

Aerohive Networks Reports Record First Quarter 2016 Revenue, Up 55% Year Over Year

SUNNYVALE, CA — May 4, 2016 — Aerohive Networks® (NYSE: HIVE), a leader in cloud networking and enterprise Wi-Fi, today announced financial results for its first quarter ended March 31, 2016.

Financial Summary

Total revenue for the first quarter of 2016 was \$40.1 million, an increase of 55.4% compared with \$25.8 million for the first quarter of 2015 and a decrease of 13.2% compared with \$46.2 million for the fourth quarter of 2015. Software subscription and services revenue was \$7.7 million, or 19% of total revenue for the quarter, compared with \$5.3 million, or 21% of total revenue, for the first quarter of 2015.

For the first quarter of 2016, GAAP net loss was \$12.5 million, compared with \$15.8 million in the first quarter of 2015. GAAP gross margin was 66.8%, compared with 66.5% in the year-ago period.

Non-GAAP net loss for the first quarter of 2016 was \$6.2 million, compared with \$12.0 million in the first quarter of 2015. Non-GAAP gross margin was 67.5%, compared with 67.2% in the year-ago period.

A description of the non-GAAP calculations and a reconciliation to comparable GAAP financial measures are provided in the accompanying table entitled "Reconciliation of GAAP to Non-GAAP Financial Measures."

"We're pleased to deliver our fourth consecutive quarter of exceeding expectations on both the top and bottom line," stated David Flynn, President and Chief Executive Officer. "We continue to see strong demand for our technology across our key verticals and remain on track to achieve non-GAAP operating profitability in 2016."

Conference Call Information

Aerohive Networks will host a conference call and webcast for analysts and investors to discuss its first quarter 2016 results and outlook for its second quarter of 2016 at 2:00 pm Pacific Time today, May 4, 2016. The call may be accessed by dialing 1-888-428-9480 (toll free) or 1-719-325-2308 (international) and providing the passcode 2462136. A live audio webcast of the conference call will be accessible from the "Investor Relations" section of the Company's website at <http://ir.aerohive.com>. An audio replay of the call may be accessed at the same location after completion of the live call.

Safe Harbor Statement

This press release contains forward-looking statements, including statements regarding Aerohive Networks' financial expectations and operating performance and expectations for continued momentum in 2016, including statements regarding our continuing to see strong demand for our technology across our key verticals and our belief that we remain on track to achieve non-GAAP operating profitability in 2016. These forward-looking statements are based on current expectations and are subject to inherent uncertainties, risks and changes in circumstances that are difficult or impossible to predict. The actual outcomes and results may differ materially from those contemplated by these forward-looking statements as a result of these uncertainties, risk and changes in circumstances, including, but not limited to, risks and uncertainties related to: our ability to continue to attract, integrate, retain and train skilled personnel, especially skilled R&D and sales personnel, in general and in specific regions, our ability to develop and expand our sales capacity and improve the effectiveness of our channel, our ability to improve our operating and sales execution, general demand for wireless networking in the industry verticals targeted or demand for Aerohive products in particular, our ability to benefit from our participation in the E-Rate program, unpredictable and changing market conditions, risks associated with the deployment, performance and adoption of new products and services, risks associated with our growth, competitive pressures from existing and new companies, including pricing pressures, changes in the mix and selling prices of Aerohive products, technological change, product development delays, reliance on third parties to manufacture, warehouse and timely deliver Aerohive products or international operations, our inability to protect Aerohive intellectual property or to predict or limit exposure to third party claims relating to its or Aerohive's intellectual property, Aerohive's limited operating history, particularly as a public company, Aerohive's ability to make appropriate, timely and beneficial decisions as to when, how, and whether to purchase shares under the stock repurchase program, alternative uses of Aerohive's capital and general market, political, regulatory, economic and business conditions in the United States and internationally.

Additional risks and uncertainties that could affect Aerohive's financial and operating results are included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Company's recent annual report on Form 10-K and quarterly report on Form 10-Q. Aerohive's SEC filings are available on the Investor Relations section of the Company's website at <http://ir.aerohive.com> and on the SEC's website at www.sec.gov. All forward-looking statements in this press release are based on information available to the Company as of the date hereof, and Aerohive Networks disclaims any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made, except as required by law.

Adjustments to Comparable Periods

Effective in the first quarter of 2016, Aerohive began to defer sales commission expense, recognizing sales commissions in the same period that the revenue is recognized.

Previously, Aerohive recognized sales commission expense in the period in which an order was booked. The comparable periods in the accompanying financial tables reflect this change.

