



# February 2017



# Forward Looking Statements

This presentation contains forward-looking statements, including statements concerning our business plans, our product development strategies, and our target financial model. Any statement relating to our plans, goals, expectations or any future event should be considered a forward looking statement. While we have based our forward-looking statements on our current expectations, forward-looking statements are subject to substantial risks and uncertainties. As a result, our actual results could differ materially from those indicated in our forward-looking statements, and you should not rely on any of these forward-looking statements.

Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, changes in customer demand, the extent to which we are able to develop successful new products, changes to the rate of decline of our legacy products, and the risks and uncertainties described in “Risk Factors” in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, as well as in our other filings with the SEC.

Our forward looking statements are based on our view as of the date they are made. We expressly disclaim any intent or obligation to update any forward-looking statements after the date hereof.

# Lantronix – Enabling the Enterprise Internet of Things

- Global provider of secure data access and management solutions for enterprise IoT and IT assets
- Innovator known for leading edge connectivity solutions that are easy to deploy and help accelerate time to market
- Millions of devices connected worldwide
- Improving fundamentals
- Based in Irvine California - company founded in 1989
- NASDAQ listed: **LTRX**

**New Leadership**  
Focused on Growth

**1<sup>st</sup> Half FY 2017**  
\$22.2M Revenues  
10% YoY growth

**Global Revenue**  
Americas 57%  
EMEA 28%  
APJ 15%

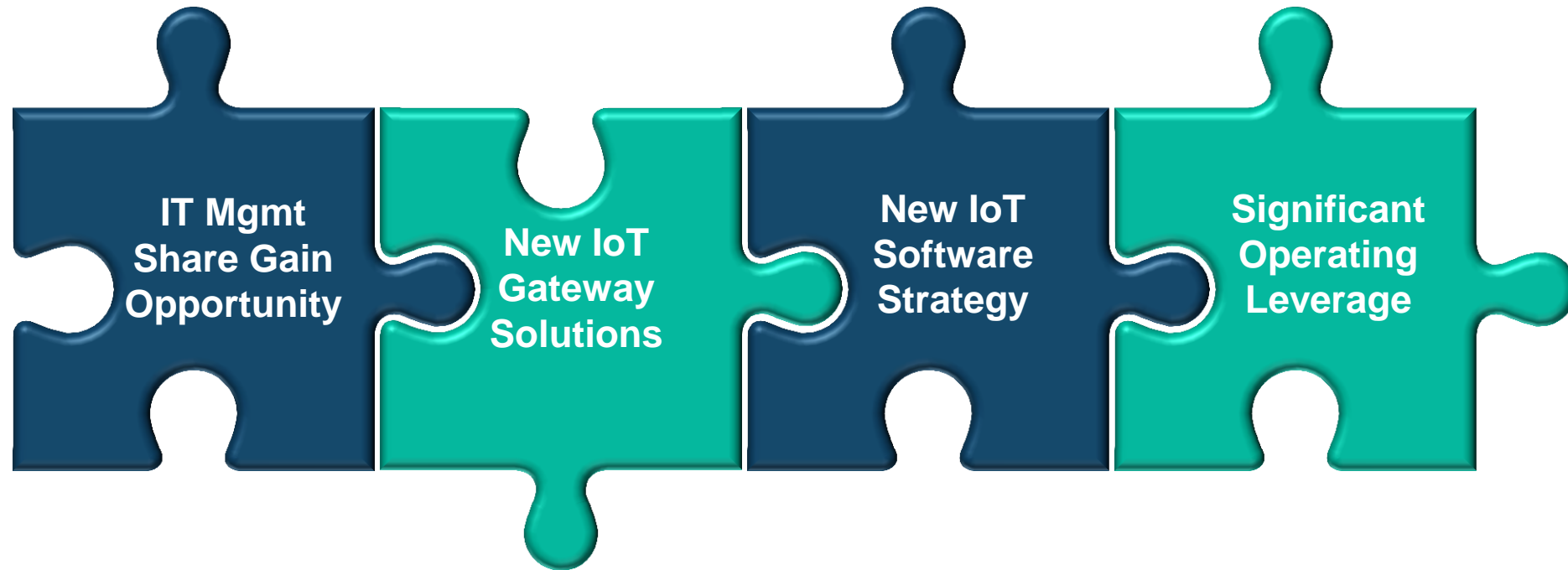
**IoT Pure Play**  
Established public  
company investing in  
Growth Market

