

# First Quarter Results

# Quantum<sup>®</sup>

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Jamie Lerner *Chairman and CEO*

Kenneth Gianella *CFO*

August 8, 2023



# Safe Harbor Statement and Use of Non-GAAP Financial Information

**Safe Harbor Statement.** Our presentation today contains forward-looking statements about the Company's plans, strategies, goals, target, and prospects including the company's cost reduction initiative and expected benefits of such initiative, capital structure and go-to-market strategies. We will also describe the Company's future operating results and financial position. These forward-looking statements are based on information available to the Company as of the date of this presentation and are based on management's current views and assumptions. These forward-looking statements involve a number of known and unknown risks that could cause actual results to differ materially from those anticipated. Such risks include changes in market demand and the competition we face; market acceptance of new products; the risk that the Company's cost reduction initiative may not yield the anticipated benefits in the expected timeframe or at all, and the continued impact of the COVID-19 pandemic on the Company's business, including on its supply chain.

Information concerning other risks that could cause results to differ materially from our expectations is contained in the "Risk Factors" section of the Company's Annual Report on Form 10-K filed with the SEC on June 6, 2023. The Company undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date they were made.

**Use of Non-GAAP Financial Information.** In this presentation the Company will be discussing non-GAAP measures, adjusted EBITDA, which is calculated from results based on GAAP. These non-GAAP financial measures are provided to enhance your overall understanding of the Company's current financial performance and prospects for the future and are not comprehensive of the Company's financial results. Such measures should not be viewed as a substitute for the Company's financial statements prepared in accordance with GAAP. You can find a reconciliation of these metrics to the reported GAAP results in the reconciliation tables provided in the appendices to this presentation. A reconciliation of non-GAAP measures to corresponding GAAP metrics on a forward-looking basis is not available due to high variability and low visibility with respect to the charges which are excluded from these non-GAAP calculations.

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# Fiscal Q1'2024 Performance Summary

- Revenue of **\$91.8 million** (-5.4% yoy)
- Non-GAAP Gross Margin of **38.3%** (+280 bps yoy)  
1
- Adjusted EBITDA of **\$0.8 million** (+\$0.5 million yoy)

# Operational Insights

- Late quarter bookings and drop in media sales impact Q1'24 revenue from guidance
- Gross margin gains on continued operational improvements and shift in revenue mix
- Subscription Annual Recurring Revenue ("ARR") grew by 78% yoy to \$14.6 million
- Executing Global Efficiency Plan with improved profitability benefiting FQ2 and beyond
- Largest Hyperscale customer pausing all additional orders for FQ2'24
- Primary and non-Hyperscale Secondary business poised to grow up to 40% yoy

# CFO Remarks

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Kenneth P. Gianella *CFO*



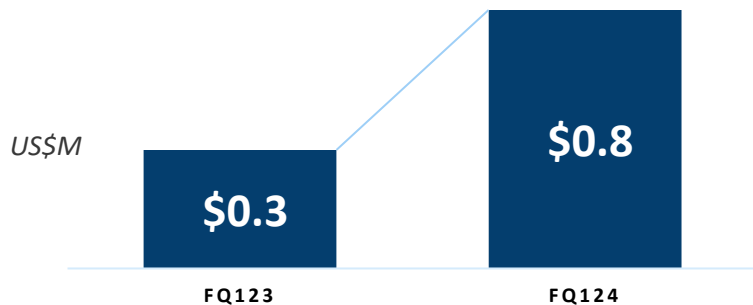
# First Quarter Fiscal 2024 Highlights

## NON GAAP GROSS MARGIN YEAR OVER YEAR<sup>1</sup>



- Non-GAAP Gross Margin improved 280 bps

## ADJUSTED EBITDA YEAR OVER YEAR<sup>1</sup>



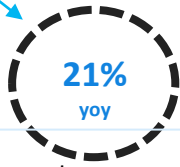
- Adjusted EBITDA \$0.8M<sup>1</sup> up ~2x

