

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.

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

												Fiscal Year Ended June 30,	
	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	2021	2022
Net revenue	\$ 17,146	\$ 16,585	\$ 17,108	\$ 20,638	\$ 27,705	\$ 33,681	\$ 32,324	\$ 35,945	\$ 31,795	\$ 31,506	\$ 32,964	\$ 71,477	\$ 129,655
Cost of revenue	8,907	9,589	9,390	10,566	15,242	19,241	18,708	20,878	17,759	17,712	18,336	38,452	74,069
Gross profit	<u>8,239</u>	<u>6,996</u>	<u>7,718</u>	<u>10,072</u>	<u>12,463</u>	<u>14,440</u>	<u>13,616</u>	<u>15,067</u>	<u>14,036</u>	<u>13,794</u>	<u>14,628</u>	<u>33,025</u>	<u>55,586</u>
Operating expenses:													
Selling, general and administrative	4,899	4,853	4,995	6,061	7,906	8,935	8,326	9,362	9,157	9,813	9,946	20,808	34,529
Research and development	2,572	2,449	2,519	3,573	4,041	4,310	4,483	4,853	4,526	5,084	5,067	11,113	17,687
Restructuring, severance and related charges	92	137	120	157	542	167	51	35	92	82	490	506	795
Acquisition-related costs	-	-	178	663	541	68	154	126	213	102	-	841	889
Fair value remeasurement of earnout consideration	-	-	-	-	-	1,259	1,203	(1,355)	-	(673)	140	-	1,107
Amortization of purchased intangible assets	882	879	754	579	1,193	1,440	1,479	1,478	1,419	1,497	1,424	3,094	5,590
Total operating expenses	<u>8,445</u>	<u>8,318</u>	<u>8,566</u>	<u>11,033</u>	<u>14,223</u>	<u>16,179</u>	<u>15,696</u>	<u>14,499</u>	<u>15,407</u>	<u>15,905</u>	<u>17,067</u>	<u>36,362</u>	<u>60,597</u>
Income (loss) from operations	(206)	(1,322)	(848)	(961)	(1,760)	(1,739)	(2,080)	568	(1,371)	(2,111)	(2,439)	(3,337)	(5,011)
Interest income (expense), net	(85)	(82)	(77)	(71)	(379)	(595)	(303)	(195)	(262)	(354)	(465)	(315)	(1,472)
Loss on extinguishment of debt	-	-	-	-	-	-	(764)	-	-	-	-	-	(764)
Other income (expense), net	39	2	(224)	(14)	(102)	45	32	78	34	(26)	(21)	(197)	53
Income (loss) before income taxes	(252)	(1,402)	(1,149)	(1,046)	(2,241)	(2,289)	(3,115)	451	(1,599)	(2,491)	(2,925)	(3,849)	(7,194)
Provision (benefit) for income taxes	50	57	38	50	42	106	75	(2,055)	54	118	140	195	(1,832)
