



Fiscal 2Q 2016 Earnings Call Supplementary Slides

February 2, 2016

Cautionary Language Concerning Forward-Looking Statements

This presentation contains forward-looking statements under Section 27A of the Securities Act of 1934. Forward-looking statements are all statements we make other than those dealing specifically with historical matters. These forward-looking statements include, among other things, financial guidance. Please refer to the Company's filings with the Securities and Exchange Commission, including our annual report on Form 10-K filed August 25, 2015 for additional factors that could cause actual results to materially differ from current expectations. The forward-looking statements included in this presentation are valid only as of today's date except where otherwise noted. Viavi Solutions Inc. undertakes no obligation to update these statements.

This presentation and the Q&A that follows include non-GAAP financial measures which complement the Company's preliminary consolidated GAAP financial statements. These non-GAAP financial measures are not intended to supersede or replace the Company's preliminary GAAP financials. We provide a detailed reconciliation of preliminary GAAP results to the non-GAAP results in the "Preliminary Reconciliation of GAAP Measures to Non-GAAP Measures" schedule in our earnings release issued today. The news release is located in the Investor Relations section of our web site at www.viavisolutions.com.

Fiscal 2Q 2016 Financial Highlights

(Amounts non-GAAP and \$millions)

- Revenue: \$232.1 million (exceeded \$212-\$228 million guidance range).
 - NSE and OSP met or exceeded the high-end of revenue guidance.
- Gross margin: 63.7% (up 20 basis points Y/Y).
 - NE up 80 basis points Y/Y
 - SE down 280 basis points Y/Y.
 - OSP up 300 basis points Y/Y.
- Operating margin: 13.1% (exceeded 9.5%-11.5% guidance range).
 - Viavi up 470 basis points Y/Y.
 - NSE up 350 basis points Y/Y.
 - OSP up 450 basis points Y/Y.
- Operating cash flow of \$(1.0) million which included separation related payments of approximately \$15 million.

Note: Amounts presented in all slides are on a continuing operations basis unless otherwise noted.

Income Statement

(Amounts non-GAAP and \$millions, except per share amounts)

	F2Q 2016	F1Q 2016	F2Q 2015	<u>QoQ</u>	<u>YoY</u>
Revenue	\$232.1	\$229.7	\$226.4	1.0%	2.5%
Gross Margin	63.7%	63.6%	63.5%	10 bps	20 bps
Operating Expenses	\$117.4	\$117.4	\$124.6	0.0%	(5.8)%
Operating Margin	13.1%	12.5%	8.4%	60 bps	470 bps
Net Income	\$25.0	\$19.6	\$11.3	27.6%	121.2%
EPS	\$0.11	\$0.08	\$0.05	\$0.03	\$0.06