# Quarterly Trended Results: Fiscal Q1'24 @ \$91.8M

Decline of NAM Core while EMEA & APAC remain steady



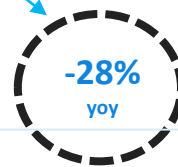
Hyperscale Growth Subsidies, Data Repatriation to Tape Gains Ground yoy



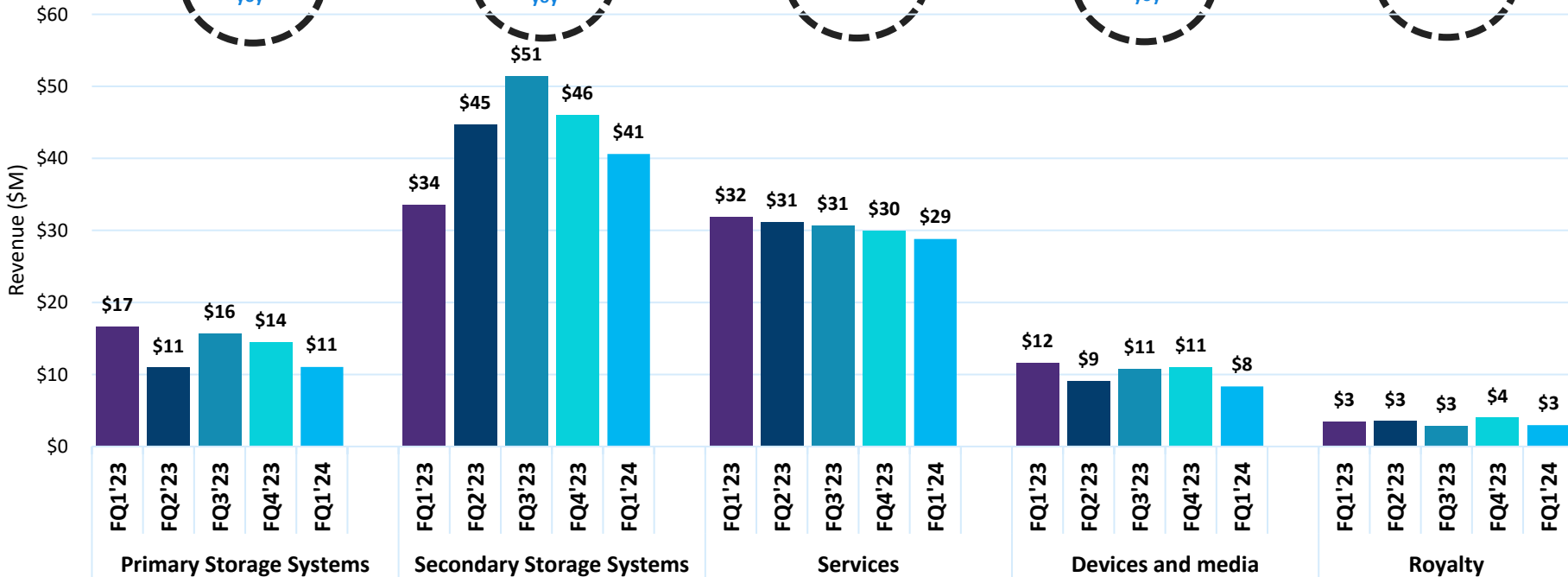
Service Declines From EOL Products



Sharp decline late in quarter

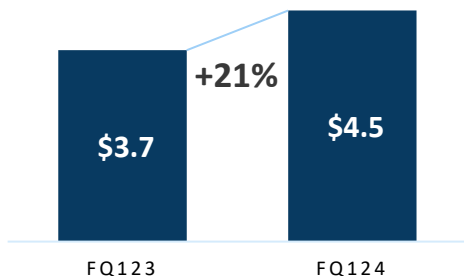


Q4 uptick reverts to longer-term trend

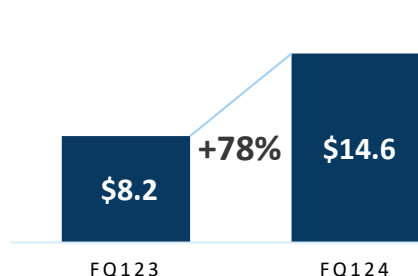


# Annual Recurring Revenue (ARR) Analysis

Subscription Bookings (TCV) US\$M

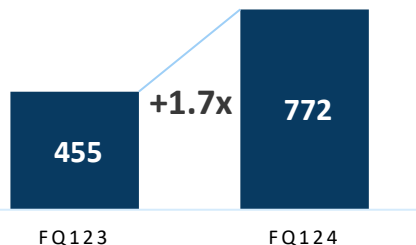


Subscription ARR US\$M

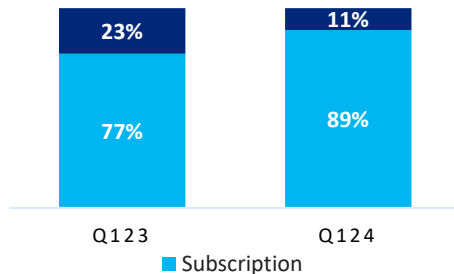


- Subscription ARR was \$14.6 million up 78% yoy
- Over 89% of new unit sales were Subscription based<sup>2</sup>
- Average subscription contract duration is 2.3 years
- Offerings available across full portfolio outside of tape

