

Q4 and FY 2020 Financial Results & Commentary

February 9, 2021

A10

Always Secure. Always Available.

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 positioning, global business environment, strategy, including portfolio management, recurring revenue, growth and profitability.

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, the impact of the COVID-19 pandemic on our business, on the business of our customers and suppliers, and on the global economy in general, execution risks related to closing key deals and improving our execution, 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, our ability to maintain or improve our competitive position; competitive and execution risks related to cloud-based computing trends, attracting and retaining new end-customers, maintaining and enhancing our brand and reputation, changes demanded by our customers in the deployment and payment model for our products, growth in markets relating to network security, the success of any future acquisitions or investments, the success of our partnerships with technology providers, the ability of our sales team to execute well, our ability to shorten our close cycle, the ability of our channel partners to sell our products, variations in product mix or geographic locations of our sales, 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. The forward-looking statements included in this presentation are based on current expectations and beliefs as of February 9, 2021 only. We do not intend to update this information contained in the forward-looking statements, except as required by law.

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 (loss) excluding: (i) stock-based compensation and related payroll tax, (ii) amortization expense related to acquisition, (iii) non-recurring expenses associated with the litigation settlement and internal investigation expense (recovery), (iv) restructuring expense and related tax, and (v) non-recurring facility expense. We define non-GAAP net income per basic and diluted share as our non-GAAP net income (loss) 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, and (ii) global portfolio rationalization expense. We define non-GAAP gross margin as our non-GAAP gross profit divided by our GAAP revenue. We define non-GAAP operating income (loss) as our GAAP income (loss) from operations excluding (i) stock-based compensation and related payroll tax, (ii) amortization expense related to acquisition, (iii) non-recurring expenses associated with the litigation settlement and internal investigation expense (recover), (iv) restructuring expense, (v) global portfolio rationalization expense, and (vi) non-recurring facilities expense. We define non-GAAP operating margin as our non-GAAP operating income (loss) 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) amortization expense related to acquisition, (iii) non-recurring expenses associated with the litigation settlement and internal investigation expense (recovery), (iv) restructuring expense, (v) global portfolio rationalization expense, and (vi) non-recurring facilities expense. We define Adjusted EBITDA as our GAAP net income (loss) excluding (i) interest expense, (ii) interest income and other (income) expense, net, (iii) depreciation and amortization expense, (iv) provision for income taxes, (v) stock-based compensation and related payroll tax, (vi) litigation settlement and internal investigation expense (recovery), (vii) restructuring expense, (viii) global portfolio rationalization expense, and (ix) non-recurring facility expense.

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.

Agenda

- Introduction
- 4Q Overview
- 4Q Financial Performance
- FY2020 Financial Performance



A10 at a Glance

Enabling a Secure and Available Digital World

IoT Proliferation



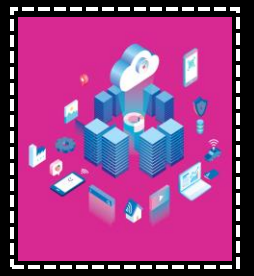
Shift to Cloud



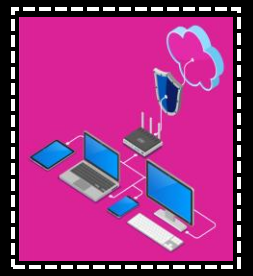
5G Deployment



Operational Complexity



Security Threats



$225M 2020 REVENUE

$109M DEFERRED REV AS OF 12/31

78.6% 2020 NON-GAAP GROSS MARGIN

7,800+ CUSTOMERS

$158M CASH & MARKETABLE SECURITIES AS OF 12/31

$0 DEBT

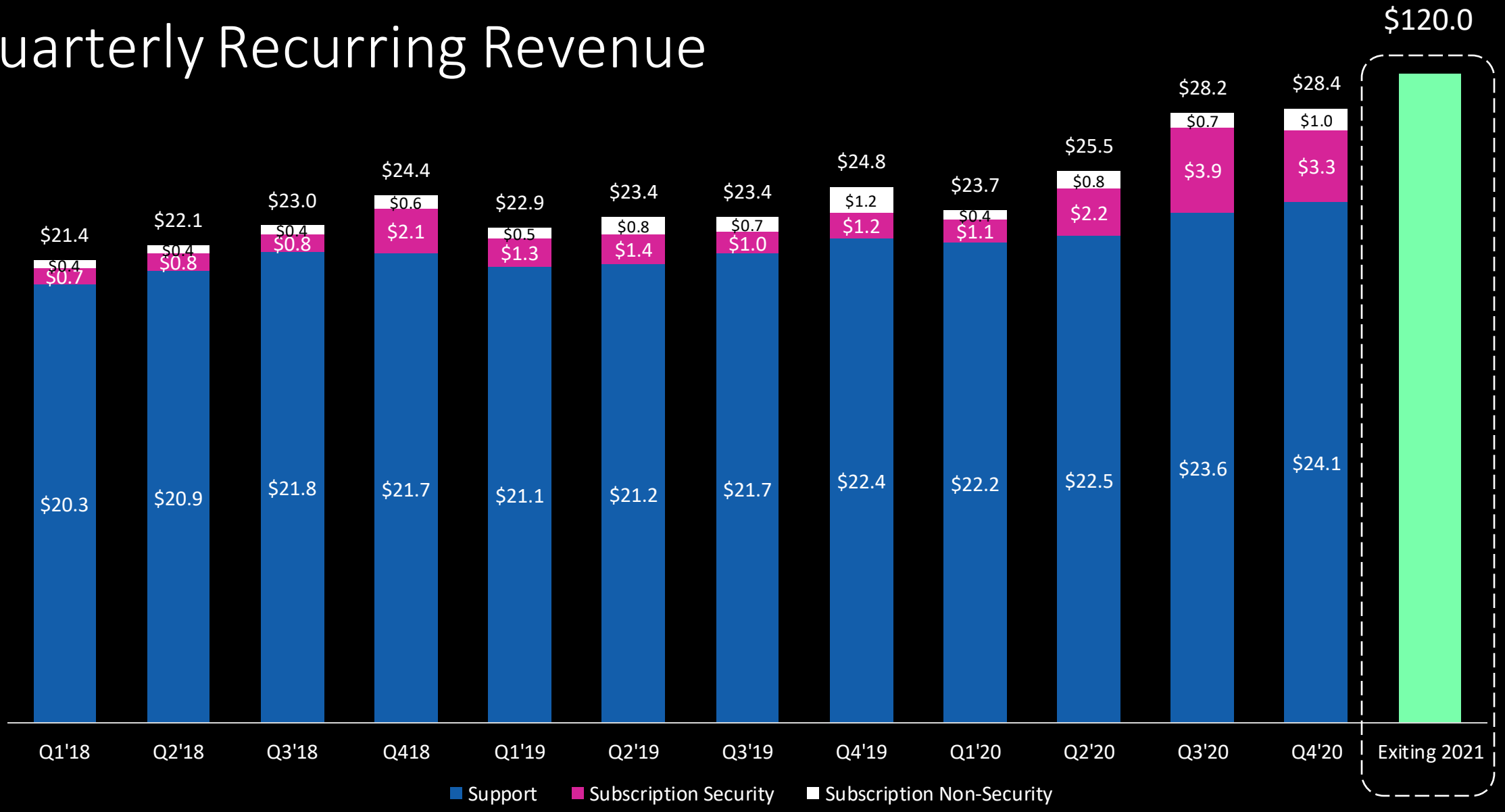
- *Provide always available application delivery and security on-prem and in the cloud*
- *Protect investments for enterprises and service providers*
- *Support seamless migration to the cloud and cloud-native with hybrid solutions*
- *Secure multi-generational networks through the transition to 5G and cloud*
- *Protect networks from cyberattacks that threaten network availability*
- *Simplify IT ops with connected intel, automation, ML and DevOps/ SecOps tools*