Net income (loss)	<u>\$ (302)</u>	<u>\$ (1,459)</u>	<u>\$ (1,187)</u>	<u>\$ (1,096)</u>	<u>\$ (2,283)</u>	<u>\$ (2,395)</u>	<u>\$ (3,190)</u>	<u>\$ 2,506</u>	<u>\$ (1,653)</u>	<u>\$ (2,609)</u>	<u>\$ (3,065)</u>	<u>\$ (4,044)</u>	<u>\$ (5,362)</u>
Basic net income (loss) per share	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>	<u>\$ (0.08)</u>	<u>\$ (0.09)</u>	<u>\$ 0.07</u>	<u>\$ (0.05)</u>	<u>\$ (0.07)</u>	<u>\$ (0.08)</u>	<u>\$ (0.14)</u>	<u>\$ (0.16)</u>
Diluted net income (loss) per share	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>	<u>\$ (0.08)</u>	<u>\$ (0.09)</u>	<u>\$ 0.07</u>	<u>\$ (0.05)</u>	<u>\$ (0.07)</u>	<u>\$ (0.08)</u>	<u>\$ (0.14)</u>	<u>\$ (0.16)</u>
Basic weighted-average shares	28,371	28,661	28,819	28,979	29,228	31,848	34,695	34,933	35,406	36,352	36,548	28,708	32,671
Diluted weighted-average shares	<u>28,371</u>	<u>28,661</u>	<u>28,819</u>	<u>28,979</u>	<u>29,228</u>	<u>31,848</u>	<u>34,695</u>	<u>36,150</u>	<u>35,406</u>	<u>36,352</u>	<u>36,548</u>	<u>28,708</u>	<u>32,671</u>
<i>Non-GAAP Information:</i>													
Non-GAAP operating expenses	<u>\$ 6,827</u>	<u>\$ 6,401</u>	<u>\$ 6,422</u>	<u>\$ 8,538</u>	<u>\$ 10,407</u>	<u>\$ 11,595</u>	<u>\$ 10,321</u>	<u>\$ 12,450</u>	<u>\$ 11,573</u>	<u>\$ 12,678</u>	<u>\$ 12,735</u>	<u>\$ 28,188</u>	<u>\$ 44,773</u>
Non-GAAP net income (loss)	<u>\$ 1,654</u>	<u>\$ 860</u>	<u>\$ 1,539</u>	<u>\$ 1,709</u>	<u>\$ 2,473</u>	<u>\$ 3,280</u>	<u>\$ 2,773</u>	<u>\$ 2,852</u>	<u>\$ 2,680</u>	<u>\$ 1,375</u>	<u>\$ 2,142</u>	<u>\$ 5,762</u>	<u>\$ 11,378</u>
Non-GAAP basic net income (loss) per share	<u>\$ 0.06</u>	<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.06</u>	<u>\$ 0.08</u>	<u>\$ 0.10</u>	<u>\$ 0.08</u>	<u>\$ 0.08</u>	<u>\$ 0.08</u>	<u>\$ 0.04</u>	<u>\$ 0.06</u>	<u>\$ 0.20</u>	<u>\$ 0.35</u>
Non-GAAP diluted net income (loss) per share	<u>\$ 0.05</u>	<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.06</u>	<u>\$ 0.08</u>	<u>\$ 0.10</u>	<u>\$ 0.08</u>	<u>\$ 0.08</u>	<u>\$ 0.07</u>	<u>\$ 0.04</u>	<u>\$ 0.06</u>	<u>\$ 0.19</u>	<u>\$ 0.33</u>