Non-GAAP Financial Measures

Aerohive's reported first quarter 2016 results include certain non-GAAP financial measures, including:

- non-GAAP gross profit and non-GAAP gross margin;
- non-GAAP product gross margin and non-GAAP software subscription and service gross margin;
- non-GAAP operating expenses and non-GAAP functional expenses;
- non-GAAP operating expenses percentage and non-GAAP functional expenses percentage;
- non-GAAP operating loss and non-GAAP operating loss percentage; and
- non-GAAP net loss and non-GAAP net loss per share.

The Company defines non-GAAP financial measures to exclude share-based compensation, adjustment to internal-use software amortization, and certain charges related to litigation.

The Company has included non-GAAP financial measures in this press release because the Company believes they are key measures used to evaluate the business, measure performance, identify trends affecting the business, formulate financial projections and make strategic decisions. In particular, the exclusion of certain expenses in calculating these non-GAAP financial measures can provide a useful measure for period-to-period comparisons of the Company's core business.

Although non-GAAP financial measures are frequently used by investors in their evaluations of companies, these non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with the Company's results of operations, as determined in accordance with GAAP. Some of these limitations are:

- the non-GAAP measures do not consider the expense related to stock-based compensation, which is an ongoing expense for the Company;
- although amortization is a non-cash charge, the assets being amortized often will have to be replaced in the future, and non-GAAP net loss, and non-GAAP loss per share do not reflect any cash requirement for such replacements;
- pending securities litigation may continue for an extended duration and excluding the associated expense does not reflect the impact on our ongoing

operations over this period of the cash requirement to defend such litigation;
and

- other companies, including companies in our industry, may calculate these non-GAAP financial measures differently, which reduces their usefulness as a comparative measure.

Because of these limitations, you should consider non-GAAP financial measures only together with other financial performance measures, including various cash flow metrics, net loss and other GAAP results.

A reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis due to the high variability and low visibility with respect to the charges that are excluded from these non-GAAP measures.

About Aerohive Networks

Aerohive (NYSE: HIVE) enables our customers to simply and confidently connect to the information, applications, and insights they need to thrive. Our simple, scalable, and secure platform delivers mobility without limitations. For our customers worldwide, every access point is a starting point. Aerohive was founded in 2006 and is headquartered in Sunnyvale, CA. For more information, please visit <http://www.aerohive.com>, call us at 408-510-6100, follow us on Twitter [@Aerohive](#), subscribe to our [blog](#), join our [community](#) or become a fan on our [Facebook page](#).

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AEROHIVE NETWORKS, INC.

Condensed Consolidated Statements of Operations

(unaudited, in thousands, except share and per share amounts)

| | Three Months Ended March 31, | |
|---|-------------------------------------|--------------------|
| | 2016 | 2015 |
| | (As Adjusted) | |
| Revenue: | | |
| Product | \$ 32,456 | \$ 20,480 |
| Software subscription and services | 7,672 | 5,337 |
| Total revenue | <u>40,128</u> | <u>25,817</u> |
| Cost of revenue (1): | | |
| Product | 10,439 | 6,808 |
| Software subscription and services | 2,903 | 1,828 |
| Total cost of revenue | <u>13,342</u> | <u>8,636</u> |
| Gross profit | <u>26,786</u> | <u>17,181</u> |
| Operating expenses: | | |
| Research and development (1) | 10,210 | 7,510 |
| Sales and marketing (1) | 21,068 | 18,495 |
| General and administrative (1) | 7,895 | 6,247 |
| Total operating expenses | <u>39,173</u> | <u>32,252</u> |
| Operating loss | (12,387) | (15,071) |
| Interest income | 119 | 14 |
| Interest expense | (126) | (754) |
| Other income (expense), net | 16 | 135 |
| Loss before income taxes | (12,378) | (15,676) |
| Income tax provision | (145) | (108) |
| Net loss | <u>\$ (12,523)</u> | <u>\$ (15,784)</u> |
| Net loss per share, basic and diluted | <u>\$ (0.25)</u> | <u>\$ (0.34)</u> |
| Weighted-average shares used in computing net loss per share, basic and diluted | <u>49,140,340</u> | <u>46,298,850</u> |

(1) Includes stock-based compensation as follows:

| | | |
|--|-----------------|-----------------|
| Cost of revenue | \$ 272 | \$ 165 |
| Research and development | 1,345 | 986 |
| Sales and marketing | 1,768 | 1,497 |
| General and administrative | 1,511 | 1,174 |
| Total stock-based compensation expense | <u>\$ 4,896</u> | <u>\$ 3,822</u> |