See Appendix for reconciliation to most comparable GAAP financial measures.

Near-term Expectations

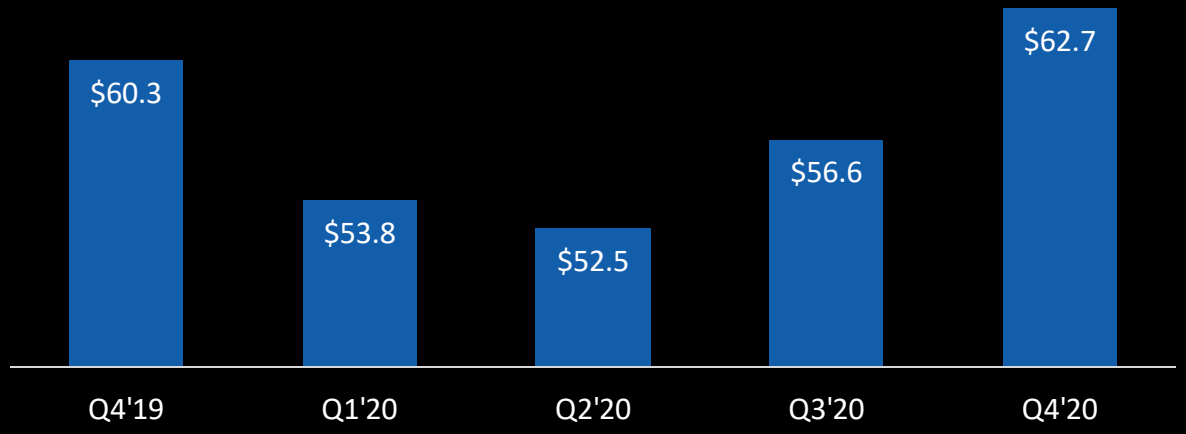
- Continue to effectively manage the business
  - Well-equipped to mitigate disruption
  - Sustainable win rate with lower visibility of order patterns in the next 90-day period related to changing global business environment
- Increasing focus on portfolio management
  - Deliver integrated solutions that drive established strengths in cybersecurity, 5G, network availability
  - Grow recurring revenue 2X faster than overall revenue growth
- Guidance
  - Targeting sustainable and consistent growth with expectation to maintain GAAP profitability going forward

