

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, and (xi) 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,			
	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	2020	2021
Net revenue	\$ 12,741	\$ 13,228	\$ 16,512	\$ 17,397	\$ 17,146	\$ 16,585	\$ 17,108	\$ 20,638	\$ 27,705	\$ 33,681	\$ 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	19,241	32,978	38,452
Gross profit	6,195	6,777	7,377	6,551	8,239	6,996	7,718	10,072	12,463	14,440	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	8,935	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	4,310	9,691	11,113
Restructuring, severance and related charges	749	354	2,263	478	92	137	120	157	542	167	3,844	506
Acquisition-related costs	643	353	1,250	38	-	-	178	663	541	68	2,284	841
Fair value remeasurement of earnout consideration	-	-	-	-	-	-	-	-	-	1,259	-	-
Amortization of purchased intangible assets	144	151	801	941	882	879	754	579	1,193	1,440	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	16,179	37,438	36,362
Income (loss) from operations	(2,435)	(1,288)	(5,219)	(1,596)	(206)	(1,322)	(848)	(961)	(1,760)	(1,739)	(10,538)	(3,337)
Interest income (expense), net	56	(16)	(83)	(90)	(85)	(82)	(77)	(71)	(379)	(595)	(133)	(315)
Other income (expense), net	(43)	(10)	129	1	39	2	(224)	(14)	(102)	45	77	(197)
Income (loss) before income taxes	(2,422)	(1,314)	(5,173)	(1,685)	(252)	(1,402)	(1,149)	(1,046)	(2,241)	(2,289)	(10,594)	(3,849)
Provision (benefit) for income taxes	48	37	43	16	50	57	38	50	42	106	144	195
Net income (loss)	\$ (2,470)	\$ (1,351)	\$ (5,216)	\$ (1,701)	\$ (302)	\$ (1,459)	\$ (1,187)	\$ (1,096)	\$ (2,283)	\$ (2,395)	\$ (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)	\$ (0.08)	\$ (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)	\$ (0.08)	\$ (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	31,848	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	31,848	25,281	28,708
<i>Non-GAAP Information:</i>												
Non-GAAP operating expenses	\$ 6,451	\$ 6,231	\$ 7,019	\$ 5,675	\$ 6,827	\$ 6,401	\$ 6,422	\$ 8,538	\$ 10,407	\$ 11,595	\$ 25,376	\$ 28,188
Non-GAAP net income (loss)	\$ 7	\$ 667	\$ 611	\$ 1,191	\$ 1,654	\$ 860	\$ 1,539	\$ 1,709	\$ 2,473	\$ 3,280	\$ 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	\$ 0.10	\$ 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	\$ 0.10	\$ 0.09	\$ 0.19

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

	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Fiscal Year Ended June 30,	
											2020	2021
GAAP net income (loss)	\$ (2,470)	\$ (1,351)	\$ (5,216)	\$ (1,701)	\$ (302)	\$ (1,459)	\$ (1,187)	\$ (1,096)	\$ (2,283)	\$ (2,395)	\$ (10,738)	\$ (4,044)
Non-GAAP adjustments:												
Cost of revenue:												
Share-based compensation	24	48	70	85	58	84	70	69	100	100	227	281
Employer portion of withholding taxes on stock grants	1	-	1	-	-	-	3	2	1	7	2	5
Amortization of manufacturing profit in acquired inventory	171	-	33	51	7	-	-	-	180	200	255	7
Depreciation and amortization	67	73	149	179	177	181	170	104	136	128	468	632
Total adjustments to cost of revenue	263	121	253	315	242	265	243	175	417	435	952	925
Selling, general and administrative:												
Share-based compensation and related withholding taxes	459	778	939	783	445	671	803	800	1,126	1,178	2,959	2,719
Employer portion of withholding taxes on stock grants	5	1	3	12	5	6	19	13	13	91	21	43
Depreciation and amortization	54	53	81	69	55	37	38	40	67	75	257	170
Total adjustments to selling, general and administrative	518	832	1,023	864	505	714	860	853	1,206	1,344	3,237	2,932
Research and development:												
Share-based compensation	95	113	123	122	100	135	170	179	255	222	453	584
Employer portion of withholding taxes on stock grants	4	1	3	2	6	2	5	6	8	10	10	19
Depreciation and amortization	26	30	39	27	33	50	57	58	71	74	122	198
Total adjustments to research and development	125	144	165	151	139	187	232	243	334	306	585	801
Restructuring, severance and related charges	749	354	2,263	478	92	137	120	157	542	167	3,844	506
Restructuring, severance and related charges	-	-	-	-	-	-	-	-	-	-	-	-
Litigation settlement cost (recovery)	-	-	75	-	-	-	-	-	-	-	75	-
Acquisition related costs	643	353	1,250	38	-	-	178	663	541	68	2,284	841
Fair value remeasurement of earnout consideration	-	-	-	-	-	-	-	-	-	1,259	-	-
Impairment of long-lived asset	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of purchased intangible assets	144	151	801	941	882	879	754	579	1,193	1,440	2,037	3,094
Total non-GAAP adjustments to operating expenses	2,179	1,834	5,577	2,472	1,618	1,917	2,144	2,495	3,816	4,584	12,062	8,174
Interest expense (income), net	(56)	16	83	90	85	82	77	71	379	595	133	315
Other (income) expense, net	43	10	(129)	(1)	(39)	(2)	224	14	102	(45)	(77)	197
Provision (benefit) for income taxes	48	37	43	16	50	57	38	50	42	106	144	195
Total non-GAAP adjustments	2,477	2,018	5,827	2,892	1,956	2,319	2,726	2,805	4,756	5,675	13,214	9,806
Non-GAAP net income (loss)	\$ 7	\$ 667	\$ 611	\$ 1,191	\$ 1,654	\$ 860	\$ 1,539	\$ 1,709	\$ 2,473	\$ 3,280	\$ 2,476	\$ 5,762
Non-GAAP net income (loss) per share - diluted	\$ 0.00	\$ 0.03	\$ 0.02	\$ 0.04	\$ 0.05	\$ 0.03	\$ 0.05	\$ 0.06	\$ 0.08	\$ 0.10	\$ 0.09	\$ 0.19
<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	16,179	37,438	36,362
Non-GAAP adjustments to operating expenses	(2,179)	(1,834)	(5,577)	(2,472)	(1,618)	(1,917)	(2,144)	(2,495)	(3,816)	(4,584)	(12,062)	(8,174)
Non-GAAP operating expenses	\$ 6,451	\$ 6,231	\$ 7,019	\$ 5,675	\$ 6,827	\$ 6,401	\$ 6,422	\$ 8,538	\$ 10,407	\$ 11,595	\$ 25,376	\$ 28,188
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	31,848	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	2,145	1,603	1,689
Denominator for non-GAAP net income (loss) per share - diluted	24,747	24,993	28,689	30,005	30,204	30,356	30,519	30,695	30,900	33,993	26,884	30,397