# **Our New Mission**

## **CREATING SECURE DATA ACCESS AND MANAGEMENT SOLUTIONS FOR ENTERPRISE IOT AND IT ASSETS**

**Our mission is to be the leading supplier of IoT gateways that dramatically simplify the creation, deployment, and management of IoT projects while providing secure access to data for applications and people.**

# Company Growth Drivers



# Product Portfolio

## IOT GATEWAYS & BUILDING BLOCKS



Connectivity Without Complexity

## IT MANAGEMENT SOLUTIONS



Centralized Management of Distributed IT Infrastructure

## MANAGEMENT SOFTWARE

**MACH10>**

Scalable Software Made Simple



# Key Verticals



Energy / Utilities



Financial



Health Care



Industrial



Retail



Transportation



**LANTRONIX**  
CONNECT SMART. DO MORE.

# Blue Chip Customer Base

T-Mobile



BROCADE



Nationwide



SIEMENS



**TOSHIBA**  
Leading Innovation >>>



**Rockwell**  
**Automation**



**Medtronic**  
*When Life Depends on Medical Technology*

**Honeywell**





# Building A Foundation for Growth

## Get the right team in place

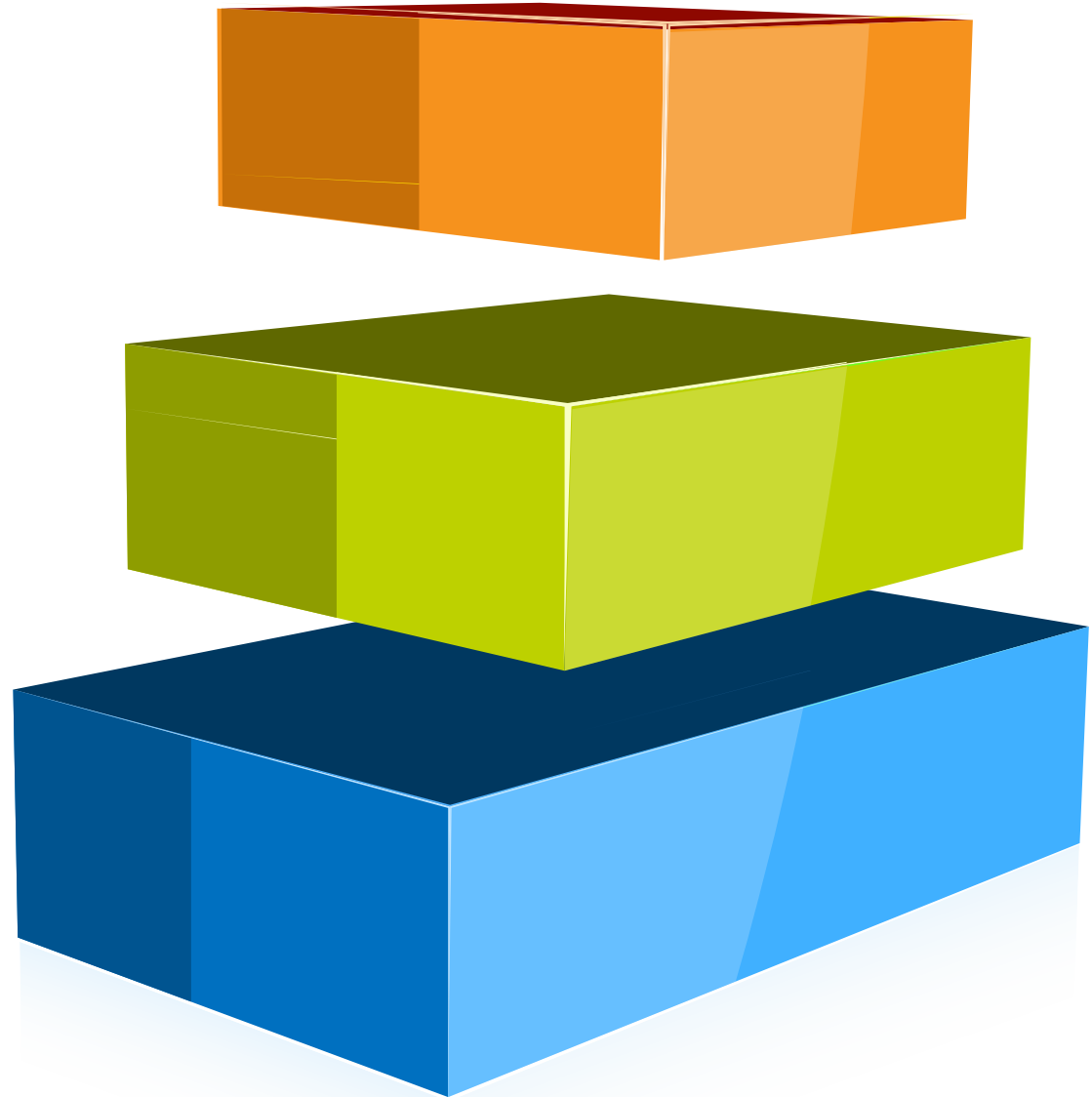
- New CEO, CTO, VP WW Sales, sales and marketing leaders
- Consolidated APAC and Japan