Quarterly Recurring Revenue

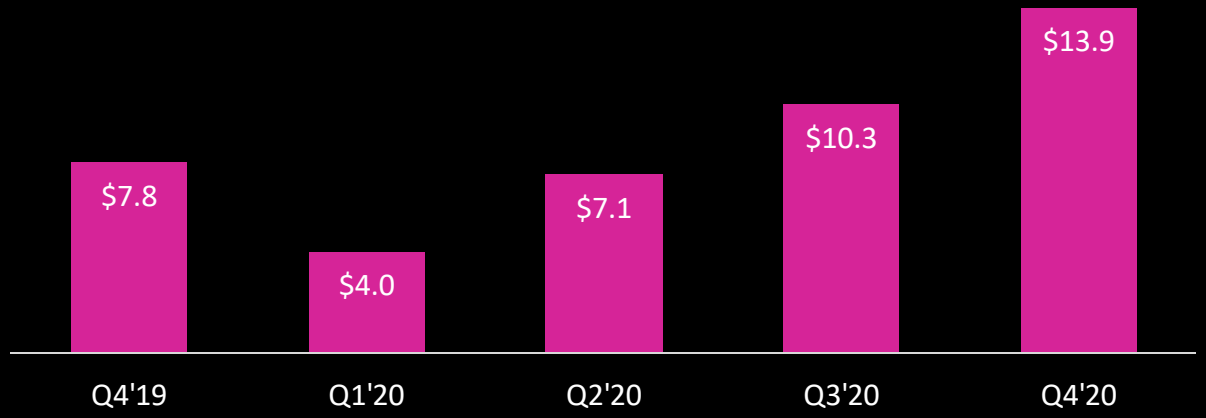


Quarterly Revenue & Non-GAAP Operating Income

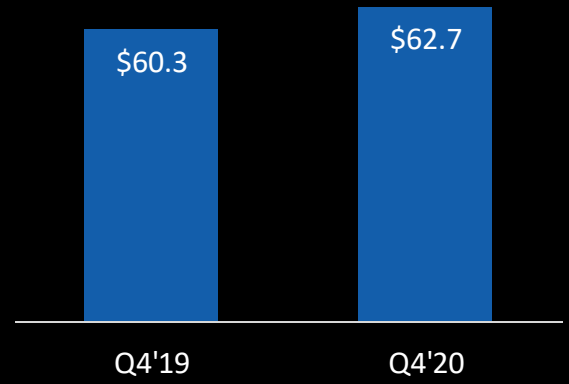
Revenue, $ Millions



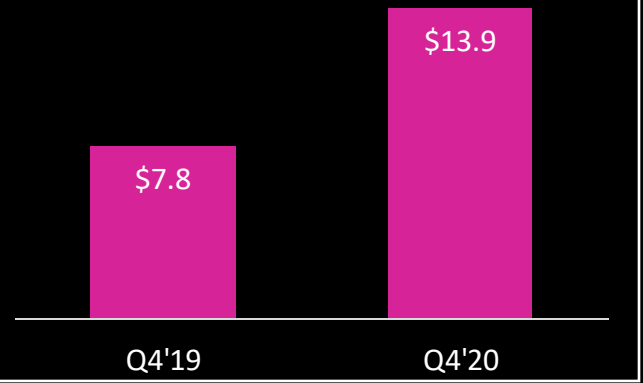
Non-GAAP Operating Income, $ Millions



Revenue, $ Millions

