

The logo for A10 Networks, consisting of the letters 'A10' in a bold, white, sans-serif font.

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Q2 2024 Financial Results & Commentary

July 30, 2024

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 future financial performance, strategy, demand, positioning, capital allocation strategy and value creation, and market and technology trends.

Forward-looking statements are subject to known and unknown risks and uncertainties and are based on assumptions that may prove to be incorrect, which could cause actual results to differ materially from those expected or implied by the forward-looking statements. Factors that may cause actual results to differ include any unforeseen need for capital which may require us to divert funds we may have otherwise used for the dividend program or stock repurchase program, which may in turn negatively impact our ability to administer the quarterly dividends or the repurchase of our common stock; a significant decline in global macroeconomic or political conditions that have an adverse impact on our business and financial results; business interruptions related to our supply chain; our ability to manage our business and expenses if customers cancel or delay orders; execution risks related to closing key deals and improving our execution; the continued market adoption of our products; our ability to successfully anticipate market needs and opportunities; our timely development of new products and features; our ability to achieve or maintain profitability; any loss or delay of expected purchases by our largest end-customers; our ability to maintain or improve our competitive position; competitive and execution risks related to cloud-based computing trends; our ability to attract and retain new end-customers and our largest end-consumers; our ability to maintain and enhance our brand and reputation; changes demanded by our customers in the deployment and payment model for our products; continued growth in markets relating to network security; the success of any future acquisitions or investments in complementary companies, products, services or technologies; the ability of our sales team to execute well; our ability to shorten our close cycles; the ability of our channel partners to sell our products; variations in product mix or geographic locations of our sales; risks associated with our presence in international markets; weaknesses or deficiencies in our internal control over financial reporting; our ability to timely file periodic reports required to be filed under the Securities Exchange Act of 1934; and other risks that are described in “Risk Factors” in our periodic filings with the Securities and Exchange Commission, including our Form 10-K filed with the Securities and Exchange Commission on February 27, 2023. We do not intend to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable 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 titled 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) restructuring expense, (iii) cyber incident remediation expense, (iv) one-time tax planning expense, (v) one-time legal expense, (vi) capitalized project impairment expense and (vii) income tax effect of non-GAAP items (i) to (vi) 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) restructuring expense and (iii) cyber incident remediation expense. We define non-GAAP gross margin as our non-GAAP gross profit 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) restructuring expense, (iii) cyber incident remediation expense, (iv) one-time tax planning expense and (v) one-time legal expense. We define non-GAAP operating income as our GAAP income from operations excluding (i) stock-based compensation and related payroll tax, (ii) restructuring expense, (iii) cyber incident remediation expense, (iv) one-time tax planning expense, (v) one-time legal expense and (vi) capitalized project impairment expense. We define non-GAAP operating margin as our non-GAAP operating income divided by our GAAP revenue. 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) restructuring expense, (vi) cyber incident remediation expense, (vii) one-time tax planning expense, (viii) one-time legal expense and (ix) capitalized project impairment 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 accompanying financial results press release.

Agenda

- Q2 2024 Overview
- Q2 Financial Performance
- FY 2024 Outlook



Q2'24: Enterprise Improvement; Profitability In-Line

Revenue Overview

- Q2 revenue decreased 8.7% year-over-year
- Enterprise: up 25%
- Service Provider: down 25%

Consistent Profitability

- Non-GAAP gross margins of 80.9%
- GAAP EPS of \$0.13 compared to \$0.15 in Q2'23
- Non-GAAP EPS of \$0.18 compared to \$0.19 in Q2'23