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

												Fiscal Year Ended June 30,	
	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	2021	2022
GAAP net income (loss)	\$ (302)	\$ (1,459)	\$ (1,187)	\$ (1,096)	\$ (2,283)	\$ (2,395)	\$ (3,190)	\$ 2,506	\$ (1,653)	\$ (2,609)	\$ (3,065)	\$ (4,044)	\$ (5,362)
Non-GAAP adjustments:													
Cost of revenue:													
Share-based compensation	58	84	70	69	100	100	80	89	51	61	47	281	369
Employer portion of withholding taxes on stock grants	-	-	3	2	1	7	1	-	12	-	1	5	9
Amortization of manufacturing profit in acquired inventory	7	-	-	-	180	200	-	-	24	80	77	7	380
Depreciation and amortization	177	181	170	104	136	128	161	146	130	118	116	632	571
Total adjustments to cost of revenue	242	265	243	175	417	435	242	235	217	259	241	925	1,329
Selling, general and administrative:													
Share-based compensation and related withholding taxes	445	671	803	800	1,126	1,178	1,264	1,294	1,405	1,434	1,293	2,719	4,862
Employer portion of withholding taxes on stock grants	5	6	19	13	13	91	25	15	132	10	25	43	144
Depreciation and amortization	55	37	38	40	67	75	78	104	155	260	280	170	324
Total adjustments to selling, general and administrative	505	714	860	853	1,206	1,344	1,367	1,413	1,692	1,704	1,598	2,932	5,330
Research and development:													
Share-based compensation	100	135	170	179	255	222	268	270	332	370	388	584	1,015
Employer portion of withholding taxes on stock grants	6	2	5	6	8	10	10	6	22	2	5	19	34
Depreciation and amortization	33	50	57	58	71	74	79	76	64	63	37	198	300
Total adjustments to research and development	139	187	232	243	334	306	357	352	418	435	430	801	1,349
Restructuring, severance and related charges	92	137	120	157	542	167	51	35	92	82	490	506	795
Litigation settlement cost (recovery)	-	-	-	-	-	-	-	-	-	80	250	-	-
Acquisition related costs	-	-	178	663	541	68	154	126	213	102	-	841	889
Fair value remeasurement of earnout consideration	-	-	-	-	-	1,259	1,203	(1,355)	-	(673)	140	-	1,107
Loss on extinguishment of debt	-	-	-	-	-	-	764	-	-	-	-	-	764
Amortization of purchased intangible assets	882	879	754	579	1,193	1,440	1,479	1,478	1,419	1,497	1,424	3,094	5,590
Total non-GAAP adjustments to operating expenses	1,618	1,917	2,144	2,495	3,816	4,584	5,375	2,049	3,834	3,227	4,332	8,174	15,824
Interest expense (income), net	85	82	77	71	379	595	303	195	262	354	465	315	1,472
Other (income) expense, net	(39)	(2)	224	14	102	(45)	(32)	(78)	(34)	26	29	197	(53)
Provision (benefit) for income taxes	50	57	38	50	42	106	75	(2,055)	54	118	140	195	(1,832)
Total non-GAAP adjustments	1,956	2,319	2,726	2,805	4,756	5,675	5,963	346	4,333	3,984	5,207	9,806	16,740
Non-GAAP net income (loss)	\$ 1,654	\$ 860	\$ 1,539	\$ 1,709	\$ 2,473	\$ 3,280	\$ 2,773	\$ 2,852	\$ 2,680	\$ 1,375	\$ 2,142	\$ 5,762	\$ 11,378
Non-GAAP net income (loss) per share - diluted	\$ 0.05	\$ 0.03	\$ 0.05	\$ 0.06	\$ 0.08	\$ 0.10	\$ 0.08	\$ 0.08	\$ 0.07	\$ 0.04	\$ 0.06	\$ 0.19	\$ 0.33
<i>Reconciliation of non-GAAP operating expenses</i>													
GAAP operating expenses	8,445	8,318	8,566	11,033	14,223	16,179	15,696	14,499	15,407	15,905	17,067	36,362	60,597
Non-GAAP adjustments to operating expenses	(1,618)	(1,917)	(2,144)	(2,495)	(3,816)	(4,584)	(5,375)	(2,049)	(3,834)	(3,227)	(4,332)	(8,174)	(15,824)
Non-GAAP operating expenses	\$ 6,827	\$ 6,401	\$ 6,422	\$ 8,538	\$ 10,407	\$ 11,595	\$ 10,321	\$ 12,450	\$ 11,573	\$ 12,678	\$ 12,735	\$ 28,188	\$ 44,773
Denominator for GAAP net income (loss) per share - diluted	28,371	28,661	28,819	28,979	29,228	31,848	34,695	36,150	35,406	36,352	36,548	28,708	32,671
Non-GAAP adjustment	1,833	1,695	1,700	1,716	1,672	2,145	1,992	853	1,777	819	839	1,689	1,891
Denominator for non-GAAP net income (loss) per share - diluted	30,204	30,356	30,519	30,695	30,900	33,993	36,687	37,003	37,183	37,171	37,387	30,397	34,562

