6,292 | \$ 13,096 | \$ 11,989 |
| EMEA | 4,080 | 3,520 | 3,172 | 7,600 | 6,336 |
| Asia Pacific Japan | 1,852 | 1,845 | 1,872 | 3,697 | 3,617 |
| | <u>\$ 12,114</u> | <u>\$ 12,279</u> | <u>\$ 11,336</u> | <u>\$ 24,393</u> | <u>\$ 21,942</u> |