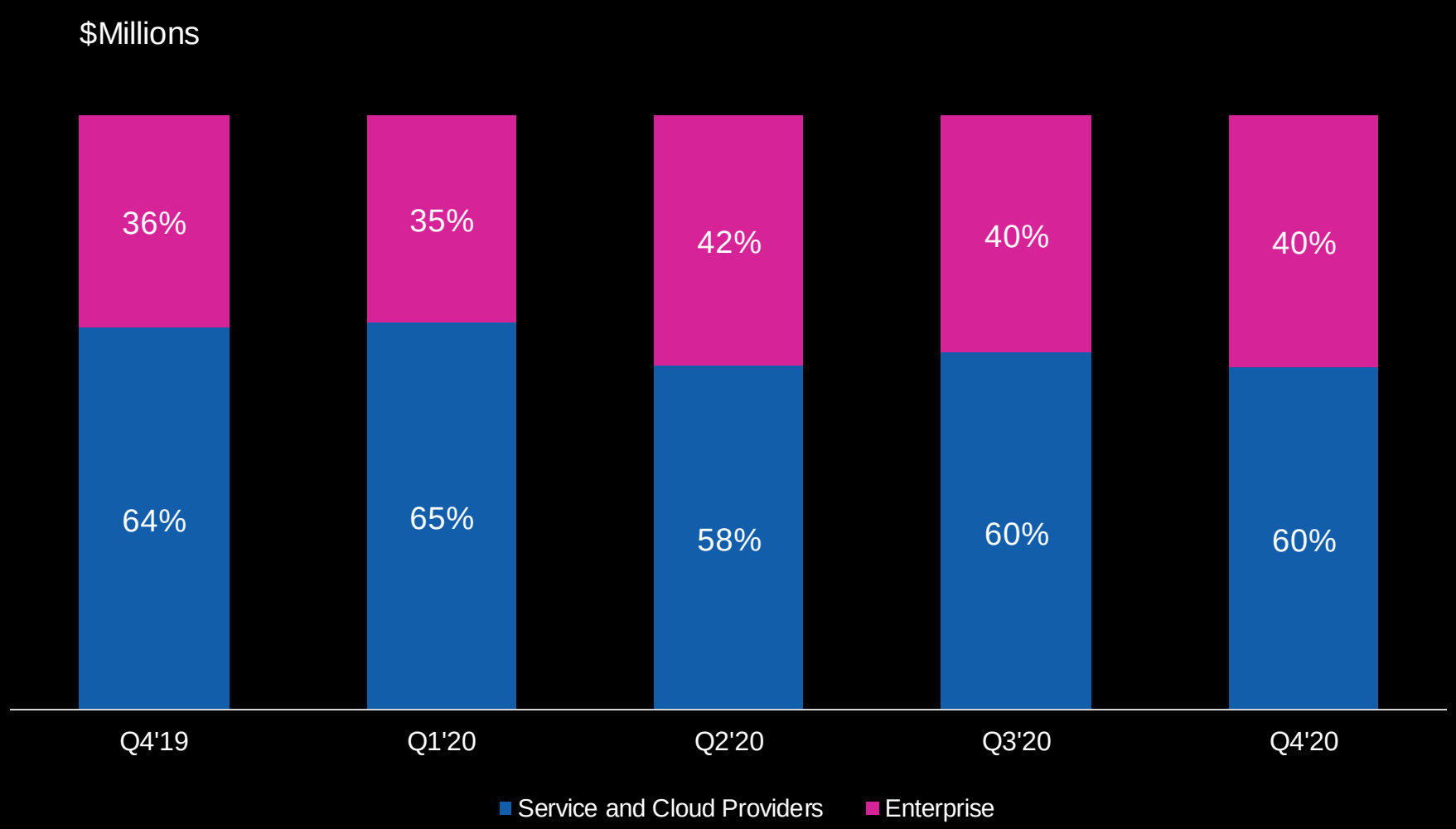


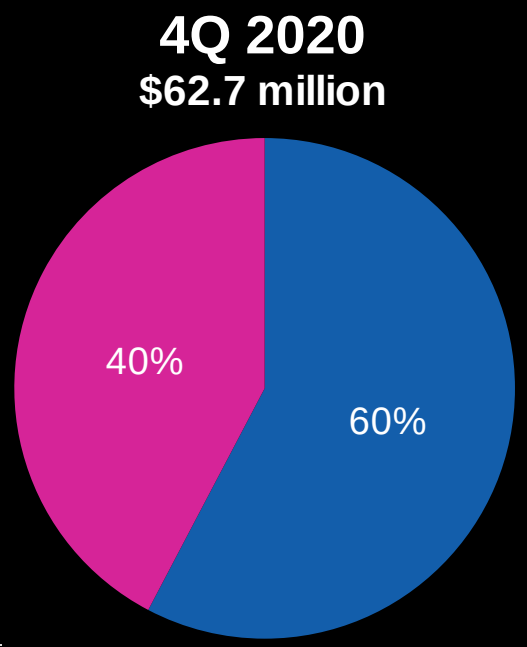
Non-GAAP Operating Income, $ Millions



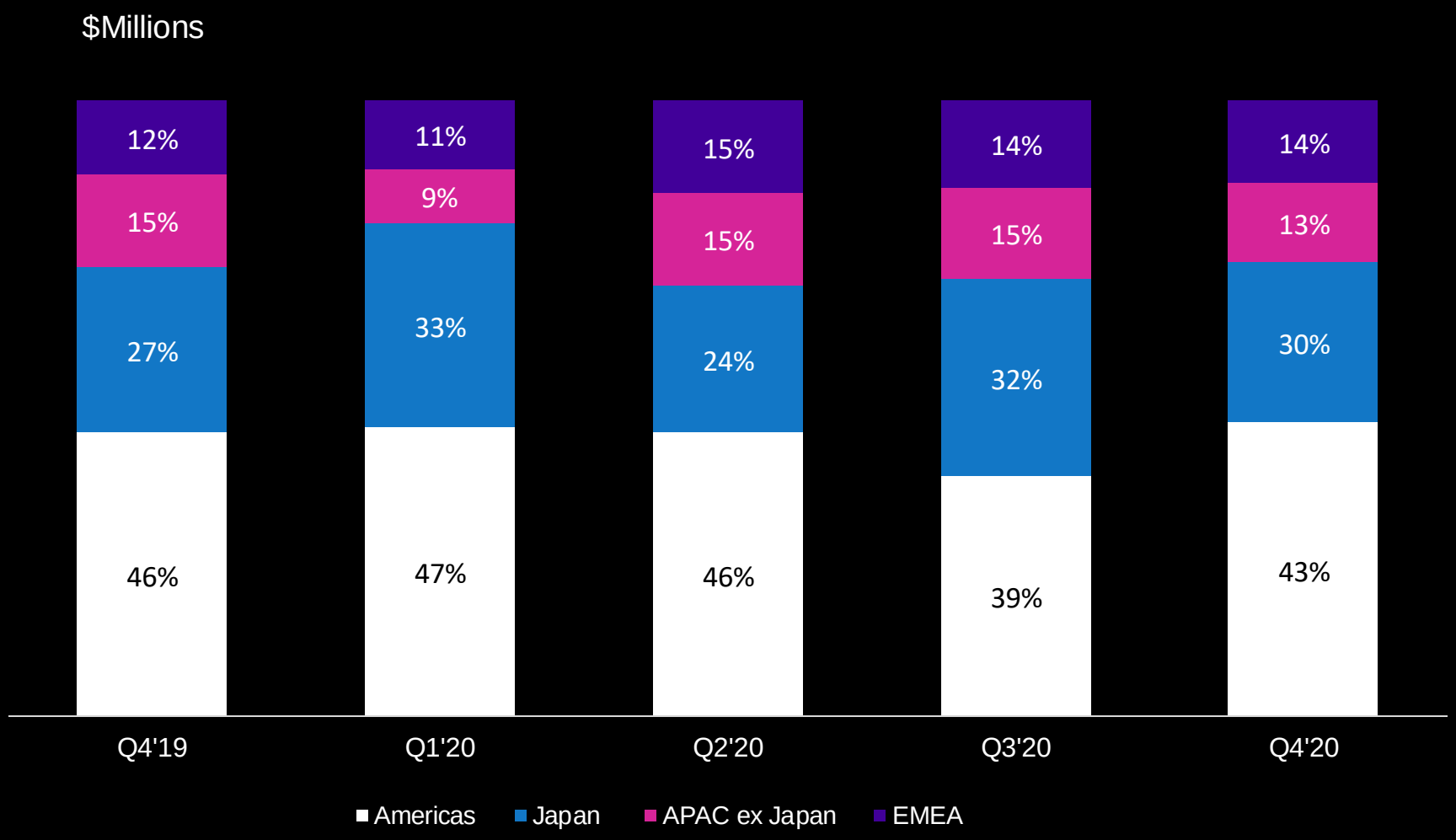
Operating Income is a Non-GAAP Financial Measure. See Appendix for reconciliation to most comparable GAAP financial measures.

