
A10
Reliable Security Always
Q3 2019 FINANCIAL
RESULTS & COMMENTARY
October 29, 2019
A10
Reliable Security Always™

CAUTIONARY STATEMENTS & DISCLOSURES

This presentation and the accompanying oral presentation contain "forward-looking" statements that are based on our management's beliefs and assumptions, including statements regarding our projections for our future operating results, including our belief that we will see a sequential increase in revenue during the fourth quarter, increased recurring revenue in 2020, our focus on business optimization and overall profitability, including through a reduction in force, our pursuit of potential alternatives to create shareholder value, our CEO succession plan, the capabilities of our sales team, the refining of our marketing engine, our expectations regarding future opportunities and our ability to execute on those opportunities, our commitment to innovation and bringing new solutions to market, our expectations for future market growth and the general growth of our business, the development and performance of our products, our current and future strategies, our beliefs relating to our competitive advantages, anticipated customer benefits from use of our products, our expectations and priorities with respect to 5G, responses to new security threats, our partnerships with key technology providers and sales partnerships, and our ability to penetrate certain markets.

Forward-looking statements are subject to known and unknown risks, uncertainties, assumptions and other factors that could cause our actual results to differ materially from those anticipated or implied by our forward-looking statements. These factors include, but are not limited to, successfully executing our strategies, market adoption of our products, successfully anticipating market needs and opportunities, timely development of new products and features, achieving or maintaining profitability, loss or delay of expected purchases, attracting and retaining new end-customers, maintaining and enhancing our brand and reputation, growth in markets relating to network security, the success of any future acquisitions or investments, the success of our partnerships with technology providers, our ability to shorten our close cycle, the ability of our channel partners to sell our products, our presence in international markets, and other factors 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, to which your attention is directed. We assume no responsibility for the accuracy and completeness of the forward-looking statements and disclaim any obligation to update information contained in these forward-looking statements.

This presentation and the accompanying oral presentation also include certain non-GAAP financial measures. Non-GAAP financial measures have limitations as analytical tools and you should not consider them in isolation or as a substitute for an analysis of our results under U.S. GAAP. Definitions of our non-GAAP financial measures and a reconciliation between GAAP and non-GAAP financial measures can be found in the appendix to this document and in the accompanying financial results press release. A reconciliation of non-GAAP guidance measures to corresponding GAAP measures on a forward-looking basis is not available due to high variability and low visibility with respect to the charges which are excluded from these non-GAAP measures.

2

Chris Mammone, Investor Relations

Thank you all for joining us today. This call is being recorded and webcast live and may be accessed for one year via the A10 Networks website, a10networks.com.

Members of A10's management team joining me today are, Lee Chen, Founder & CEO; Chris White, EVP of worldwide sales; and Tom Constantino, CFO.

Before we begin, I would like to remind you that shortly after the market closed today, A10 Networks issued a press release announcing its third quarter 2019 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.

During the course of today's call, management will make forward-looking statements, including statements regarding our projections for our future operating results, including our belief that we will see a sequential increase in revenue during the fourth quarter, increased recurring revenue in 2020, our focus on business optimization and overall profitability, including through a reduction in force, our pursuit of potential alternatives to create shareholder value, our CEO succession plan, the capabilities of our sales team, the refining of our marketing engine, our expectations regarding future opportunities and our ability to execute on those opportunities, our commitment to innovation and bringing new solutions to market, our expectations for future market growth and the general growth of our business, the development and performance of our products, our current and future strategies, our beliefs relating to our competitive advantages, anticipated customer benefits from use of our products, our expectations and priorities with respect to 5G, responses to new security threats, our partnerships with key technology providers and sales partnerships, and our ability to penetrate certain markets.. These statements are based on current expectations and beliefs as of today, October 29th, 2019. 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 fourth quarter of 2019 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 Chen, Founder and CEO of A10 Networks.

THE A10 VISION

Enabling intelligent automation to ensure business critical applications are responsive, secure and always available

5


Lee Chen
CEO, President and Founder
Reliable Security Always™

Lee Chen, Founder & CEO

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

We are pleased to deliver results for the third quarter that were in line with revenue expectations for sequential growth, and better than the guidance ranges for gross margin and operating expenses that we communicated during our previous earnings call. We delivered revenue of 52.8 million dollars, non-GAAP gross margin of 78.1 percent, adjusted EBITDA of 4.0 million dollars, and reported two cents of non-GAAP earnings per share. We believe that we will see a further uptick in revenue during Q4.

We continued to see strong engagement with customers who are adopting our secure application services for multi-cloud and 5G environments. During my recent visits to Japan and the Middle East, many of our customers conveyed optimism about the demand for their 5G services and are planning to build out their 5G transport infrastructures over the next several years. Security remains a top concern for our customers and our differentiated software driven security solutions continue to gain traction.

