



# Investor Presentation

March 2021

# Cautionary Statement Regarding Forward-Looking Statements

This presentation contains forward-looking statements within the definition of Section 27A of the Securities Act of 1933, as amended, and such Section 21E of the Securities Act of 1934, amended. These forward-looking statements should not be used to make an investment decision. The words 'believe,' 'expect,' 'may,' 'strategy,' 'future,' 'likely,' 'goal,' 'plan,' 'estimate,' 'possible' and 'seeking' and similar expressions identify forward-looking statements, which speak only as to the date the statement was made. All statements other than statements of historical facts included in this presentation regarding our strategies, prospects, financial condition, operations, costs, plans and objectives are forward-looking statements. Examples of forward-looking statements include, among others, statements we make regarding our expectations related to the size of the market in which we operate, our growth strategies, our competitive advantage, and the plans and objectives of management for future operations. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, competition within the industries in which we operate, our ability to attract and retain qualified personnel, maintaining our intellectual property rights and litigation involving intellectual property rights, legislative, regulatory and economic developments, the ongoing COVID-19 pandemic and the other risks and uncertainties described in the Risk Factors and in Management's Discussion and Analysis of Financial Condition and Results of Operations sections of our most recently filed Annual Report on Form 10-K and any subsequently filed Quarterly Report(s) on Form 10-Q. Any forward-looking statement made by us in this presentation is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

This presentation may include certain non-GAAP financial measures as defined by SEC rules. We have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is available in the Appendix.

# Digi's Industrial Internet of Things Investment Highlights



Massive market opportunity with growth in software and services to connect "things" in a touchless world



Highly experienced leadership team with track record of strong execution



Robust portfolio proven to solve mission-critical communications challenges in demanding environments



History of strong revenue, gross margin, and recurring revenue growth



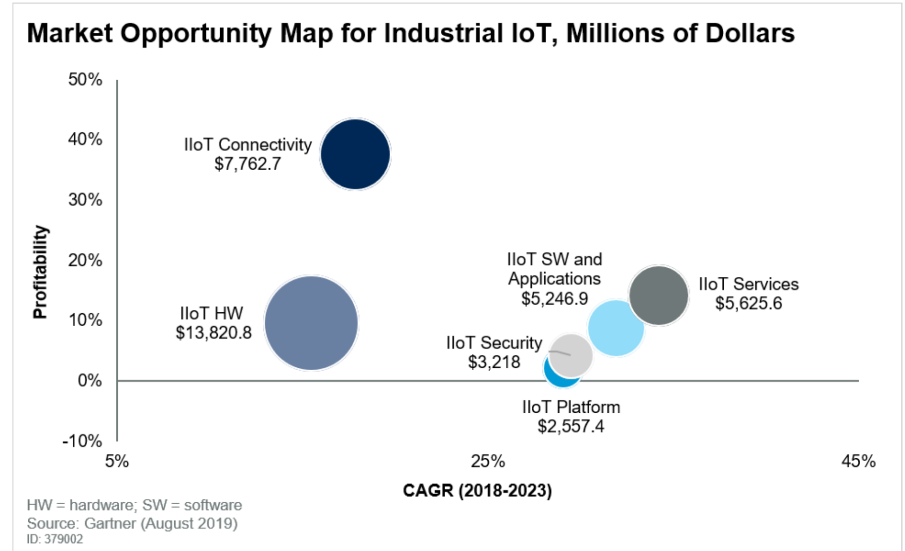
Vertical market expertise and success with blue chip customers



Increasing profitability and cash generation combines with pristine balance sheet

# IIoT Market is Large and Growing

- Total 2023 market opportunity in excess of \$38B driven by CAGR of over 15%
- Building blocks of Hardware (HW) and Connectivity fueling faster growing software, applications, and services segments
- Today's profitability centered on building blocks, but profitability will improve in faster growing segments, over time



# Digi Transforms Work by Connecting the World's People and Machines

Solving **MISSION-CRITICAL** and **BUSINESS-CRITICAL** machine communications challenges in the most **DEMANDING ENVIRONMENTS**

- Reliance on Digi's experience, strength, and quality products

Digi differentiates by providing software and service enabled hardware supported by responsive and knowledgeable resources

