

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 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	2024	2025
Net revenue	\$ 33,031	\$ 37,038	\$ 41,183	\$ 49,075	\$ 34,423	\$ 31,161	\$ 28,500	\$ 28,839	\$ 29,794	\$ 29,774	\$ 160,327	\$ 122,923
Cost of revenue	18,934	22,007	24,679	30,353	19,948	17,877	16,097	17,302	16,448	16,807	95,973	71,224
Gross profit	14,097	15,031	16,504	18,722	14,475	13,284	12,403	11,537	13,346	12,967	64,354	51,699
Operating expenses:						42.6%						
Selling, general and administrative	9,170	10,224	9,753	11,059	9,467	8,811	8,959	9,009	9,542	8,740	40,206	36,246
Research and development	5,106	4,725	5,186	5,265	4,956	4,984	4,463	4,194	4,598	4,620	20,282	18,597
Restructuring, severance and related charges	20	530	350	523	900	193	1,581	861	93	43	1,423	3,535
Acquisition-related costs	-	-	-	-	29	208	100	34	43	40	-	371
Fair value remeasurement of earnout consideration	(9)	-	-	-	-	-	-	-	-	40	(9)	-
Amortization of purchased intangible assets	1,384	1,310	1,310	1,310	1,251	1,248	879	573	597	598	5,314	3,951
Total operating expenses	15,671	16,789	16,599	18,157	16,603	15,444	15,982	14,671	14,873	14,041	67,216	62,700
Income (loss) from operations	(1,574)	(1,758)	(95)	565	(2,128)	(2,160)	(3,579)	(3,134)	(1,527)	(1,074)	(2,862)	(11,001)
Interest income (expense), net	(338)	(232)	(171)	(175)	(119)	(126)	(159)	(107)	(15)	(9)	(916)	(511)
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	-	-	-	-
Other income (expense), net	19	(23)	2	9	(37)	8	(19)	(52)	183	(4)	7	(100)
Income (loss) before income taxes	(1,893)	(2,013)	(264)	399	(2,284)	(2,278)	(3,757)	(3,293)	(1,359)	(1,087)	(3,771)	(11,612)
Provision (benefit) for income taxes	(7)	580	159	13	218	94	111	(662)	42	243	745	(239)
Net income (loss)	\$ (1,886)	\$ (2,593)	\$ (423)	\$ 386	\$ (2,502)	\$ (2,372)	\$ (3,868)	\$ (2,631)	\$ (1,401)	\$ (1,330)	\$ (4,516)	\$ (11,373)
Basic net income (loss) per share	\$ (0.05)	\$ (0.07)	\$ (0.01)	\$ 0.01	\$ (0.07)	\$ (0.06)	\$ (0.10)	\$ (0.07)	\$ (0.04)	\$ (0.03)	\$ (0.12)	\$ (0.29)
Diluted net income (loss) per share	\$ (0.05)	\$ (0.07)	\$ (0.01)	\$ 0.01	\$ (0.07)	\$ (0.06)	\$ (0.10)	\$ (0.07)	\$ (0.04)	\$ (0.03)	\$ (0.12)	\$ (0.29)
Basic weighted-average shares	36,982	37,354	37,509	37,697	38,024	38,631	38,820	38,975	39,188	39,496	37,386	38,613
Diluted weighted-average shares	36,982	37,354	37,509	38,096	38,024	38,631	38,820	38,975	39,188	39,496	37,386	38,613
<i>Non-GAAP Information:</i>												
Non-GAAP operating expenses	\$ 12,083	\$ 12,432	\$ 12,675	\$ 13,264	\$ 12,330	\$ 11,691	\$ 11,521	\$ 11,356	\$ 12,029	\$ 11,458	\$ 50,454	\$ 46,898
Non-GAAP net income (loss)	\$ 2,462	\$ 2,962	\$ 4,230	\$ 5,775	\$ 2,337	\$ 1,757	\$ 1,061	\$ 363	\$ 1,478	\$ 1,648	\$ 15,429	\$ 5,518
Non-GAAP basic net income (loss) per share	\$ 0.07	\$ 0.08	\$ 0.11	\$ 0.15	\$ 0.06	\$ 0.05	\$ 0.03	\$ 0.01	\$ 0.04	\$ 0.04	\$ 0.41	\$ 0.14
Non-GAAP diluted net income (loss) per share	\$ 0.07	\$ 0.08	\$ 0.11	\$ 0.15	\$ 0.06	\$ 0.04	\$ 0.03	\$ 0.01	\$ 0.04	\$ 0.04	\$ 0.40	\$ 0.14

