

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, (xii) litigation settlement costs and (xiii) 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.

Non-GAAP gross profit consists of gross profit excluding (i) share-based compensation and the employer portion of withholding taxes on stock grants, (ii) amortization of manufacturing profit in acquired inventory, and (iii) depreciation and amortization. Non-GAAP gross margin is calculated by dividing non-GAAP gross profit by net revenue.

Lantronix, Inc.
Unaudited GAAP Consolidated Statements of Operations
(In thousands, except per share data)

											Fiscal Year Ended June 30,	
	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	2022	2023
Net revenue	\$ 27,705	\$ 33,681	\$ 32,324	\$ 35,945	\$ 31,795	\$ 31,506	\$ 32,964	\$ 34,924	\$ 33,031	\$ 37,038	\$ 129,655	\$ 131,189
Cost of revenue	15,242	19,241	18,708	20,878	17,759	17,712	18,328	21,126	18,934	22,007	74,069	74,925
Gross profit	12,463	14,440	13,616	15,067	14,036	13,794	14,636	13,798	14,097	15,031	55,586	56,264
Operating expenses:												
Selling, general and administrative	7,906	8,935	8,326	9,362	9,157	9,813	9,946	8,032	9,170	10,224	34,529	36,948
Research and development	4,041	4,310	4,483	4,853	4,526	5,084	5,067	4,948	5,106	4,725	17,687	19,625
Restructuring, severance and related charges	542	167	51	35	92	82	490	29	20	530	795	693
Acquisition-related costs	541	68	154	126	213	102	-	-	-	-	889	315
Fair value remeasurement of earnout consideration	-	1,259	1,203	(1,355)	-	(673)	140	86	(9)	-	1,107	(447)
Amortization of purchased intangible assets	1,193	1,440	1,479	1,478	1,419	1,497	1,424	1,464	1,384	1,310	5,590	5,804
Total operating expenses	14,223	16,179	15,696	14,499	15,407	15,905	17,067	14,559	15,671	16,789	60,597	62,938
Income (loss) from operations	(1,760)	(1,739)	(2,080)	568	(1,371)	(2,111)	(2,431)	(761)	(1,574)	(1,758)	(5,011)	(6,674)
Interest income (expense), net	(379)	(595)	(303)	(195)	(262)	(354)	(465)	(404)	(338)	(232)	(1,472)	(1,485)
Loss on extinguishment of debt	-	-	(764)	-	-	-	-	-	-	-	(764)	-
Other income (expense), net	(102)	45	32	78	34	(26)	(29)	(52)	19	(23)	53	(73)
Income (loss) before income taxes	(2,241)	(2,289)	(3,115)	451	(1,599)	(2,491)	(2,925)	(1,217)	(1,893)	(2,013)	(7,194)	(8,232)
Provision (benefit) for income taxes	42	106	75	(2,055)	54	118	140	436	(7)	580	(1,832)	748
Net income (loss)	\$ (2,283)	\$ (2,395)	\$ (3,190)	\$ 2,506	\$ (1,653)	\$ (2,609)	\$ (3,065)	\$ (1,653)	\$ (1,886)	\$ (2,593)	\$ (5,362)	\$ (8,980)
Basic net income (loss) per share	\$ (0.08)	\$ (0.08)	\$ (0.09)	\$ 0.07	\$ (0.05)	\$ (0.07)	\$ (0.08)	\$ (0.05)	\$ (0.05)	\$ (0.07)	\$ (0.16)	\$ (0.25)
Diluted net income (loss) per share	\$ (0.08)	\$ (0.08)	\$ (0.09)	\$ 0.07	\$ (0.05)	\$ (0.07)	\$ (0.08)	\$ (0.05)	\$ (0.05)	\$ (0.07)	\$ (0.16)	\$ (0.25)
Basic weighted-average shares	29,228	31,848	34,695	34,933	35,406	36,352	36,548	36,719	36,982	37,354	32,671	36,257
Diluted weighted-average shares	29,228	31,848	34,695	36,150	35,406	36,352	36,548	36,719	36,982	37,354	32,671	36,257