## Driving operational excellence

- Rationalized channel
- Focused marketing and sales discipline
- Drive market share gains
- Return to non-GAAP profitability

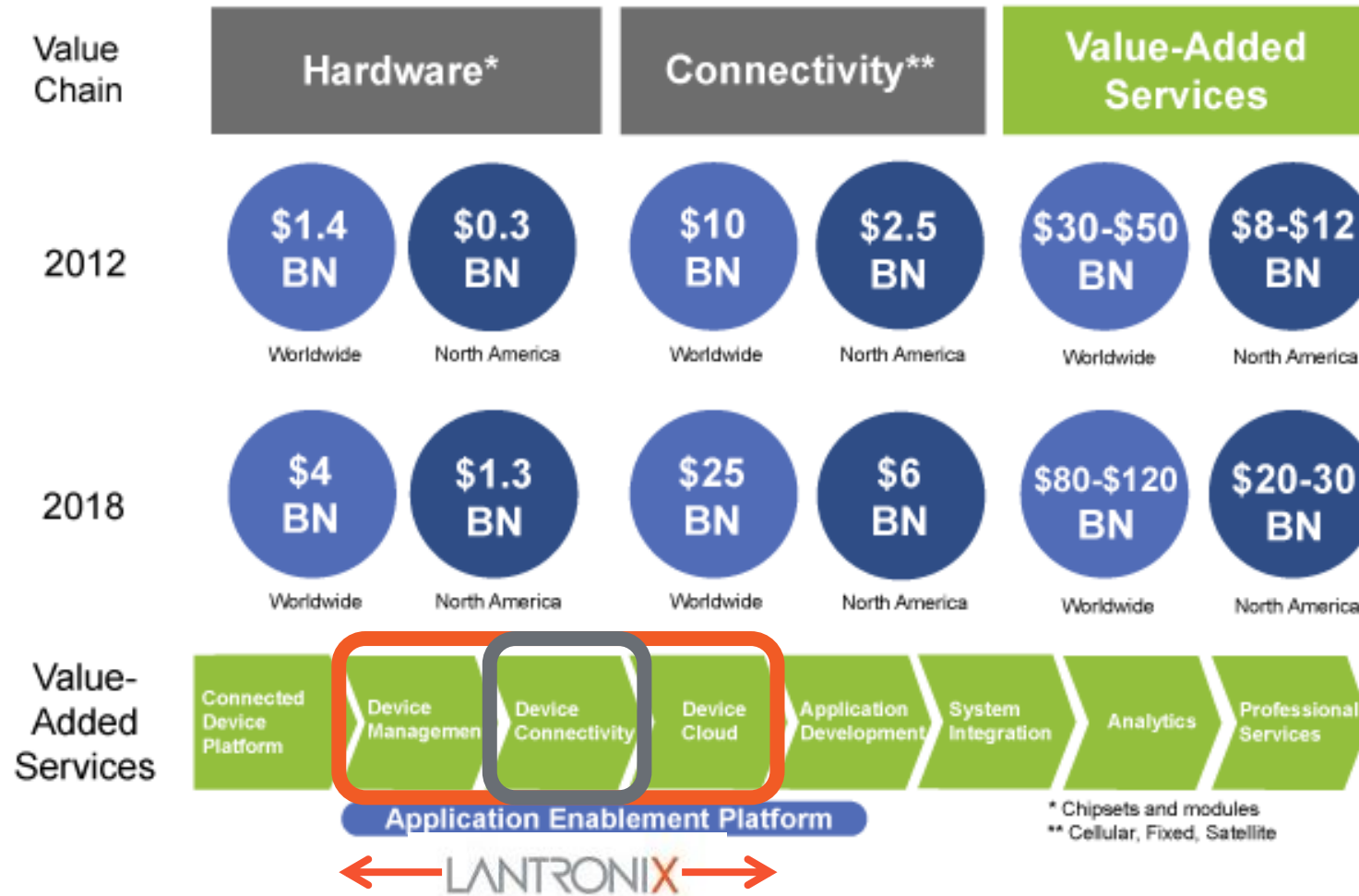
## Execute on new product strategy

- Stopped investment in mobile printing
- Opened new India IoT software lab
- Launched new IoT gateway products



# Lantronix: Expanding Beyond Device Connectivity in the Growing IoT Market

Figure 23 : M2M/IoT Value Chain - Projected Revenues



**IOT HARDWARE  
ENABLEMENT CAGR:  
~18%**  
Source: Harbor Research

**IOT SOFTWARE  
SOLUTIONS CAGR:  
31.5%**  
Source: BCC Research

# Next Generation IoT Gateways



## PremiereWave® 2050 IoT Embedded Gateway

- Production-ready secure embedded solution
- High performance Wi-Fi
- Industrial grade security



## SGX 5150 IoT Device Gateway

- Secure IoT connectivity for virtually any enterprise asset
- High performance Wi-Fi
- Built-in essential IoT apps

# MACH10 Platform Preview Announced



Multi-dimensional management software platform designed to enable OEMs to quickly and profitably deliver web-scale IoT applications and services