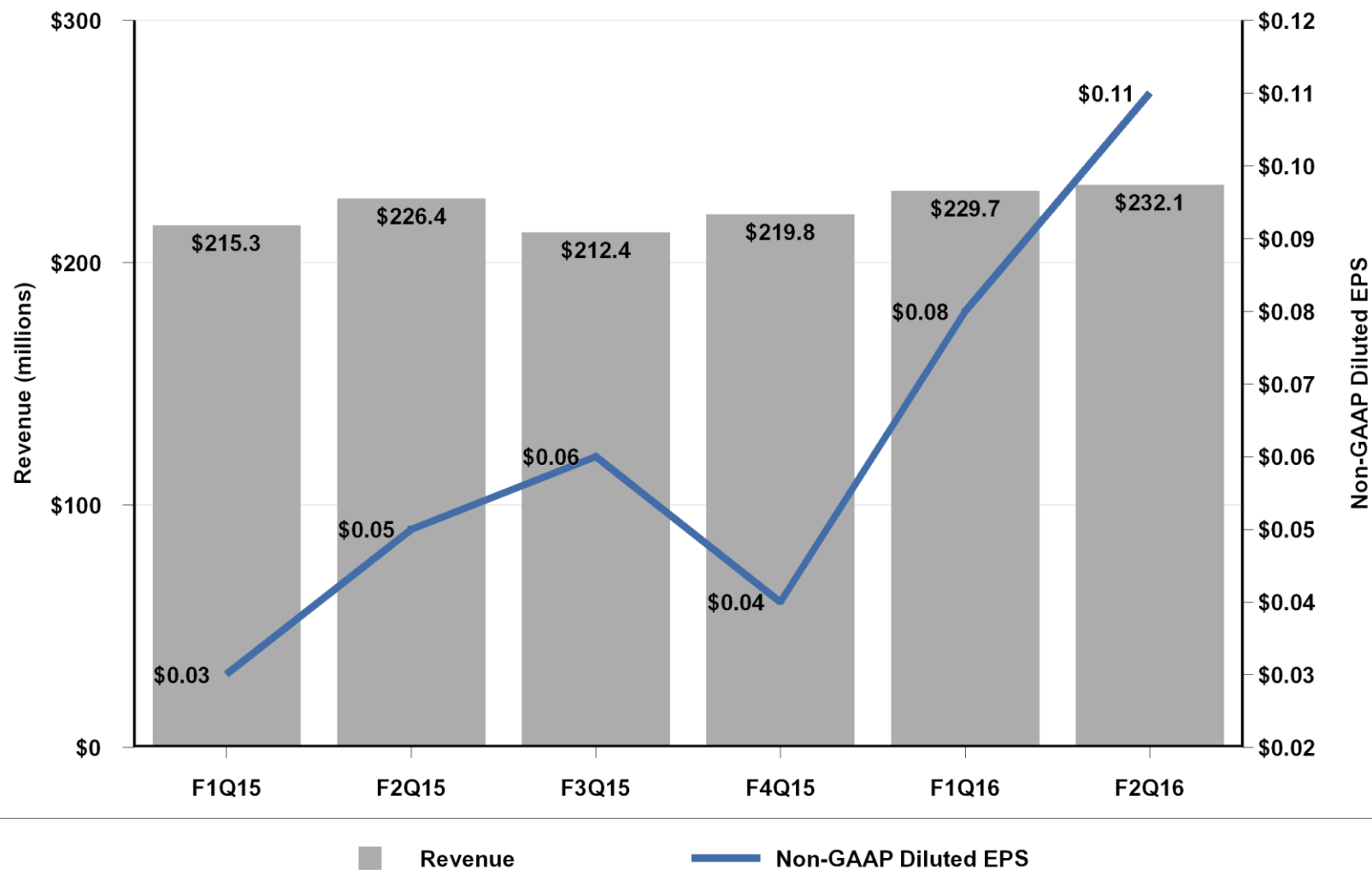
Revenue by Business Segment and Geographic Region

(Amounts non-GAAP and \$millions)

	F2Q 2016		F1Q 2016		F2Q 2015		<u>QoQ</u>	<u>YoY</u>
Segment Mix								
NE	\$136.4	58.8%	\$117.6	51.2%	\$129.0	57.0%	16.0%	5.7%
SE	\$36.9	15.9%	\$47.9	20.9%	\$46.8	20.7%	(23.0%)	(21.2%)
OSP	\$58.8	25.3%	\$64.2	27.9%	\$50.6	22.3%	(8.4%)	16.2%
Total	\$232.1	100.0%	\$229.7	100.0%	\$226.4	100.0%	1.0%	2.5%
Region Mix								
Americas	\$121.3	52.2%	\$119.0	51.8%	\$116.9	51.6%	1.9%	3.8%
Asia-Pacific	\$42.2	18.2%	\$45.5	19.8%	\$42.5	18.8%	(7.3%)	(0.7%)
EMEA	\$68.6	29.6%	\$65.2	28.4%	\$67.0	29.6%	5.2%	2.4%
Total	\$232.1	100.0%	\$229.7	100.0%	\$226.4	100.0%	1.0%	2.5%

