EXTREME NETWORKS INC

Form 10-Q October 29, 2014 Table of Contents

COMMISSION	
JANT TO SECTION 13 OR 1	5(d) OF THE SECURITIES EXCHANGE ACT OF
tember 30, 2014	
JANT TO SECTION 13 OR 1	5(d) OF THE SECURITIES EXCHANGE ACT OF
to	
1	
ied in its charter)	
	77-0430270
	[I.R.S Employer
	Identification No.]
	tember 30, 2014 JANT TO SECTION 13 OR 1

145 Rio Robles,

San Jose, California

95134

[Address of principal executive office]

[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 x No o

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 x No o

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.

Large accelerated filer o Accelerated filer x

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

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

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   June 30	(Unaudited)		
ASSETS		•	
Current assets:         57,4067         \$73,190           Cash and cash equivalents         30,395         373,692           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         78,713         80,285           Property and equipment, net         46,258         46,554           Intangible assets, net         78,710         87,459           Goodwill         87,710         87,459           Other assets         18,867         18,686           Total current liabilities         8,80,50         \$25,6432           Current liabilities         \$30,500         \$29,688           Current portion of long-term debt         \$30,500         \$29,688           Accrued compensation and benefits         186         32           Accrued yapable         29,94         37,308           Accrued compensation and benefits         12,712         26,677           Restructurin	ACCETC	2014	2014
Cash and cash equivalents         \$74,067         \$73,190           Short-term investments         30,395         \$26,92           Accounts receivable, net of allowances of \$4,569 at September 30, 2014 and \$3,618 at 19,089         \$9,980         \$124,664           Inventories         55,341         \$7,109         \$1,058           Prepaid expenses and other current assets         1,069         1,058         \$14,143           Total current assets         274,338         302,856         \$1,143           Property and equipment, net         46,258         46,554         \$46,554           Goodwill         70,877         70,877         \$70,877           Other assets         18,867         18,686         \$526,432           Fotal assets         48,905         \$526,432         \$1,686           Current portion of long-term debt         \$30,500         \$29,688           Accounts payable         \$30,500         \$29,688           Accrued compensation and benefits         \$1,712         26,677           Restructuring liabilities         21,712         26,677           Accrued warranty         7,889         7,551           Deferred revenue, net         72,599         74,735           Deferred distributors revenue, net of cost of sales to distributors </td <td></td> <td></td> <td></td>			
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         78,710         87,459           Other assets         18,867         18,686           Total assets         \$489,050         \$526,432           LIABILITIES AND STOCKHOLDERS' EQUITY         20,000         \$30,500         \$29,688           Accounts payable         29,994         37,308           Accured compensation and benefits         186         322           Accrued warranty         7,889         7,551           Deferred distributors revenue, net of cost of sales to distributors         26,060         31,992           Other accrued liabilities         224,708         46,308           Total current liabilities         29,02         29,		¢ 74 067	¢72 100
Accounts receivable, net of allowances of \$4,569 at September 30, 2014 and \$3,618 at June 30, 2014   Additional paid-in-capital of several services of \$2,304   September 30, 2014 and \$2,504   June 30, 2014 and 54,504   June 30, 2014 and 64,504   June 30, 2014 and 64,504		•	
Dune 30, 2014		30,393	32,092
Numentories	•	99,980	124,664
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         \$252,6432           LIABILITIES AND STOCKHOLDERS' EQUITY         ***         ****           Current portion of long-term debt         \$30,500         \$29,688           Accounts payable         \$30,500         \$29,688           Accouted compensation and benefits         21,712         26,677           Restructuring liabilities         18.6         32           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         224,708         24,308           Deferred revenue, less current portion         90,250         91,875           Other long-term liabili		<i>EE</i> 241	57.100
Prepaid expenses and other current assets         14,143           Total current assets         274,338         302,856           Property and equipment, net         46,558         46,558         46,558           Intangible assets, net         78,710         78,749         70,877           Goodwill         70,877         70,877         70,877           Other assets         18,867         18,686         18,686           Total assets         526,6432         14,148         526,6432           LIABILITIES AND STOCKHOLDERS' EQUITY         Current portion of long-term debt         \$30,500         \$29,688         48,000         37,308         48,000         37,308         48,000         48,000         37,308         48,000         48,000         37,308         48,000         <		•	•
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 portion of long-term debt         \$30,500         \$29,688           Accounts payable         29,994         37,308           Accrued compensation and benefits         186         322           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         224,708         246,308           Total current liabilities         21,968         22,942           Long-ternd debt, less current portion         90,250         91,875           Other long-term liabilities         9,014         8,595           Commitments and contingencies (Note 9)		•	-
Property and equipment, net         46,258         46,554           Intangible assets, net         78,710         87,459           Goodwill         70,877         70,877           Other assets         18,867         18,666           Total assets         \$489,050         \$526,432           LIABILITIES AND STOCKHOLDERS' EQUITY           Current portion of long-term debt         \$30,500         \$29,688           Accounts payable         29,994         37,308           Accound compensation and benefits         21,712         26,677           Restructuring liabilities         186         322           Accrued warranty         72,599         74,735           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         90,250         91,875           Other long-term debt, less current portion         90,250         91,875           Other long-term liabilities         50,254         5	* *		