During Q3, we announced industry leading innovation with the Cloud Access Proxy, which provides stronger security, better performance and an enhanced user experience for Software-as-a-Service (SaaS) applications such as Microsoft Office 365. Through our work with Intel, we were recognized with the Winners’ Circle: Leaders’ Board Award for 5G security and NFVi innovation. A10’s 5G security solution continued to drive a number of significant wins during the quarter. Thunder CFW was adopted at SK Telecom for the world’s first 5G commercial service and with Turkcell for hyperscale virtualized carrier-grade NAT services. In the Middle East, we also secured a 1 million-plus dollar 5G design win with a mobile operator.

Moving now to strategic topics. On our last earnings call, we announced both the formation of a Strategy Committee of the Board of Directors as well as a CEO Succession Plan. The Strategy Committee continues to evaluate opportunities to maximize shareholder value. Meanwhile, the Search Committee continues to evaluate CEO candidates. I remain fully committed to my role as CEO of A10 Networks and will work closely with the team to help ensure a smooth transition to my successor when that time comes.

REASONS FOR OPTIMISM INTO 2020

- Greater confidence in ability to navigate effectively through dynamic business environment
- Client expansions in 5G infrastructure deployments
  - Notable wins in South Korea, Japan, and Middle East
- Mix shift with respect to high margin recurring revenue
  - Targeting ~$100M recurring high-margin maintenance/subscription revenue in 2020
  - This revenue stream is faster growing and has better visibility vs. episodic hardware product sales

9

In Summary, I have greater confidence in our ability to navigate effectively through a dynamic business environment closing out this year and heading into 2020. I believe we are in a strong position to continue to drive customer engagements and successes around our core strategic security solutions in 5G and multi-cloud. And there is a continuing shift underway with respect to our recurring revenue. We are targeting 100 million dollars in recurring high-margin maintenance and subscription revenue in 2020.

