

EXTREME NETWORKS INC

Form 10-Q

October 29, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-25711

EXTREME NETWORKS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
[State or other jurisdiction
of incorporation or organization]

77-0430270
[I.R.S Employer
Identification No.]

145 Rio Robles,
San Jose, California
[Address of principal executive office]

95134
[Zip Code]

Registrant's telephone number, including area code: (408) 579-2800

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the Registrant's Common Stock, \$.001 par value, outstanding at October 21, 2014 was 97,538,572.

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EXTREME NETWORKS, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands, except share and per share amounts)
 (Unaudited)

	September 30, 2014	June 30, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 74,067	\$ 73,190
Short-term investments	30,395	32,692
Accounts receivable, net of allowances of \$4,569 at September 30, 2014 and \$3,618 at June 30, 2014	99,980	124,664
Inventories	55,341	57,109
Deferred income taxes	1,069	1,058
Prepaid expenses and other current assets	13,486	14,143
Total current assets	274,338	302,856
Property and equipment, net	46,258	46,554
Intangible assets, net	78,710	87,459
Goodwill	70,877	70,877
Other assets	18,867	18,686
Total assets	\$ 489,050	\$ 526,432
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 30,500	\$ 29,688
Accounts payable	29,994	37,308
Accrued compensation and benefits	21,712	26,677
Restructuring liabilities	186	322
Accrued warranty	7,889	7,551
Deferred revenue, net	72,599	74,735
Deferred distributors revenue, net of cost of sales to distributors	26,060	31,992
Other accrued liabilities	35,768	38,035
Total current liabilities	224,708	246,308
Deferred revenue, less current portion	21,968	22,942
Long-term debt, less current portion	90,250	91,875
Other long-term liabilities	9,014	8,595
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Convertible preferred stock, \$.001 par value, issuable in series, 2,000,000 shares authorized; none issued	—	—
Common stock, \$.001 par value, 750,000,000 shares authorized; 97,528,819 shares issued and outstanding at September 30, 2014 and 96,980,214 shares issued and outstanding at June 30, 2014	98	97
Additional paid-in-capital	851,817	845,267
Accumulated other comprehensive loss	(1,262) (439)
Accumulated deficit	(707,543) (688,213)
Total stockholders' equity	143,110	156,712
Total liabilities and stockholders' equity	\$ 489,050	\$ 526,432
See accompanying notes to condensed consolidated financial statements.		

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EXTREME NETWORKS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (In thousands, except per share amounts)
 (Unaudited)

	Three Months Ended	
	September 30, 2014	September 30, 2013
Net revenues:		
Product	\$102,672	\$61,045
Service	33,602	14,871
Total net revenues	136,274	75,916
Cost of revenues:		
Product	54,025	27,516
Service	11,722	4,693
Total cost of revenues	65,747	32,209
Gross profit:		
Product	48,647	33,529
Service	21,880	10,178
Total gross profit	70,527	43,707
Operating expenses:		
Research and development	23,347	