
Second Quarter 2017
Financial Results &
Commentary
July 27, 2017
YOUR SECURE
APPLICATION
SERVICES COMPANY

Thank you all for joining us today. I am pleased to welcome you to A10 Networks' second quarter 2017 financial results conference call. This call is being recorded and webcast live and may be accessed for one year via the A10 Networks website, www.a10networks.com.

Members of A10's management team joining me today are, Lee Chen, Founder & CEO; Tom Constantino, CFO, and Ray Smets, Executive vice president of Worldwide Sales.

Before we begin, I would like to remind you that shortly after the market closed today, A10 Networks issued a press release announcing its second quarter 2017 financial results. Additionally, A10 published a presentation along with its prepared comments for this call and supplemental trended financial statements. You may access the press release, presentation with prepared comments, and trended financial statements on the investor relations section of the company's website www.a10networks.com.

Cautionary Statements and Disclosures

This presentation and the accompanying oral presentation contain "forward-looking" statements that are based on our management's beliefs and assumptions and on information currently available to management, including statements regarding our projections for our third quarter 2017 operating results, our expectations for future revenue growth and market opportunities, the performance of our products, profitability, operating margin and operating expenses, our ability to penetrate certain markets, expected product launches and the general growth of our business.

We operate in very competitive and rapidly changing environments, and new risks may emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Forward-looking statements are subject to known and unknown risks, uncertainties, assumptions and other factors including, but not limited to, those related to execution risks related to closing key deals and improving our execution, the continued market adoption of our products, our ability to successfully anticipate market needs and opportunities, our timely development of new products and features, our ability to achieve or maintain profitability, any loss or delay of expected purchases by our largest end customers, our ability to attract and retain new end-customers, our ability to maintain and enhance our brand and reputation, continued growth in markets relating to network security, management and analysis, the success of any future acquisitions or investments in complementary companies, products, services or technologies, the ability of our sales team to execute well, our ability to shorten our close cycles, the ability of our channel partners to sell our products, variations in product mix or geographic locations of our sales and risks associated with our presence in international markets.

These factors, together with those described in our quarterly reports on Form 10-Q, annual reports on Form 10-K and other filings made with the Securities and Exchange Commission ("SEC"), may cause our actual results, performance or achievements to differ materially and adversely from those anticipated or implied by our forward looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although our management believes that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances described in the forward-looking statements will be achieved or occur. Moreover, neither we, nor any other person, assume responsibility for the accuracy and completeness of the forward-looking statements. We disclaim any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.

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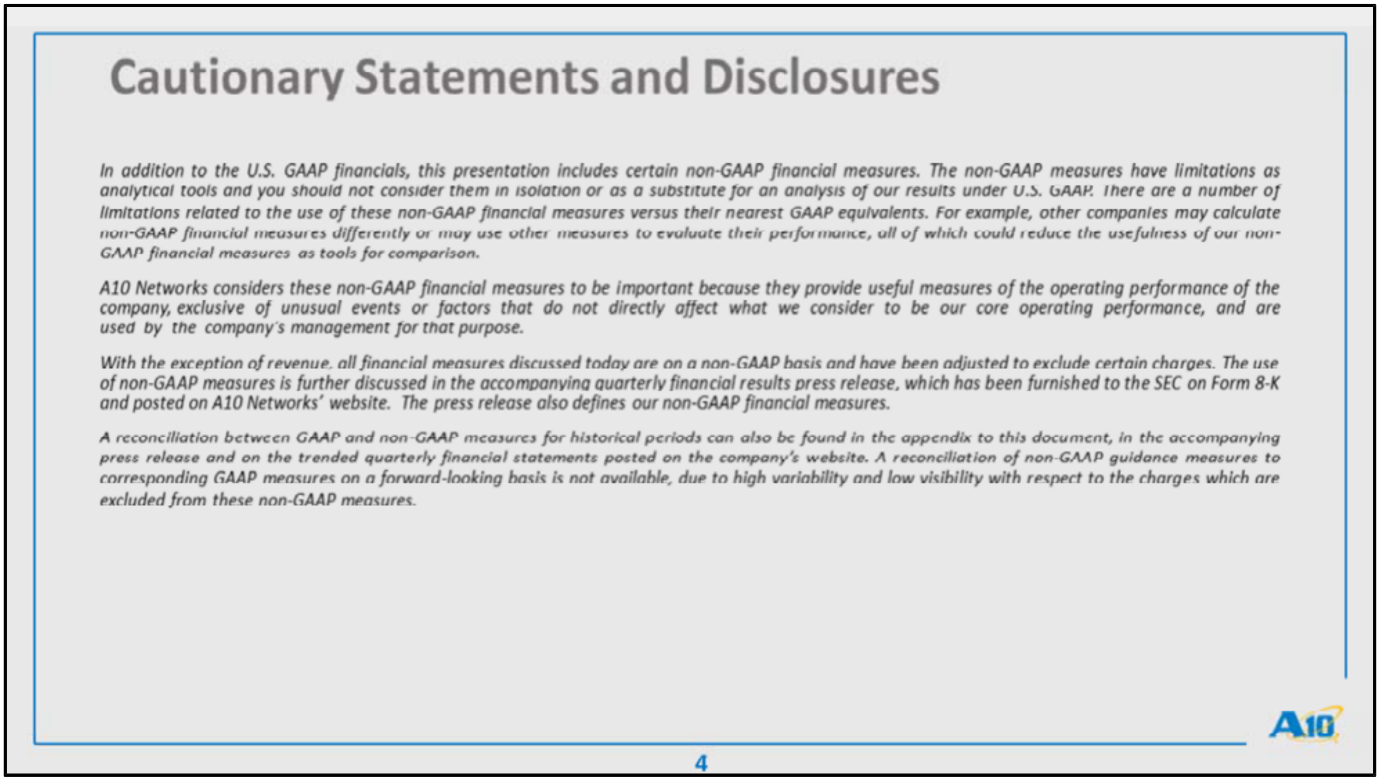
During the course of today's call, management will make forward-looking statements, including statements regarding our projections for our third quarter 2017 operating results, our expectations for future revenue growth and market opportunities, the performance of our products, profitability, operating margin and operating expenses, our ability to penetrate certain markets, expected product launches and the general growth of our business. These statements are based on current expectations and beliefs as of today, July 27, 2017. These forward-looking statements involve a number of risks and uncertainties, some of which are beyond our control that could cause actual results to differ materially and you should not rely on them as predictions of future events. A10 disclaims any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.