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

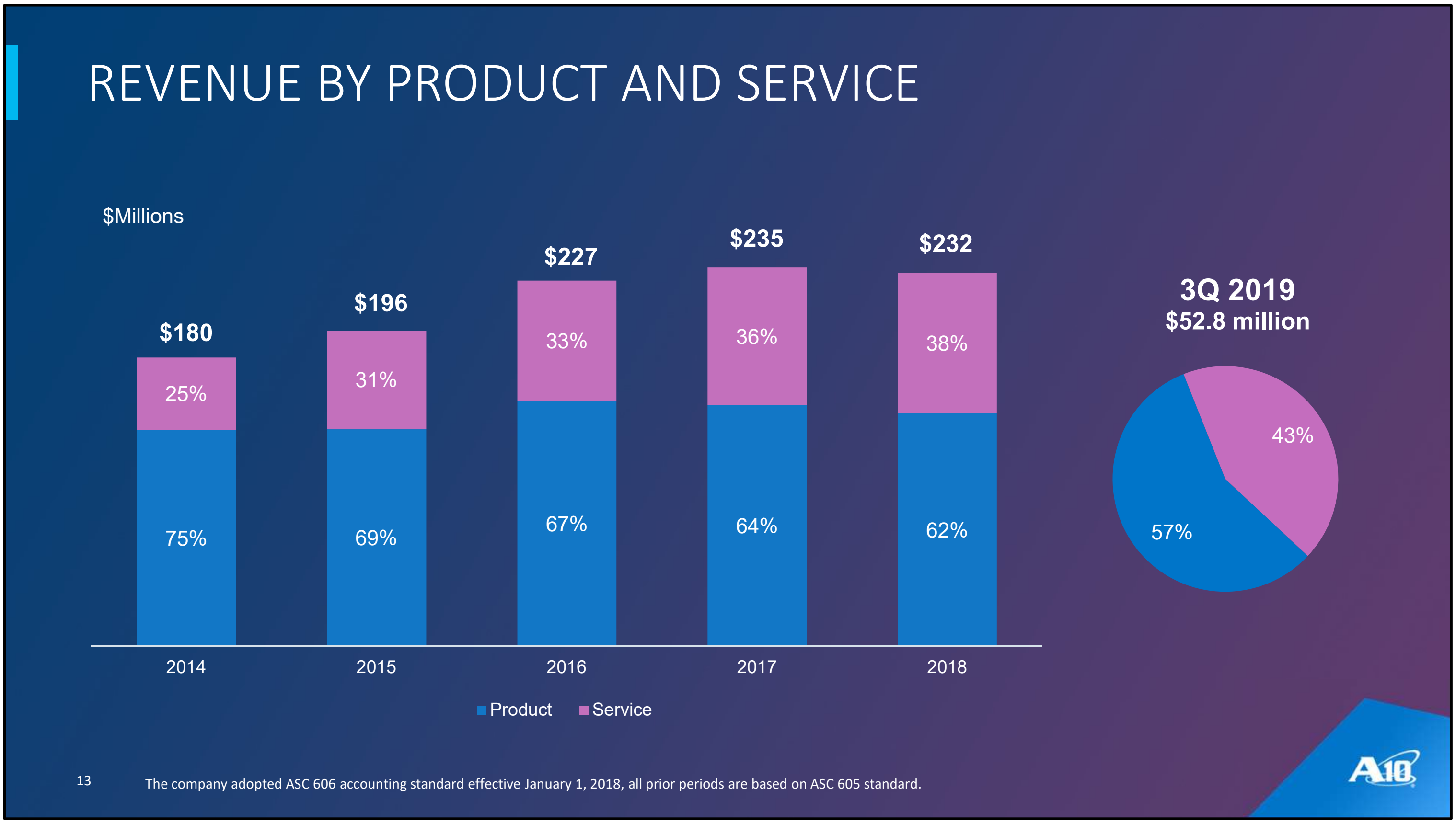

Tom Constantino
CFO
Reliable Security Always™


FINANCIAL PROFILE

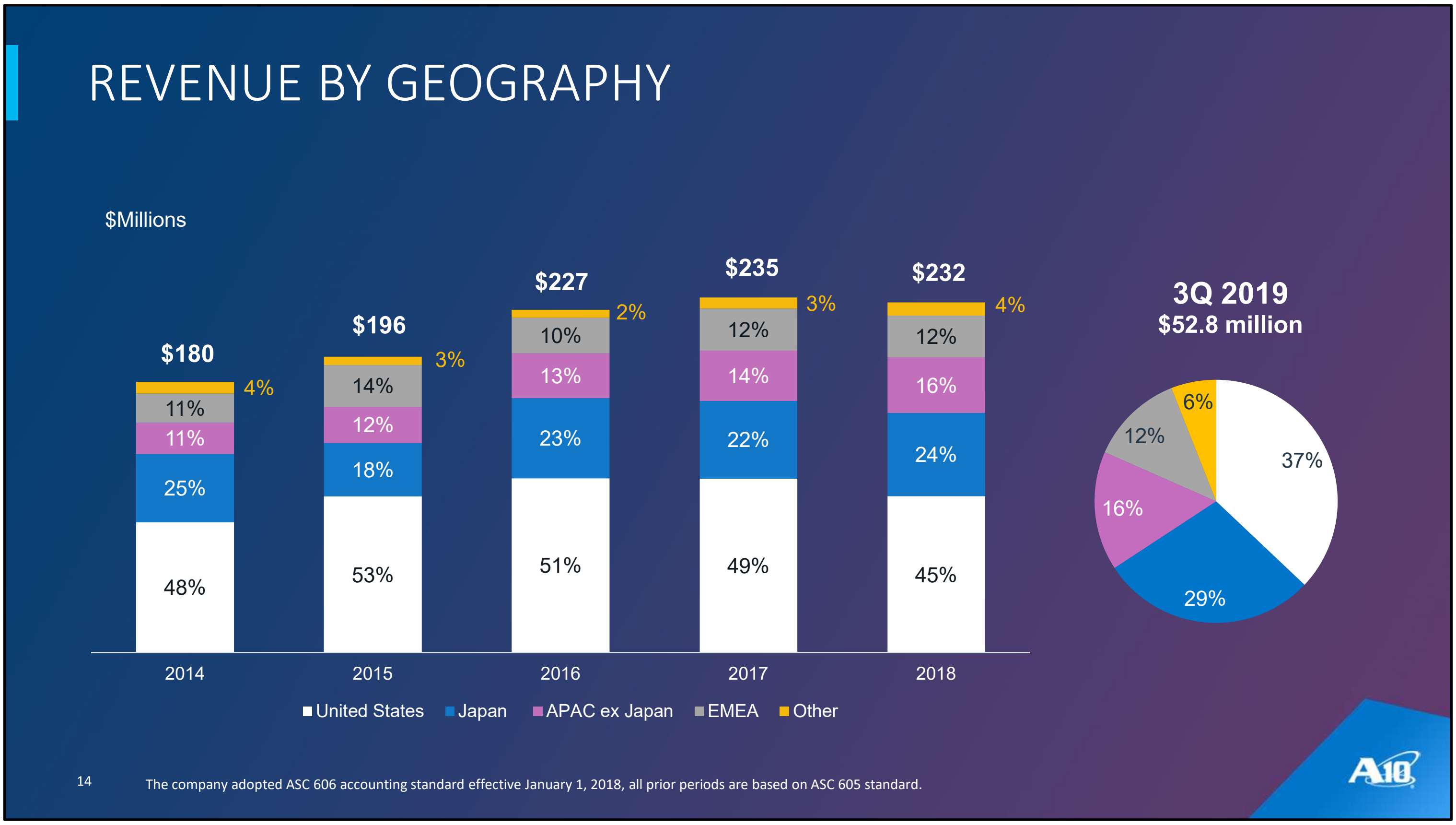
Tom Constantino, CFO

Thank you, Lee.