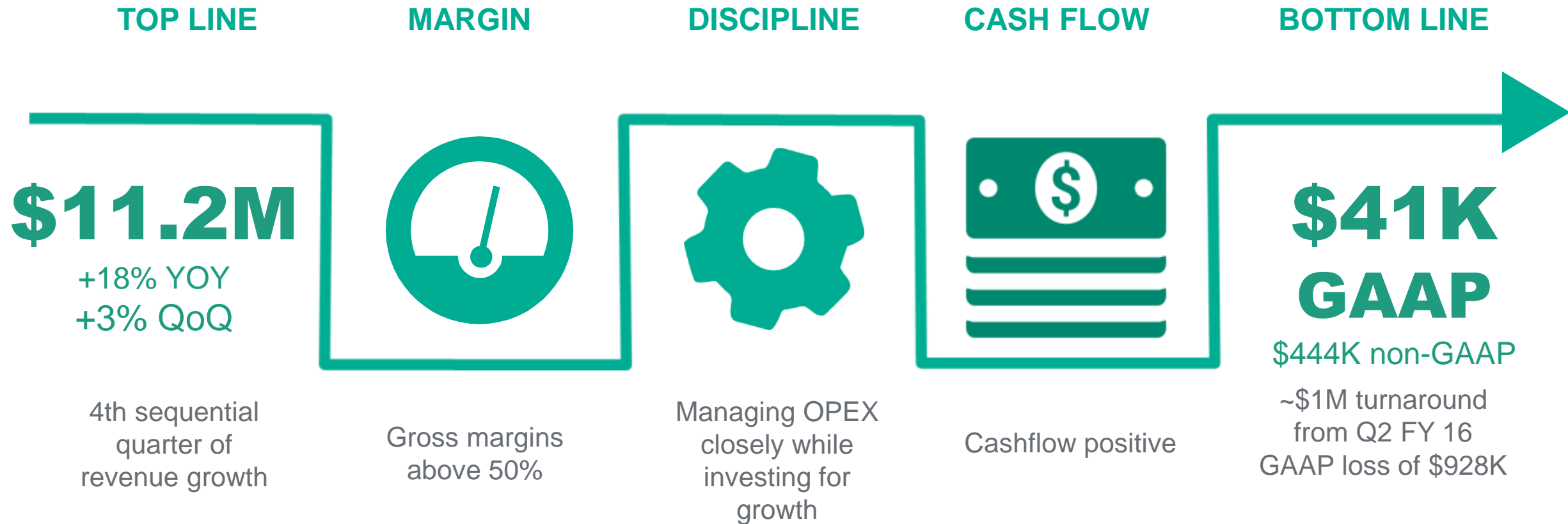


## Operating Results



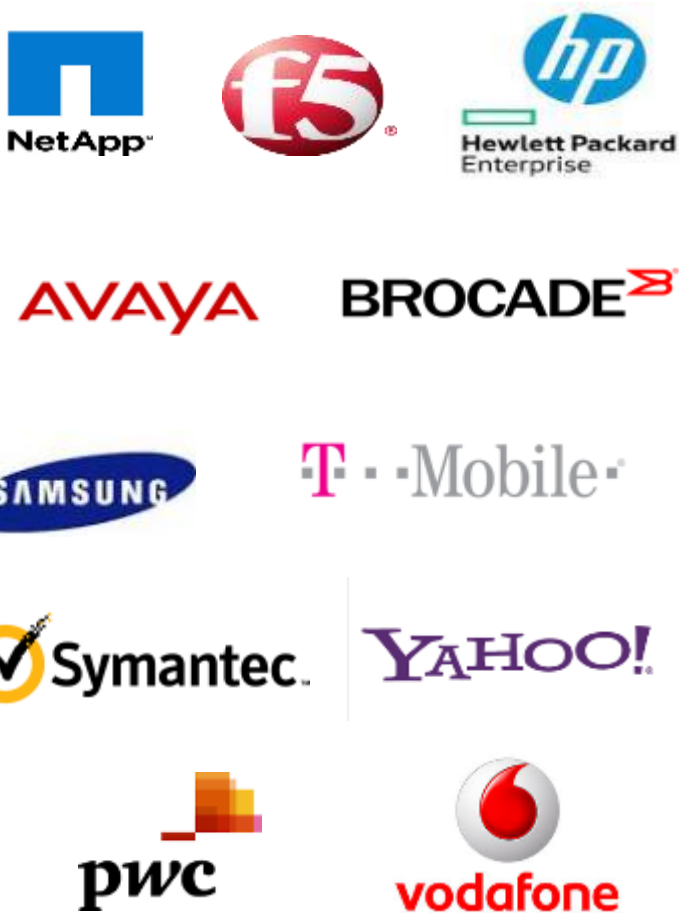


# Solid Q2 FY2017 