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

	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Fiscal Year Ended June 30,	
											2022	2023
GAAP net income (loss)	\$ (2,283)	\$ (2,395)	\$ (3,190)	\$ 2,506	\$ (1,653)	\$ (2,609)	\$ (3,065)	\$ (1,653)	\$ (1,886)	\$ (2,593)	\$ (5,362)	\$ (8,980)
Non-GAAP adjustments:												
Cost of revenue:												
Share-based compensation	100	100	80	89	51	61	47	(1)	41	64	369	158
Employer portion of withholding taxes on stock grants	1	7	1	-	12	-	1	-	4	1	9	13
Amortization of manufacturing profit in acquired inventory	180	200	-	-	24	80	77	44	317	189	380	225
Depreciation and amortization	136	128	161	146	130	118	116	102	86	109	571	466
Total adjustments to cost of revenue	417	435	242	235	217	259	241	145	448	363	1,329	862
Selling, general and administrative:												
Share-based compensation and related withholding taxes	1,126	1,178	1,264	1,294	1,405	1,434	1,293	414	1,273	1,628	4,862	4,546
Employer portion of withholding taxes on stock grants	13	91	25	15	132	10	25	14	37	10	144	181
Depreciation and amortization	67	75	78	104	155	260	280	327	334	338	324	1,022
Total adjustments to selling, general and administrative	1,206	1,344	1,367	1,413	1,692	1,704	1,598	755	1,644	1,976	5,330	5,749
Research and development:												
Share-based compensation	255	222	268	270	332	370	388	414	428	484	1,015	1,504
Employer portion of withholding taxes on stock grants	8	10	10	6	22	2	5	5	13	5	34	34
Depreciation and amortization	71	74	79	76	64	63	37	84	108	52	300	248
Total adjustments to research and development	334	306	357	352	418	435	430	503	549	541	1,349	1,786
Restructuring, severance and related charges	542	167	51	35	92	82	490	29	20	530	795	693
Litigation settlement cost (recovery)	-	-	-	-	-	80	250	-	-	-	-	330
Acquisition related costs	541	68	154	126	213	102	-	-	-	-	889	315
Fair value remeasurement of earnout consideration	-	1,259	1,203	(1,355)	-	(673)	140	86	(9)	-	1,107	(447)
Loss on extinguishment of debt	-	-	764	-	-	-	-	-	-	-	764	-
Amortization of purchased intangible assets	1,193	1,440	1,479	1,478	1,419	1,497	1,424	1,464	1,384	1,310	5,590	5,804
Total non-GAAP adjustments to operating expenses	3,816	4,584	5,375	2,049	3,834	3,227	4,332	2,837	3,588	4,357	15,824	14,230
Interest expense (income), net	379	595	303	195	262	354	465	404	338	232	1,472	1,485
Other (income) expense, net	102	(45)	(32)	(78)	(34)	26	29	52	(19)	23	(53)	73
Provision (benefit) for income taxes	42	106	75	(2,055)	54	118	140	436	(7)	580	(1,832)	748
Total non-GAAP adjustments	4,756	5,675	5,963	346	4,333	3,984	5,207	3,874	4,348	5,555	16,740	17,398
Non-GAAP net income (loss)	\$ 2,473	\$ 3,280	\$ 2,773	\$ 2,852	\$ 2,680	\$ 1,375	\$ 2,142	\$ 2,221	\$ 2,462	\$ 2,962	\$ 11,378	\$ 8,418
Non-GAAP net income (loss) per share - diluted	\$ 0.08	\$ 0.10	\$ 0.08	\$ 0.08	\$ 0.07	\$ 0.04	\$ 0.06	\$ 0.06	\$ 0.07	\$ 0.08	\$ 0.33	\$ 0.23
<i>Non-GAAP gross margin</i>												
GAAP cost of revenue	\$ 15,242	\$ 19,241	\$ 18,708	\$ 20,878	\$ 17,759	\$ 17,712	\$ 18,328	\$ 21,126	\$ 18,934	\$ 22,007	\$ 74,069	\$ 74,925
Non-GAAP adjustments to cost of revenue	(417)	(435)	(242)	(235)	(217)	(259)	(241)	(145)	(448)	(363)	(1,329)	(862)
Non-GAAP cost of revenue	14,825	18,806	18,466	20,643	17,542	17,453	18,087	20,981	18,486	21,644	72,740	74,063
Non-GAAP gross profit	\$ 12,880	\$ 14,875	\$ 13,858	\$ 15,302	\$ 14,253	\$ 14,053	\$ 14,877	\$ 13,943	\$ 14,545	\$ 15,394	\$ 56,915	\$ 57,126
Non-GAAP gross margin	46%	44%	43%	43%	45%	45%	45%	40%	44%	42%	44%	44%
Denominator for GAAP net income (loss) per share - diluted	29,228	31,848	34,695	36,150	35,406	36,352	36,548	36,719	36,982	37,354	32,671	36,257
Non-GAAP adjustment	1,672	2,145	1,992	853	1,777	819	839	548	693	1,228	1,891	932
Denominator for non-GAAP net income (loss) per share - diluted	30,900	33,993	36,687	37,003	37,183	37,171	37,387	37,267	37,675	38,582	34,562	37,189