For a more detailed description of these risks and uncertainties, please refer to our most recent 10-Q and 10-K.



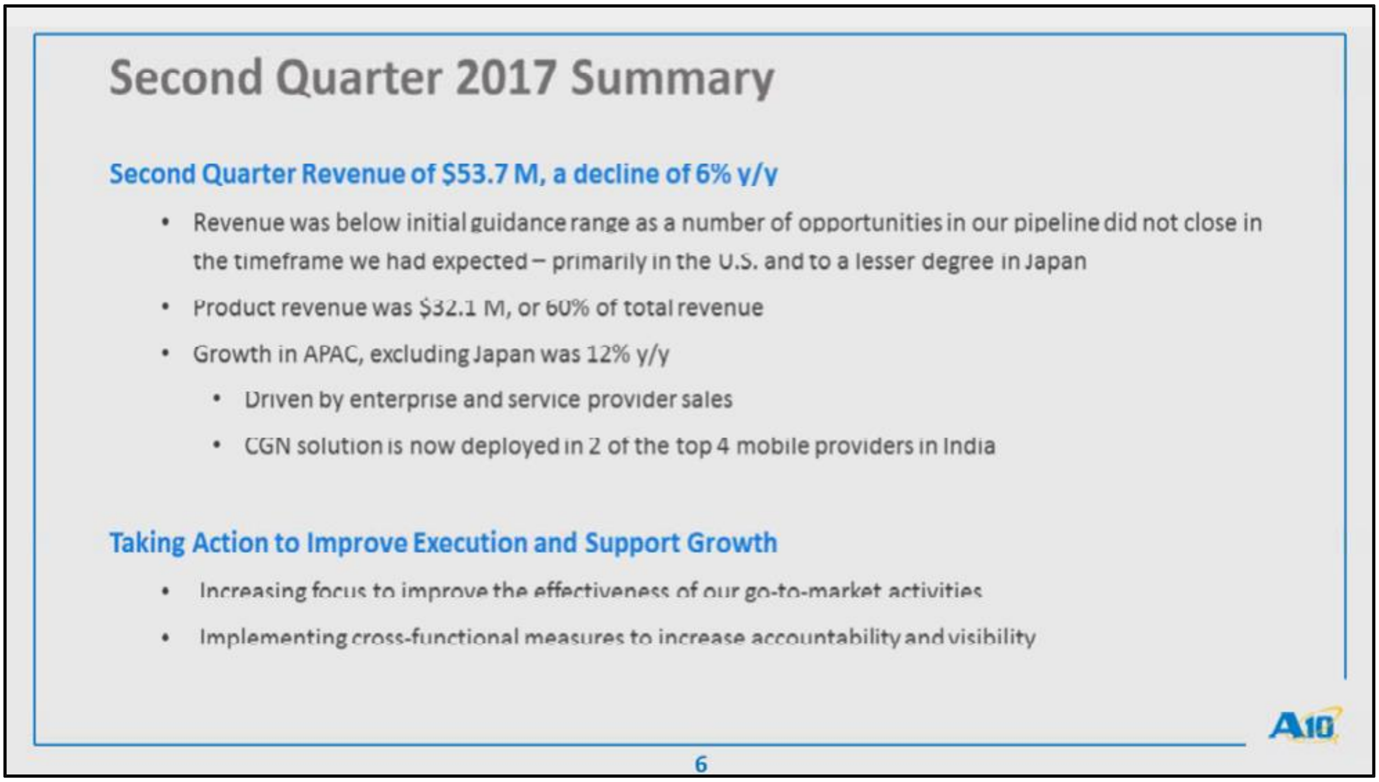
Please note that with the exception of revenue, financial measures discussed today are on a non-GAAP basis and have been adjusted to exclude certain charges. The non-GAAP financial measures are not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP, and may be different from non-GAAP financial measures presented by other companies. A reconciliation between GAAP and non-GAAP measures can be found in the press release issued today and on the trended quarterly financial statements posted on the company's website.

We will provide our current expectations for the third quarter of 2017 on a non-GAAP basis. However, we are unable to make available a reconciliation of non-GAAP guidance measures to corresponding GAAP measures on a forward-looking basis due to high variability and low visibility with respect to the charges, which are excluded from these non-GAAP measures.

Now I would like to turn the call over to Lee for opening remarks. Lee?

Thank you, Maria and thank you all for joining us today.

Before we review A10's second quarter results, I would like to welcome our new CFO, Tom Constantino. In our process to identify a new CFO, we were looking for a leader with deep expertise in strategic financial planning and operations to partner with the leadership team as we strive to capitalize on new market opportunities and drive product revenue growth, while balancing and prioritizing our strategic investments. While it has only been a few weeks since Tom has joined our team, he has already demonstrated that he is a strong addition to our leadership and we are excited to have him on board.