Intangible assets, net			
Goodwill         70,877         70,877           Other assets         18,867         18,686           Total assets         \$489,050         \$526,432           LIABILITIES AND STOCKHOLDERS' EQUITY         \$1,000         \$29,688           Current portion of long-term debt         \$30,500         \$29,688           Accounts payable         29,994         37,308           Accrued compensation and benefits         186         322           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         90,014         8,595           Comvertible preferred stock, \$.001 par value, issuable in series, 2,000,000 shares         2,000         9,014           Convertible preferred stock, \$.001 par value, issuable in series, 2,000,00		•	•
Other assets         18,867         18,686           Total assets         \$489,050         \$526,432           LIABILITIES AND STOCKHOLDERS' EQUITY         \$30,500         \$29,688           Current portion of long-term debt         \$30,500         \$29,688           Accounts payable         29,994         37,308           Accrued compensation and benefits         186         322           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         35,768         38,035           Total current liabilities         224,708         246,308           Deferred revenue, less current portion         90,250         91,875           Other long-term liabilities         90,250         91,875           Other long-term liabilities         50,060         31,922           Stockholders' equity:         50,060         31,922           Commitments and contingencies (Note 9)         50,060         50,060         50,060 <td></td> <td>•</td> <td></td>		•	
Total assets         \$ 489,050         \$ 526,432           LIABILITIES AND STOCKHOLDERS' EQUITY           Current liabilities:         \$ 30,500         \$ 29,688           Current portion of long-term debt         \$ 30,500         \$ 29,688           Accounts payable         29,994         37,308           Accrued compensation and benefits         186         322           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         90,14         8,595           Commitments and contingencies (Note 9)         Stockholders' equity:         2         4           Convertible preferred stock, \$.001 par value, issuable in series, 2,000,000 shares authorized; 97,528,819 shares issued         8         9           Common s		,	
LIABILITIES AND STOCKHOLDERS' EQUITY         Current liabilities:       \$ 30,500       \$ 29,688         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       90,14       8,595         Commitments and contingencies (Note 9)       5         Stockholders' equity:       2       2         Convertible preferred stock, \$.001 par value, issuable in series, 2,000,000 shares authorized; none issued       9       9         Common stock, \$.001 par value, 750,000,000 shares authorized; 97,528,819 shares issued       9       9         June 30, 2014		•	
Current liabilities:       \$ 30,500       \$ 29,688         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       90,250       91,875         Other long-term liabilities       90,14       8,595         Commitments and contingencies (Note 9)       Stockholders' equity:         Commertible preferred stock, \$.001 par value, issuable in series, 2,000,000 shares authorized; onne issued       \$ 7         Common stock, \$.001 par value, 750,000,000 shares authorized; 97,528,819 shares issued       \$ 97         June 30, 2014       845,267         Additional paid-in		\$ 489,050	\$526,432
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)       5tockholders' equity:         Convertible preferred stock, \$.001 par value, issuable in series, 2,000,000 shares authorized; none issued	· · · · · · · · · · · · · · · · · · ·		
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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:		•	· ·
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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)       5tockholders' equity:	· · · · · · · · · · · · · · · · · · ·		
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:	•	•	7,551
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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 \$851,817\$ 845,267 Additional paid-in-capital 851,817 (439)	Total current liabilities	224,708	246,308
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 98 97 June 30, 2014 Additional paid-in-capital 851,817 845,267 Accumulated other comprehensive loss (1,262 ) (439 )	Deferred revenue, less current portion	21,968	22,942
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 98  97 June 30, 2014 Additional paid-in-capital 851,817 845,267 Accumulated other comprehensive loss (1,262) (439)	Long-term debt, less current portion	90,250	91,875
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 \$98\$  June 30, 2014 Additional paid-in-capital  Accumulated other comprehensive loss  (1,262) (439)	Other long-term liabilities	9,014	8,595
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 \$98 97  June 30, 2014  Additional paid-in-capital 851,817 845,267  Accumulated other comprehensive loss (1,262) (439)	Commitments and contingencies (Note 9)		
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  Additional paid-in-capital  Accumulated other comprehensive loss  98  97  851,817  845,267  (1,262 ) (439 )	Stockholders' equity:		
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 98 97  June 30, 2014  Additional paid-in-capital 851,817 845,267  Accumulated other comprehensive loss (1,262) (439)	Convertible preferred stock, \$.001 par value, issuable in series, 2,000,000 shares		
and outstanding at September 30, 2014 and 96,980,214 shares issued and outstanding at September 30, 2014 and 96,980,214 shares issued and outstanding at 98 97  June 30, 2014  Additional paid-in-capital 851,817 845,267  Accumulated other comprehensive loss (1,262 ) (439 )	authorized; none issued		
June 30, 2014 Additional paid-in-capital 851,817 845,267 Accumulated other comprehensive loss (1,262 ) (439 )	Common stock, \$.001 par value, 750,000,000 shares authorized; 97,528,819 shares issued	L	
Additional paid-in-capital 851,817 845,267 Accumulated other comprehensive loss (1,262 ) (439 )	and outstanding at September 30, 2014 and 96,980,214 shares issued and outstanding at	98	97
Accumulated other comprehensive loss (1,262 ) (439 )	June 30, 2014		
Accumulated other comprehensive loss (1,262 ) (439 )	Additional paid-in-capital	851,817	845,267
		(1,262)	(439)
Accumulated deficit (707,345 ) (000,215 )	Accumulated deficit	(707,543)	(688,213)
Total stockholders' equity 143,110 156,712	Total stockholders' equity	143,110	
Total liabilities and stockholders' equity \$489,050 \$526,432			\$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,	September 30,
	2014	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	