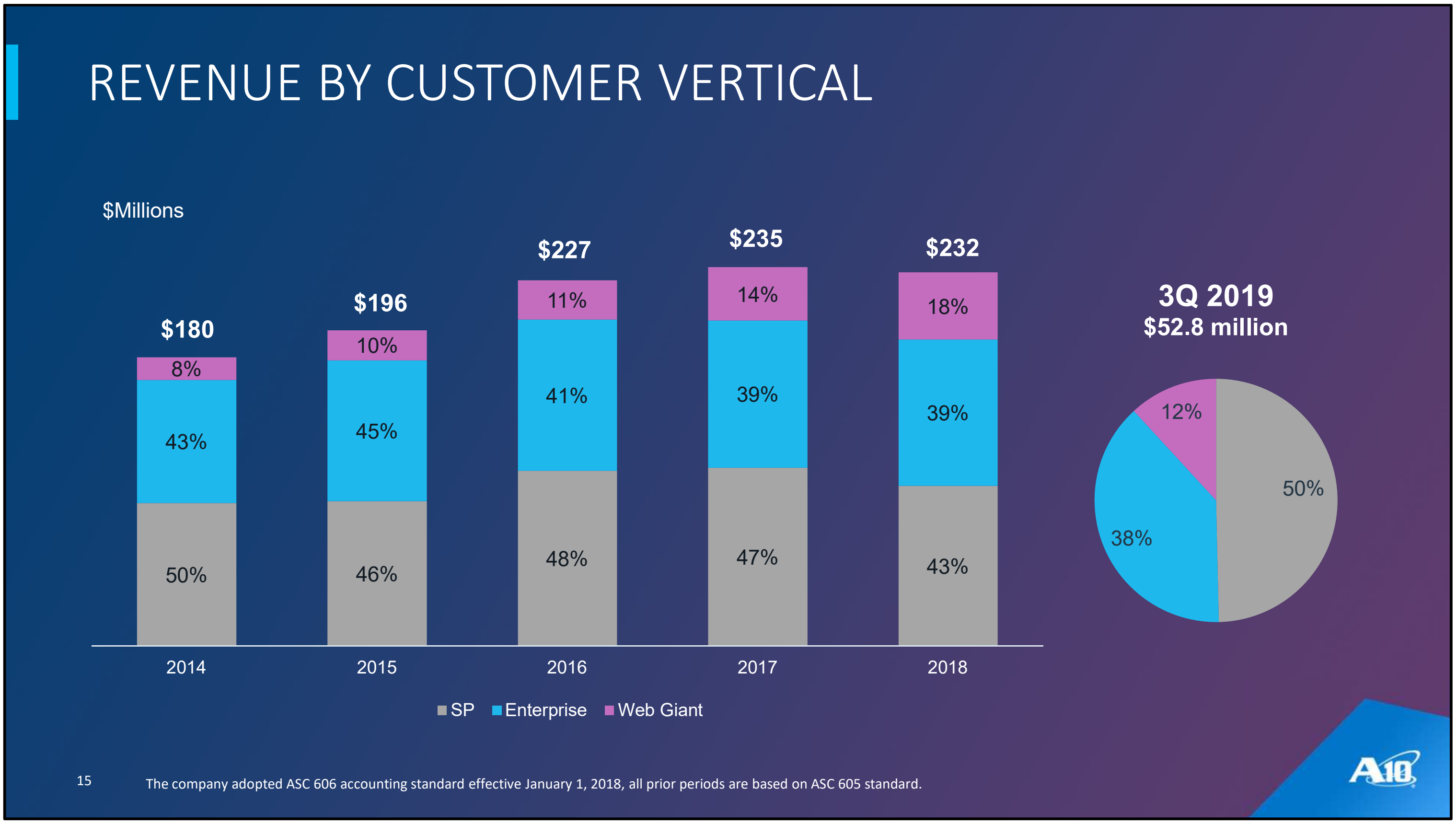
Third quarter revenue was 52.8 million dollars, up 7 percent sequentially from 49.2 million dollars reported in Q2 and above the midpoint of our guidance range. The year over year decline in revenue is driven by fluctuating demand from our largest web giant account in North America.



Third quarter product revenue was 30.1 million dollars representing 57 percent of total revenue. Service revenue was 22.8 million dollars, or 43 percent of total revenue. Security product revenue comprised 44 percent of total product revenue in Q3.



Moving to our revenue from a geographic standpoint for the third quarter, revenue from North America decreased 27 percent year-over-year to 19.6 million dollars, compared with 27 million dollars in the same period last year. In Japan, revenue was 15.2 million dollars, up 8 percent year-over-year. Revenue from APAC, excluding Japan, was 8.4 million dollars, compared with 9.3 million in Q3 of 2018. In EMEA, revenue was 6.5 million dollars, a decrease of 19 percent when compared with 8.1 million dollars in the year-ago period. Revenue from LATAM continued to grow and came in at 3.2 million dollars, up 56 percent compared with 2.0 million dollars last year.