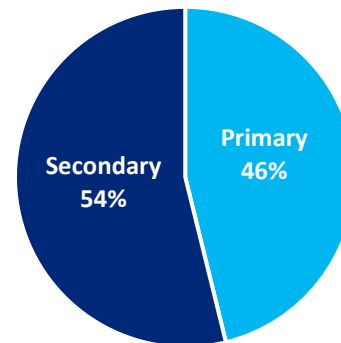
Subscription Customers



New Unit Sales w/Subscription<sup>2</sup>



Subscription ARR Mix by Solution





# First Quarter Fiscal 2024: GAAP Results

\$ in millions (except per share amounts)	Q1 2023	Q4 2023	Q1 2024	YoY Change	QoQ Change
Gross Margin %	35.1%	30.2%	<b>38.1%</b>	+298 bps	+789 bps
Operating Expenses	\$41.1	\$41.3	<b>\$40.8</b>	- 1%	-1%
Net loss	(\$10.6)	(\$13.6)	<b>(\$10.6)</b>	\$0.0	\$3.0
Loss per share – diluted	(\$0.13)	(\$0.15)	<b>(\$0.11)</b>	\$0.02	\$0.04

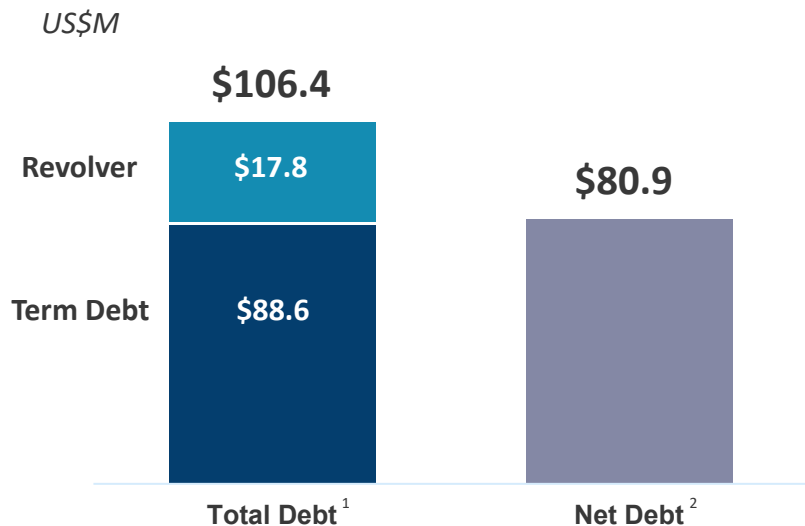
- Gross margin of 38.1% up 298 bps year on year due to revenue mix shift and initial efficiency benefits
- Operating expense relatively flat year on year due to restructuring expense and timing of cost reduction actions
- Net loss improved sequentially due to improved gross margin profile