- Proven, no-nonsense **SOLUTIONS THAT WORK** — and keep working



RELIABILITY



SCALABILITY



SECURITY



MANAGEABILITY

## Strength In Numbers

**DGII**  
NASDAQ

**1985**  
Year  
Founded

**650+**  
Employees  
Worldwide

**16**  
Consecutive Years  
of Profitability

**279**  
Million In  
F20 Revenue

**15%**  
Profit Margins

A green background featuring a network diagram of white nodes and lines. At the bottom, there is a faint image of an industrial facility with tall towers and pipes. Several circular icons are overlaid on the network, including a Wi-Fi symbol, a server rack, and a globe.

PRODUCTS &  
SERVICES

# DIGI'S IOT BUSINESS SEGMENTS

A blue-tinted background showing a person's hand holding a tablet computer. The screen of the tablet displays a data visualization, possibly a line graph or a map. The person is wearing a light-colored shirt.

SOLUTIONS

# IoT Products & Services: Profitable Growth

- Investing in software, service, and subscription providing more valuable solutions that generate Annual Recurring Revenues (ARR)
- A significant portion of segment sales are through a global network of distributors, systems integrators, value added resellers (VARs) and direct sales

**\$250M**

FY20 Revenue

**52%**

FY20 Gross Margin

**\$13M**

12/31/20 ARR

## BUILD

- Embedded solutions to help build a custom IoT solution
- Reduces time to market
- Lowers costs and risks



XBEE © ZIGBEE



CONNECTCORE © 6UL

## DEPLOY

- Largely, cellular driven
- Quick deployment and configuration
- Highly secure
- Data center and edge



IX20



OM2200

## MANAGE

- Cloud, private cloud and on-premise software
- Configuration management
- Software updates
- Bandwidth utilization



DIGI REMOTE MANAGER  
OPENGEAR LIGHTHOUSE

# Broad Vertical Expertise and Success

ENERGY



**CenterPoint Energy**



**Exxon**

**conEdison**

SMART CITIES/  
TRANSPORTATION



**[CSX.]**

HEALTHCARE



**Medtronic**



**Boston Scientific**

AGRICULTURE/  
HEAVY MACHINERY



**SIEMENS**



INDUSTRIAL



**ECOLAB**

**OTIS**



RETAIL



*Walgreens*



**NETFLIX**





# A Recognized Market Leader



“Every promise Digi has made, they’ve delivered on – and that’s huge. They have reduced our risk, improved our product, and accelerated our timelines. You can’t ask for much more than that.”

*Erich Hoefflerle  
Engineering Manager - Evoqua*



“Digi’s solution was flexible enough to take the data and send it real-time to our cloud environment. Digi also showed it could scale up to support our global footprint.”

*Ezhil Nanjappan  
Otis Elevator Director of IoT and Mobility Solutions*

## Awards and Recognition



# IoT Solutions: Getting and Keeping Sites

- Branded SmartSense, this business provides condition monitoring and digital task management services to ensure the safe and efficient distribution, handling, and storage of food and medicine
- We sell directly to the Health Care, Food Service, and Logistics verticals

**75,000+**

12/31/2020 Sites Active

**80%**

FQ1 2021 Recurring Revenue  
GM%

**\$19M**

12/31/2020 ARR

## MONITOR

- Automatically records key conditions (temp, humidity, air pressure)
- Guide field workers to comply and record key tasks



B SENSOR



Z SENSOR

## COMMUNICATE

- Bluetooth and Zigbee gateways
- GPS Capable
- Highly secure



BZ GATEWAY



B GATEWAY

## MANAGE

- Guides workflow through digital management
- Alerting when out of compliance
- Leverages analytics to drive unique insights



# Vertical Expertise and Success

Food Service	Transportation & Logistics	Healthcare	Education	Retail
				
<ul style="list-style-type: none"> <li>• Streamline operational checklists</li> <li>• Monitor hot/cold equipment and inventory</li> <li>• Fulfill HACCP, FSMA and company policies</li> </ul>	<ul style="list-style-type: none"> <li>• Real-time asset tracking</li> <li>• Conditions of trailer and shipments</li> <li>• Eliminate manual logs</li> <li>• Simplify FSMA compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Protect and keep medicine safe</li> <li>• Eliminate manual, labor intensive logs</li> <li>• Compliant with CDC and State Pharmacy Board guidelines</li> </ul>	<ul style="list-style-type: none"> <li>• Save inventory</li> <li>• Reduce labor costs</li> <li>• Put food and student safety first</li> <li>• Exceed HACCP compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor equipment and inventory</li> <li>• Streamline operational checklists</li> <li>• Reduce product and labor waste</li> <li>• Improve food safety</li> </ul>