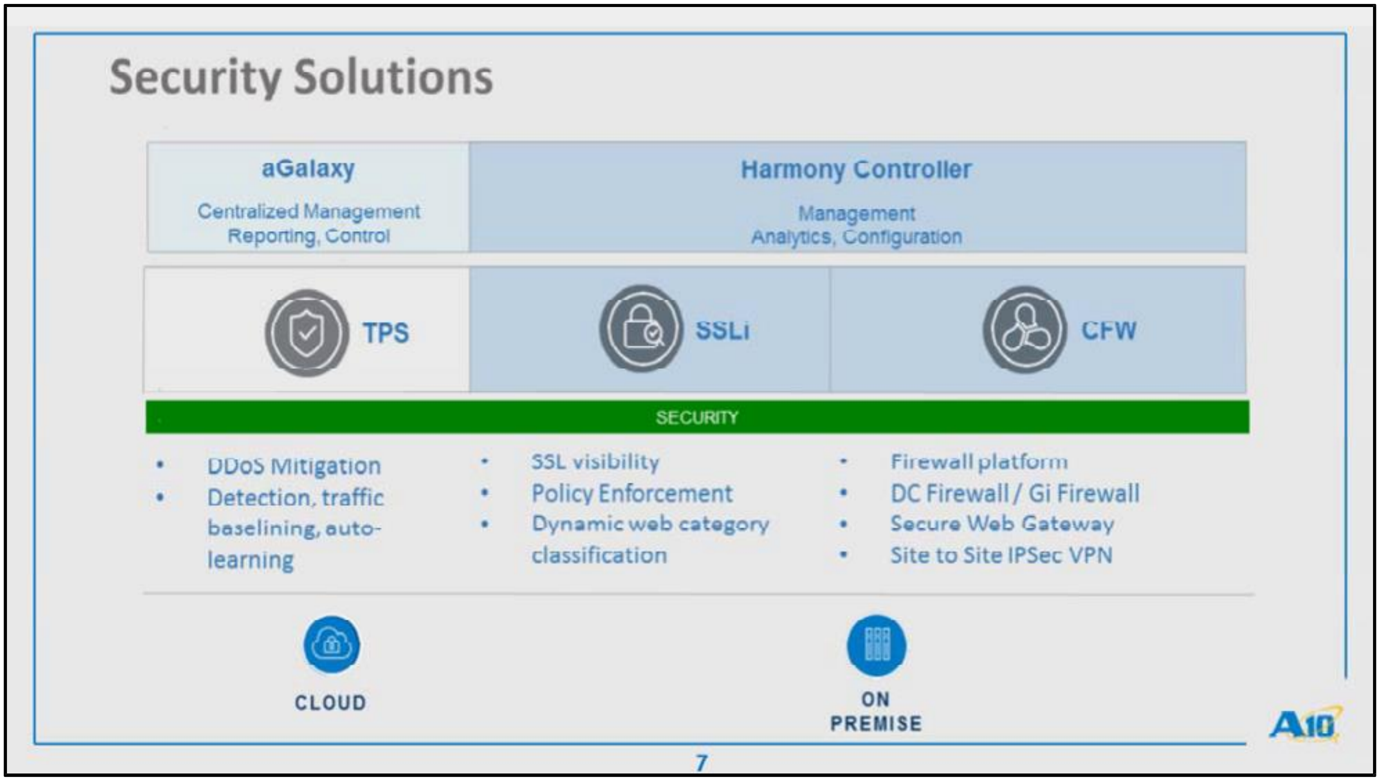


Moving to our second quarter review, we are disappointed with our results and execution in the quarter. We reported revenue of 53.7 million dollars, which was below our initial guidance range and a 6 percent decline from Q2 of last year as a number of opportunities in our pipeline did not close in the quarter. These deals were primarily in the U.S. and to a lesser degree in Japan. Key deals remain in our pipeline. We have commenced a thorough review and analysis of our performance this quarter and we are taking action to improve our execution and support growth for our expanding product portfolio. As Tom will discuss further in a few minutes, some of the initial changes we are making include improving the effectiveness of our go to market activities and implementing cross-functional measures to drive accountability.

In looking at the dynamics within our customer base, it is taking longer to get large deals closed. Within service provider customers, where we believe we have a stronghold, deals can be large but timing of when the order is received can be unpredictable and fluctuate from quarter to quarter. We believe we are continuing to make progress in expanding within these accounts and adding new logos. This quarter, we saw particular strength in India, where we expanded our business with one of the largest mobile carriers in the country with our CGN solution. Building upon our customer win last quarter with the fastest-growing mobile provider in India, our CGN solution is now deployed in two of the top-four mobile providers in India.

In Japan, the second quarter is seasonally soft for our service provider customers because it is the beginning of their fiscal year. This quarter, a couple of our mobile customers in Japan delayed spending decisions as they completed their budgets and planned their 5G investments for the year. We believe our pipeline for Japan is very strong and we currently expect revenue in this region to improve sequentially.

Over the past few years, we have worked to offset some of the lumpiness with our service provider customers by driving sales for our entry-level appliances. As we mentioned last quarter, a chipset delay by our vendor impacted the release schedule of our new entry-level appliances. In August, A10 will refresh two new entry level Thunder ADCs — the Thunder 940 and the Thunder 1040. We will also introduce for the financial sector our new Thunder 3745 that addresses high frequency trading with industry leading low-latency ADC solutions.