Revenue and Non-GAAP Diluted EPS Performance

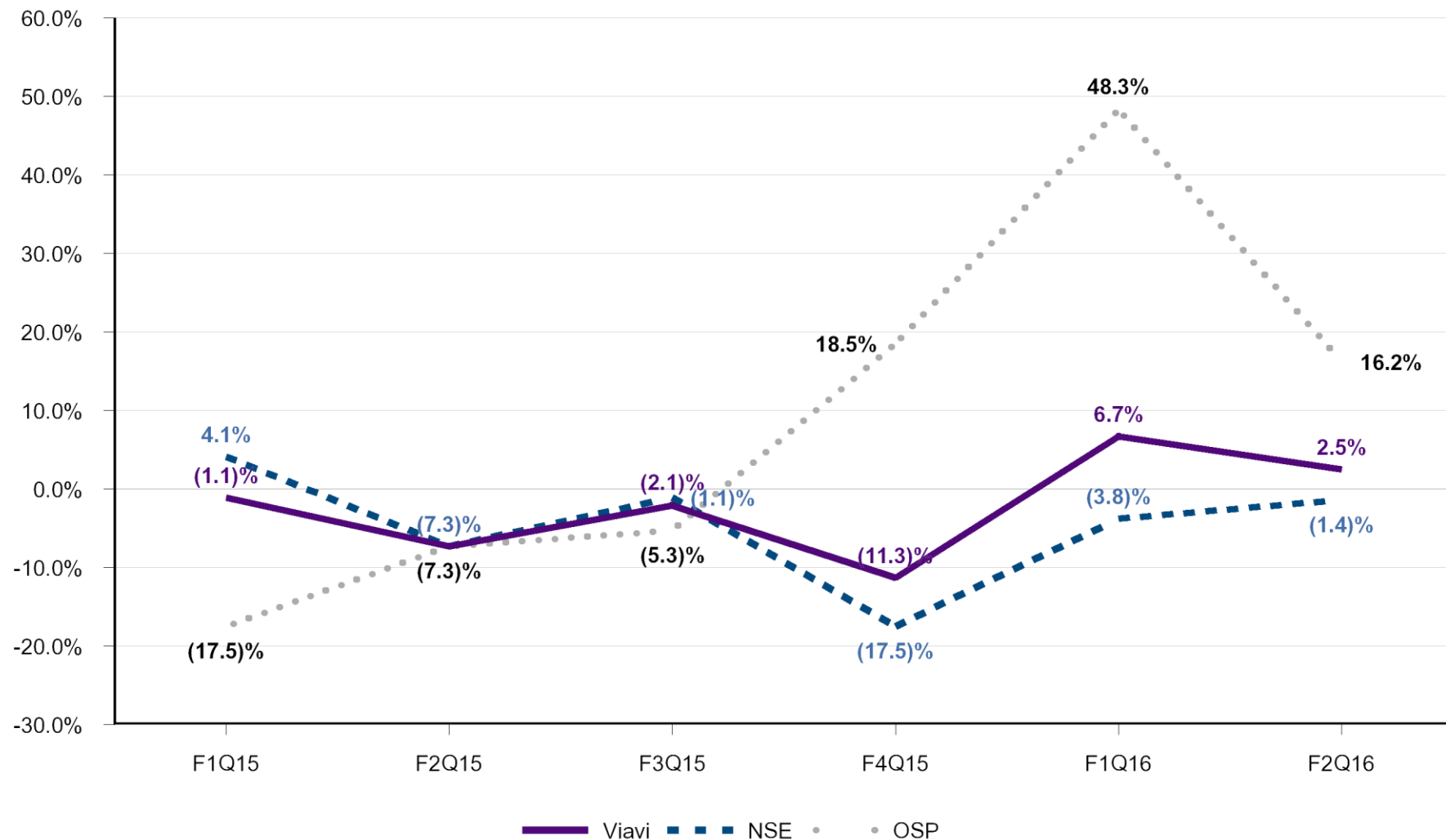
(Amounts non-GAAP and \$millions, except per share amounts)



Revenue Growth Y/Y%

(Amounts non-GAAP)

y/y growth (%)



Business Segment Results

(Amounts non-GAAP and \$millions)