Service provider revenue in the quarter was 50 percent of total revenue, enterprise revenue was 38 percent and web giant revenue rounded to 12 percent.

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

FINANCIAL PERFORMANCE HIGHLIGHTS

$ Millions (except EPS)

Income Statement Summary:	Q3'19	Q3'18
Revenue	$52.8	$ 60.5
Gross Margin %	78.1%	78.8%
Operating Margin %	3.5%	4.2%
Adjusted EBITDA	$4.0	$4.2
EPS	$0.02	$ 0.03

Balance Sheet & Cash Flow Summary:	Q3'19	Q3'18
Cash & Marketable Security	$122.6	$ 123.6
Accounts Receivable	$45.4	$ 51.1
Deferred Revenue	$98.1	$ 94.9
Debt	-	-
Free Cash Flow	$3.0	$ (3.9)

16 Numbers may not sum due to rounding. Please refer to the supplemental financials posted the "Investor Relations" section of the A10 Networks website at investors.a10networks.com Gross Margin, Operating Margin, Adjusted EBITDA and EPS are Non-GAAP Financial Measures. See Appendix for reconciliation to most comparable GAAP financial measures. The company adopted ASC 606 accounting standard effective January 1, 2018, all prior periods are based on ASC 605 standard.

We delivered third quarter total gross margin of 78.1 percent, 10 basis points better than Q2 and also above our guidance range. Q3 marked our highest gross margin performance so far this year.

Third quarter product gross margin was 76.5 percent, compared with 74.4 percent last quarter and 77.1 percent in Q3 of 2018. Our product gross margin was negatively impacted by geographic mix versus the prior year period. Services gross margin in the quarter came in at 80.2 percent, compared to 82.4 percent last quarter and 81.8 percent in Q3 of 2018.

We ended the quarter with headcount of 870 compared with 862 at the end of last quarter. The slight incremental headcount reflects our ongoing strategy to expand technical talent in lower cost locations.

Non-GAAP operating expenses in Q3 came in at 39.4 million dollars, in line with last quarter and about 13 percent lower compared with 45.1 million dollars in the prior year. Further reductions in variable compensation as well as rationalizations in G&A spending in the midst of the weaker revenue performance, contributed to this quarterly decline.

We were profitable on a non-GAAP operating income basis this quarter, reporting 1.8 million dollars and adjusted EBITDA of $4 million dollars.

Non-GAAP net income for the quarter was approximately 1.8 million dollars, or two cents on a per share basis, also rebounding from net losses reported over the past 2 quarters. Basic and diluted weighted shares used for computing non-GAAP EPS for the third quarter were approximately 79.1 million shares.

Moving to the balance sheet, average days sales outstanding were 79 days, compared with 84 days in the prior quarter. At September 30, 2019, we had 122.6 million dollars in total cash and marketable securities, compared with 119.3 million dollars at the end of June.

BUSINESS OUTLOOK FOR Q4’19

- Revenue in the range of $55M to $59M, sequential growth of 8% at midpoint
- Non-GAAP gross margin in the range of 76% to 78%
- Non-GAAP operating expenses in the range of $39M to $40M, excluding severance and restructuring charges
- Adjusted EBITDA in the range of $5.4M to $8.2M
- Global workforce reduction of 5% driven by continuous focus on business optimization and overall profitability
- Related severance and restructuring charges of approximately $2M
- Non-GAAP EPS between $0.04 and $0.08 assuming approximately 80M diluted shares

17

Moving on to our outlook for the fourth quarter. As previously indicated, we anticipate another sequential increase in total revenue. Currently we expect fourth quarter revenue to be in the range of 55 million to 59 million dollars, representing sequential revenue growth of 8 percent at the midpoint.

We expect fourth quarter gross margin to be in the 76 to 78 percent range and operating expenses to be between 39 million and 40 million dollars, excluding one-time charges for severance and restructuring costs. As part of our continuous focus on business optimization and overall profitability, we are planning a global reduction in force of 5 percent. The full benefit from these reductions should be realized by Q2 2020. Related severance and restructuring charges are expected to be approximately $2 million dollars in the 4th quarter. We expect our fourth quarter non-GAAP net income to be between 4 cents and 8 cents on a per share basis using a share count of approximately 80 million diluted shares. Finally, we expect our fourth quarter adjusted EBITDA to be between 5.4 and 8.2 million dollars.

With that, I will turn the call over to Chris.


Chris White
EVP, WW Sales
A10
Reliable Security Always™

Chris White, EVP of worldwide sales

Thank you, Tom.

In looking at the dynamics within the quarter, North America revenue grew 28 percent versus last quarter, which far and away was the biggest driver of the Company's 7 percent overall sequential growth. Furthermore, our win rate remains high and we continue to see the overall quality of our pipeline strengthen. That said, demand from our largest installed base in North America remains challenging.