# Growing Sites Through Pandemic Shows Value

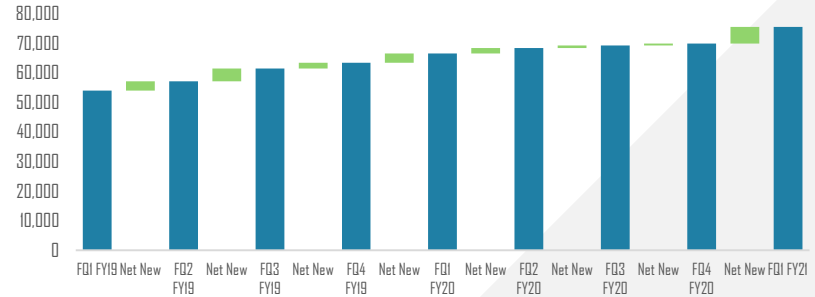
“By implementing IoT throughout the store, your accuracy for temperature monitoring goes through the roof. You know that regular temp checks are being done without having to worry about detracting teammates from taking care of customers.” Vice President, IT



“We are always looking for ways to strengthen our already rigorous quality assurance procedures and safety measures, so we say the value in a continuous remote monitoring system for our refrigerated pharmaceuticals and vaccines. We chose SmartSense because we wanted an experienced partner that shared our commitment to safety.” Manager, Operations