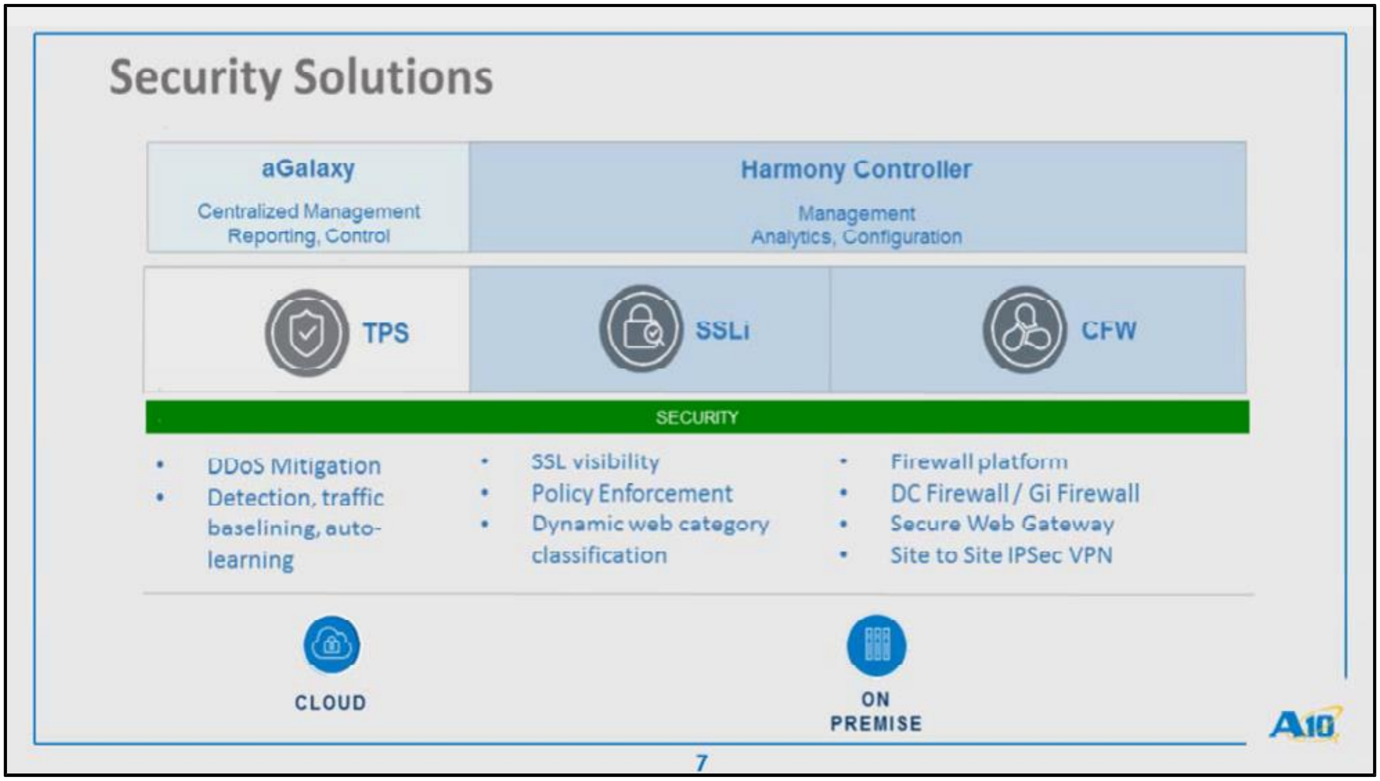


We believe security and cloud are powerful market opportunities for A10. Leveraging our strength as a trusted performance leader and our global marquee customer base, to capitalize on this opportunity is an important part of our future. We have invested a significant portion of our R&D dollars to expand our security and cloud capabilities and deliver the compelling performance customers expect from A10.

Today, our security portfolio includes Thunder TPS for DDoS mitigation, Thunder SSLi for high-performance SSL decryption and comprehensive policy management, and Thunder CFW Firewall to help defend against cyber and web application attacks at scale. Our security portfolio helps protect some of the most demanding and forward-thinking network environments. We believe we have a strong and expanding position with our security customers. As an example, in the second quarter a branch of the US government expanded its deployment of our Thunder SSLi solution to cope with the growing amount of encrypted traffic running through their network. Additionally, we added a U.S. carrier network to our customer base with our Thunder TPS solution, which is helping protect its 15 rural telecommunications members from DDoS attacks.

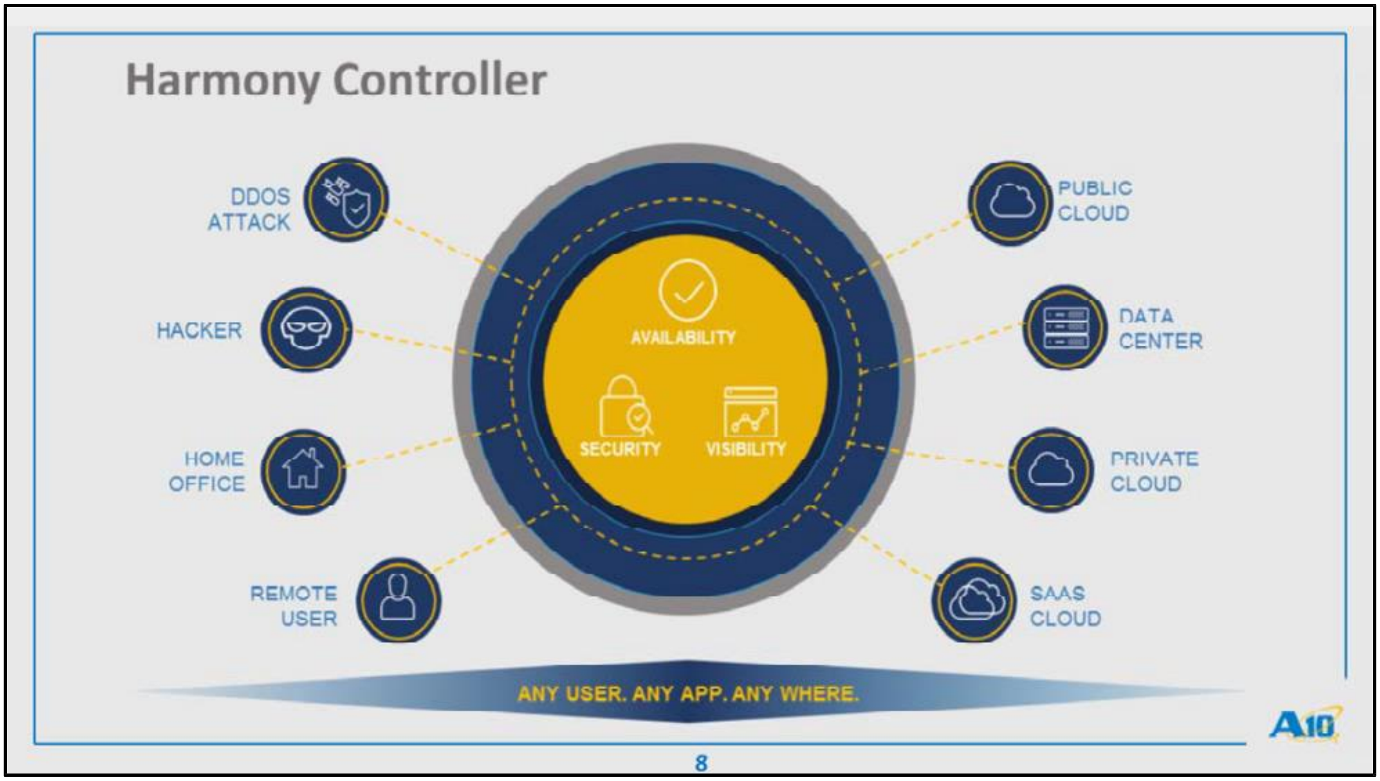
Security has grown to become a larger percent of our product revenue and we are pleased with the progress we have made in the market thus far. Our security solutions were 26 percent of our product revenue for the first half of 2017. However, it is still early days in establishing A10's brand and reach in the security market. We have been and need to continue enhancing our security solutions in order to address more of the market and broaden our customer base. Ensuring that our products are easy to use, manage and integrate with other security partners is critical to our ability to drive deeper into the market.

We believe the DDoS market offers a compelling near-term growth opportunity for A10. Based on industry reports, we estimate that the size of the DDoS market is approximately 800 million dollars and growing between 15 and 20 percent. Since the launch of our Thunder TPS solution for DDoS mitigation, we have built momentum in the market among cloud providers, service providers, gaming and enterprise customers.



Today, I'm thrilled to announce that we have expanded our TPS portfolio to include a standalone detection module. The new release includes a flow-based Detector for standard flow protocols such as sFlow, Netflow and IPFIX. The new Detector has an industry-leading high-speed collector to complement our industry-leading mitigation. Our Detector is tightly integrated with our TPS management and mitigation solutions. With this new release, we also enhanced our management solution with comprehensive reporting capabilities, an intuitive dashboard and an easy-to-use configuration wizard. We also received Common Criteria EAL-2+ certification for our TPS solution. We believe the combined detection and mitigation solution with comprehensive reporting will help open up new market opportunities for A10.