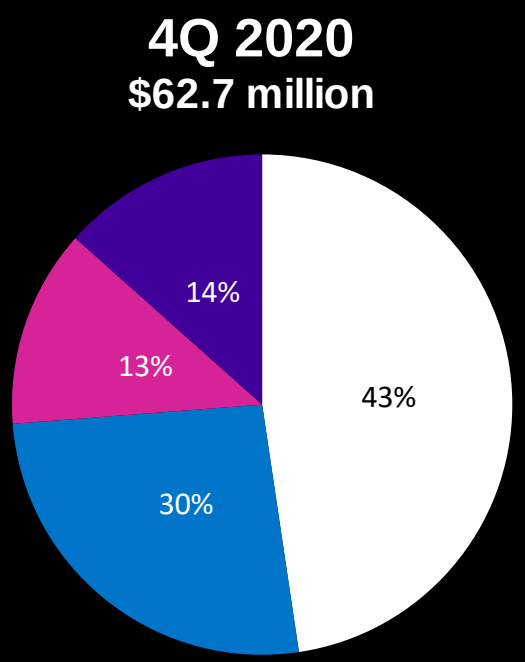
Quarterly Revenue by Customer Vertical





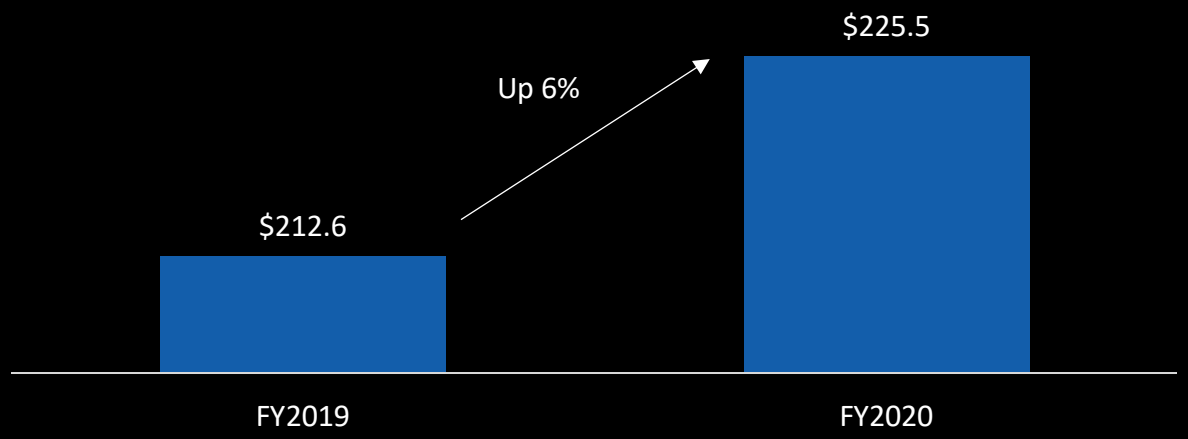
Quarterly Revenue by Geography



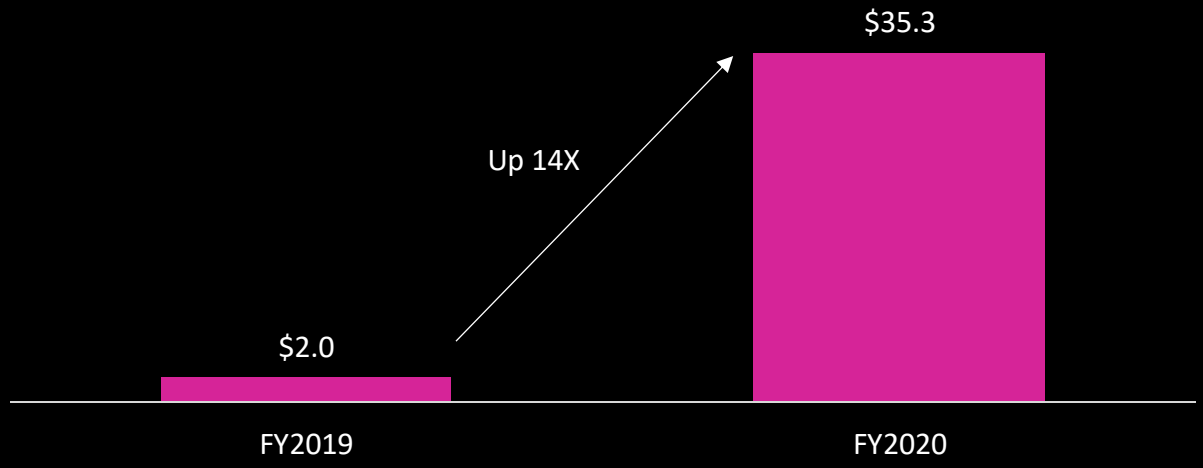


Annual Revenue & Non-GAAP Operating Income

Revenue, $ Millions