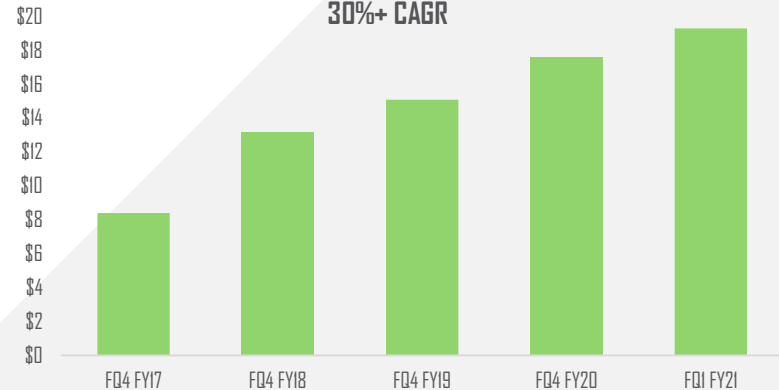


## SmartSense Sites

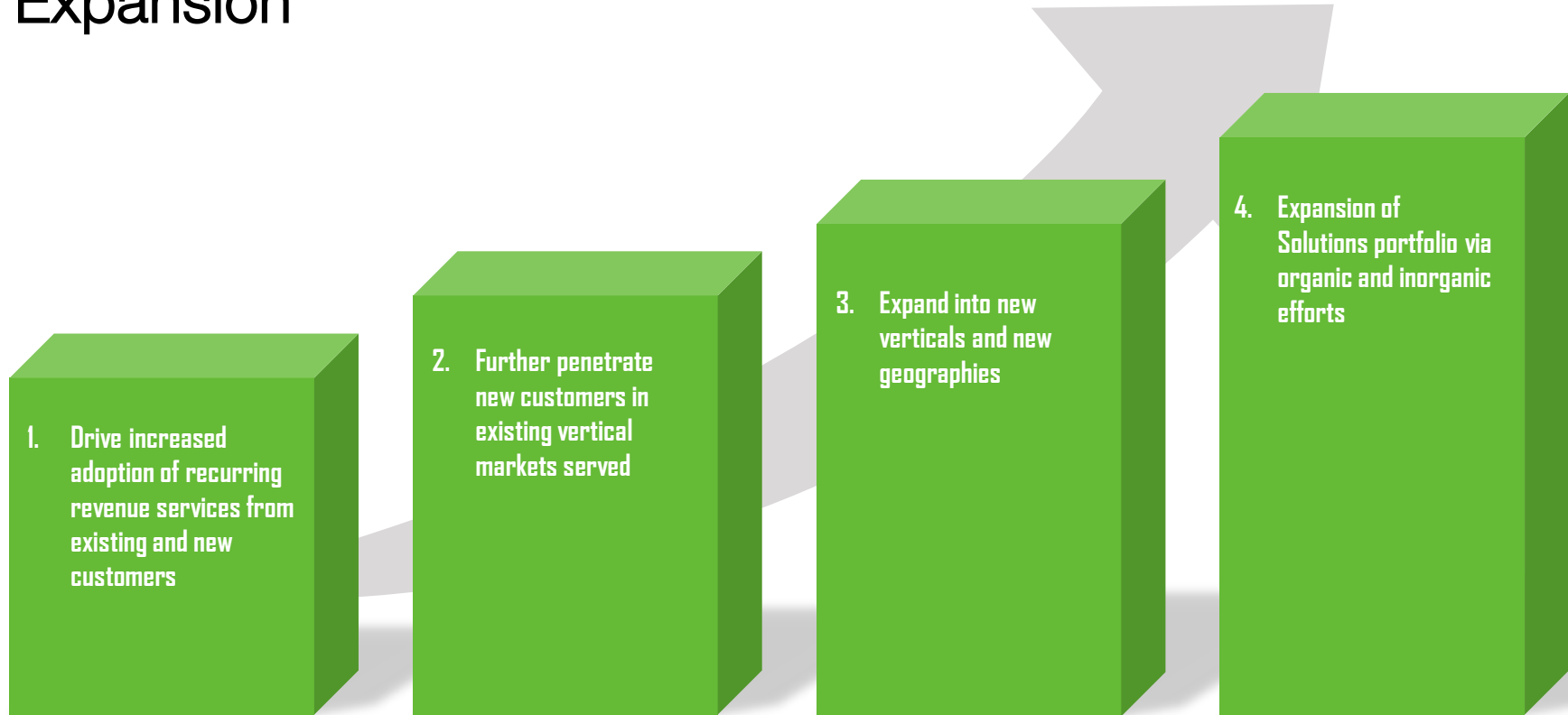


## SmartSense ARR (\$ millions, fiscal year)

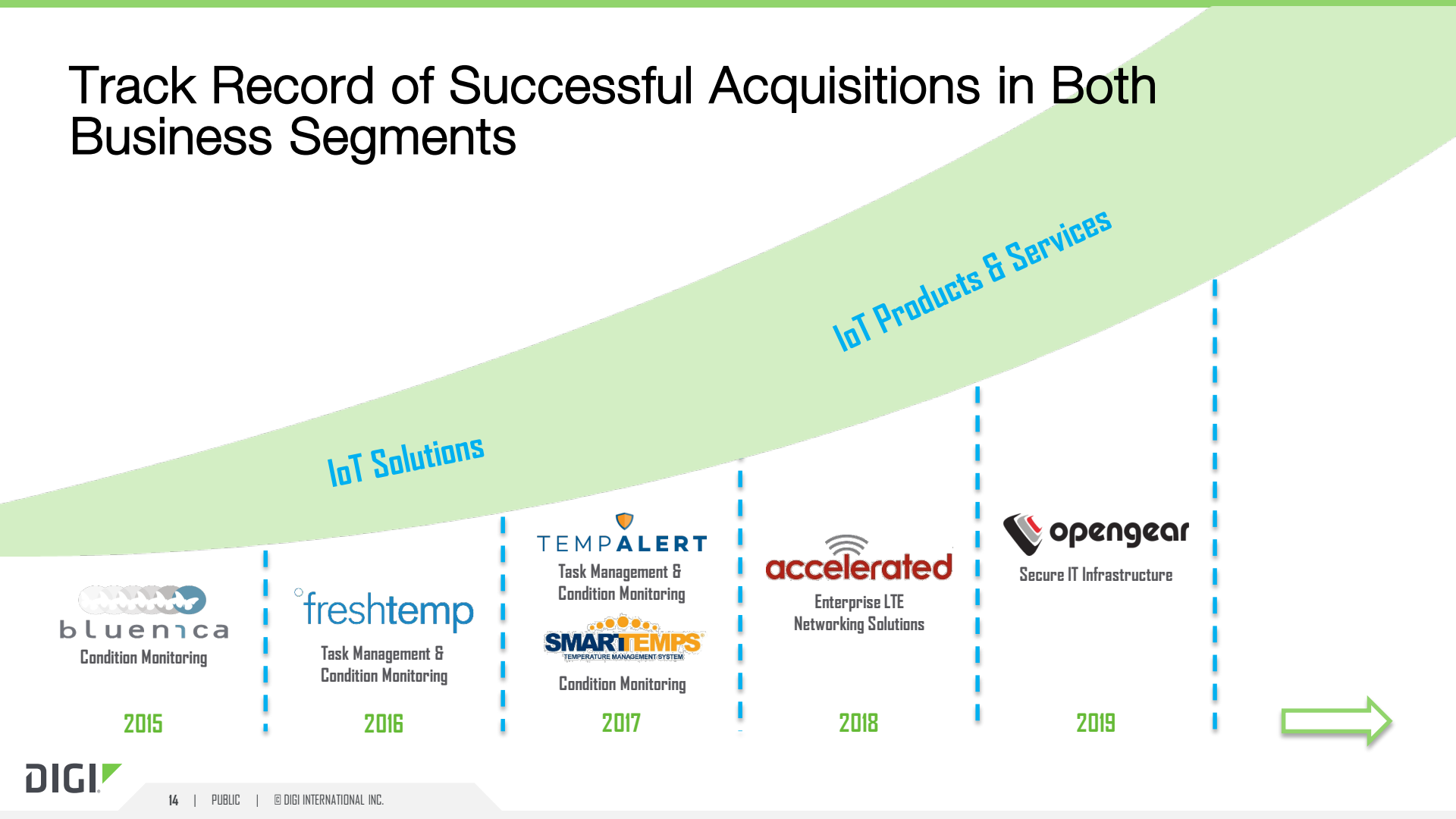
30%+ CAGR



# Multiple Levers for Long-Term Growth and Market Expansion



# Track Record of Successful Acquisitions in Both Business Segments



# Highly Experienced Management Team

*Highly Motivated, Expert Leadership Team*





*Significant Experience Working Together*

*Unrivaled Understanding of the Market*

*Strong Track Record of Execution*

	Position	Select Experience
<b>Ron Konezny</b>	President and Chief Executive Officer	  
<b>Jamie Loch</b>	SVP, Chief Financial Officer, and Treasurer	 
<b>Dave Sampsell</b>	VP, Corporate Development, General Counsel & Corporate Secretary	
<b>Tracy Roberts</b>	VP of Technology Services	 
<b>Terry Schneider</b>	VP of Supply Chain Management	  
<b>Mike Ueland</b>	General Manager, Cellular Router	 
<b>Kevin Riley</b>	President, IoT Solutions	  
<b>Gary Marks</b>	General Manager, Opengear	  
<b>Steve Ericson</b>	General Manager, OEM Solutions	
<b>Brian Kirkendall</b>	General Manager, Infrastructure Management	  

# Financial Highlights

-  Sustained track record of revenue growth and profitability
-  Strong growth of and outlook for recurring revenue solutions
-  Capital light business with continued investment in software, edge and cloud
-  Healthy balance sheet and history of cash flow generation