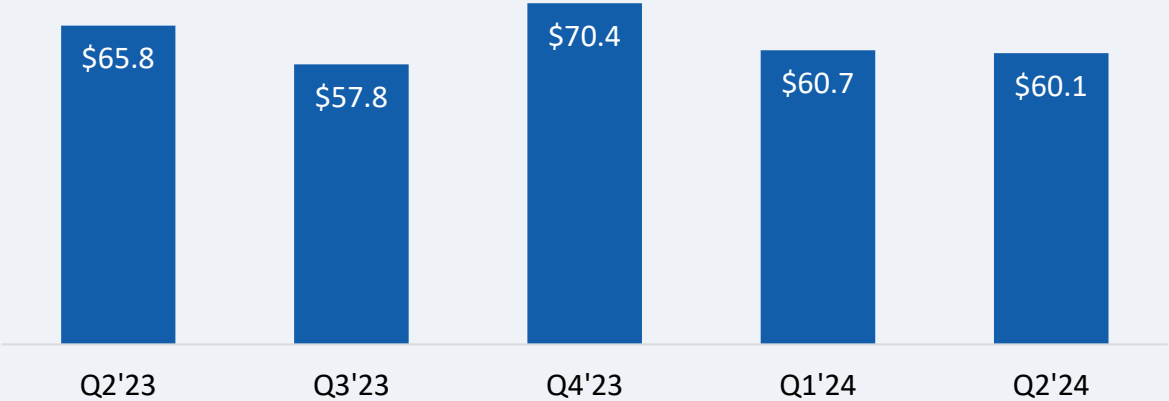
Key Takeaways

- Profitability in-line with consensus
- Revenue headwinds largely isolated to the North American Service Provider segment
- Continue to strengthen our position with enterprise customers; well-aligned with service provider customer investment plans
- Security solutions remain in high demand

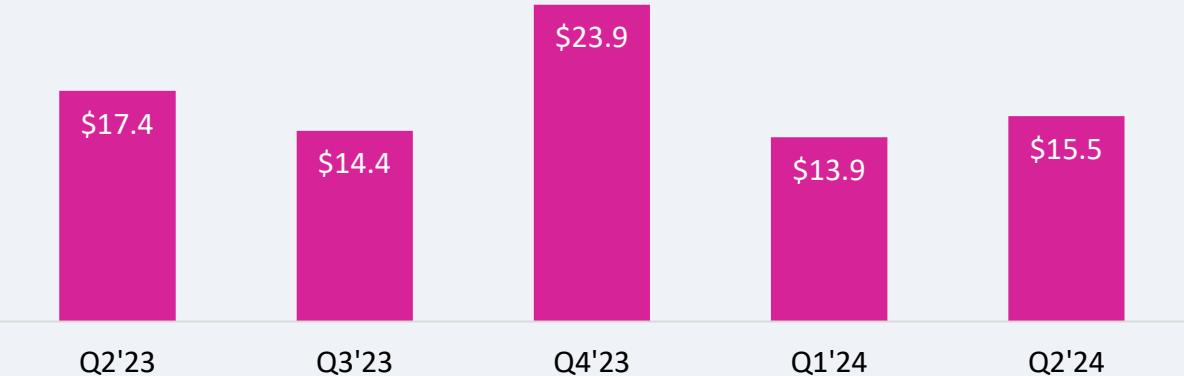
See Appendix for reconciliation to most comparable GAAP financial measures.