AEROHIVE NETWORKS, INC.**Condensed Consolidated Balance Sheets****(unaudited, in thousands, except share and per share amounts)**

| | March 31, 2016 | December 31, 2015 |
|---|-----------------------|--------------------------|
| | (As Adjusted) | |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 41,388 | \$ 45,741 |
| Short-term investments | 44,750 | 46,593 |
| Accounts receivable, net | 20,884 | 22,824 |
| Inventories, net | 11,489 | 10,775 |
| Prepaid expenses and other current assets | 11,581 | 7,613 |
| Deferred cost of goods sold | 425 | 757 |
| Total current assets | 130,517 | 134,303 |
| Property and equipment, net | 8,541 | 9,156 |
| Goodwill | 513 | 513 |
| Other assets | 5,530 | 3,680 |
| TOTAL ASSETS | 145,101 | 147,652 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 14,493 | \$ 15,140 |
| Accrued liabilities | 17,475 | 11,856 |
| Debt, current portion | 20,000 | — |
| Deferred revenue, current portion | 27,707 | 27,893 |
| Total current liabilities | 79,675 | 54,889 |
| Debt, long-term portion | — | 20,000 |
| Deferred revenue, non-current | 32,565 | 31,369 |
| Other liabilities | 470 | 463 |
| TOTAL LIABILITIES | 112,710 | 106,721 |
| STOCKHOLDERS' EQUITY: | | |
| Common stock | 50 | 49 |
| Additional paid-in capital | 235,982 | 231,289 |
| Treasury stock | (785) | — |
| Accumulated other comprehensive gain (loss) | 13 | (61) |
| Accumulated deficit | (202,869) | (190,346) |
| Total stockholders' equity | 32,391 | 40,931 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 145,101 | \$ 147,652 |

AEROHIVE NETWORKS, INC.**Condensed Consolidated Statements of Cash Flows****(unaudited, in thousands)**

| | Three Months Ended March 31, | |
|---|-------------------------------------|------------------|
| | 2016 | 2015 |
| | (As Adjusted) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (12,523) | \$ (15,784) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 896 | 619 |
| Stock-based compensation | 4,896 | 3,822 |
| Other | 123 | 296 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 1,940 | 7,082 |
| Inventories | (714) | (3,028) |
| Prepaid expenses and other current assets | (3,636) | 410 |
| Other assets | (350) | (110) |
| Accounts payable | (684) | 2,543 |
| Accrued liabilities | 5,713 | (343) |
| Other liabilities | 7 | (97) |
| Deferred revenue | 1,010 | 1,650 |
| Net cash used in operating activities | <u>(3,322)</u> | <u>(2,940)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property, equipment and intangible assets | (337) | (452) |
| Capitalized software development costs | — | (1,789) |
| Maturities and sales of short-term investments | 4,200 | — |
| Purchases of short-term investments | (2,406) | — |
| Investment in privately-held companies | (1,500) | — |
| Net cash used in investing activities | <u>(43)</u> | <u>(2,241)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from exercise of vested stock options | 108 | 342 |
| Shares withheld for tax withholdings on vesting of restricted stock units | (311) | (545) |
| Payment to repurchase common stock | (785) | — |
| Proceeds from issuance of debt | — | 10,000 |
| Repayments of debt | — | (10,000) |
| Net cash used in financing activities | <u>(988)</u> | <u>(203)</u> |
| Net decrease in cash and cash equivalents | (4,353) | (5,384) |
| Cash and cash equivalents-beginning of period | 45,741 | 98,044 |
| Cash and cash equivalents-end of period | <u>\$ 41,388</u> | <u>\$ 92,660</u> |

AEROHIVE NETWORKS, INC.

Reconciliation of GAAP Net Loss to Non-GAAP Net Loss

(unaudited; in thousands, except share and per share amounts)

| | <u>Three Months Ended March 31,</u> | |
|--|-------------------------------------|--------------------|
| | <u>2016</u> | <u>2015</u> |
| | (As Adjusted) | |
| Net Loss Reconciliation: | | |
| GAAP net loss | \$ (12,523) | \$ (15,784) |
| Stock-based compensation adjustment to internal-use software amortization — Cost of revenue – Software subscription and services | 35 | — |
| Stock-based compensation — Cost of revenue – Product | 17 | 32 |
| Stock-based compensation — Cost of revenue – Software subscription and services | 255 | 133 |
| Total adjustment to Cost of Revenue | 307 | 165 |
| Stock-based compensation — Research and development | 1,345 | 986 |
| Stock-based compensation — Sales and marketing | 1,768 | 1,497 |
| Stock-based compensation — General and administrative | 1,511 | 1,174 |
| General and administrative: | | |
| One-time charges related to pending securities litigation | 1,376 | — |
| Total adjustment to Operating Expenses | 6,000 | 3,657 |
| Non-GAAP net loss | <u>\$ (6,216)</u> | <u>\$ (11,962)</u> |
| Basic and diluted net loss per share on a non-GAAP basis | <u>\$ (0.13)</u> | <u>\$ (0.26)</u> |
| Weighted average shares used in computing non-GAAP basic and diluted net loss per share | <u>49,140,340</u> | <u>46,298,850</u> |

The foregoing adjustments may also be relevant to evaluating the Company's other non-GAAP final measures.