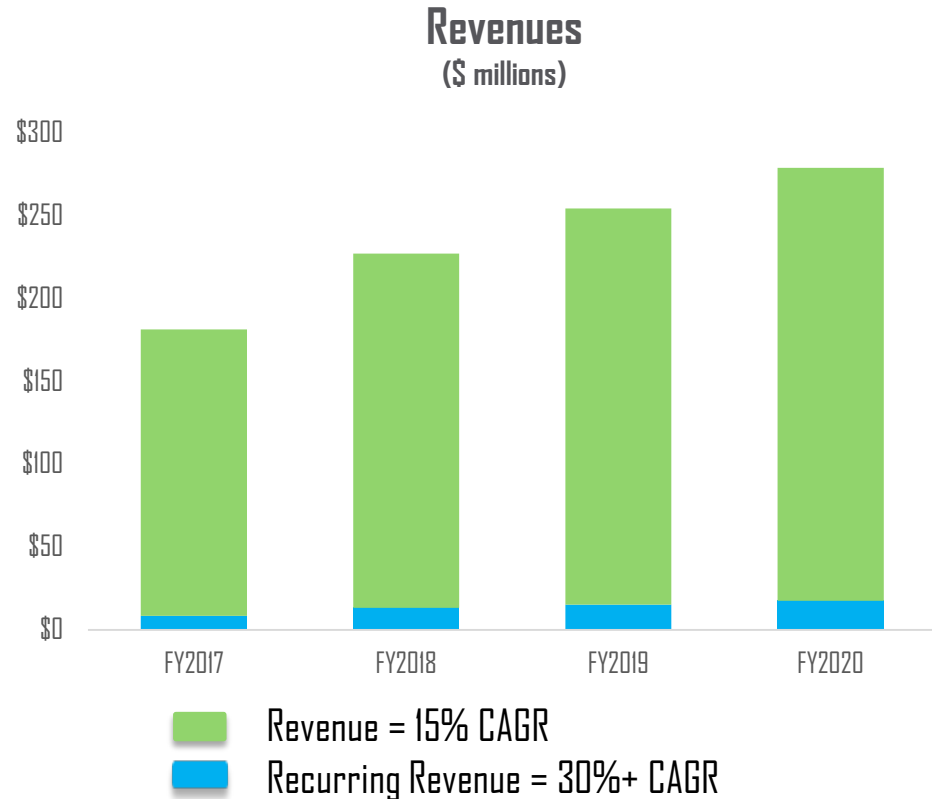
# Recurring Revenue Growth Outpacing Top Line Growth

## Revenue Growth Drivers:

- Growth of cellular IoT
- Data center and edge deployments
- Solutions growth
- Acquisitions

## Recurring Revenue Growth Drivers:

- IoT Products & Services: increase in remote management attach rates, increase in pricing, additional offerings in service and connectivity
- IoT Solutions: increase in new sites, strong (>95%) retention rates, additional business with existing sites



# Gross Margins >50%; A-EBITDA Margins >15%

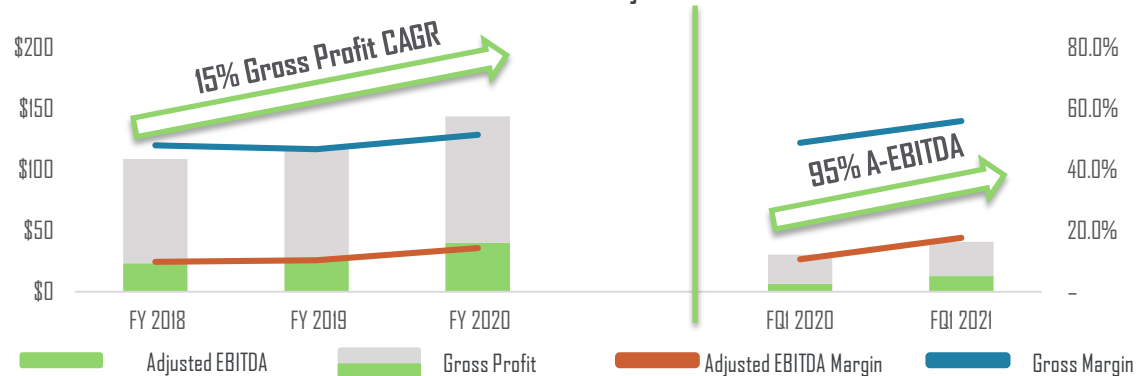
## Margin Drivers:

-  Increase of High-Margin Recurring Revenues
-  Opengear Acquisition
-  Increase in IoT Solutions