SSL is another area of the security market where we have been investing. In July, we introduced enhanced SSL capabilities. A10's new SSL processors handle advanced encryption and offload intensive SSL processing and support modern ciphers and technologies with greater performance and reliability. We showcased our new SSL capabilities at Interop Tokyo, which is one of the premier industry events of the year and very important to our customers globally. Our new SSL processors won Interop Tokyo's Best of Show Grand Prize for Performance Optimization with our SSL processing performance. The judges highlighted that our solution performed 1.5 times faster than competitors' products in the same price range.



As we look into the longer-term horizon we view the cloud as another opportunity for growth, which is why we are making the investments today to engineer new solutions that help enable enterprises, service providers and cloud providers to adopt streamlined, agile, scalable and modern architectures. Our new A10 Harmony Controller, which we announed last quarter, is based on modern container based, microservices architectures that incorporates sophisticated per-app analytics across all cloud types and traditional datacenters.

The A10 Harmony Controller integration with ADC, CGN, SSLi, and CFW will be available throughout the remainder of the year. Customers will have the option to deploy the A10 Harmony Controller as a SaaS offering managed by A10 or as a customer-managed, scalable on-premise solution within a customer's datacenter environment.

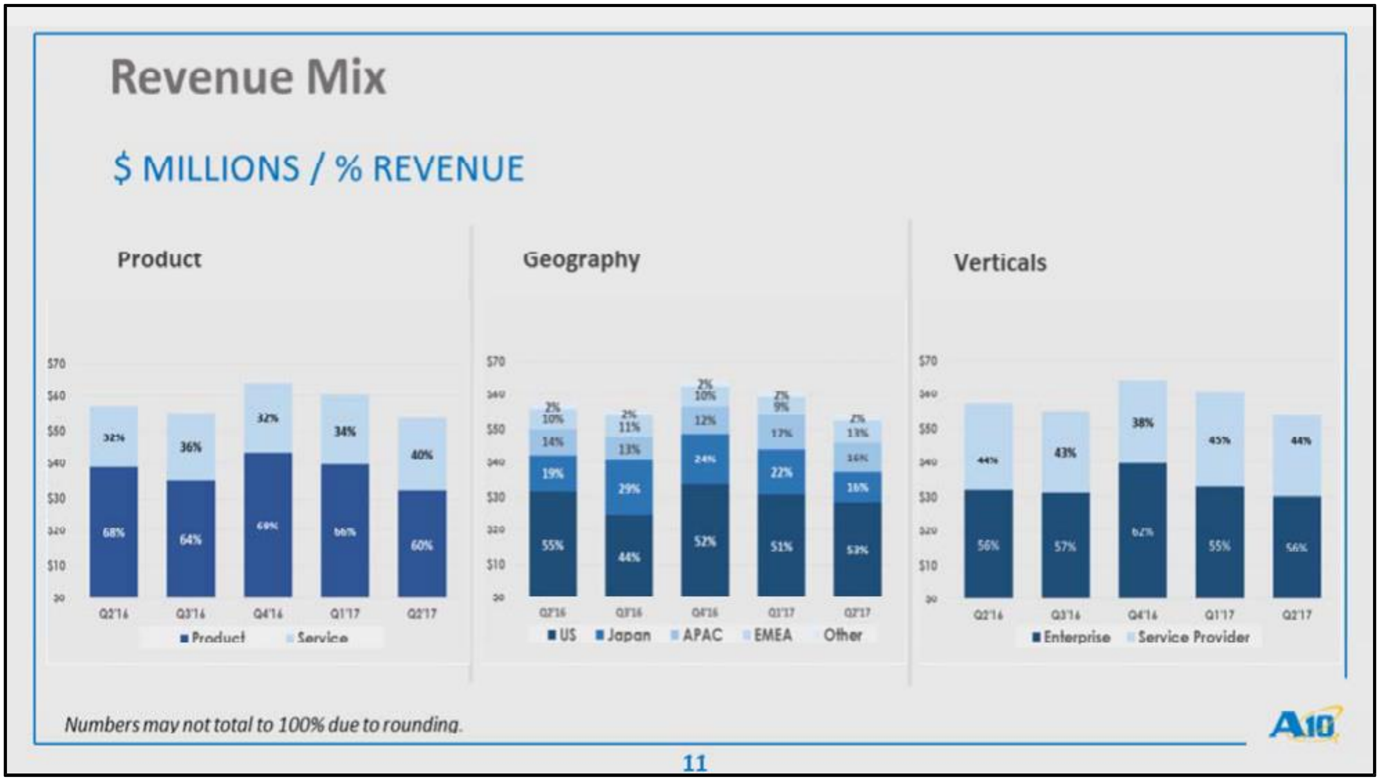
In closing, while it is still early days for A10 in the faster-growing security market, we believe we are making solid initial progress, and we are working to selectively expand our capabilities and reach. With our deep heritage in ultra-high-performance networks, and our continued innovation, we believe we are establishing a strong foundation based on our trusted ACOS platform to penetrate the faster-growing segments of the market where visibility, functionality, manageability, agility, scalabilty and performance matter. We are implementing a number of measures to improve our execution, as well as help drive growth and profitability.

With that, I'd like to turn the call over to Tom to review the details of our second quarter financial performance and third quarter guidance. Tom?

Thank you Lee.

I am very excited to have joined the leadership team at A10 and to be with you here today. I was drawn to the opportunity at A10 because I recognized a culture of innovation and an environment where I can leverage both my finance and operations experience. Although this quarter did not meet expectations, I am excited about the opportunities ahead of us and look forward to sharing our progress with the investment community.