# First Quarter Fiscal 2024: Non-GAAP Results

\$ in millions (except per share amounts)	Q1 2023	Q4 2023	Q1 2024	YoY Change	QoQ Change
Non-GAAP Gross Margin %	35.5%	35.5%	<b>38.3%</b>	280 bps	280 bps
Non-GAAP Operating Expenses	\$36.3	\$37.0	<b>\$35.5</b>	- 2%	-4%
Non-GAAP Net loss	(\$3.6)	(\$3.7)	<b>(\$4.8)</b>	(\$1.2)	(\$1.1)
Non-GAAP Earnings (loss) per share – diluted	(\$0.04)	(\$0.04)	<b>(\$0.05)</b>	(\$0.01)	(\$0.01)
Adjusted EBITDA	\$0.3	\$1.0	<b>\$0.8</b>	122%	-26%
Adjusted EBITDA Margin	0.4%	1.0%	<b>0.8%</b>	48 bps	-15 bps

- Gross margin<sup>1</sup> of 38.3% up 280 bps year on year due to favorable mix and operational execution
- Operating Expenses<sup>1</sup> down 2% year on year; down 4% sequentially due to seasonal commissions and initial cost reductions
- Net loss<sup>1</sup> increased year on year due to lower revenue and improved gross margin mix
- Adjusted EBITDA<sup>1</sup> increased year on year due to improved gross margin mix and reduced operating expenses

# Debt and Liquidity Overview: June 30, 2023



Cash and Cash Equivalents: \$25.5 million

## Net Debt Leverage at end of Q1'2024<sup>2</sup>

- Street Net leverage: 5.14x
- Bank Net leverage: 3.52x

## Other Liquidity Metrics

- Interest Expense: \$3.2 million
- Adj Working Capital: \$66.9 million
- DSO: 65
- DPO: 63
- DIO: 9

# Second Quarter and Fiscal 2024 Guidance

- Q2'24 & FY'24 revenue is down at the midpoint due to reduced Hyperscale and Media business
- Improvement throughout the year on Revenue Mix and Improved Operational execution
- Earnings linearity weighted to 2H'24 with seasonality and positive impact of restructuring

\$ in millions (except per share amounts)	Q2'24 Guidance	2024 Guidance
Revenue	\$80.0 M +/- \$3M	\$360M +/- \$10M
Non-GAAP Gross Margin	~ 42%	~ 42%
Non-GAAP Adj EPS	(\$0.04) +/- \$0.02	(\$0.06) +/- \$0.02
Adjusted EBITDA	~ \$2.0M	\$17.0M +/- \$3.0M

Average basic share count in Q2'24 and 2024 of approximately 94.3 million and approximately 94.6 million respectively, ETR of 25% & Cash Tax of ~\$2 million, and a Capital Expenditure of 2.0% of Revenue

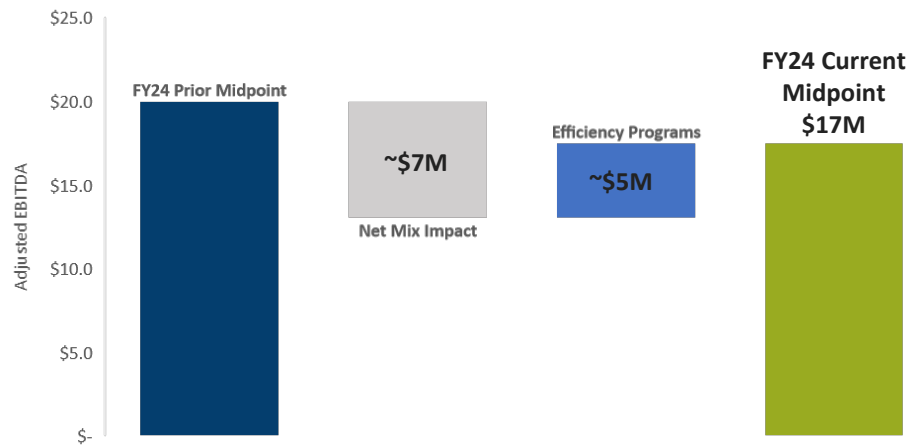
# Mix shift limits impact to full year bottom line

