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Q3 2023 Financial Results & Commentary

November 7, 2023



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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 future financial performance, strategy, routes to market, technical differentiation, positioning, capital allocation strategy, expansion opportunities, growth, profitability, market growth, as well as market and technology trends.

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This presentation and the accompanying oral presentation also include certain non-GAAP financial measures including Non-GAAP gross margin, non-GAAP operating income, non-GAAP net income, non-GAAP operating margin, Adjusted EBITDA and Non-GAAP EPS. Non-GAAP financial measures do not have any standardized meaning and are therefore unlikely to be comparable to similarly titles measures presented by other companies. A10 Networks considers these non-GAAP financial measures to be important because they provide useful measures of the operating performance of the company, exclusive of unusual events or factors that do not directly affect what we consider to be our core operating performance, and are used by the company’s management for that purpose. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. We define non-GAAP net income as our GAAP net income excluding: (i) stock-based compensation and related payroll tax, (ii) impairment expense, (iii) cyber incident remediation expense, (iv) workforce reduction expense and (v) income tax effect of excluding non-GAAP items (i) to (iv) listed above. We define non-GAAP net income per basic and diluted share as our non-GAAP net income divided by our basic and diluted weighted-average shares outstanding. We define non-GAAP gross profit as our GAAP gross profit excluding (i) stock-based compensation and related payroll tax, (ii) cyber incident remediation expense and (iii) workforce reduction expense. We define non-GAAP gross margin as our non-GAAP gross profit divided by our GAAP revenue. We define non-GAAP operating income as our GAAP income from operations excluding (i) stock-based compensation and related payroll tax, (ii) impairment expense, (iii) cyber incident remediation expense and (iv) workforce reduction expense. We define non-GAAP operating margin as our non-GAAP operating income divided by our GAAP revenue. We define non-GAAP operating expenses as our GAAP operating expenses excluding (i) stock-based compensation and related payroll tax, (ii) impairment expense, (iii) cyber incident remediation expense and (iv) workforce reduction expense. We define Adjusted EBITDA as our GAAP net income excluding (i) interest and other (income) expense, net, (ii) depreciation and amortization expense, (iii) provision for income taxes, (iv) stock-based compensation and related payroll tax, (v) impairment expense, (vi) workforce reduction expense and (vii) cyber incident remediation expense. We define Adjusted EBITDA margin as our Adjusted EBITDA divided by our GAAP revenue.

A reconciliation between GAAP and non-GAAP financial measures can be found in the appendix to this document and in the accompany financial results press release.

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Agenda

- Q3 and YTD Overview
- Q3 Financial Performance
- FY 2023 Outlook



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Q3’23: Continued Profitability, Revenue Headwinds

Revenue Overview

- Q3 revenue decreased 20% year-over-year
- Continued challenges from tier-one Service Providers in North America partially offset by strength with Enterprise customers

Consistent Profitability

- Adjusted EBITDA was $14.4 million, or 24.9% of revenue
- GAAP EPS of $0.09
- Non-GAAP EPS of $0.16