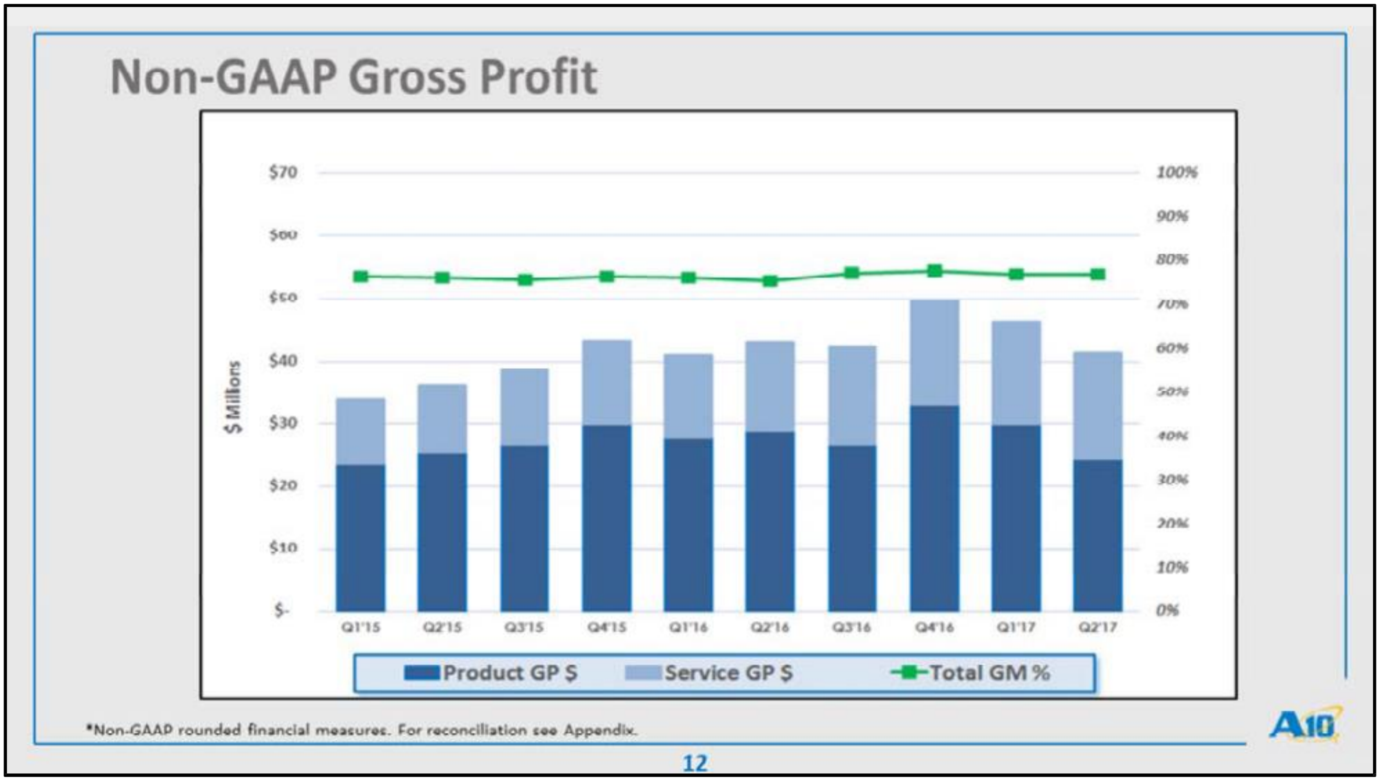
Second quarter revenue was 53.7 million dollars, compared with 57.1 million in the same period of 2016.



Second quarter product revenue was 32.1 million dollars, or 60 percent of total revenue. Looking at product revenue for the first half of the year, our security solutions contributed 26 percent of our product revenue, whereas ADC revenue has declined. Second quarter service revenue was 21.6 million dollars, or 40 percent of total revenue.

Our revenue on a geographic basis was 28.6 million dollars in the United States, 8.4 million dollars in Japan, and 6.8 million dollars in EMEA. APAC, excluding Japan, was a bright spot for A10, driven by sales with both enterprise and service provider customers. Second quarter revenue from APAC excluding Japan was 8.7 million dollars up 12 percent over last year and representing 16% of total revenue.

Enterprise was 56 percent of revenue or 30.3 million dollars, compared with 32.0 million in Q2 of last year. Service provider was 44 percent of revenue or 23.4 million dollars, compared with 25.2 million dollars in the second quarter of 2016.



As we move beyond revenue, all further metrics discussed on this call are on a non-GAAP basis, unless stated otherwise.

We delivered second quarter total gross margin of 77.1 percent, essentially inline with last quarter and an increase of 160 basis points from Q2 of last year.

Second quarter product gross margin was 75.0 percent, a decrease of 40 basis points from last quarter and an increase of 20 basis points from Q2 of 2016. Services gross margin came in at 80.2 percent, increasing 10 basis points from last quarter and increasing 310 basis points versus Q2 of 2016.

Summary Financial Results

NON-GAAP* FINANCIAL MEASURES ($M)	Q1'2016	Q2'2016	Q3'2016	Q4'2016	Q1'2017	Q2'2017
Sales & Marketing	$24.7	$25.0	$22.6	$25.1	$24.7	$23.7
Research & Development	$13.3	$13.4	$14.0	$13.7	$15.1	$14.4
General, Administrative & Litigation	$6.9	$6.6	$5.6	$6.1	$6.3	$6.1
Income (Loss) from Operations	$(4.0)	$(1.9)	$0.3	$4.7	$0.2	$(2.8)
Net income (loss) Per share	$(0.06)	$(0.02)	$0.00	$0.03	$0.01	$(0.04)

*Non-GAAP rounded financial measures. For reconciliation see Appendix.

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We ended the quarter with staff of 892 compared with 885 at the end of last quarter.

Second quarter non-GAAP operating expenses came in at 44.2 million dollars, compared with 46.2 million dollars in the prior quarter.

Second quarter non-GAAP operating loss was 2.8 million dollars, compared with operating loss of 1.9 million dollars in the second quarter of last year.

Non-GAAP net loss for the quarter was 3.1 million dollars or 4 cents per basic share, compared with a net loss of 1.1 million dollars or 2 cents per basic share in Q2 of last year. Diluted and basic weighted shares used for computing EPS for the second quarter were approximately 69.8 million shares.

Balance Sheet & Cash Flow

SELECTED GAAP FINANCIAL MEASURES ($M)	Q1'2016	Q2'2016	Q3'2016	Q4'2016	Q1'2017	Q2'2017
Cash and Marketable Securities	$107.5	$113.7	$116.8	$114.3	$116.2	$132.2
Accounts Receivable	$41.9	$39.3	$48.9	$66.8	$61.8	$41.4
Deferred Revenue (total)	$74.8	$75.8	$83.2	$92.9	$93.1	$92.5
Cash Flow Provided by (Used in) Ops	$10.4	$8.8	$2.0	$(2.4)	$0.5	$13.2

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Moving to the balance sheet at June 30, 2017 we had 132.2 million dollars in total cash and marketable securities, compared with 116.2 million dollars at the end of March. Our cash balance reflects approximately 13.2 million dollars of cash generated from operations during the quarter. Under our share repurchase authorization, during the quarter we acquired approximately 100 thousand shares on the open market at an average price of 8.18 dollars for a total consideration of approximately 0.8 million dollars. We have approximately 17.4 million dollars remaining on our 20 million dollar share-repurchase authorization.