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

	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	Fiscal Year Ended June 30,	
											2024	2025
GAAP net income (loss)	\$ (1,886)	\$ (2,593)	\$ (423)	\$ 386	\$ (2,502)	\$ (2,372)	\$ (3,868)	\$ (2,631)	\$ (1,401)	\$ (1,330)	\$ (4,516)	\$ (11,373)
Non-GAAP adjustments:												
Cost of revenue:												
Share-based compensation	41	64	66	66	64	48	34	40	35	29	237	186
Employer portion of withholding taxes on stock grants	4	1	1	1	5	2	-	1	2	4	7	8
Amortization of manufacturing profit in acquired inventory	317	189	190	126	-	-	44	44	18	-	822	88
Depreciation and amortization	86	109	144	124	123	114	101	97	106	106	463	435
Total adjustments to cost of revenue	448	363	401	317	192	164	179	182	161	139	1,529	717
Selling, general and administrative:												
Share-based compensation and related withholding taxes	1,273	1,628	1,337	2,010	1,126	1,044	1,159	1,095	1,454	1,354	6,248	4,424
Employer portion of withholding taxes on stock grants	37	10	21	19	78	20	13	14	27	38	87	125
Depreciation and amortization	334	338	352	369	351	348	345	316	290	252	1,393	1,360
Total adjustments to selling, general and administrative	1,644	1,976	1,710	2,398	1,555	1,412	1,517	1,425	1,771	1,644	7,728	5,909
Research and development:												
Share-based compensation	428	484	469	471	410	421	324	367	284	197	1,852	1,522
Employer portion of withholding taxes on stock grants	13	5	9	4	19	2	4	2	6	12	31	27
Depreciation and amortization	108	52	76	72	69	111	56	53	50	49	308	289
Total adjustments to research and development	549	541	554	547	498	534	384	422	340	258	2,191	1,838
Restructuring, severance and related charge:	20	530	350	523	900	193	1,581	861	93	43	1,423	3,535
Litigation settlement cost (recovery)	-	-	-	115	40	158	-	-	-	-	115	198
Acquisition related costs	-	-	-	-	29	208	100	34	43	40	-	371
Fair value remeasurement of earnout consideration	(9)	-	-	-	-	-	-	-	-	-	(9)	-
Amortization of purchased intangible assets	1,384	1,310	1,310	1,310	1,251	1,248	879	573	597	598	5,314	3,951
Total non-GAAP adjustments to operating expenses	3,588	4,357	3,924	4,893	4,273	3,753	4,461	3,315	2,844	2,583	16,762	15,802
Non-GAAP operating expenses	12,083	12,432	12,675	13,264	12,330	11,691	11,521	11,356	12,029	11,458	50,454	46,898
Interest expense (income), net	338	232	171	175	119	126	159	107	15	9	916	511
Other (income) expense, net	(19)	23	(2)	(9)	37	(8)	19	52	(183)	4	(7)	100
Provision (benefit) for income taxes	(7)	580	159	13	218	94	111	(662)	42	243	745	(239)
Total non-GAAP adjustments	4,348	5,555	4,653	5,389	4,839	4,129	4,929	2,994	2,879	2,978	19,945	16,891
Non-GAAP net income (loss)	\$ 2,462	\$ 2,962	\$ 4,230	\$ 5,775	\$ 2,337	\$ 1,757	\$ 1,061	\$ 363	\$ 1,478	\$ 1,648	\$ 15,429	\$ 5,518
Non-GAAP net income (loss) per share - diluted	\$ 0.07	\$ 0.08	\$ 0.11	\$ 0.15	\$ 0.06	\$ 0.04	\$ 0.03	\$ 0.01	\$ 0.04	\$ 0.04	\$ 0.40	\$ 0.14
<i>Non-GAAP gross margin</i>												
GAAP cost of revenue	\$ 18,934	\$ 22,007	\$ 24,679	\$ 30,353	\$ 19,948	\$ 17,877	\$ 16,097	\$ 17,302	\$ 16,448	\$ 16,807	\$ 95,973	\$ 71,224
Non-GAAP adjustments to cost of revenue	(448)	(363)	(401)	(317)	(192)	(164)	(179)	(182)	(161)	(139)	(1,529)	(717)
Non-GAAP cost of revenue	18,486	21,644	24,278	30,036	19,756	17,713	15,918	17,120	16,287	16,668	94,444	70,507
Non-GAAP gross profit	\$ 14,545	\$ 15,394	\$ 16,905	\$ 19,039	\$ 14,667	\$ 13,448	\$ 12,582	\$ 11,719	\$ 13,507	\$ 13,106	\$ 65,883	\$ 52,416
Non-GAAP gross margin	44.0%	41.6%	41.0%	38.8%	42.6%	43.2%	44.1%	40.6%	45.3%	44.0%	41.1%	42.6%
Denominator for GAAP net income (loss) per share - diluted	36,982	37,354	37,509	38,096	38,024	38,631	38,820	38,975	39,188	39,496	37,386	38,613
Non-GAAP adjustment	693	1,228	1,674	771	1,257	953	1,300	108	2,214	2,209	1,367	820
Denominator for non-GAAP net income (loss) per share - diluted	37,675	38,582	39,183	38,867	39,281	39,584	40,120	39,083	41,402	41,705	38,753	39,433