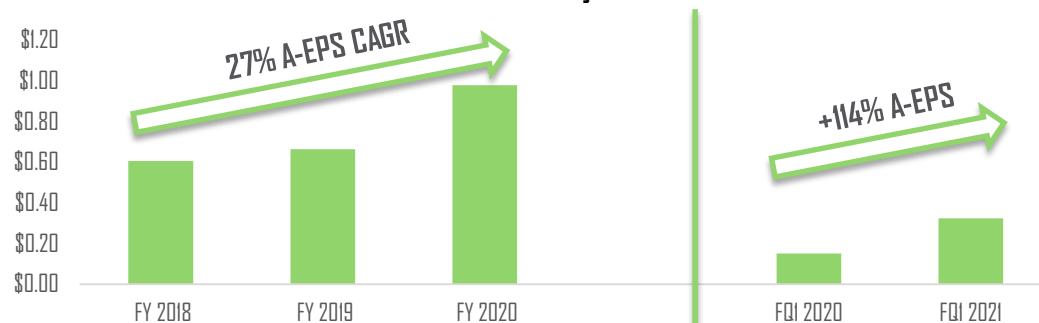
## A-EPS Drivers:

-  Revenue Growth
-  Improved Profitability
-  Non-Dilutive Acquisitions

Gross Profit and Adjusted EBITDA (FY/FQ)



Adjusted EPS (FY/FQ)



# Capital Light, Strong Cash Flow, Strong Balance Sheet

## Capital Light:

- Average <\$3M in capital expenditures, annually<sup>(1)</sup>
- Digi owns design, and relies on third party manufacturers
- Investing in software, edge and cloud

## Strong Cash Flow:

- Cash ~90% of A-EBITDA
- Paid down >\$60M in debt in CY20
- Improving DSO

## Strong Balance Sheet:

- \$2M in Net Cash, with <2% annual interest rates on debt
- Sensible inventory position
- Low reserves

# Net Cash Positive Balance Sheet

<i>(USD, in Thousands)</i>	12/31/2020	12/31/2019
Cash & Cash Equivalents	\$49,263	\$54,129
Accounts Receivable, net	52,500	59,227
Inventories	54,757	51,568
Other Current Assets	10,742	5,134
<b>Total Current Assets</b>	<b>167,262</b>	<b>170,058</b>
Property, Equipment and Improvements, net	13,442	11,507
Intangible Assets, net	117,392	121,248
Goodwill	212,366	210,135
Other Assets	18,326	15,734
<b>Total Assets</b>	<b>528,788</b>	<b>528,682</b>
Accounts Payable	22,472	28,067
Other Current Liabilities	45,015	33,163
<b>Total Current Liabilities</b>	<b>67,487</b>	<b>61,230</b>
Long-Term Debt	43,483	58,980
Other Liabilities	40,176	36,972
<b>Total Liabilities</b>	<b>151,146</b>	<b>157,182</b>
<b>Total Equity</b>	<b>377,642</b>	<b>371,500</b>
<b>Total Liabilities &amp; Equity</b>	<b>528,788</b>	<b>528,682</b>

# Adjusted EBITDA Reconciliation

## Reconciliation of Net (Loss) Income to Adjusted EBITDA

(in thousands)

	Fiscal years ended September 30,			Three months ended December 31,	
	2018 (as adjusted)*	2019	2020	2019 (FQ1 2020)	2020 (FQ1 2021)
<b>Total Revenue</b>	<b>\$226,893</b>	<b>\$254,203</b>	<b>\$279,271</b>	<b>\$62,317</b>	<b>\$73,146</b>
<b>Net Income</b>	<b>\$1,631</b>	<b>\$9,958</b>	<b>\$8,411</b>	<b>\$208</b>	<b>(\$307)</b>
Interest expense (income), net	(420)	(631)	3,288	201	402
Income tax (benefit) expense	1,619	1,187	(948)	(1,128)	(433)
Depreciation and amortization	12,784	13,396	19,299	3,617	5,050
Stock-based compensation	4,854	5,655	7,237	1,600	1,745
Changes in fair value of contingent consideration	-	-	-	259	5,772
Gain on sale of building	-	(4,396)	-	-	-
Restructuring (reversal) charge	301	(87)	117	-	733
Acquisition expense	2,670	1,390	2,772	1,906	15
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>\$23,439</b>	<b>\$26,472</b>	<b>\$40,176</b>	<b>\$6,663</b>	<b>\$12,977</b>

# Adjusted EPS Reconciliation

## Reconciliation of Net Income and Net Income per Diluted Share to Adjusted Net Income and Adjusted Net Income per Diluted Share (In thousands, except per share amounts)

