

# Business Update Call

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Jamie Lerner *Chairman and CEO*  
Kenneth Gianella *CFO*

August 13, 2024



# 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 initiatives may not yield the anticipated benefits in the expected timeframe or at all, and risks associated with executing our strategy.

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 filed on Form 10-K for its fiscal year ended March 31, 2024. 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, including 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.

**Trademarks.** This presentation contains trademarks, service marks, trade names, and copyrights of other companies, which are the property of their respective owners.

# Fiscal Q1'2025 Performance Summary

- Revenue of **\$71.3 million** (-22.9% yoy)
- Non-GAAP Gross Margin of **36.9%**
- Non-GAAP adjusted net loss per share of **(\$0.09)**
- Adjusted EBITDA of **(\$3.1) million**

# Opening Remarks

## Top Priorities

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**Improve Capital  
Structure**

**Increase Operational  
Efficiencies**

**Accelerate Future  
Growth**

- Reduce our debt and work to improve our capital structure
- Continue actions to streamline business and increase operational efficiencies
- Stabilizing legacy business, drive new solutions to accelerate growth

# CFO Remarks

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Kenneth P. Gianella *CFO*



# First Quarter Fiscal 2025: GAAP Results

\$ in millions (except per share amounts)	Q1 2024	Q4 2024	Q1 2025	YoY Change	QoQ Change
Revenue	\$92.5	\$71.5	<b>\$71.3</b>	(\$21.2)	(\$0.2)
Gross Margin %	38.5%	38.2%	<b>36.6%</b>	-190 bps	-160 bps
Operating Expenses	\$40.8	\$41.1	<b>\$43.9</b>	+7.6%	+6.6%
Net Income (loss)	(\$9.1)	(\$18.9)	<b>(\$20.8)</b>	(\$11.7)	(\$1.9)
Income (Loss) per share – basic	(\$0.10)	(\$0.20)	<b>(\$0.22)</b>	(\$0.12)	(\$0.02)
Income (Loss) per share – diluted	(\$0.10)	(\$0.20)	<b>(\$0.22)</b>	(\$0.12)	(\$0.02)

Gross margin year on year due to revenue mix and supply chain related costs

Operating expense increased year on year, driven from non-recurring project spend and restructuring

Net loss increased due to lower revenues and non-recurring project spend

# First Quarter Fiscal 2025: Non-GAAP Results

\$ in millions (except per share amounts)	Q1 2024	Q4 2024	Q1 2025	YoY Change	QoQ Change
Non-GAAP Gross Margin %	38.8%	38.5%	<b>36.9%</b>	-190 bps	-160 bps
Non-GAAP Operating Expenses	\$35.5	\$35.5	<b>\$30.8</b>	(\$4.7)	(\$4.7)
Non-GAAP Net Income (loss)	(\$4.1)	(\$10.9)	<b>(\$8.4)</b>	(\$4.3)	+\$2.5
Non-GAAP Earnings (loss) per share – diluted	(\$0.04)	(\$0.11)	<b>(\$0.09)</b>	(\$0.05)	+\$0.02
Adjusted EBITDA	\$1.5	(\$6.2)	<b>(\$3.1)</b>	(\$4.6)	+\$3.1
Adjusted EBITDA Margin	1.6%	(7.9%)	<b>(4.4%)</b>	-600 bps	+350 bps

Gross margin<sup>1</sup> of 36.9% down 190 bps year on year due to revenue mix shift and supply chain related costs

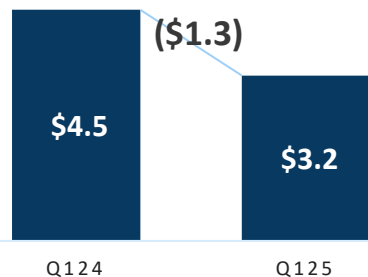
Operating Expenses<sup>1</sup> down 13.2% year on year driven from cost containment measures

Net loss<sup>1</sup> increased year on year due to lower revenue; partially offset by decreased operating expense