Key Takeaways

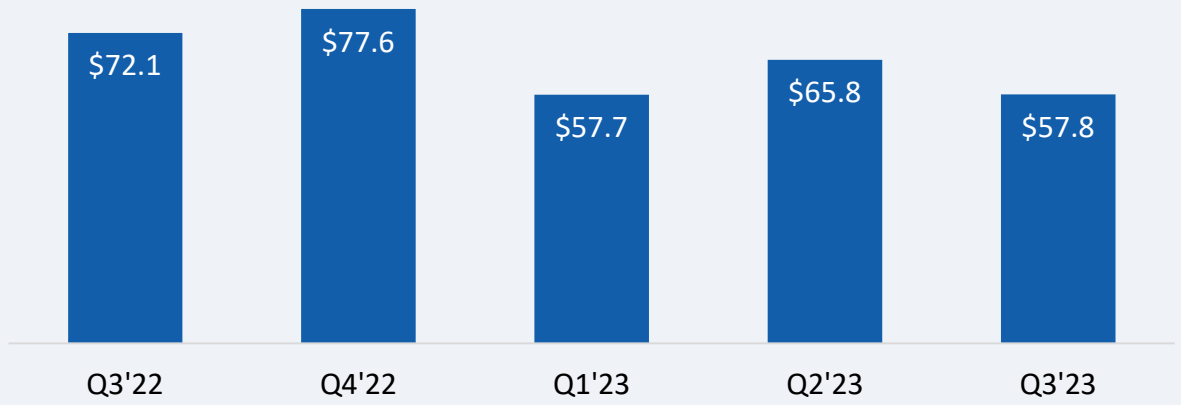
- Diversification in revenues and customers mitigates impact of macroeconomic headwinds
- Demonstrated earnings power even amidst revenue challenges
- Security solutions remain in high demand
- Positioned to achieve full-year profitability targets

See Appendix for reconciliation to most comparable GAAP financial measures.

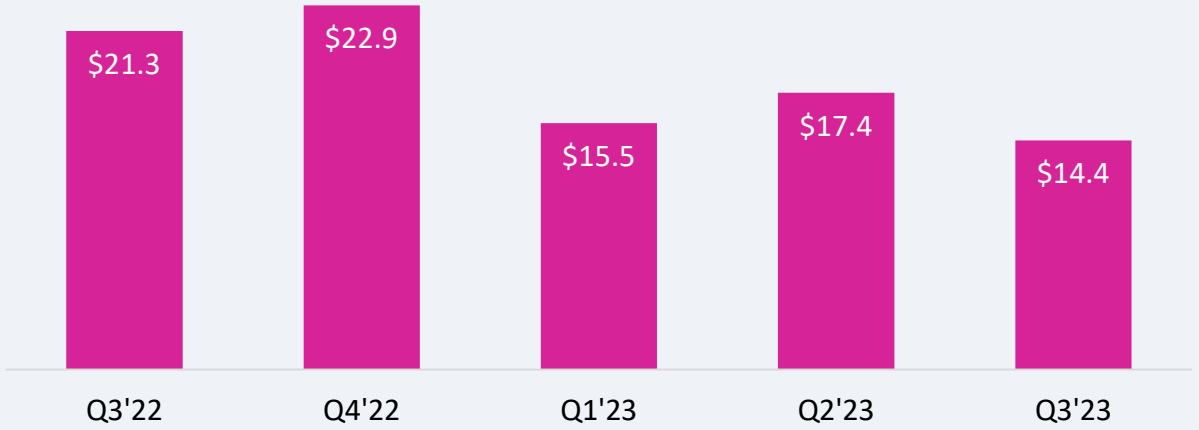
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Quarterly Revenue & Adjusted EBITDA