	F2Q 2016	F1Q 2016	F2Q 2015	<u>QoQ</u>	<u>YoY</u>
Revenue					
NE	\$136.4	\$117.6	\$129.0	16.0%	5.7%
SE	\$36.9	\$47.9	\$46.8	(23.0%)	(21.2%)
OSP	\$58.8	\$64.2	\$50.6	(8.4%)	16.2%
Total	\$232.1	\$229.7	\$226.4	1.0%	2.5%
Gross Margin					
NE	66.4%	64.4%	65.6%	200 bps	80 bps
SE	66.4%	69.7%	69.2%	(330) bps	(280) bps
OSP	55.8%	57.6%	52.8%	(180) bps	300 bps
Total	63.7%	63.6%	63.5%	10 bps	20 bps
Operating Margin					
NSE	4.6%	1.5%	1.1%	310 bps	350 bps
OSP	38.3%	41.0%	33.8%	(270) bps	450 bps
Total	13.1%	12.5%	8.4%	60 bps	470 bps

Fiscal 2Q 2016 NSE Business Highlights

(Amounts non-GAAP and \$millions)

- NSE revenue at \$173.3 million exceeded the guidance range (\$157-\$169 million); operating margin at 4.6% exceeded the guidance range (1.0-3.0%).
- Operating margin increased 350 basis points Y/Y due to operating leverage from higher revenue and operating expense management.

NE Segment Highlights

- Revenue at \$136.4 million was up 5.7% Y/Y due to strength in both wireline and lab instruments.
- Gross margin at 66.4% increased 80 basis points Y/Y driven by improved operating efficiencies in the supply chain and favorable mix.

SE Segment Highlights

- Revenue at \$36.9 million decreased 21.2% Y/Y primarily due to decline in assurance offset by growth in enterprise.
- Gross margin at 66.4% decreased 280 basis points Y/Y due to lower revenue.

Fiscal 2Q 2016 Segment Highlights - OSP

(Amounts non-GAAP and \$millions)

- Revenue at \$58.8 million at the high end of the guidance range (\$55-\$59 million); operating margin at 38.3% exceeded the guidance range (34.5%-36.5%).
- Revenue up 16.2% Y/Y on higher anti-counterfeiting revenue driven by increased bank-note printing volume as well as growth in the rest of the business.
- Gross margin at 55.8% increased 300 basis points Y/Y due to higher revenue and better absorption.
- Operating margin increased 450 basis points Y/Y due to favorable product mix and operating leverage on higher revenue.

Balance Sheet Highlights

(\$ millions)

	F4Q 2015	F1Q 2016	F2Q 2016
Total Cash Balance*	\$825.6	\$903.1	\$926.0
Long-term Debt (Carrying Value)**	\$561.6	\$568.2	\$574.8
Cash from Operations	\$47.8	\$(0.3)	\$(1.0)
Short term Deferred Revenue	\$80.6	\$80.5	\$93.3

*Includes cash and cash-equivalents, short-term investments (which also includes marketable equity investments) and restricted cash.

**Carrying value equals outstanding principal amount less the unamortized debt discount. Face amount is \$650 million.

Fiscal 3Q 2016 Guidance

(Amounts non-GAAP)

F3Q 2016 Guidance

We expect third quarter revenue to be \$210 million to \$226 million, operating margin to be 10.7% to 12.7% and EPS to be \$0.07 to \$0.09.

- **Business segment revenue guidance:**

- For NSE, we expect revenue to be \$155 million to \$167 million.
- For OSP, we expect revenue to be \$55 million to \$59 million.

- **Business segment operating margin guidance:**

- For NSE, we expect operating margin to be 1.5% to 3.5%.
- For OSP, we expect operating margin to be 36.5% to 38.5%.

- Expect tax expenses to be \$4.5 million to \$5.0 million.
- Expect Other Income/Expense to be net expense of \$1.5 million to \$2.0 million.
- Expect share count for EPS calculation to be 234.5 million shares.
- Expect ordinary course capital expenditures to be 4% to 5% of revenues.