Quarterly Revenue & Adjusted EBITDA

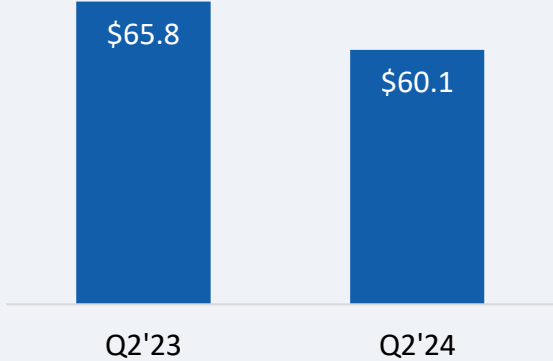
Revenue, \$ Millions



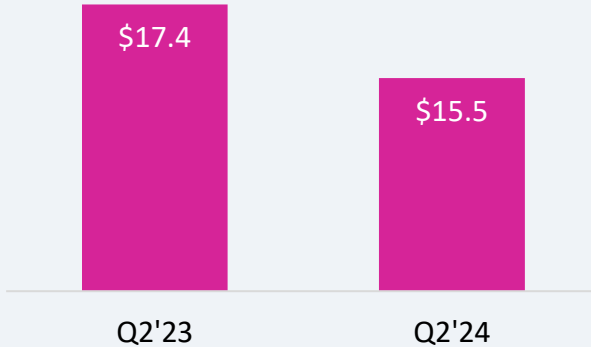
Adjusted EBITDA, \$ Millions



Revenue, \$ Millions

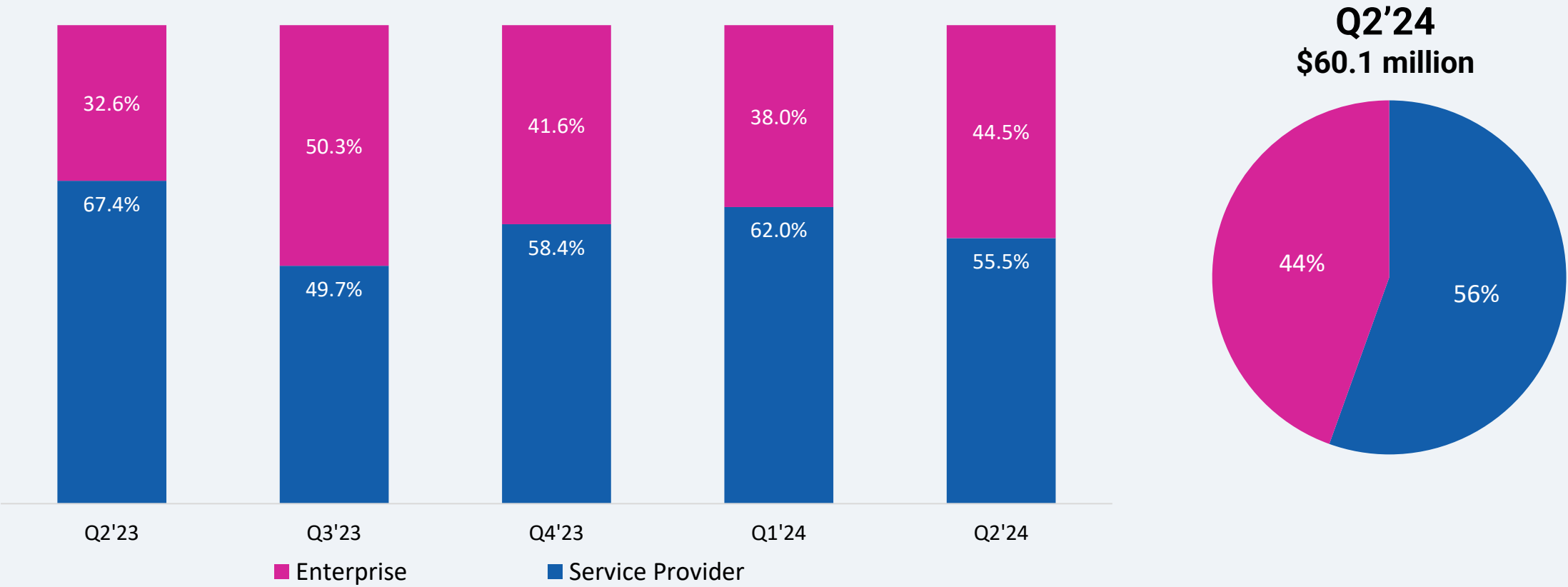