Results – Recovery to GAAP breakeven

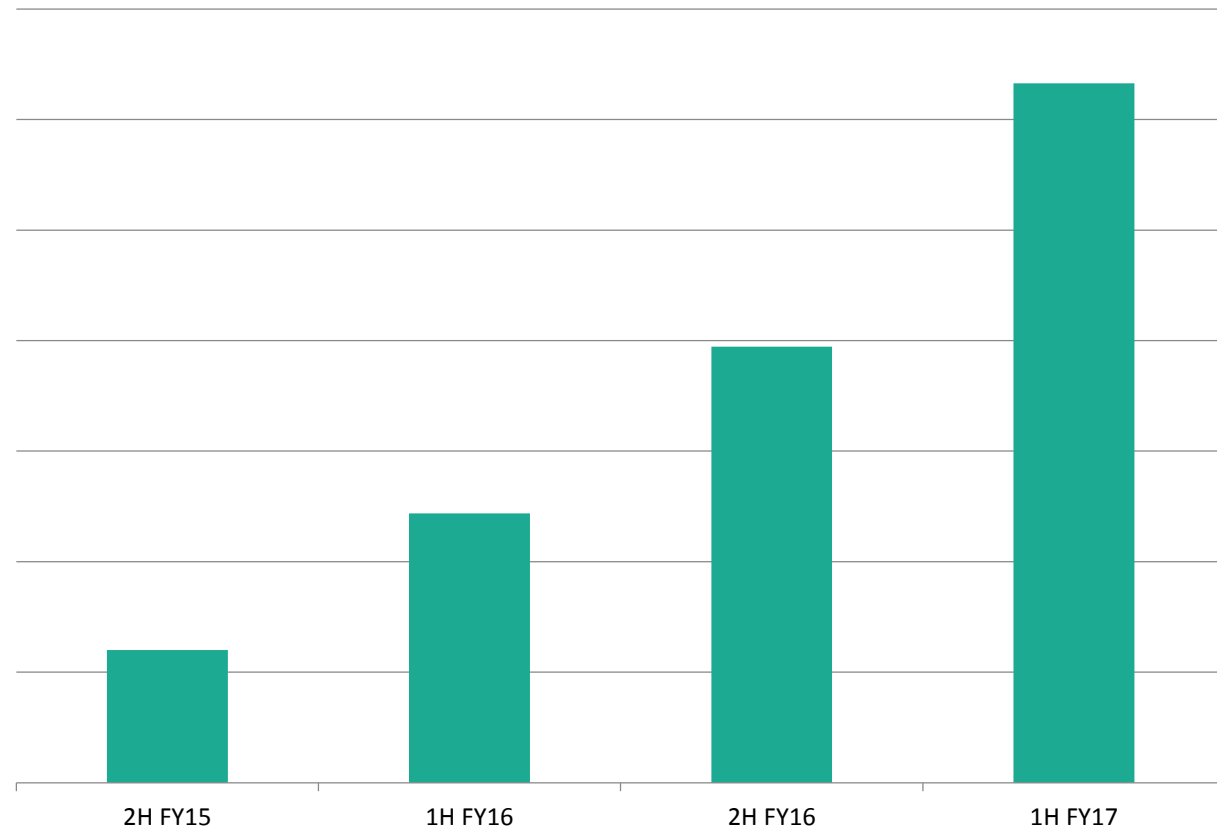


# SLC8000 - Share Gain Momentum

Select Customers:

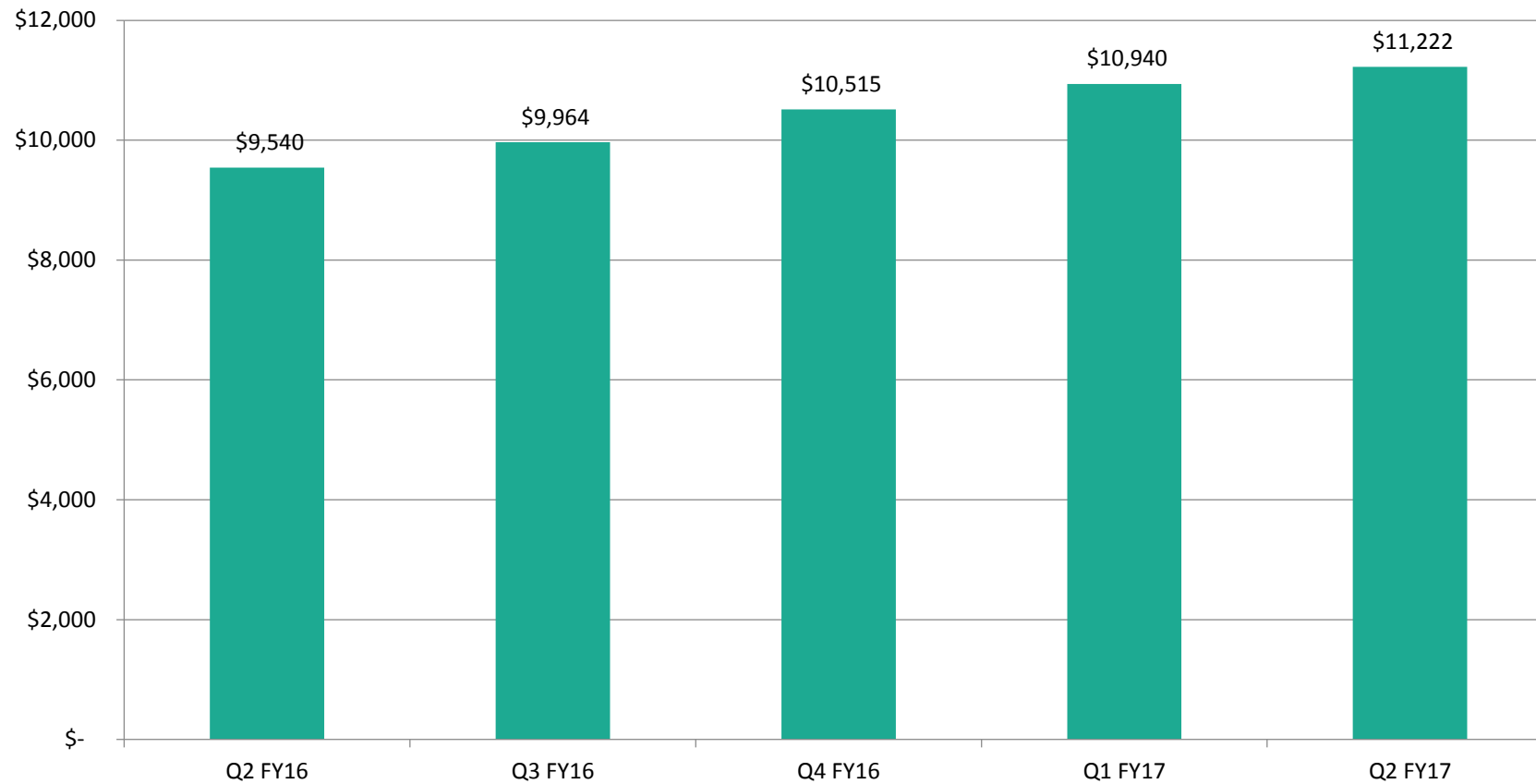


SLC 8000 Net Revenue Growth



# Recovering Top Line Growth

## Q2 FY17: Best Topline Result in Nine Quarters (in thousands)



# Selected Income Statement Information

<i>(In thousands)</i>	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17
Net Revenue	\$ 9,540	\$ 9,964	\$ 10,515	\$ 10,940	\$11,222
Gross Profit	\$ 4,589	\$ 4,778	\$ 4,944	\$ 5,700	\$ 5,812
<i>% of Net Revenue</i>	48.1%	48.0%	47.0%	52.1%	51.8%
GAAP Net Income (Loss)	\$ (928)	\$ (456)	\$ (247)	\$ (104)	\$ 41
Non-GAAP Net Income (Loss)	\$ (196)	\$ 189	\$ 121	\$ 265	\$ 444

## Q2 FY 2017 HIGHLIGHTS

- 18% YOY Net Revenue Growth; 4th Quarter of Sequential Net Revenue Growth
- Maintained Gross Margins > 50%
- Achieved GAAP Breakeven
- 4th Consecutive Quarter of Non-GAAP Profitability