Upcoming Investor Events

Mar. 1, 2016

Morgan Stanley Technology, Media
and Telecom Conference

San Francisco, CA

Appendix

GAAP Income Statement

Unaudited	1Q15F	2Q15F	3Q15F	4Q15F	FY2015	1Q16F	2Q16F
GAAP Income Statement	Sep-14	Dec-14	Mar-15	Jun-15	Jun-15	Sep-15	Dec-15
(\$ in millions, except per share amounts)							
Net revenue	\$ 215.3	\$ 226.4	\$ 212.4	\$ 219.8	\$ 873.9	\$ 229.7	\$ 232.1
Cost of revenues	78.3	84.1	76.4	83.1	321.9	84.9	85.7
Amortization of acquired technologies	8.1	9.2	9.0	5.6	31.9	4.3	4.6
Total cost of revenues	86.4	93.3	85.4	88.7	353.8	89.2	90.3
Gross profit	128.9	133.1	127.0	131.1	520.1	140.5	141.8
Operating expenses:							
Research and development	41.6	44.2	42.1	45.4	173.3	44.3	41.7
Selling, general and administrative	93.6	96.1	95.1	90.8	375.6	94.7	85.7
Amortization of other intangibles	5.0	4.9	4.8	4.8	19.5	3.8	3.7
Loss (gain) on disposal of long-lived assets	—	—	0.4	0.3	0.7	0.2	0.1
Restructuring and related charges	1.1	9.1	7.8	8.8	26.8	0.4	1.4
Total operating expenses	141.3	154.3	150.2	150.1	595.9	143.4	132.6
Income (loss) from operations	(12.4)	(21.2)	(23.2)	(19.0)	(75.8)	(2.9)	9.2
Interest and other income (expense), net	0.6	0.3	0.4	2.5	3.8	(1.1)	1.7
Interest expense	(8.2)	(8.3)	(8.2)	(8.6)	(33.3)	(8.8)	(8.8)
Income (loss) from continuing operations before income taxes	(20.0)	(29.2)	(31.0)	(25.1)	(105.3)	(12.8)	2.1
Income tax expense (benefit)	5.8	8.5	4.8	7.0	26.1	0.8	(1.2)
Income (loss) from continuing operations, net of tax	\$ (25.8)	\$ (37.7)	\$ (35.8)	\$ (32.1)	\$ (131.4)	\$ (13.6)	\$ 3.3
Income (loss) from discontinued operations, net of tax	16.1	12.6	22.6	(8.0)	43.3	(53.4)	3.0
Net income (loss)	\$ (9.7)	\$ (25.1)	\$ (13.2)	\$ (40.1)	\$ (88.1)	\$ (67.0)	\$ 6.3
Basic and diluted net income (loss) per share from:							
Continuing operations	\$ (0.11)	\$ (0.16)	\$ (0.16)	\$ (0.14)	\$ (0.57)	\$ (0.06)	\$ 0.02
Discontinued operations	0.07	0.05	0.10	(0.03)	0.19	(0.22)	0.01
Net income (loss)	\$ (0.04)	\$ (0.11)	\$ (0.06)	\$ (0.17)	\$ (0.38)	\$ (0.28)	\$ 0.03
Shares used in per-share calculation (basic)	230.8	232.1	233.2	234.6	232.7	236.0	234.9
Shares used in per-share calculation (diluted)	230.8	232.1	233.2	234.6	232.7	236.0	237.1
Unaudited	1Q15F	2Q15F	3Q15F	4Q15F	FY2015	1Q16F	2Q16F
% Total GAAP Revenue	Sep-14	Dec-14	Mar-15	Jun-15	Jun-15	Sep-15	Dec-15
Gross margin	59.9%	58.8%	59.8%	59.6%	59.5%	61.2%	61.1%
Research and development	19.3%	19.5%	19.8%	20.7%	19.8%	19.3%	18.0%
Selling, general and administrative ⁽¹⁾	43.5%	42.4%	45.0%	41.4%	43.1%	41.3%	37.0%
Total operating expenses	65.6%	68.2%	70.7%	68.3%	68.2%	62.4%	57.1%
Operating margin	(5.8)%	(9.4)%	(10.9)%	(8.6)%	(8.7)%	(1.3)%	4.0%