Adjusted EBITDA, \$ Millions



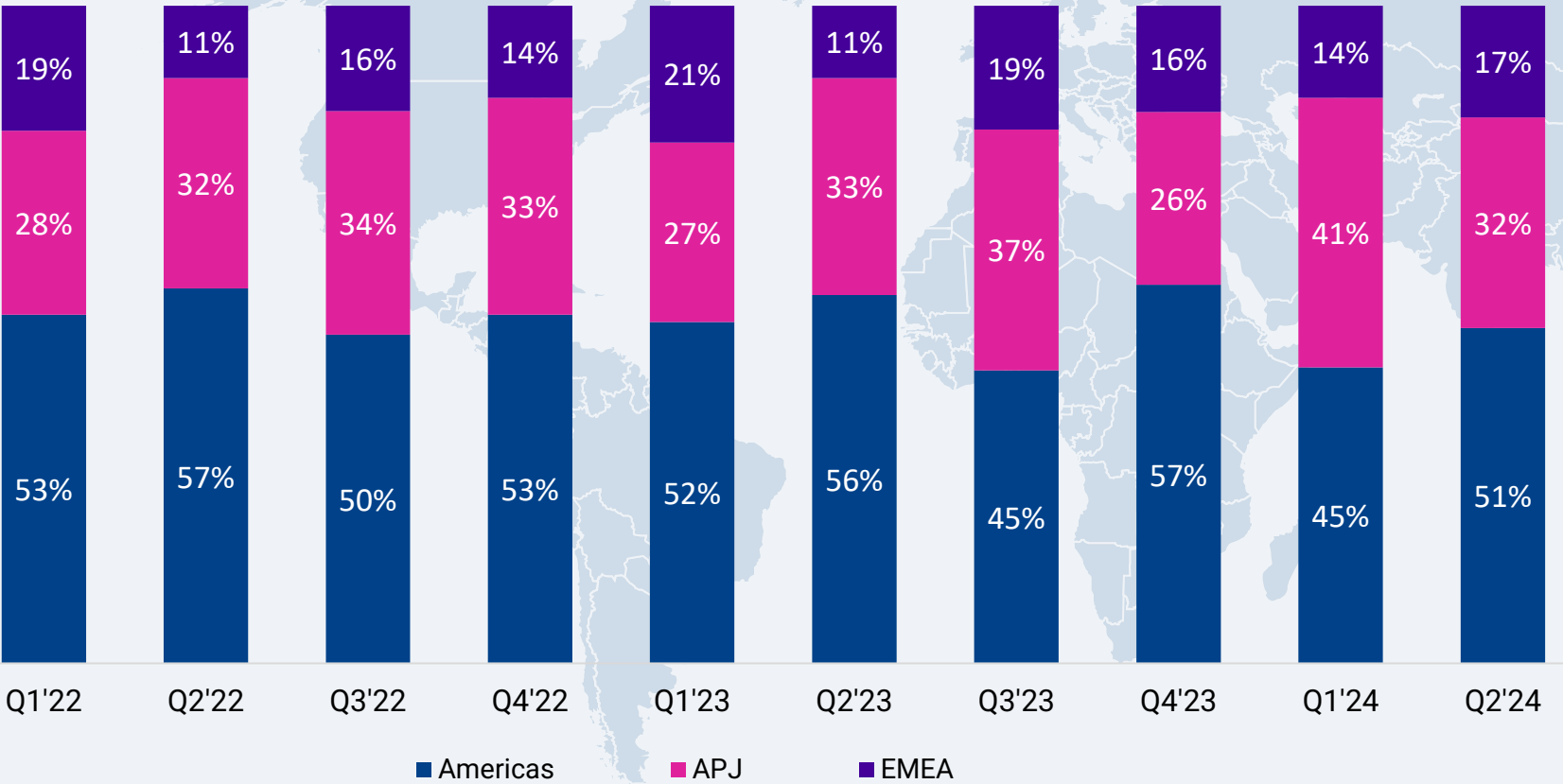
Operating Income is a Non-GAAP Financial Measure. See Appendix for reconciliation to most comparable GAAP financial measures.