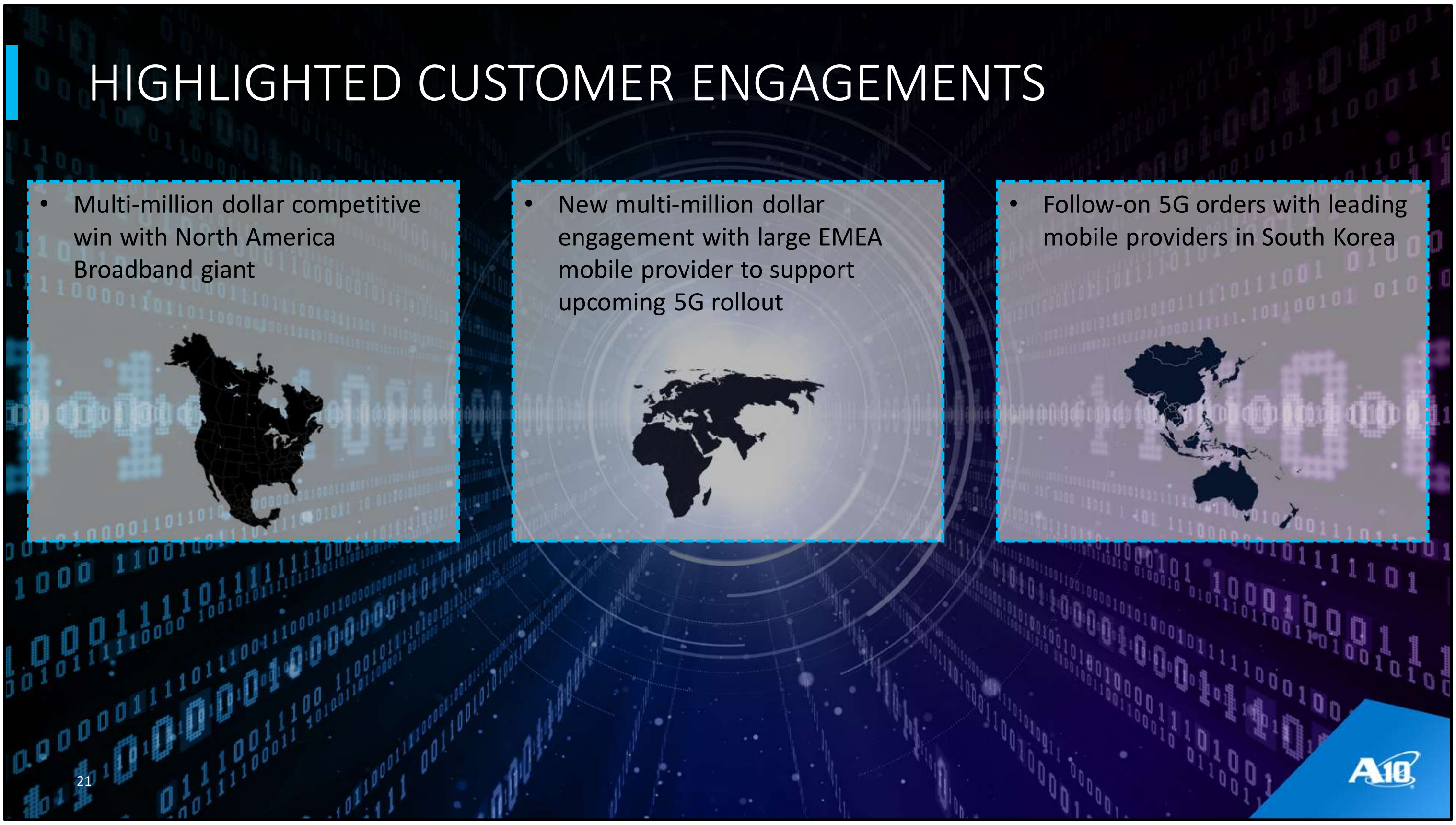
Although the largest-sized deals, primarily in our enterprise and web giant verticals, continue to be pushed into future quarters, we are starting to see increased traction in smaller-sized deal activity from our strategic accounts in North America, and this at the very least is a positive early indicator. This improved demand enabled us to deliver revenue above the midpoint of our guidance range for Q3. Accordingly, this higher transaction activity has extended into the current period, positioning us well for what we believe will be another sequential increase in revenue in Q4 as indicated by our guidance.

In 5G, we are pleased to report that customers who have selected A10 over the past year are beginning to expand their deployments. A10 Networks is focused on 5G security solutions with multiple proven tier-one 5G deployments that have required continued hyperscale, lower latency, agility, and advanced security. As an example, we saw a significant continued expansion of our 5G security technology footprint with one of the largest carriers in the Middle East.