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

	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	June 30, 2022	June 30, 2023
Assets												
Current assets:												
Cash and cash equivalents	\$ 10,270	\$ 36,364	\$ 22,782	\$ 17,221	\$ 13,125	\$ 6,805	\$ 12,795	\$ 13,452	\$ 19,479	\$ 22,146	\$ 17,221	\$ 13,452
Accounts receivable, net	21,766	23,865	23,189	26,262	26,669	27,675	25,609	27,682	30,105	30,381	26,262	27,682
Inventories, net	26,557	29,369	33,166	37,679	45,260	49,156	51,725	49,736	45,796	42,774	37,679	49,736
Contract manufacturers' receivable	1,149	1,752	2,028	3,454	932	2,784	2,315	3,019	630	1,767	3,454	3,019
Prepaid expenses and other current assets	3,551	2,987	3,995	5,417	4,571	3,625	3,445	2,662	2,895	2,839	5,417	2,662
Total current assets	63,293	94,337	85,160	90,033	90,557	90,045	95,889	96,551	98,905	99,907	90,033	96,551
Property and equipment, net	1,772	1,829	2,333	3,652	4,858	5,081	4,813	4,629	4,926	4,815	3,652	4,629
Goodwill	18,270	18,757	18,757	20,768	27,151	27,151	27,858	27,824	27,824	27,824	20,768	27,824
Purchased intangible assets, net	19,396	17,516	16,037	14,559	15,610	14,113	12,029	10,565	9,181	7,871	14,559	10,565
Other assets	2,456	2,039	8,692	8,362	11,956	11,395	10,898	12,055	11,563	11,206	8,362	12,055
Total assets	\$ 105,187	\$ 134,478	\$ 130,979	\$ 137,374	\$ 150,132	\$ 147,785	\$ 151,487	\$ 151,624	\$ 152,399	\$ 151,623	\$ 137,374	\$ 151,624
Liabilities and stockholders' equity												
Current liabilities:												
Accounts payable	\$ 15,600	\$ 13,306	\$ 15,510	\$ 20,644	\$ 15,378	\$ 16,717	\$ 15,189	\$ 12,401	\$ 9,149	\$ 9,595	\$ 20,644	\$ 12,401
Accrued payroll and related expenses	3,894	5,103	3,690	4,729	4,185	3,209	3,073	2,431	2,539	3,303	4,729	2,431
Current portion of long-term debt, net	1,515	1,466	1,671	1,671	1,965	2,224	2,484	2,743	3,002	3,002	1,671	2,743
Other current liabilities	10,093	10,288	12,468	8,477	16,713	15,325	25,206	28,813	34,062	32,089	8,477	28,813
Total current liabilities	31,102	30,163	33,339	35,521	40,241	39,475	45,952	46,388	48,752	47,989	35,521	46,388
Long-term debt, net	27,075	26,520	14,691	14,274	18,473	17,723	16,972	16,221	15,471	14,720	14,274	16,221
Other non-current liabilities	1,376	1,286	7,920	7,683	11,680	11,069	10,535	11,459	11,185	12,138	7,683	11,459
Total liabilities	59,553	57,969	55,950	57,478	70,394	68,267	73,459	74,068	75,408	74,847	57,478	74,068
Commitments and contingencies												
Stockholders' equity:												
Common Stock	3	3	3	4	4	4	4	4	4	4	4	4
Additional paid-in capital	251,706	284,976	286,686	289,046	290,541	292,930	294,505	295,686	297,007	299,385	289,046	295,686
Accumulated deficit	(206,446)	(208,841)	(212,031)	(209,525)	(211,178)	(213,787)	(216,852)	(218,505)	(220,391)	(222,984)	(209,525)	(218,505)
Accumulated other comprehensive income	371	371	371	371	371	371	371	371	371	371	371	371
Total stockholders' equity	45,634	76,509	75,029	79,896	79,738	79,518	78,028	77,556	76,991	76,776	79,896	77,556
Total liabilities and stockholders' equity	\$ 105,187	\$ 134,478	\$ 130,979	\$ 137,374	\$ 150,132	\$ 147,785	\$ 151,487	\$ 151,624	\$ 152,399	\$ 151,623	\$ 137,374	\$ 151,624