Quarterly Revenue by Customer Vertical

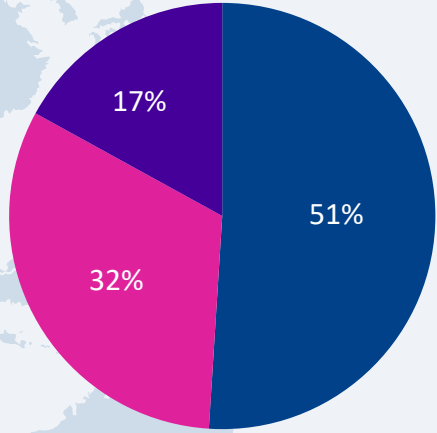


Quarterly Revenue by Geography

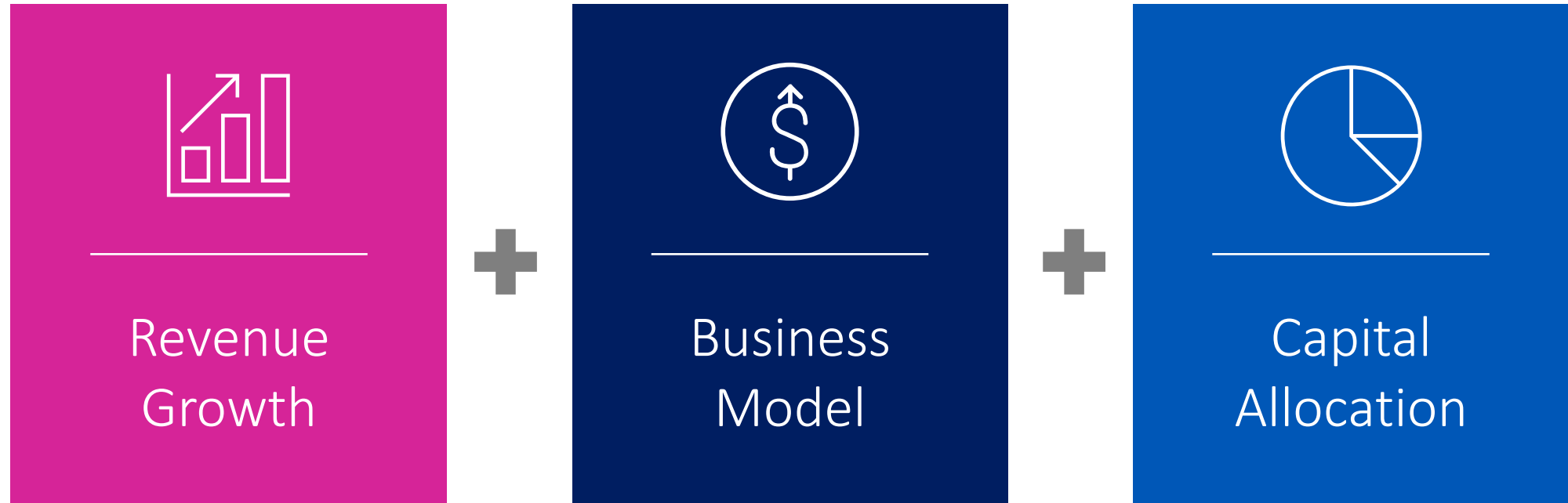
\$ Millions



Q2'24
\$60.1 million



Consistent Value Creation



Appendix

Financial Performance Trends

\$ Millions (except
EPS)

	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	Q4'23	FY 2023	Q1'24	Q2'24
Revenue	\$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	\$70.4	\$251.7	\$60.7	\$60.1
Non-GAAP Gross Margin %	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%	81.8%	81.7%	81.9%	80.9%
Non-GAAP Operating Margin %	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%	30.4%	24.6%	18.5%	21.1%
Adjusted EBITDA (non-GAAP)	\$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	\$23.9	\$71.2	\$13.9	\$15.5
Non-GAAP EPS	\$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	\$0.25	\$0.73	\$0.17	\$0.18
Ending Cash & Marketable Securities	\$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	\$159.3	\$159.3	\$182.1	\$177.1

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.