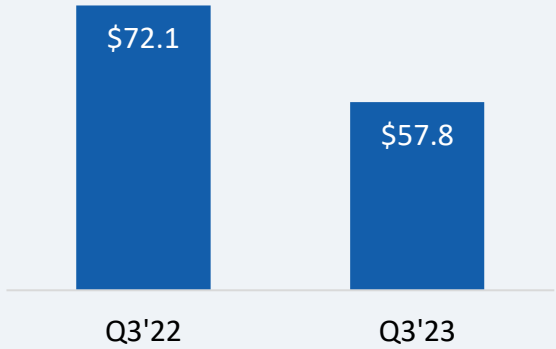
Revenue, $ Millions



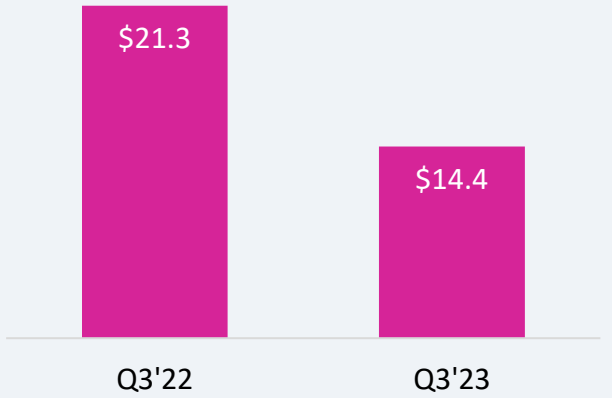
Adjusted EBITDA, $ Millions



Revenue, $ Millions



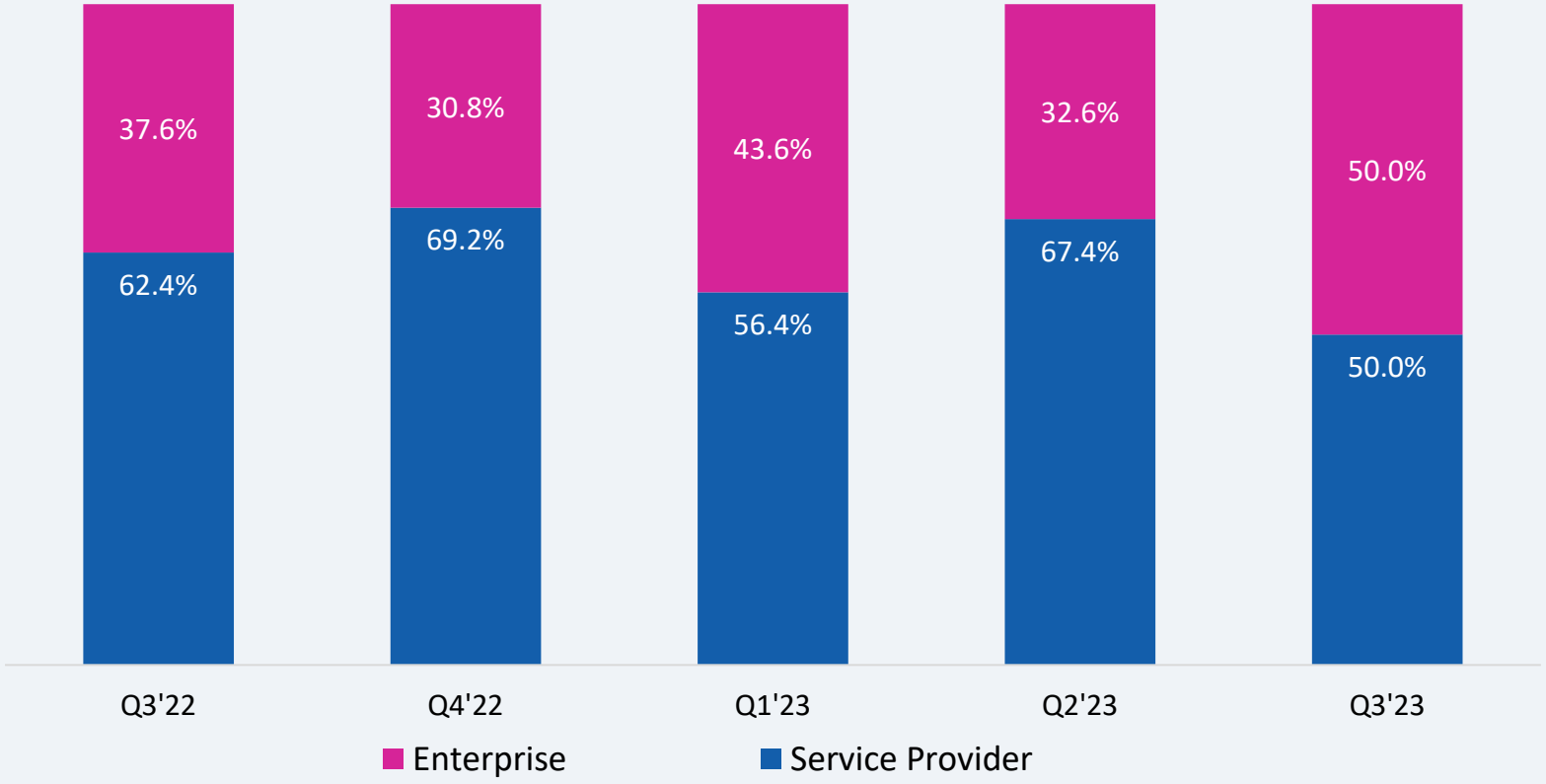
Adjusted EBITDA, $ Millions

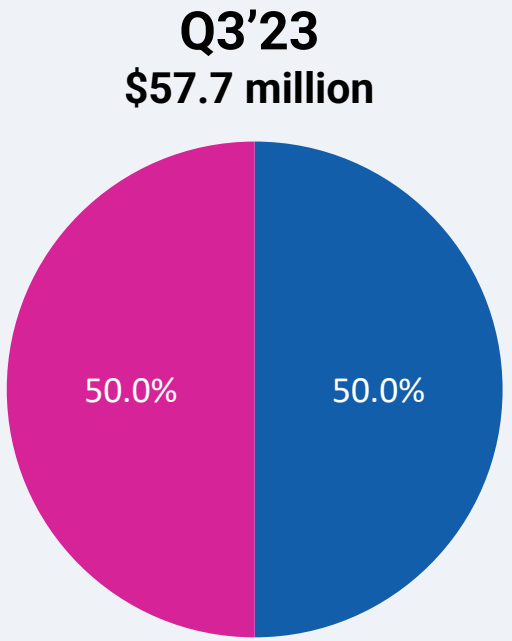