Average days sales outstanding were 87 days, down from 96 in the prior quarter, reflecting a strong collections quarter.

Before we move to our outlook for the third quarter, I would like to discuss some of the initial actions we are taking to improve our execution and support growth for our expanding product line.

- We are increasing our focus to improve our go-to-market efficiency and effectiveness, which includes evaluating our sales enablement engine to ensure we have dedicated the focus and resources necessary to penetrate deeper into our markets, including security.
- We are also implementing a number of cross-functional actions to increase accountability and improve our performance analytics. In addition to helping improve our execution, we believe these actions will also help drive greater visibility.

These are just a few of the initial actions we are taking to improve our execution. Over the next few months we will continue to identify areas where we need to improve and evaluate the effectiveness of our programs. We look forward to sharing our progress with you.

Q2 2017 Business Outlook

Management will host a conference call to discuss A10's financial results for its second quarter of 2017 and the current outlook for the third quarter of 2017 on **July 27, 2017 at 4:30 p.m. Eastern time / 1:30 p.m. Pacific time.**

Open to the public, investors may access the call by dialing **1-844-792-3728 or 1-412-317-5105.** A live audio webcast of the conference call will be accessible from the "Investors" section of A10 Networks website at investors.a10networks.com. The webcast will be archived for a period of one year. A telephonic replay of the conference call will be available one hour after the call and will run for five business days and may be accessed by dialing 1-412-317-0088 or 1-877-344-7529 and entering the passcode 10109990.

Please refer to page #3 for information regarding forward looking statements.

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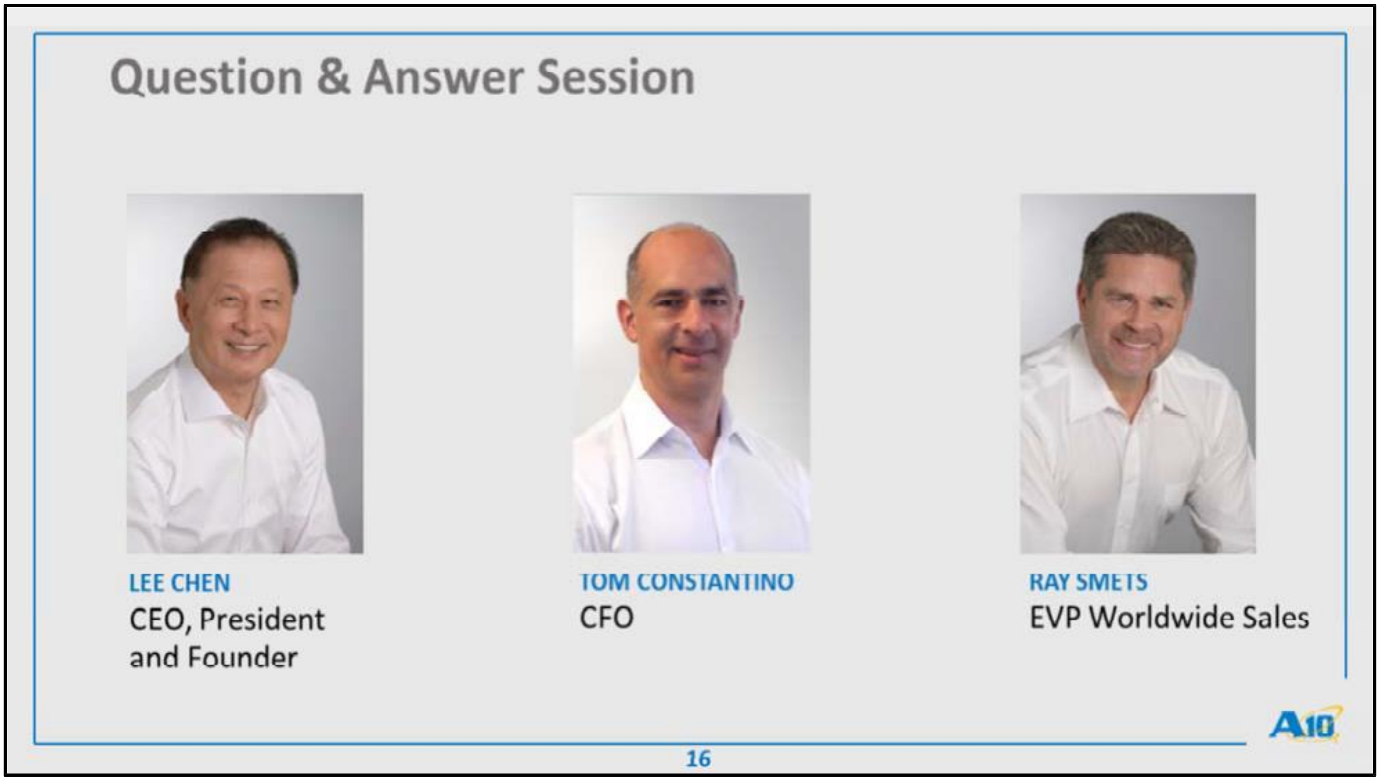
Question & Answer Session
LEE CHEN
CEO, President and Founder
TOM CONSTANTINO
CFO
RAY SMETS
EVP Worldwide Sales
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Non-GAAP Reconciliation – Gross Profit

QUARTERLY ($M)	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Gross Profit (GAAP)	$40.6	$42.9	$42.1	$49.5	$46.1	$41.0
SBC* included in COGS	$0.3	$0.2	$0.3	$0.2	$0.3	$0.4
Gross Profit (Non-GAAP)	$40.9	$43.1	$42.4	$49.7	$46.4	$41.4

QUARTERLY	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Gross Profit Margin (GAAP)	75%	75%	76%	77%	77%	76%
SBC* included in COGS	1%	1%	1%	—%	—%	1%
Gross Profit Margin (Non-GAAP)	76%	76%	77%	78%	77%	77%