GAAP to Non-GAAP – Gross Margin and EPS

	Q1'23		Q2'23		Q3'23		Q4'23		Year Ended Dec 31 2023	Q1'24	Q2'24			
Revenue	\$	57.7	\$	65.8	\$	57.8	\$	70.4	\$	251.7	\$	60.7	\$	60.1
Gross Margin % - Non-GAAP		83.1%		80.2%		81.8%		81.8%		81.7%		81.9%		80.9%
Income from operations % - Non-GAAP		23.1%		23.1%		20.6%		30.4%		24.6%		18.5%		21.1%
Adjusted EBITDA - Non-GAAP	\$	15.5	\$	17.4	\$	14.4	\$	23.9	\$	71.2	\$	13.9	\$	15.5
EPS \$ - Non-GAAP	\$	0.13	\$	0.19	\$	0.16	\$	0.25	\$	0.73	\$	0.17	\$	0.18
Ending Cash & Marketable Securities	\$	144.5	\$	153.9	\$	169.0	\$	159.3	\$	159.3	\$	182.1	\$	177.1

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

	\$ Millions					Year Ended		
		Q1'23	Q2'23	Q3'23	Q4'23	Dec 31 2023	Q1'24	Q2'24
Income from operations \$ - GAAP	\$	6.2	\$ 12.3	\$ 2.2	\$ 18.0	\$ 38.6	\$ 7.2	\$ 7.9
Stock-based compensation		4.0	3.5	4.3	2.9	14.7	4.0	4.3
One-time tax planning expense		-	-	-	0.5	0.5	-	0.4
Capitalized project impairment		-	-	3.0	-	3.0	-	-
One-time legal expense		-	-	-	-	-	-	0.1
Workforce reduction severance		1.9	-	2.4	-	4.3	-	-
Cyber incident remediation expense		1.4	(0.6)	-	-	0.7	-	-
Income from operations \$ - Non-GAAP	\$	13.4	\$ 15.2	\$ 11.9	\$ 21.4	\$ 61.8	\$ 11.2	\$ 12.7
	% of Revenue							
Income from operations % - GAAP		10.7 %	18.6 %	3.8 %	25.6 %	15.4 %	11.9 %	13.2 %
Stock-based compensation		6.9 %	5.4 %	7.5 %	4.1 %	5.8 %	6.6 %	7.2 %
One-time tax planning expense		—%	—%	—%	0.7 %	0.2 %	—%	0.7 %
Capitalized project impairment		—%	—%	5.1 %	—%	1.2 %	—%	—%
One-time legal expense		—%	—%	—%	—%	—%	—%	0.1 %
Workforce reduction severance		3.2 %	—%	4.2 %	—%	1.7 %	—%	—%
Cyber incident remediation expense		2.3 %	(0.9)%	—%	—%	0.3 %	—%	—%
Income from operations % - Non-GAAP		23.1 %	23.1 %	20.6 %	30.4 %	24.6 %	18.5 %	21.1 %

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

GAAP to Non-GAAP – Adjusted EBITDA

	\$ Millions					Year Ended		
		Q1'23	Q2'23	Q3'23	Q4'23	Dec 31 2023	Q1'24	Q2'24
GAAP net income	\$	4.0	\$ 11.6	\$ 6.5	\$ 17.9	\$ 40.0	\$ 9.7	\$ 9.5
Exclude: Interest income and other (income) expense, net		1.2	(2.5)	(2.8)	(1.1)	(5.1)	(4.0)	(3.1)
Exclude: Depreciation & amortization expense		2.1	2.2	2.5	2.5	9.3	2.7	2.8
Exclude: Provision (benefit) for income taxes		1.0	3.2	(1.5)	1.2	3.8	1.5	1.5
EBITDA		8.3	14.5	4.7	20.5	48.0	9.9	10.7
Exclude: Stock-based compensation		4.0	3.5	4.3	2.9	14.7	4.0	4.3
Exclude: One-time tax planning expense		-	-	-	0.5	0.5	-	0.4
Exclude: Capitalized project impairment		-	-	3.0	-	3.0	-	-
Exclude: One-time legal expense		-	-	-	-	-	-	0.1
Exclude: Workforce reduction severance		1.9	-	2.4	-	4.3	-	-
Exclude: Cyber incident remediation expense		1.4	(0.6)	-	-	0.7	-	-
Adjusted EBITDA - Non-GAAP	\$	15.5	\$ 17.4	\$ 14.4	\$ 23.9	\$ 71.2	\$ 13.9	\$ 15.5

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