Operating Income is a Non-GAAP Financial Measure. See Appendix for reconciliation to most comparable GAAP financial measures.

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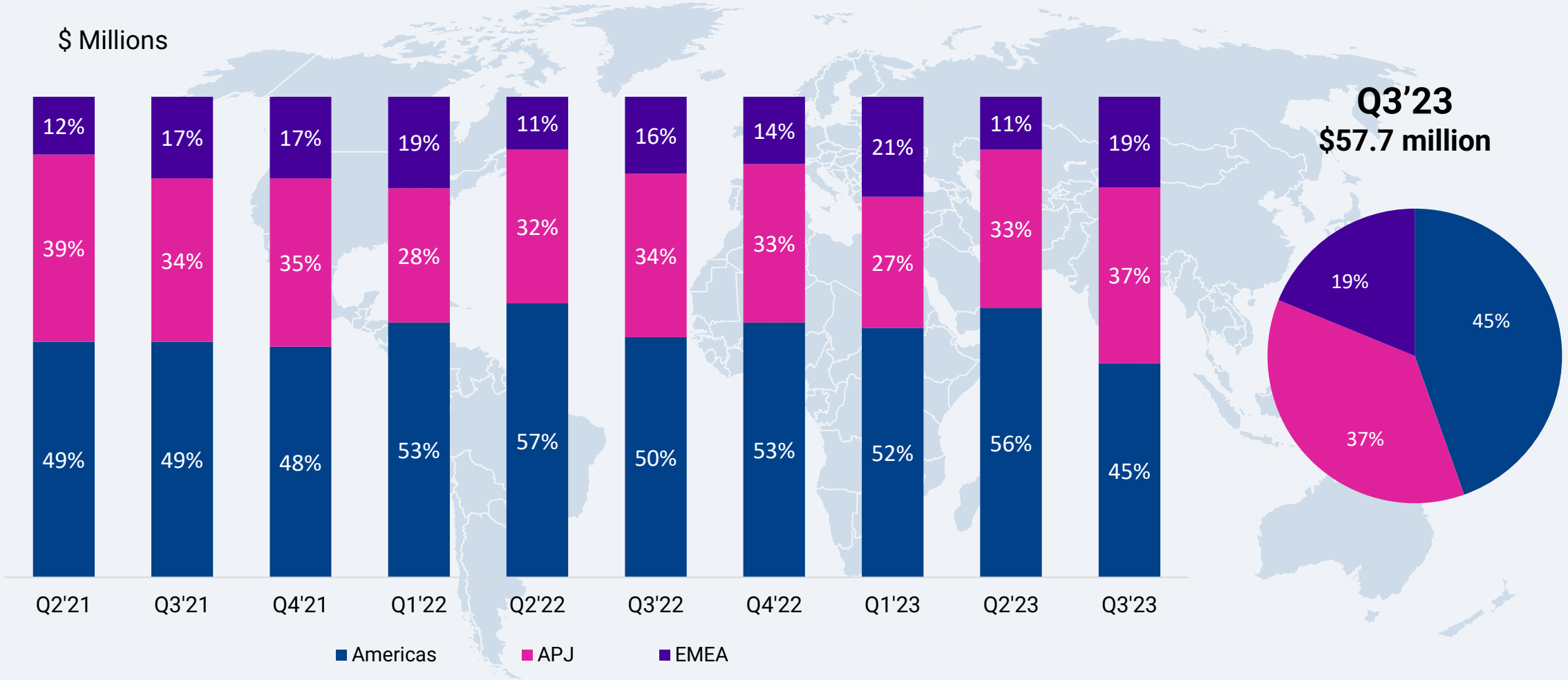
Quarterly Revenue by Customer Vertical