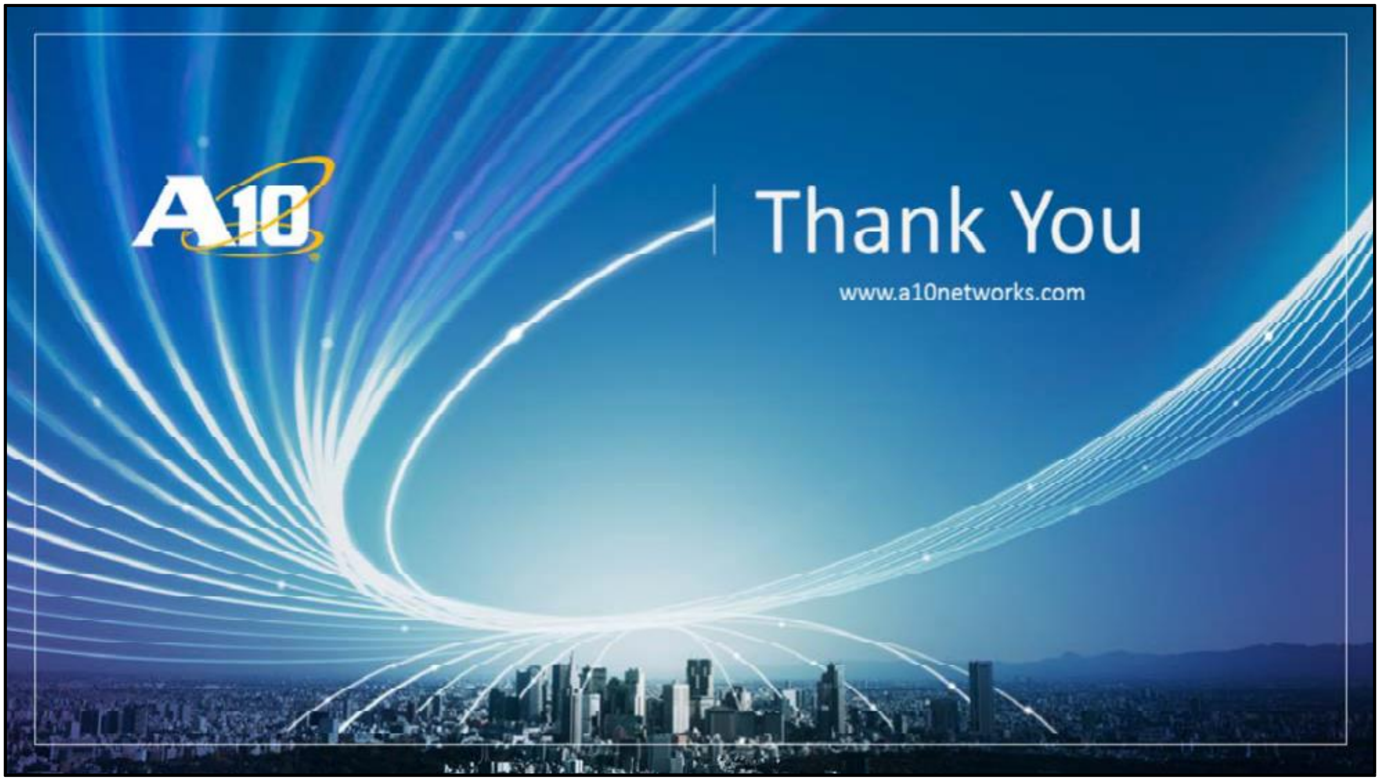
* SBC stands for stock-based compensation.

Non-GAAP Reconciliation – Expense Items

$ Millions	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Sales & Marketing (GAAP)	$26.8	$26.8	$24.3	$26.5	$26.3	$25.6
SBC Included in Sales & Marketing	(2.1)	(1.7)	(1.7)	(1.4)	(1.5)	(1.9)
Sales & Marketing (Non-GAAP)	$24.7	$25.0	$22.6	$25.1	$24.7	$23.7
R&D (GAAP)	$14.8	$14.5	$16.0	$15.5	$17.0	$16.5
SBC included in R&D	(1.4)	(1.1)	(1.7)	(1.5)	(1.7)	(1.8)
Amortization expense related to acquisition	—	—	(0.3)	(0.3)	(0.3)	(0.3)
R&D (Non-GAAP)	$13.3	$13.4	$14.0	$13.7	$15.1	$14.4
G&A (GAAP)	$6.7	$7.2	$6.3	$6.9	$7.2	$7.0
SBC included in G&A	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.9)
G&A (Non-GAAP)	$5.9	$6.4	$5.5	$6.1	$6.3	$6.1
Litigation (GAAP)	$1.8	$0.2	$0.1	$—	$—	$—
Litigation and Settlement	(0.8)	—	—	—	—	—
Litigation (Non-GAAP)	$1.0	$0.2	$0.1	$—	$—	$—
Total Op Exp (GAAP)	$50.0	$48.7	$46.7	$48.9	$50.5	$49.0
SBC included in Total Op Exp	(4.3)	(3.6)	(4.3)	(3.7)	(4.0)	(4.6)
Amortization expense related to acquisition	—	—	(0.3)	(0.3)	(0.3)	(0.3)
Litigation Settlement	(0.8)	—	—	—	—	—
Total Op Exp (Non-GAAP)	$44.9	$45.0	$42.2	$44.9	$46.2	$44.2

Non-GAAP Reconciliation – Income (Loss) Items

$ Millions	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Income (Loss) from Operations (GAAP)	$(9.4)	$(5.8)	$(4.6)	$0.6	$(4.3)	$(8.0)
Stock-Based Compensation	4.6	3.9	4.6	3.8	4.3	5.0
Amortization Expense Related to Acquisition	—	—	0.3	0.3	0.3	0.3
Litigation and Settlement	0.8	—	—	—	—	—
Income (Loss) from Operations (Non-GAAP)	$(4.0)	$(1.9)	$0.3	$4.7	$0.2	$(2.8)
Net Loss (GAAP)	$(9.5)	$(4.9)	$(4.7)	$(1.8)	$(3.9)	$(8.3)
Stock-Based Compensation	4.6	3.9	4.6	3.8	4.3	5.0
Amortization Expense Related to Acquisition	—	—	0.3	0.3	0.3	0.3
Litigation and Settlement	0.8	—	—	—	—	—
Net Income (Loss) (Non-GAAP)	$(4.1)	$(1.1)	$0.2	$2.3	$0.7	$(3.1)
Weighted Average Shares used in per share calculations for non-GAAP net income (loss) per share:						
Basic	64.3	64.9	66.3	67.5	68.6	69.8
Diluted	64.3	64.9	72.8	73.1	74.3	69.8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