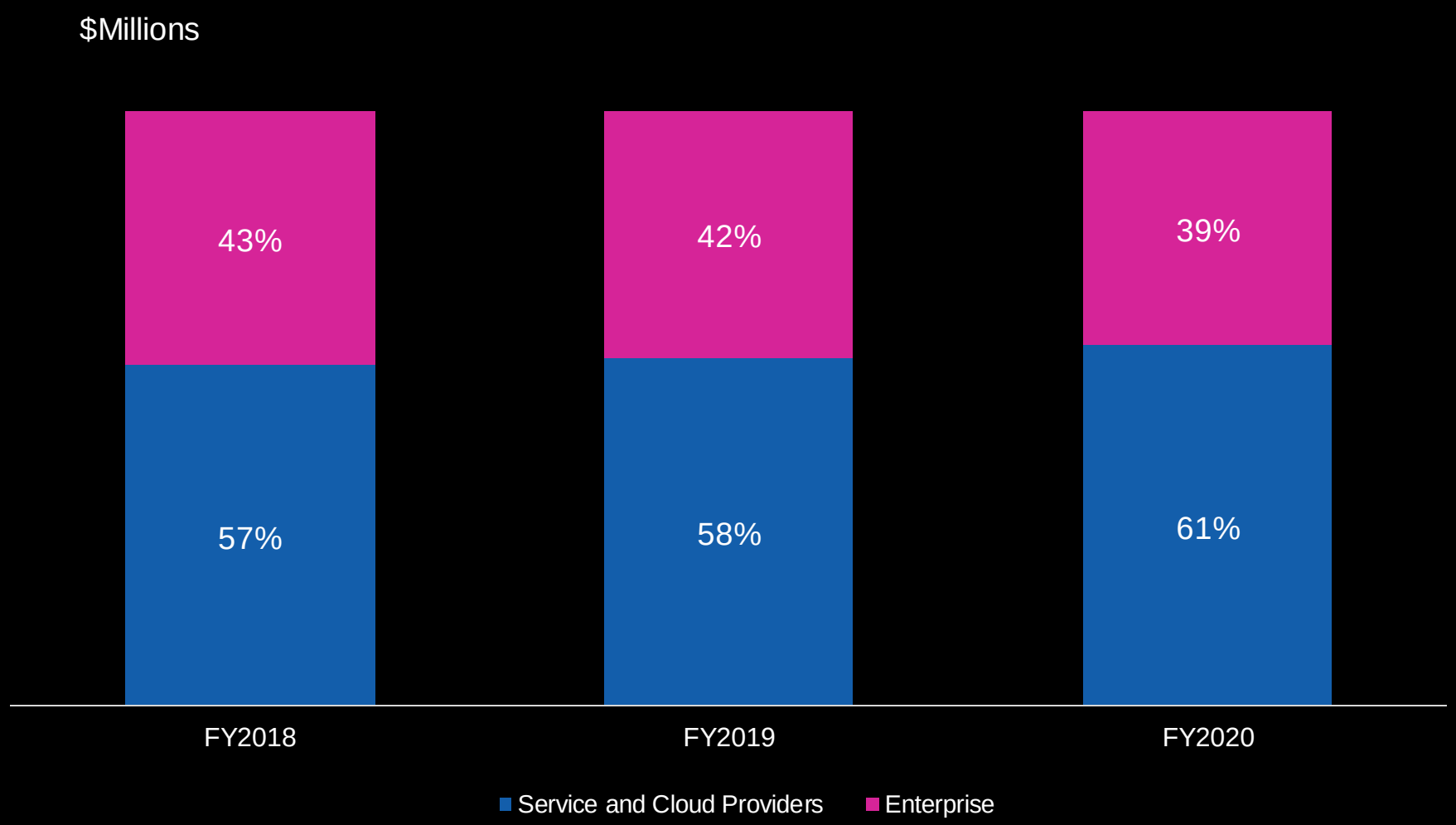


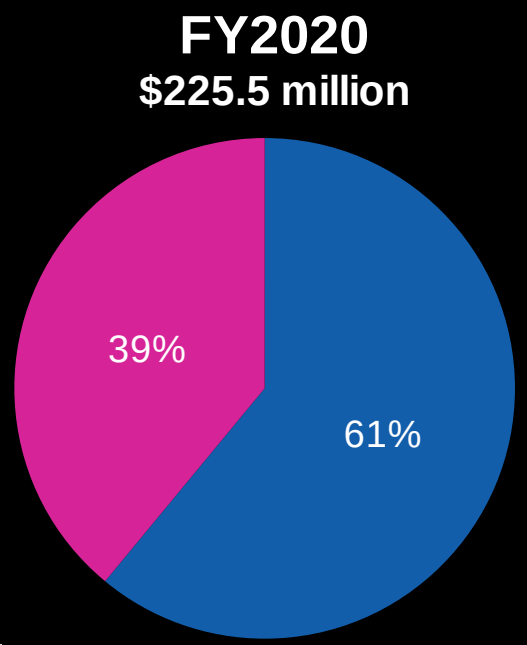
Non-GAAP Operating Income, $ Millions



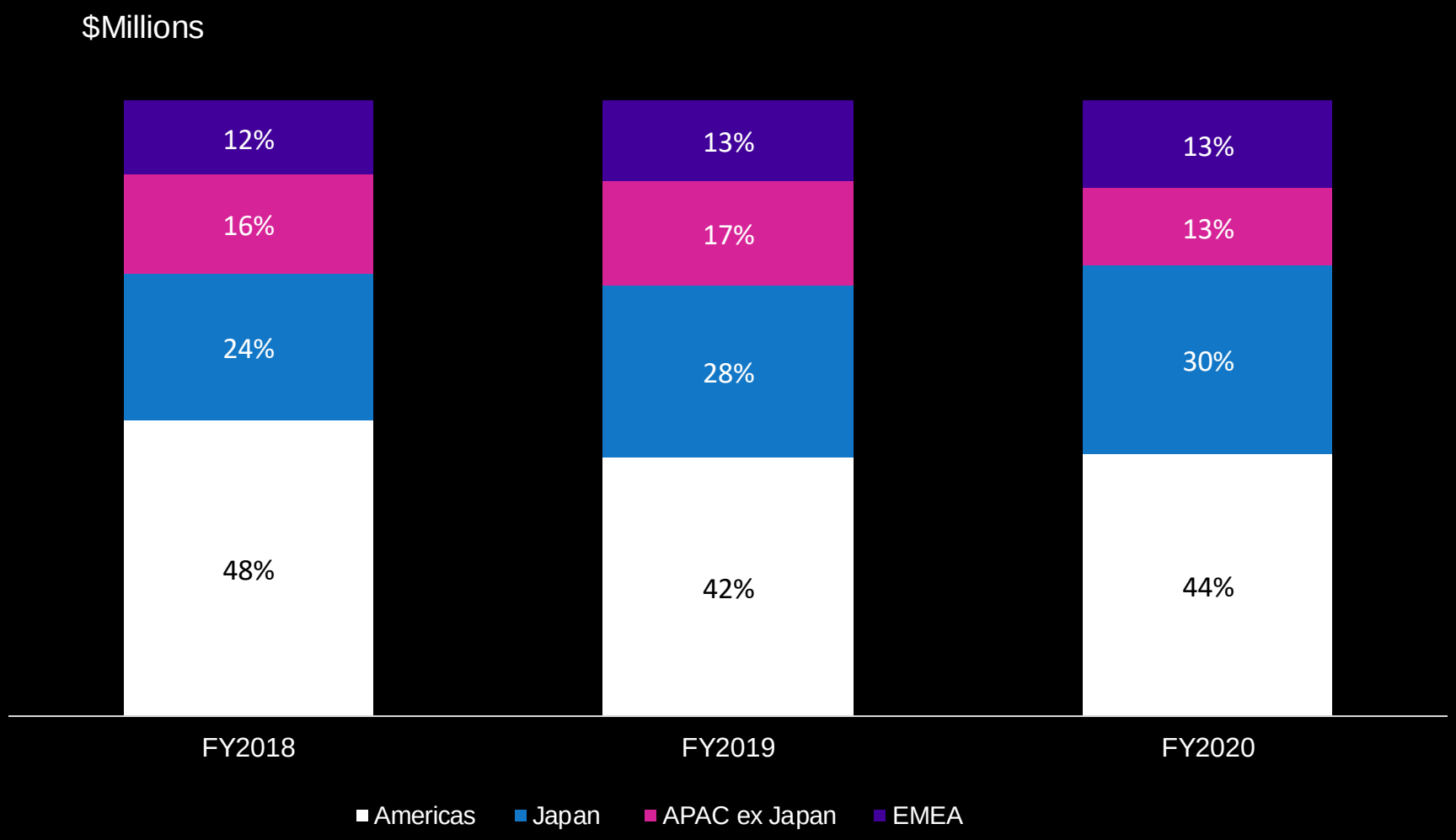
Operating Income is a Non-GAAP Financial Measure. See Appendix for reconciliation to most comparable GAAP financial measures.