Intel is the latest industry titan to recognize A10 Networks 5G security and NFVi innovation as superior in enabling service providers worldwide, recently awarding us with the Winners' Circle: Leaders' Board Award. This is the top honor in the Intel Network Builders program, which aims to accelerate network transformation by fostering innovation in solution development. As a member of the Intel Network Builders ecosystem, A10 Networks has contributed to the acceleration of network transformation by working closely with Intel and its ecosystem.

Our international product bookings were stable versus the previous quarter and year. On a year-over-year basis, we delivered strong product revenue growth in Japan and Latin America.

During the quarter, we added 185 new customers. Year-to-date, new customer adds are up 5 percent. In addition to the number of new logos, we were also pleased with the expansions we generated with our existing customers. Highlighted by the following recent customer engagements:

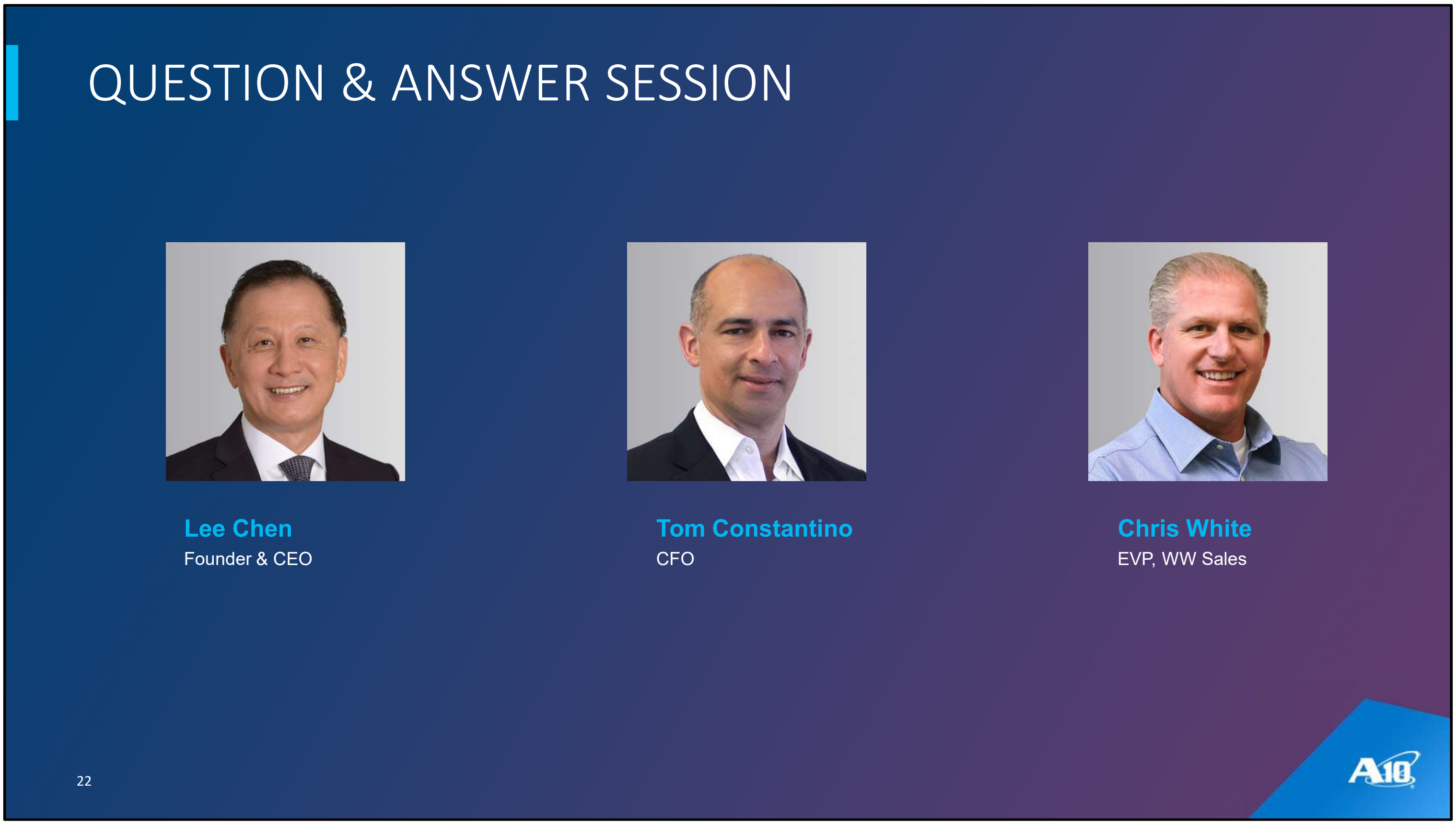


- One of the largest broadband service providers in North America selected our CFW-IPsec solution to secure its GRE tunnels for delivering internetwork IP. The speed and reliability of A10's solution were significant differentiators in this competitive multi-million dollar win against other lower-priced alternatives.