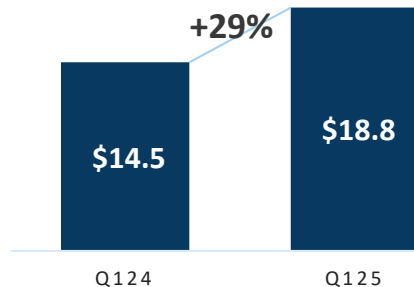
Adjusted EBITDA<sup>1</sup> decreased year on year due to lower revenue; partially offset by lower operating expense

# Annual Recurring Revenue (ARR) Analysis

Subscription Bookings (TCV) US\$M

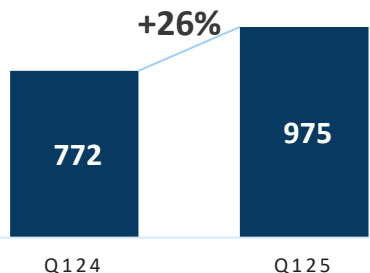


Subscription ARR US\$M

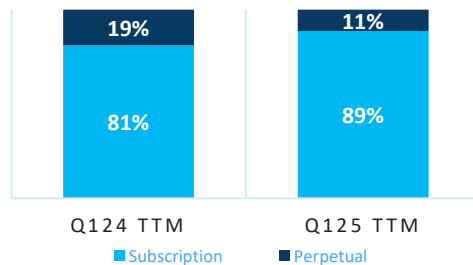


- Total Recurring revenue for the trailing twelve months was \$141M with a Gross Margin of ~65%
- Subscription ARR was \$18.8 million up 29% yoy
- Over 92% of new unit sales were Subscription based<sup>2</sup>
- Offerings available across full portfolio outside of tape

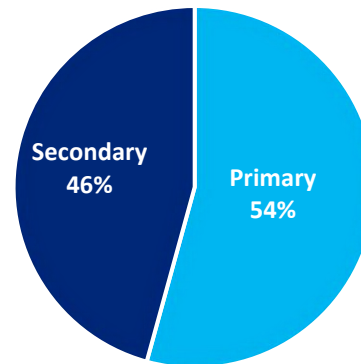
Subscription Customers



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

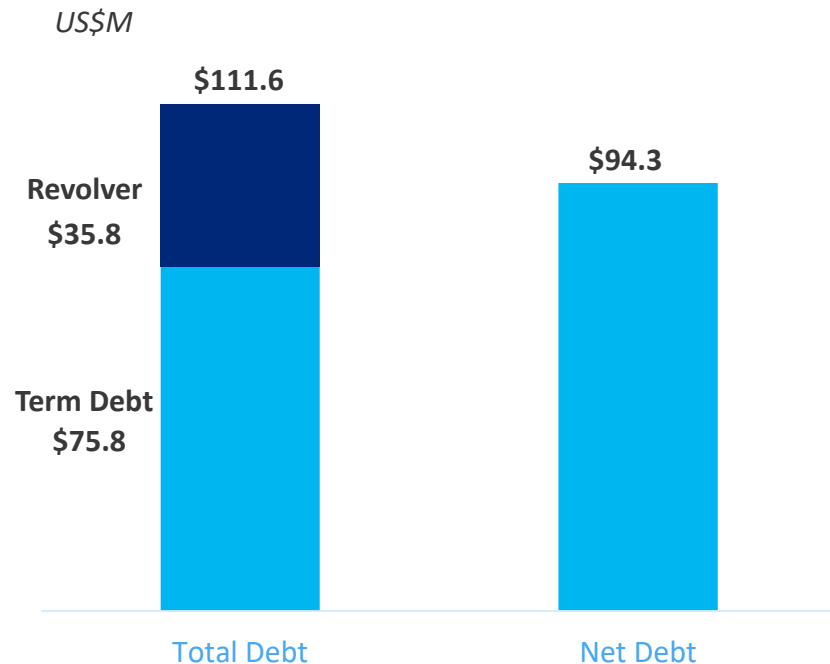


Q125 TTM Subscription ARR Mix by Solution





# Debt and Liquidity Overview: June 30, 2024



## Cash and Cash Equivalents: \$17.3 million

- The lower cash number was primarily driven year over year on significant one time projects, including restructuring, getting back on file, and new product introductions.