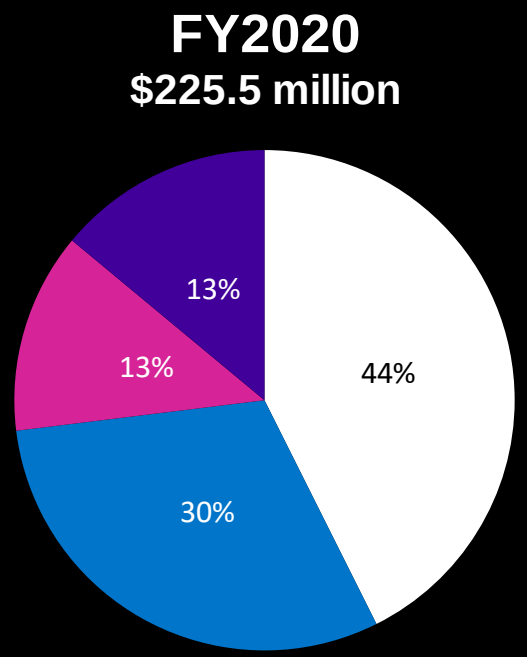
Annual Revenue by Customer Vertical





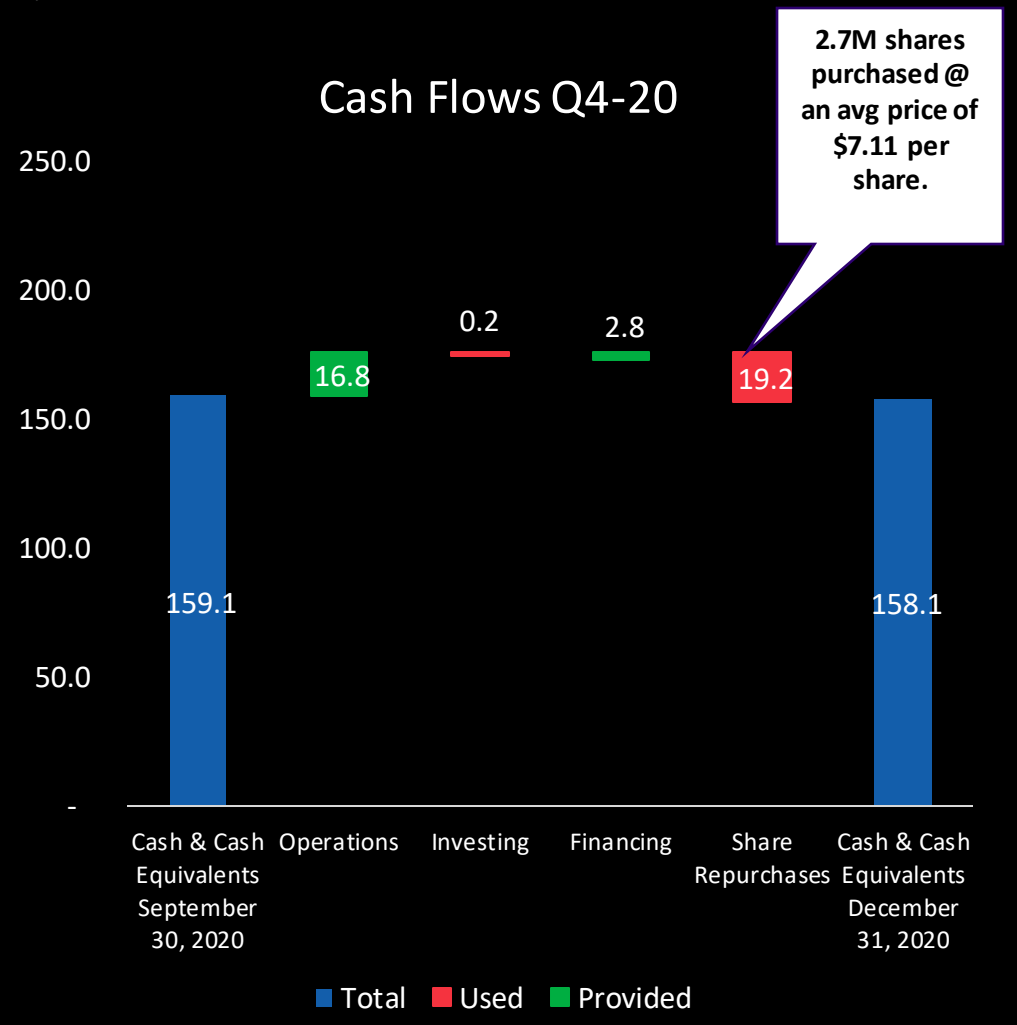
Annual Revenue by Geography



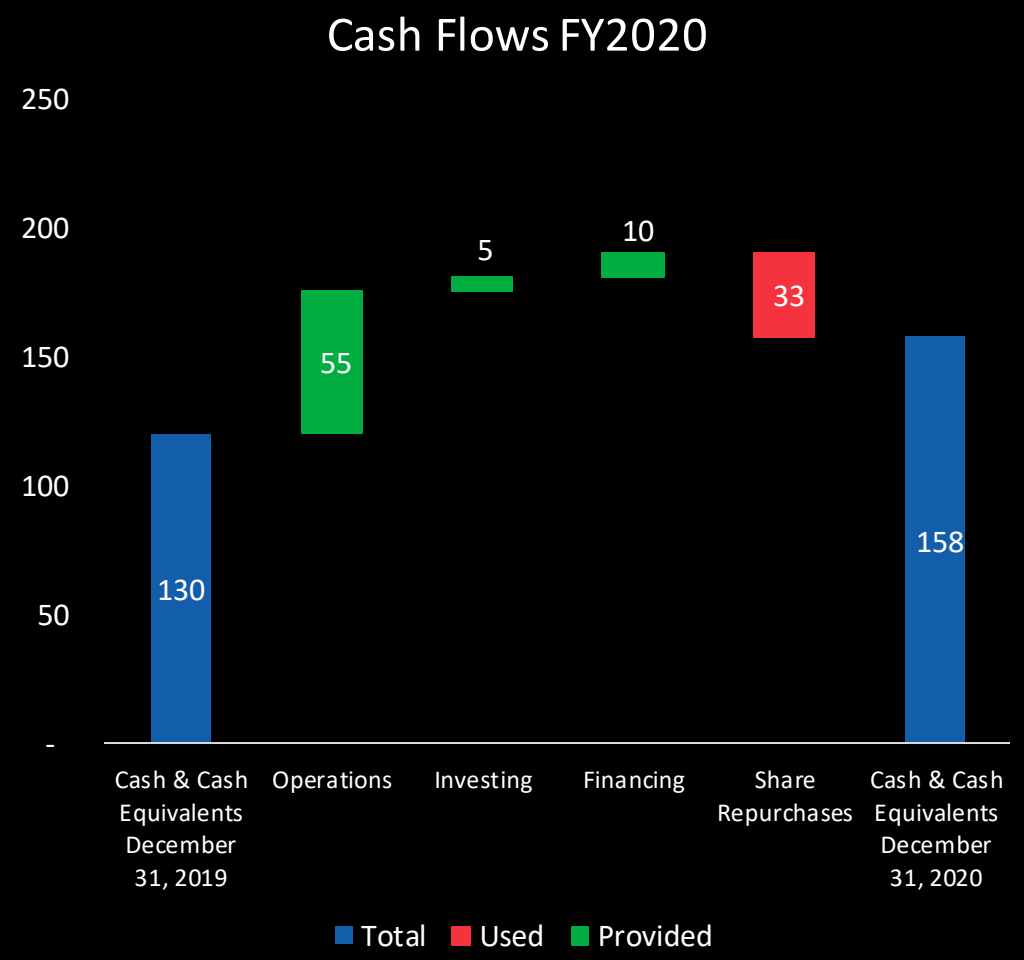


Quarterly and Full-Year Cash Flows

(in millions)



(in millions)



Financial Performance Trends

$ Millions (except EPS)

	1Q'19	2Q'19	Q3'19	4Q'19	**FY 2019**	1Q'20	2Q'20	3Q'20	4Q'20	**FY2020**
Revenue	$50.3	$49.2	$52.8	$60.3	**$212.6**	$53.8	$52.5	$56.6	$62.7	**$225.5**
Non-GAAP Gross Margin %	76.3%	78.0%	78.1%	78.5%	**77.8%**	78.3%	78.8%	77.6%	79.6%	**78.6%**
Non-GAAP Operating Margin %	(11.8%)	(1.9%)	3.5%	12.7%	**1.2%**	7.7%	13.8%	17.8%	22.1%	**15.6%**
Adjusted EBITDA (non-GAAP)	($3.7)	$1.3	$4.0	$10.0	**$11.6**	$7.2	$9.8	$12.5	$16.1	**$45.6**
Non-GAAP EPS	($0.10)	$0.00	$0.02	$0.10	**$0.03**	$0.05	$0.09	$0.13	$0.18	**$0.44**
Ending Cash & Marketable Securities	$122.8	$119.3	$122.6	$129.9	**$129.9**	$142.9	$143.4	$159.1	$158.1	**$158.1**

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.