- We replaced an incumbent at a mobile provider in EMEA with several of our Thunder Solutions. We won this new multi-million dollar engagement based on our speed, scalability, and unique focus on bundling ADC, CGN, and CFW features into a solution set capable of supporting this customer's plans for a full 5G rollout by 2021. Expanding with new service provider customers like this one across the globe is a key initiative for the sales team, and we are pleased to see our international progress in Q3.

- Additionally, we secured follow-on 5G orders with leading mobile providers in South Korea, based in large part on the differentiated features in A10's Harmony Controller versus the alternatives in the marketplace.

Our product portfolio is strong, our win rate remains high and we are committed to continuous innovation and refinement to our go-to-market engine. We have a very clear vision, we are eager to capitalize on the fast-growing areas of our market, and our team is energized about the market opportunity for our solutions.



Operator, you can now open the call up for questions.


APPENDIX

GAAP TO NON-GAAP

% of Revenue except EPS	Q3'19	Q3'19 YTD	Q3'18	Q3'18 YTD
Gross Margin % - GAAP	77.4 %	76.7 %	78.5 %	77.6 %
Stock-based Compensation	0.6 %	0.7 %	0.3 %	0.7 %
Gross Margin % - Non-GAAP	**78.1 %**	**77.5 %**	**78.8 %**	**78.4 %**
EPS $ - GAAP	$ 0.00	$ (0.24)	$ (0.02)	$ (0.36)
Stock-based compensation	$ 0.05	$ 0.16	$ 0.03	$ 0.18
Litigation and investigation expense (benefit)	$ (0.03)	$ (0.01)	$ 0.02	$ 0.12
Amortization expense related to acquisition	$ 0.00	$ 0.01	$ 0.00	$ 0.01
EPS $ - Non-GAAP	$ 0.02	**$ (0.08)**	**$ 0.03**	**$ (0.04)**

Numbers may not sum due to rounding. EPS data is presented on a basic and diluted basis. Please refer to the supplemental financials posted the "Investor Relations" section of the A10 Networks website at investors.a10networks.com The company adopted ASC 606 accounting standard effective January 1, 2018, all prior periods are based on ASC 605 standard.

24

GAAP TO NON-GAAP

$ Millions	Q3'19		Q3'19 YTD		Q3'18		Q3'18 YTD
Total operating expenses $ - GAAP	$	40.7	$	134.0	$	49.1	$ 157.6
Stock-based compensation		(3.2)		(11.3)		(2.1)	(11.8)
Litigation and investigation (expense) benefit		2.2	$	1.1		(1.5)	(9.0)
Amortization expense related to acquisition		(0.3)	$	(0.8)		(0.3)	(0.8)
Total operating expenses $ - Non-GAAP	**$**	**39.4**	**$**	**123.0**	**$**	**45.1**	**$ 136.0**
% of Revenue							
Total operating expenses % - GAAP		77 %		88 %		81 %	92 %
Stock-based compensation		(6)%		(7)%		(4)%	(7)%
Litigation and investigation (expense) benefit		4 %		1 %		(3)%	(5)%
Amortization expense related to acquisition		(0)%		(0)%		(0)%	(0)%
Total operating expenses % - Non-GAAP		75 %		81 %		75 %	80 %

Numbers may not sum due to rounding. Please refer to the supplemental financials posted the "Investor Relations" section of the A10 Networks website at investors.a10networks.com
The company adopted ASC 606 accounting standard effective January 1, 2018, all prior periods are based on ASC 605 standard.

GAAP TO NON-GAAP

$ Millions	Q3'19	Q3'19 YTD	Q3'18	Q3'18 YTD
Income (loss) from operations $ - GAAP	$ 0.2	$ (17.2)	$ (1.6)	$ (25.3)
Stock-based compensation	3.5	12.5	2.3	13.1
Litigation and investigation (expense) benefit	(2.2)	(1.1)	1.5	9.0
Amortization expense related to acquisition	0.3	0.8	0.3	0.8
Income (loss) from operations $ - Non-GAAP	**$ 1.8**	**$ (5.1)**	$ 2.5	$ (2.4)
% of Revenue				
Income (loss) from operations % - GAAP	0 %	(11)%	(3)%	(15)%
Stock-based compensation	7 %	8 %	4 %	9 %
Litigation and investigation (expense) benefit	(4)%	(1)%	3 %	5 %
Amortization expense related to acquisition	0 %	0 %	0 %	0 %
Income (loss) from operations % - Non-GAAP	**3 %**	**(3)%**	**4 %**	**(1)%**

Numbers may not sum due to rounding. Please refer to the supplemental financials posted the "Investor Relations" section of the A10 Networks website at investors.a10networks.com
The company adopted ASC 606 accounting standard effective January 1, 2018, all prior periods are based on ASC 605 standard.

Lee Chen, Founder & CEO

Thank you and all of our shareholders for joining us today and for your support.
Thank you and good day.