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Quarterly Revenue by Geography



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Consistent Value Creation



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Appendix

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Financial Performance Trends

$ Millions (except EPS)

	Q1'20	Q2'20	Q3'20	Q4'20	FY 2020	Q1'21	Q2'21	Q3'21	Q4'21	FY 2021	Q1'22	Q2'22	Q3'22	Q4'22	FY 2022	Q1'23	Q2'23	Q3'23
Revenue	$53.8	$52.5	$56.6	$62.7	**$225.5**	$54.8	$59.2	$65.4	$70.7	**$250.0**	$62.7	$68.0	$72.1	$77.6	**$280.3**	$57.7	$65.8	$57.8
Non-GAAP Gross Margin %	78.3%	78.8%	77.6%	79.6%	**78.6%**	78.9%	77.9%	80.4%	80.7%	**79.6%**	80.2%	80.6%	80.2%	80.3%	**80.3%**	83.1%	80.2%	81.8%
Non-GAAP Operating Margin %	7.6%	13.8%	17.8%	22.1%	**15.6%**	19.7%	18.8%	22.2%	24.8%	**21.6%**	18.6%	23.7%	27.0%	25.5%	**23.9%**	23.1%	23.1%	20.6%
Adjusted EBITDA (non-GAAP)	$7.2	$9.8	$12.5	$16.1	**$45.6**	$13.0	$13.2	$16.8	$19.4	**$62.4**	$13.5	$18.0	$21.3	$22.3	**$75.1**	$15.5	$17.4	$14.4
Non-GAAP EPS	$0.05	$0.09	$0.13	$0.18	**$0.44**	$0.12	$0.13	$0.17	$0.20	**$0.63**	$0.13	$0.17	$0.20	$0.24	**$0.74**	$0.13	$0.19	$0.16
Ending Cash & Marketable Securities	$142.9	$143.4	$159.1	$158.1	**$158.1**	$161.0	$166.8	$187.5	$185.0	**$185.0**	$164.7	$166.8	$127.8	$151.0	**$151.0**	$144.5	$153.9	$169.0

Numbers may not sum due to rounding. Please refer to the supplemental financials posted in 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.