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

	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024	September 30, 2024	December 31, 2024	March 31, 2025	June 30, 2025	September 30, 2025	December 31, 2025	June 30, 2024	June 30, 2025
Assets												
Current assets:												
Cash and cash equivalents	\$ 19,479	\$ 22,146	\$ 24,642	\$ 26,237	\$ 26,395	\$ 19,210	\$ 19,999	\$ 20,098	\$ 22,191	\$ 22,964	\$ 26,237	\$ 20,098
Accounts receivable, net	30,105	30,381	28,542	31,279	30,801	30,472	23,648	25,092	21,925	23,261	31,279	25,092
Inventories, net	45,796	42,774	40,552	27,698	29,533	29,070	28,151	26,371	26,755	27,074	27,698	26,371
Contract manufacturers' receivable	630	1,767	1,562	1,401	2,722	3,473	1,637	3,071	452	1,114	1,401	3,071
Prepaid expenses and other current assets	2,895	2,839	2,586	2,335	3,169	3,329	3,029	2,761	3,101	3,488	2,335	2,761
Total current assets	98,905	99,907	97,884	88,950	92,620	85,554	76,464	77,393	74,424	77,901	88,950	77,393
Property and equipment, net	4,926	4,815	4,409	4,016	3,642	3,155	2,768	2,456	2,107	1,818	4,016	2,456
Goodwill	27,824	27,824	27,824	27,824	27,824	30,491	31,089	31,089	31,089	31,089	27,824	31,089
Intangible assets, net	9,181	7,871	6,561	5,251	4,000	4,910	4,310	3,738	3,141	2,543	5,251	3,738
Lease right-of-use assets	11,102	10,617	10,128	9,567	9,165	9,430	8,974	8,422	8,114	7,713	9,567	8,422
Other assets	461	589	586	600	607	683	584	624	693	667	600	624
Total assets	<u>\$ 152,399</u>	<u>\$ 151,623</u>	<u>\$ 147,392</u>	<u>\$ 136,208</u>	<u>\$ 137,858</u>	<u>\$ 134,223</u>	<u>\$ 124,189</u>	<u>\$ 123,722</u>	<u>\$ 119,568</u>	<u>\$ 121,731</u>	<u>\$ 136,208</u>	<u>\$ 123,722</u>
Liabilities and stockholders' equity												
Current liabilities:												
Accounts payable	\$ 9,149	\$ 9,595	\$ 13,845	\$ 10,347	\$ 17,149	\$ 15,975	\$ 11,005	\$ 13,259	\$ 9,634	\$ 12,669	\$ 10,347	\$ 13,259
Accrued payroll and related expenses	2,539	3,303	4,539	5,836	3,440	2,968	3,905	3,471	3,830	4,163	5,836	3,471
Current portion of long-term debt, net	3,002	3,002	3,002	3,002	3,057	3,056	3,063	3,070	-	-	3,002	3,070
Other current liabilities	34,062	32,089	22,188	10,971	11,859	11,436	10,594	10,622	11,259	11,536	10,971	10,622
Total current liabilities	48,752	47,989	43,574	30,156	35,505	33,435	28,567	30,422	24,723	28,368	30,156	30,422
Long-term debt, net	15,471	14,720	13,970	13,219	12,409	11,630	9,458	8,684	10,662	9,677	13,219	8,684
Other non-current liabilities	11,185	12,138	11,763	11,478	11,014	11,245	10,694	10,238	9,733	9,265	11,478	10,238
Total liabilities	<u>75,408</u>	<u>74,847</u>	<u>69,307</u>	<u>54,853</u>	<u>58,928</u>	<u>56,310</u>	<u>48,719</u>	<u>49,344</u>	<u>45,118</u>	<u>47,310</u>	<u>54,853</u>	<u>49,344</u>
Commitments and contingencies												
Stockholders' equity:												
Common Stock	4	4	4	4	4	4	4	4	4	4	4	4
Additional paid-in capital	297,007	299,385	301,117	304,001	304,078	305,433	306,858	308,397	309,870	311,171	304,001	308,397
Accumulated deficit	(220,391)	(222,984)	(223,407)	(223,021)	(225,523)	(227,895)	(231,763)	(234,394)	(235,795)	(237,125)	(223,021)	(234,394)
Accumulated other comprehensive income	371	371	371	371	371	371	371	371	371	371	371	371
Total stockholders' equity	<u>76,991</u>	<u>76,776</u>	<u>78,085</u>	<u>81,355</u>	<u>78,930</u>	<u>77,913</u>	<u>75,470</u>	<u>74,378</u>	<u>74,450</u>	<u>74,421</u>	<u>81,355</u>	<u>74,378</u>
Total liabilities and stockholders' equity	<u>\$ 152,399</u>	<u>\$ 151,623</u>	<u>\$ 147,392</u>	<u>\$ 136,208</u>	<u>\$ 137,858</u>	<u>\$ 134,223</u>	<u>\$ 124,189</u>	<u>\$ 123,722</u>	<u>\$ 119,568</u>	<u>\$ 121,731</u>	<u>\$ 136,208</u>	<u>\$ 123,722</u>