	Fiscal years ended September 30,						Three months ended December 31,			
	2018		2019		2020		2019		2020	
	(as adjusted)*						(FQ1 2020)		(FQ1 2021)	
<b>Net income and net income per diluted share</b>	<b>\$1,631</b>	<b>\$0.06</b>	<b>\$9,958</b>	<b>\$0.35</b>	<b>\$8,411</b>	<b>\$0.28</b>	<b>\$208</b>	<b>\$0.01</b>	<b>(\$307)</b>	<b>(\$0.01)</b>
Amortization	9,435	0.34	8,818	0.31	14,754	0.50	2,448	0.08	3,961	0.13
Stock-based compensation	4,854	0.18	5,655	0.20	7,237	0.24	1,600	0.05	1,745	0.06
Other non-operating expense (income)	(48)	(0.00)	(442)	(0.02)	566	0.02	236	0.01	192	0.01
Acquisition expense	2,670	0.10	1,390	0.05	2,772	0.09	1,906	0.06	15	0.00
Changes in fair value of contingent consideration	-	-	-	-	-	-	259	0.01	5,772	0.19
Acquisition earn-out adjustments	1,376	0.05	1,191	0.04	(128)	(0.00)	-	-	-	-
Restructuring (reversal) charge	301	0.01	(87)	(0.00)	117	0.00	-	-	733	0.02
Interest expense related to acquisition	-	-	-	-	3,558	0.12	416	0.01	402	0.01
Gain on sale of building	-	-	(4,396)	(0.15)	-	-	-	-	-	-
Tax effect from the above adjustments <sup>(1)</sup>	(4,982)	(0.18)	(2,565)	(0.09)	(7,106)	(0.24)	(1,618)	(0.05)	(2,355)	(0.08)
Discrete tax (benefits) expense <sup>(2)</sup>	1,538	0.06	(549)	(0.02)	(1,216)	(0.04)	(959)	(0.03)	(252)	(0.01)
<b>Adjusted net income and adjusted net income per diluted share <sup>(3)</sup></b>	<b>\$16,775</b>	<b>\$0.61</b>	<b>\$18,973</b>	<b>\$0.66</b>	<b>\$28,965</b>	<b>\$0.98</b>	<b>\$4,496</b>	<b>\$0.15</b>	<b>\$9,906</b>	<b>\$0.32</b>
Diluted weighted average common shares <sup>(4)</sup>		<b>27,652</b>		<b>28,554</b>		<b>29,546</b>		<b>29,614</b>		<b>30,532</b>

1) The tax effect from the above adjustments assumes an estimated effective tax rate of 18.0% for fiscal 2021, 20.2% for fiscal 2020, and 18% for fiscal 2019 based on adjusted net income.

2) For the three months ended December 30, 2020, discrete tax benefits primarily are a result of excess tax benefits recognized on stock compensation. For the three months ended December 31, 2019, discrete tax benefits were primarily a result of excess tax benefits on stock compensation and an adjustment of our state deferred tax rate due to the Opengear acquisition. For the twelve months ended September 30, 2020, discrete tax benefits include excess tax benefits recognized on stock compensation, an adjustment of our state deferred tax rate due to the Opengear acquisition and expiring statute of limitations. For the twelve months ended September 30, 2019, discrete tax expense primarily includes reversals of tax reserves due to the expiration of statutes of limitation. For the twelve months ended September 30, 2018, discrete tax (benefit) expense primarily includes one-time adjustments for the re-measurement of deferred tax assets and the impact of ASU 2016-09 relating to the accounting for the tax effects of stock compensation. This was partially offset by net tax benefits for the release of a valuation allowance against U.S. federal capital loss carryforward related to the expected gains tax in fiscal 2019 as a result of the sale of our Corporate Headquarters building in October 2019 and reversals of tax reserves due to the expiration of statutes of limitation and certain domestic tax credits.

3) Adjusted net income per diluted share may not add due to the use of rounded numbers.

4) Diluted weighted average common shares for the three months ended December 31, 2020 include 1,157,727 common stock options and restricted stock units due to the adjusted net income position.

\* Prior period information has been restated for the adoption of ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", which we adopted on October 1, 2018.



**Connect with Confidence**