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GAAP to Non-GAAP – Gross Margin and EPS

% of Revenue except EPS	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23
Gross Margin % - GAAP	79.5%	80.2%	79.5%	79.7%	82.3%	79.5%	80.9%
Stock-based compensation	0.7%	0.5%	0.7%	0.5%	0.8%	0.6%	0.9%
Gross Margin % - Non-GAAP	**80.2%**	**80.6%**	**80.2%**	**80.3%**	**83.1%**	**80.2%**	**81.8%**
EPS $ - GAAP	$ 0.08	$ 0.13	$ 0.16	$ 0.24	$ 0.05	$ 0.15	$ 0.09
Stock-based compensation	0.05	0.04	0.05	0.05	0.05	0.05	0.06
Impairment of investment	-	-	-	0.01	-	-	-
Capitalized project impairment	-	-	-	-	-	-	0.04
Workforce reduction severance	-	-	-	-	0.03	-	0.03
Cyber incident remediation expense	-	-	-	-	0.02	(0.01)	-
Tax benefit from amended returns	-	-	-	(0.06)	-	-	-
Income tax effect of non-GAAP items (starting Mar-23)	-	-	-	-	(0.02)	(0.00)	(0.06)
EPS $ - Non-GAAP	**$ 0.13**	**$ 0.17**	**$ 0.20**	**$ 0.24**	**$ 0.13**	**$ 0.19**	**$ 0.16**

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

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GAAP to Non-GAAP – Operating Income

$ Millions	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23
Income from operations $ - GAAP	$ 8.0	$ 13.1	$ 15.7	$ 16.3	$ 6.2	$ 12.3	$ 2.2
Stock-based compensation	3.7	2.9	3.8	3.5	4.0	3.5	4.3
Capitalized project impairment	-	-	-	-	-	-	3.0
Workforce reduction severance	-	-	-	-	1.9	-	2.4
Cyber incident remediation expense	-	-	-	-	1.4	(0.6)	-
Income from operations $ - Non-GAAP	**$ 11.7**	**$ 16.1**	**$ 19.5**	**$ 19.8**	**$ 13.4**	**$ 15.2**	**$ 11.9**
% of Revenue							
Income from operations % - GAAP	12.8 %	19.3 %	21.7 %	21.0 %	10.7 %	18.6 %	3.8 %
Stock-based compensation	5.9 %	4.3 %	5.3 %	4.6 %	6.9 %	5.4 %	7.5 %
Capitalized project impairment	—%	—%	—%	—%	—%	—%	5.1 %
Workforce reduction severance	—%	—%	—%	—%	3.2 %	—%	4.2 %
Cyber incident remediation expense	—%	—%	—%	—%	2.3 %	(0.9)%	—%
Income from operations % - Non-GAAP	**18.6 %**	**23.7 %**	**27.0 %**	**25.5 %**	**23.1 %**	**23.1 %**	**20.6 %**

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GAAP to Non-GAAP – Adjusted EBITDA

$ Millions	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23
GAAP net income	$ 6.3	$ 10.4	$ 12.1	$ 18.0	$ 4.0	$ 11.6	$ 6.5
Exclude: Interest income and other (income) expense, net	0.5	(0.5)	0.4	(0.1)	1.2	(2.5)	(2.8)
Exclude: Depreciation & amortization expense	1.8	1.9	1.8	2.5	2.1	2.2	2.5
Exclude: Provision (benefit) for income taxes	1.1	3.2	3.1	(1.7)	1.0	3.2	(1.5)
EBITDA	9.8	15.0	17.5	18.7	8.3	14.5	4.7
Exclude: Stock-based compensation	3.7	2.9	3.8	3.5	4.0	3.5	4.3
Exclude: Capitalized project impairment	-	-	-	-	-	-	3.0
Exclude: Workforce reduction severance	-	-	-	-	1.9	-	2.4
Exclude: Cyber incident remediation expense	-	-	-	-	1.4	(0.6)	-
Adjusted EBITDA - Non-GAAP	**$ 13.5**	**$ 18.0**	**$ 21.3**	**$ 22.3**	**$ 15.5**	**$ 17.4**	**$ 14.4**

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