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	December 31, 2021	June 30, 2020	June 30, 2021
Assets												
Current assets:												
Cash and cash equivalents	\$ 12,028	\$ 9,347	\$ 6,977	\$ 7,691	\$ 7,709	\$ 7,621	\$ 8,277	\$ 9,739	\$ 10,270	\$ 36,364	\$ 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	23,865	11,411	13,515
Inventories, net	12,423	11,024	15,246	13,781	13,888	14,304	15,079	15,059	26,557	29,369	13,781	15,059
Contract manufacturers' receivable	419	373	434	337	551	646	1,258	1,960	1,149	1,752	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	2,987	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	94,337	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	1,829	1,587	1,577
Goodwill	12,458	12,458	15,813	15,810	15,810	15,810	15,810	15,810	18,270	18,757	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	17,516	12,449	9,355
Other assets	1,188	2,040	3,225	3,577	3,215	2,843	2,509	2,671	2,456	2,039	3,577	2,671
Total assets	\$ 50,754	\$ 54,955	\$ 70,677	\$ 67,933	\$ 68,330	\$ 68,421	\$ 68,269	\$ 72,566	\$ 105,187	\$ 134,478	\$ 67,933	\$ 72,566
Liabilities and stockholders' equity												
Current liabilities:												
Accounts payable	\$ 5,986	\$ 5,065	\$ 6,164	\$ 5,331	\$ 6,676	\$ 7,472	\$ 6,791	\$ 9,122	\$ 15,600	\$ 13,306	\$ 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	5,103	2,658	4,942
Short-term debt	-	1,472	1,472	1,472	1,472	1,472	1,472	1,472	1,515	1,466	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	10,288	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	30,163	15,769	22,864
Long-term capital lease obligations	-	-	-	-	-	-	-	-	-	-	-	-
Long-term debt	-	4,418	4,050	3,682	3,314	2,946	2,578	2,210	27,075	26,520	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	1,286	1,962	1,396
Total liabilities	15,362	19,677	23,732	21,413	21,831	22,308	22,362	26,470	59,553	57,969	21,413	26,470
Commitments and contingencies												
Stockholders' equity:												
Common Stock	2	2	3	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	284,976	246,265	249,885
Accumulated deficit	(191,851)	(193,202)	(198,418)	(200,119)	(200,421)	(201,880)	(203,067)	(204,163)	(206,446)	(208,841)	(200,119)	(204,163)
Accumulated other comprehensive income	371	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	76,509	46,520	46,096
Total liabilities and stockholders' equity	\$ 50,754	\$ 54,955	\$ 70,677	\$ 67,933	\$ 68,330	\$ 68,421	\$ 68,269	\$ 72,566	\$ 105,187	\$ 134,478	\$ 67,933	\$ 72,566