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

	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2021	June 30, 2022
Assets													
Current assets:													
Cash and cash equivalents	\$ 7,709	\$ 7,621	\$ 8,277	\$ 9,739	\$ 10,270	\$ 36,364	\$ 22,782	\$ 17,221	\$ 13,125	\$ 6,805	\$ 12,795	\$ 9,739	\$ 17,221
Accounts receivable, net	12,345	13,298	11,623	13,515	21,766	23,865	23,189	26,262	26,669	27,675	25,609	13,515	26,262
Inventories, net	13,888	14,304	15,079	15,059	26,557	29,369	33,166	37,679	45,260	49,156	51,725	15,059	37,679
Contract manufacturers' receivable	551	646	1,258	1,960	1,149	1,752	2,028	3,454	932	2,784	2,315	1,960	3,454
Prepaid expenses and other current assets	1,690	1,622	2,337	2,880	3,551	2,987	3,995	5,417	4,571	3,625	3,445	2,880	5,417
Total current assets	36,183	37,491	38,574	43,153	63,293	94,337	85,160	90,033	90,557	90,045	95,889	43,153	90,033
Property and equipment, net	1,555	1,589	1,442	1,577	1,772	1,829	2,333	3,652	4,858	5,081	4,813	1,577	3,652
Goodwill	15,810	15,810	15,810	15,810	18,270	18,757	18,757	20,768	27,151	27,151	27,858	15,810	20,768
Purchased intangible assets, net	11,567	10,688	9,934	9,355	19,396	17,516	16,037	14,559	15,610	14,113	12,029	9,355	14,559
Other assets	3,215	2,843	2,509	2,671	2,456	2,039	8,692	8,362	11,956	11,395	485	2,671	8,362
Total assets	\$ 68,330	\$ 68,421	\$ 68,269	\$ 72,566	\$ 105,187	\$ 134,478	\$ 130,979	\$ 137,374	\$ 150,132	\$ 147,785	\$ 151,487	\$ 72,566	\$ 137,374
Liabilities and stockholders' equity													
Current liabilities:													
Accounts payable	\$ 6,676	\$ 7,472	\$ 6,791	\$ 9,122	\$ 15,600	\$ 13,306	\$ 15,510	\$ 20,644	\$ 15,378	\$ 16,717	\$ 15,189	\$ 9,122	\$ 20,644
Line of credit									2,000	2,000	-	-	-
Accrued payroll and related expenses	2,390	2,317	2,427	4,942	3,894	5,103	3,690	4,729	4,185	3,209	3,073	4,942	4,729
Current portion of long-term debt, net	1,472	1,472	1,472	1,472	1,515	1,466	1,671	1,671	1,965	2,224	2,484	1,472	1,671
Other current liabilities	6,339	6,808	8,033	7,328	10,093	10,288	12,468	8,477	16,713	15,325	25,206	7,328	8,477
Total current liabilities	16,877	18,069	18,723	22,864	31,102	30,163	33,339	35,521	40,241	39,475	45,952	22,864	35,521
Long-term debt, net	3,314	2,946	2,578	2,210	27,075	26,520	14,691	14,274	18,473	17,723	16,972	2,210	14,274
Other non-current liabilities	1,640	1,293	1,061	1,396	1,376	1,286	7,920	7,683	11,680	11,069	10,535	1,396	7,683
Total liabilities	21,831	22,308	22,362	26,470	59,553	57,969	55,950	57,478	70,394	68,267	73,459	26,470	57,478
Commitments and contingencies													
Stockholders' equity:													
Common Stock	3	3	3	3	3	3	3	4	4	4	4	3	4
Additional paid-in capital	246,546	247,619	248,600	249,885	251,706	284,976	286,686	289,046	290,541	292,930	294,505	249,885	289,046
Accumulated deficit	(200,421)	(201,880)	(203,067)	(204,163)	(206,446)	(208,841)	(212,031)	(209,525)	(211,178)	(213,787)	(216,852)	(204,163)	(209,525)
Accumulated other comprehensive income	371	371	371	371	371	371	371	371	371	371	371	371	371
Total stockholders' equity	46,499	46,113	45,907	46,096	45,634	76,509	75,029	79,896	79,738	79,518	78,028	46,096	79,896
Total liabilities and stockholders' equity	\$ 68,330	\$ 68,421	\$ 68,269	\$ 72,566	\$ 105,187	\$ 134,478	\$ 130,979	\$ 137,374	\$ 150,132	\$ 147,785	\$ 151,487	\$ 72,566	\$ 137,374