## Other Liquidity Metrics

- Interest Expense: \$3.8 million
- Adj Working Capital: \$28.3 million

# New Term Loan and Amendment to Revolving Line of Credit

- Quantum added ability to draw an additional \$25M of liquidity through new term loan
- Over \$110mm of its existing debt restructured to improve operational flexibility
- On a total basis, our term loan is now SOFR + 1037 bps (+300 bps);
- Amortization holiday until 6/30/25;
- Quarterly cash interest at SOFR +495 bps with PIK interest at 542 bps (\$1.7m to \$2.2m per Qrt)
- 7.6M new warrants issued in connection with additional liquidity;~7% on a fully diluted basis.
- New warrants may be reduced if significant portions of the debt are repaid by 12/31/2024

# Fiscal Q2'2025 Guidance

- Revenue stabilization through positive market cycle and tech refresh opportunities
- Reflects aggressive cost reduction actions taken through FY2024 and in-process actions in FY2025
- Positioned well to capture profitability through remainder of year with self-help improvements

\$ in millions (except per share amounts)	Q2'25 Guidance
Revenue	<b>\$73M</b> +/- \$2m
Non-GAAP OpEx	<b>\$30M</b> +/- \$2m
Non-GAAP Adj EPS	<b>(\$0.06)</b> +/- \$0.02
Adjusted EBITDA	<b>~Breakeven</b>

Average basic share count in Q2'25 of approximately 96.0 million ETR of -14% & Cash  
Tax of ~\$1 million, and a Capital Expenditure of 1.0% of Revenue

# CEO Closing Remarks

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Jamie Lerner *CEO*



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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

# Results Disclosure as of August 13, 2024

The results reported in this earnings presentation are preliminary and unaudited, and are subject to change. As the Company completes its financial close process and finalizes its financial statements for the fiscal 2024 fourth quarter and full year as well as for the Restatement, and as its independent auditors complete their audit of the Company's financial statements for the fiscal 2024 full year and complete their applicable audit and reviews of the Restatement, it is possible the Company may identify items that require adjustments to the preliminary financial information set forth in this earnings report, and those changes could be material. The Company does not intend to update such financial information prior to the filing of its super Form 10-K.

# 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)	FQ124	FQ424	FQ125
	<i>Restated</i>		
Net income loss	(\$9,142)	(\$18,943)	(\$20,820)
Interest expense, net	\$3,201	\$4,096	\$3,905
Provision for income taxes	\$530	(\$862)	\$235
Depreciation expense	\$1,612	\$1,402	\$1,318
Stock-based compensation expense	\$1,901	\$983	\$925
Restructuring charges	\$1,329	\$117	\$1,192
Loss on debt extinguishment	\$0	\$0	\$695
Amortization of acquisition related intangible assets	\$1,140	\$317	\$462
Non-recurring project costs <i>including restatement and debt-related matters</i>	\$1,634	\$4,449	\$10,650
Fair value of warrants adjustments	(\$726)	\$2,203	(\$1,666)
<b>Adjusted EBITDA</b>	<b>\$1,479</b>	<b>(\$6,238)</b>	<b>(\$3,104)</b>

# GAAP to Non-GAAP Reconciliations

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	<i>Restated</i>		
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Amortization of acquisition related intangible assets	\$1,140	\$317	\$462
Loss on debt extinguishment	\$0	\$0	\$695
Non-recurring interest expense	\$0	\$0	\$116
Non-recurring project costs <i>including restatement and debt-related matters</i>	\$1,405	\$4,449	\$10,650
Fair value of warrant adjustments	(\$726)	\$2,203	(\$1,666)
<b>Adjusted net loss</b>	<b>(\$4,093)</b>	<b>(\$10,874)</b>	<b>(\$8,446)</b>
Adjusted net loss per share – basic	(\$0.04)	(\$0.11)	(\$0.09)
Weighted average shares – basic	93,673	95,850	95,850