⁽¹⁾ Includes Loss (gain) on disposal of long-lived assets

Non-GAAP Income Statement

Unaudited	1Q15F	2Q15F	3Q15F	4Q15F	FY2015	1Q16F	2Q16F
Non-GAAP Income Statement	Sep-14	Dec-14	Mar-15	Jun-15	Jun-15	Sep-15	Dec-15
(\$ in millions, except per share amounts)							
Net revenue	\$ 215.3	\$ 226.4	\$ 212.4	\$ 219.8	\$ 873.9	\$ 229.7	\$ 232.1
Cost of revenues	77.0	82.7	74.7	82.1	316.5	83.6	84.2
Gross profit	138.3	143.7	137.7	137.7	557.4	146.1	147.9
Operating expenses:							
Research and development	39.7	40.3	39.9	41.5	161.4	40.2	39.0
Selling, general and administrative	85.6	84.3	78.8	79.3	328.0	77.2	78.4
Total operating expenses	125.3	124.6	118.7	120.8	489.4	117.4	117.4
Income from operations	13.0	19.1	19.0	16.9	68.0	28.7	30.5
Interest and other income (expense), net	(1.3)	(1.7)	(1.7)	(1.8)	(6.5)	(3.4)	(0.5)
Income (loss) before income taxes	11.7	17.4	17.3	15.1	61.5	25.3	30.0
Income tax expense (benefit)	4.3	6.1	2.4	4.7	17.5	5.7	5.0
Net income (loss)	\$ 7.4	\$ 11.3	\$ 14.9	\$ 10.4	\$ 44.0	\$ 19.6	\$ 25.0
Net income (loss) per share, basic	\$ 0.03	\$ 0.05	\$ 0.06	\$ 0.04	\$ 0.19	\$ 0.08	\$ 0.11
Net income (loss) per share, diluted	\$ 0.03	\$ 0.05	\$ 0.06	\$ 0.04	\$ 0.19	\$ 0.08	\$ 0.11
Shares used in per-share calculation (basic)	230.8	232.1	233.2	234.6	232.7	236.0	234.9
Shares used in per-share calculation (diluted)	233.3	235.2	236.6	237.5	236.8	238.7	237.1
Unaudited	1Q15F	2Q15F	3Q15F	4Q15F	FY2015	1Q16F	2Q16F
% Total Non-GAAP Revenue	Sep-14	Dec-14	Mar-15	Jun-15	Jun-15	Sep-15	Dec-15
Gross margin	64.2%	63.5%	64.8%	62.6%	63.8%	63.6%	63.7%
Research and development	18.4%	17.8%	18.8%	18.9%	18.5%	17.5%	16.8%
Selling, general and administrative	39.8%	37.2%	37.1%	36.1%	37.5%	33.6%	33.8%
Total operating expenses	58.2%	55.0%	55.9%	55.0%	56.0%	51.1%	50.6%
Operating margin	6.0%	8.4%	8.9%	7.7%	7.8%	12.5%	13.1%
Unaudited	1Q15F	2Q15F	3Q15F	4Q15F	FY2015	1Q16F	2Q16F
Net Income GAAP to Non-GAAP Reconciliation	Sep-14	Dec-14	Mar-15	Jun-15	Jun-15	Sep-15	Dec-15
GAAP net income (loss)	\$ (9.7)	\$ (25.1)	\$ (13.2)	\$ (40.1)	\$ (88.1)	\$ (67.0)	\$ 6.3
Stock-based compensation	10.5	10.5	14.8	11.7	47.5	16.0	8.9
Amortization of intangibles	13.1	14.1	13.8	10.4	51.4	8.1	8.3
Loss (gain) on disposal of long-lived assets	—	—	0.4	0.3	0.7	0.2	0.1
Restructuring and related charges	1.1	9.1	7.8	8.8	26.8	0.4	1.4
Other charges related to non-recurring activities	0.7	6.6	5.4	4.7	17.4	6.9	2.6
Interest and other income	—	—	—	(2.2)	(2.2)	—	—
Non-cash interest expense	6.3	6.3	6.2	6.5	25.3	6.5	6.6
Gain, loss or impairment of investments	—	—	(0.1)	—	(0.1)	—	—
Discontinued operations, net of tax	(16.1)	(12.6)	(22.6)	8.0	(43.3)	53.4	(3.0)
Income taxes	1.5	2.4	2.4	2.3	8.6	(4.9)	(6.2)
Non-GAAP net income (loss)	\$ 7.4	\$ 11.3	\$ 14.9	\$ 10.4	\$ 44.0	\$ 19.6	\$ 25.0