- Q2 & FY'24 outlook reflects lower hyperscale
- LTO media run rate at new lower-level
- Core markets perform pivot towards enterprise
- Revenue declines in low-margin businesses
- Continued gross margin improvement to ~42% full year
- Self-help operational improvements in action

## Full Year Revenue Guidance



## Full Year Adjusted EBITDA<sup>1</sup> Guide



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# Supplemental Metrics Definitions

**Subscription Revenue** = Subscription Term Based License Revenue (both license and ratable maintenance components of subscription term-based license revenue) + Managed Services Revenue

**Recurring Revenue** = Subscription Term Based License Revenue + Managed Services Revenue + Service and Support Revenue + Royalties

**Subscription Annual Recurring Revenue (“ARR”)** = The annualized value of active **Subscription Revenue** contracts as of the end of the reporting period. **ARR = TCV / Duration (Years)**

**Total Contract Value (“TCV”)** = Total value of active **Subscription Revenue** contracts as of the end of the reporting period

# Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States (GAAP), we use certain adjusted or non-GAAP financial measures, including non-GAAP operating expense, non-GAAP operating income, non-GAAP net income, non-GAAP diluted earnings per share (EPS), adjusted EBITDA, free cash flow, and constant currency. We provide these non-GAAP financial measures because we believe they provide greater transparency and represent supplemental information used by management in its financial and operational decision making. We exclude certain costs in our non-GAAP financial measures as we believe the net result is a measure of our core business. We believe these measures facilitate operating performance comparisons from period to period by eliminating potential differences caused by the existence and timing of certain expense items that would not otherwise be apparent on a GAAP basis. Non-GAAP performance measures should be considered in addition to, and not as a substitute for, results prepared in accordance with GAAP. We strongly encourage investors and shareholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure. Our non-GAAP financial measures may be different from those reported by other companies. A more detailed discussion of why we use non-GAAP financial measures, the limitations of using such measures, and reconciliations between non-GAAP and the nearest GAAP financial measures are included at the back of this presentation and in our quarterly earnings press release.



# GAAP to Non-GAAP Reconciliations

(\$ in 000s)	Q1 2023	Q4 2023	Q1 2024
Net loss attributable to common stockholders	(\$10,609)	(\$13,609)	(\$10,576)
Interest expense, net	\$2,091	\$3,023	\$3,417
Provision for income taxes	\$410	\$376	\$530
Depreciation expense	\$1,422	\$1,326	\$1,625
Stock-based compensation expense	\$3,069	\$2,409	\$1,901
Restructuring charges	\$725	\$344	\$1,781
Amortization of acquisition related intangible assets	\$1,164	\$1,557	\$1,140
Acquisition and debt related costs	\$293	\$302	\$953
Loss on extinguishment of Senior Secured Term Loan	\$1,392	\$0	\$0
Deemed dividend related to warrants	\$389	\$0	\$0
Service & Manufacturing inventory provision	\$0	\$5,314	\$0
<b>Adjusted EBITDA</b>	<b>\$346</b>	<b>\$1,042</b>	<b>\$771</b>

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Acquisition and debt related costs	\$293	\$302	\$953
Loss on extinguishment of Senior Secured Term Loan	\$1,392	\$0	\$0
Deemed dividend related to warrants	\$389	\$0	\$0
Service & Manufacturing inventory provision	\$0	\$5,314	\$0
<b>Adjusted net loss</b>	<b>(\$3,577)</b>	<b>(\$3,683)</b>	<b>(\$4,801)</b>
Adjusted net loss per share – basic and diluted	<b>(\$0.04)</b>	<b>(\$0.04)</b>	<b>(\$0.05)</b>
Weighted average shares outstanding – basic and diluted	<b>83,641</b>	<b>93,445</b>	<b>93,673</b>