Appendix

GAAP to Non-GAAP - Gross Margin and EPS

% of Revenue except EPS	Q1'19	Q2'19	Q3'19	Q4'19	FY 2019	Q1'20	Q2'20	Q3'20	Q4'20	FY 2020
Gross Margin % - GAAP	75.6%	77.1%	77.4%	77.7%	**77.0%**	77.4%	78.2%	76.8%	78.5%	**77.8%**
Stock-based compensation	0.6%	1.0%	0.6%	0.8%	**0.7%**	0.9%	0.6%	0.8%	0.6%	**0.7%**
Global portfolio rationalization expense	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.5%	**0.1%**
Non-reccuring facilities expense	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	**0.0%**
Gross Margin % - Non-GAAP	**76.3%**	**78.0%**	**78.1%**	**78.5%**	**77.8%**	**78.3%**	**78.8%**	**77.6%**	**79.6%**	**78.6%**
EPS $ - GAAP	$ (0.16)	$ (0.08)	$ 0.00	$ 0.00	**$ (0.23)**	$ (0.00)	$ 0.05	$ 0.08	$ 0.10	**$ 0.22**
Stock-based compensation	0.05	0.07	0.04	0.05	**0.21**	0.04	0.04	0.05	0.04	**0.16**
Litigation and Investigation expense (benefit)	0.01	0.00	(0.03)	0.00	**(0.01)**	0.00	-	-	-	**0.00**
Amortization expense related to acquisition	0.00	0.00	0.00	0.00	**0.01**	0.00	0.00	0.00	0.00	**0.01**
Global portfolio rationalization expense	-	-	-	-	**-**	-	-	-	0.04	**0.04**
Restructuring expense, and related tax	-	-	-	0.03	**0.03**	-	-	-	-	**-**
Non-recurring facilities expense	-	-	-	0.01	**0.01**	0.01	-	-	-	**0.01**
EPS $ - Non-GAAP	**$ (0.10)**	**$ 0.00**	**$ 0.02**	**$ 0.10**	**$ 0.03**	**$ 0.05**	**$ 0.09**	**$ 0.13**	**$ 0.18**	**$ 0.44**

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.

GAAP to Non-GAAP - Operating Income (Loss)

$ Millions	Q1'19	Q2'19	Q3'19	Q4'19	FY 2019	Q1'20	Q2'20	Q3'20	Q4'20	FY 2020
Income (loss) from operations $ - GAAP	$ (11.0)	$ (6.4)	$ 0.2	$ 0.1	**$ (17.1)**	$ (0.2)	$ 3.9	$ 6.2	$ 7.8	**$ 17.7**
Stock-based compensation	3.9	5.0	3.5	4.3	**16.8**	3.2	3.1	3.6	2.9	**12.8**
Litigation and Investigation expense (benefit)	0.9	0.2	(2.2)	0.0	**(1.1)**	0.0	-	-	-	**0.0**
Amortization expense related to acquisition	0.3	0.3	0.3	0.3	**1.0**	0.3	0.3	0.3	0.3	**1.0**
Global portfolio rationalization expense	-	-	-	-	**-**	-	-	-	2.9	**2.9**
Restructuring expense	-	-	-	2.5	**2.5**	-	-	-	-	**-**
Non-recurring facilities expense	-	-	-	0.4	**0.4**	0.8	-	-	-	**0.8**
Income (loss) from operations $ - Non-GAAP	**$ (5.9)**	**$ (0.9)**	**$ 1.8**	**$ 7.7**	**$ 2.6**	**$ 4.1**	**$ 7.2**	**$ 10.0**	**$ 13.9**	**$ 35.3**
% of Revenue										
Income (loss) from operations % - GAAP	(21.8)%	(13.1)%	0.4 %	0.1 %	**(8.0)%**	(0.4)%	7.5 %	11.0 %	12.4 %	**7.9 %**
Stock-based compensation	7.7 %	10.3 %	6.6 %	7.2 %	**7.9 %**	6.0 %	5.9 %	6.3 %	4.7 %	**5.7 %**
Litigation and Investigation expense (benefit)	1.7 %	0.4 %	(4.1)%	0.1 %	**(0.5)%**	0.1 %	—%	—%	—%	**0.0 %**
Amortization expense related to acquisition	0.5 %	0.5 %	0.5 %	0.4 %	**0.5 %**	0.5 %	0.5 %	0.4 %	0.4 %	**0.4 %**
Global portfolio rationalization expense	—%	—%	—%	—%	**—%**	—%	—%	—%	4.6 %	**1.3 %**
Restructuring expense	—%	—%	—%	4.2 %	**1.2 %**	—%	—%	—%	—%	**—%**
Non-recurring facilities expense	—%	—%	—%	0.7 %	**0.2 %**	1.5 %	—%	—%	—%	**0.4 %**
Income (loss) from operations % - Non-GAAP	**(11.8)%**	**(1.9)%**	**3.5 %**	**12.7 %**	**1.2 %**	**7.7 %**	**13.8 %**	**17.8 %**	**22.1 %**	**15.6 %**

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.

GAAP to Non-GAAP - Adjusted EBITDA

$ Millions	Q1'19	Q2'19	Q3'19	Q4'19	FY 2019	Q1'20	Q2'20	Q3'20	Q4'20	FY 2020
GAAP net income (loss)	$ (12.3)	$ (5.8)	$ 0.2	$ 0.1	**$ (17.8)**	$ (0.3)	$ 3.8	$ 6.5	$ 7.8	**$ 17.8**
Exclude: Interest expense	0.2	0.0	0.0	0.0	**0.2**	-	0.0	-	-	**0.0**
Exclude: Interest income and other (income) expense, net	0.6	(0.8)	(0.3)	(0.5)	**(0.9)**	(0.2)	(0.2)	(0.5)	(0.5)	**(1.4)**
Exclude: Depreciation & amortization expense	2.4	2.5	2.5	2.6	**10.0**	3.3	2.8	2.7	2.5	**11.3**
Exclude: Provision for income taxes	0.5	0.1	0.3	0.5	**1.4**	0.3	0.3	0.3	0.4	**1.3**
EBITDA	(8.5)	(3.9)	2.7	2.7	**(7.1)**	3.1	6.7	8.9	10.3	**29.0**
Exclude: Stock-based compensation	3.9	5.0	3.5	4.3	**16.8**	3.2	3.1	3.6	2.9	**12.8**
Exclude: Litigation settlement and investigation expense	0.9	0.2	(2.2)	0.0	**(1.1)**	0.0	-	-	-	**0.0**
Exclude: Global portfolio rationalization expense	-	-	-	-	**-**	-	-	-	2.9	**2.9**
Exclude: Restructuring expense	-	-	-	2.5	**2.5**	-	-	-	-	**-**
Exclude: Non-recurring facilities expense	-	-	-	0.4	**0.4**	0.8	-	-	-	**0.8**
Adjusted EBITDA - Non-GAAP	**$ (3.7)**	**$ 1.3**	**$ 4.0**	**$ 10.0**	**$ 11.6**	**$ 7.2**	**$ 9.8**	**$ 12.5**	**$ 16.1**	**$ 45.6**

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Thank You
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A10
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