# Selected Balance Sheet Information

<i>(In thousands except price per share data)</i>		June 30, 2016	December 31, 2016
Cash and Cash Equivalents	\$	5,962	\$ 6,698
Accounts Receivable, Net		3,164	2,866
Inventories, Net		6,584	7,614
Total Assets		27,779	29,047
Current Liabilities		7,598	8,501
Non-Current Liabilities		463	440
Working Capital		9,061	9,609
Weighted Average Common Shares Outstanding		15,554	17,347
Stock Options Outstanding		3,606	4,251
Weighted Average Exercise Price Per Share	\$	1.85	\$ 1.76



# Why Lantronix

- Great technology and established blue chip customer base
- Fast growing IoT market with double digit CAGRs
- New leadership team w/ significant enterprise experience
- Improving fundamentals
- Business model with significant operating leverage
- Clean capital structure and no debt
- Substantial Federal NOL carryovers (\$88.4M as of 6/30/2016)
- Invest in one of the few public company IoT pure plays
- Value opportunity: Enterprise Value to Sales < 1.0



**THANK YOU!**  
investors@lantronix.com

# Management Team



**Jeffrey Benck**, *President & CEO, Director*

- 25+ years of networking, enterprise experience
- Former CEO of Emulex
- Executive leadership and operational experience at QLogic, IBM



**Sanjeev Datla**, *Chief Technology Officer*

- Nearly 20 years of experience in developing networking, connectivity and IoT solutions
- Former experience at Emulex, Broadcom, NEC and start-ups



**Daryl Miller**, *VP, Engineering*

- 30+ years experience in engineering, embedded systems, software, and networking
- Former experience at Tektronix and NCD



**Tom Morton**, *VP, Human Resources*

- 30+ years human resource experience
- Former experience at Mindspeed, Conexant, Rockwell



**Jeremy Whitaker**, *CFO*

- Former Lantronix Vice President of Finance
- Broad perspective with both outside auditor (Ernst & Young) and internal finance and accounting experience at multiple publicly traded companies



**Kevin Yoder**, *VP, Worldwide Sales*

- 25+ years of enterprise sales experience
- Excellent background in embedded technologies
- Former experience at Avago Technologies, XMOS, Analog Devices, Texas Instruments & CoWare



**Michael Fink**, *VP, Operations*

- 20 years operations management experience
- Formerly held key positions at Inphi Corp, Sierra Monolithics, and Mindspeed



**Kurt Scheuerman**, *VP, General Counsel & Secretary*

- 20+ years of legal experience
- Experience practicing corporate law with major international law firm (Paul Hastings)
- Formerly General Counsel of publicly-traded electronics manufacturing company

# Appendix A: Reconciliation of Non-GAAP Financial Measures

<i>(In thousands)</i>	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17
GAAP net income (loss)	\$ (928)	\$ (456)	\$ (247)	\$ (104)	\$ 41
Non-GAAP adjustments:					
Share-based compensation	252	186	199	201	220
Depreciation and amortization	205	191	145	151	153
Interest expense, net	9	8	9	7	6
Other income (expense), net	(28)	-	(14)	3	(4)
Withholding taxes on stock grants	2	-	-	-	5
Severance and restructuring charges	286	247	-	-	-
Provision (benefit) for income taxes	<u>6</u>	<u>13</u>	<u>29</u>	<u>7</u>	<u>23</u>
Total non-GAAP adjustments	<u>732</u>	<u>645</u>	<u>368</u>	<u>369</u>	<u>403</u>
Non-GAAP net income (loss)	<u>\$ (196)</u>	<u>\$ 189</u>	<u>\$ 121</u>	<u>\$ 265</u>	<u>\$ 444</u>

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. 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. Management believes that non-GAAP operating expenses, non-GAAP net income (loss) and non-GAAP net income (loss) per share are important measures of the Company's business. 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. Non-GAAP operating expenses consist of operating expenses excluding (i) share-based compensation and related payroll taxes (ii) depreciation and amortization; and (iii) restructuring and severance charges. Non-GAAP net income (loss) consists of net income (loss) excluding (i) non-GAAP adjustments to operating expenses, (ii) interest income (expense), (iii) other income (expense), and (iv) income tax provision (benefit).