Financial Information by Segment and Geography

Unaudited	1Q15F		2Q15F		3Q15F		4Q15F		1Q16F		2Q16F	
Segment Results (\$ in millions)	Sep-14		Dec-14		Mar-15		Jun-15		Sep-15		Dec-15	
Net revenue:												
Network Enablement	\$	121.5	\$	129.0	\$	124.1	\$	132.2	\$	117.6	\$	136.4
Service Enablement		50.5		46.8		39.9		37.1		47.9		36.9
Network and Service Enablement		172.0		175.8		164.0		169.3		165.5		173.3
Optical Securities and Performance Products		43.3		50.6		48.4		50.5		64.2		58.8
Net revenue	\$	215.3	\$	226.4	\$	212.4	\$	219.8	\$	229.7	\$	232.1
Gross profit (loss)												
Network Enablement	\$	80.2	\$	84.6	\$	83.2	\$	85.9	\$	75.7	\$	90.6
Service Enablement		35.0		32.4		28.2		23.6		33.4		24.5
Network and Service Enablement		115.2		117.0		111.4		109.5		109.1		115.1
Optical Securities and Performance Products		23.1		26.7		26.3		28.2		37.0		32.8
Total segment gross profit (loss)	\$	138.3	\$	143.7	\$	137.7	\$	137.7	\$	146.1	\$	147.9
Operating income (loss)												
Network and Service Enablement	\$	(1.3)	\$	2.0	\$	1.7	\$	(2.5)	\$	2.4	\$	8.0
Optical Securities and Performance Products		14.3		17.1		17.3		19.4		26.3		22.5
Total segment operating income (loss)	\$	13.0	\$	19.1	\$	19.0	\$	16.9	\$	28.7	\$	30.5
Corporate reconciling items impacting operating (loss) income:												
Stock-based compensation	\$	10.5	\$	10.5	\$	14.8	\$	11.7	\$	16.0	\$	8.9
Amortization of intangibles		13.1		14.1		13.8		10.4		8.1		8.3
(Loss) gain on disposal and impairment of long-lived assets		—		—		0.4		0.3		0.2		0.1
Restructuring and related charges		1.1		9.1		7.8		8.8		0.4		1.4
Other charges related to non-recurring activities		0.7		6.6		5.4		4.7		6.9		2.6
GAAP Income (loss) from operations	\$	(12.4)	\$	(21.2)	\$	(23.2)	\$	(19.0)	\$	(2.9)	\$	9.2

Unaudited	1Q15F		2Q15F		3Q15F		4Q15F		1Q16F		2Q16F	
Non-GAAP Revenue by Segment (%)	Sep-14		Dec-14		Mar-15		Jun-15		Sep-15		Dec-15	
Network Enablement		56.4%		57.0%		58.4%		60.1%		51.2%		58.8%
Service Enablement		23.5%		20.7%		18.8%		16.9%		20.9%		15.9%
Optical Securities and Performance Products		20.1%		22.3%		22.8%		23.0%		27.9%		25.3%

Unaudited	1Q15F		2Q15F		3Q15F		4Q15F		1Q16F		2Q16F	
Non-GAAP Revenue by Region (\$ in millions)	Sep-14		Dec-14		Mar-15		Jun-15		Sep-15		Dec-15	
Americas	\$	118.6	\$	116.9	\$	121.0	\$	129.0	\$	119.0	\$	121.3
Americas %		55.0%		51.6%		56.9%		58.7%		51.8%		52.2%
EMEA	\$	67.5	\$	67.0	\$	59.4	\$	51.6	\$	65.2	\$	68.6
EMEA %		31.4%		29.6%		28.0%		23.5%		28.4%		29.6%
Asia-Pacific	\$	29.2	\$	42.5	\$	32.0	\$	39.2	\$	45.5	\$	42.2
Asia-Pacific %		13.6%		18.8%		15.1%		17.8%		19.8%		18.2%

Balance Sheet

Unaudited Balance Sheet (in millions)	4Q15F Jun-15	2Q16F Dec-15
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 334.5	\$ 329.0
Short-term investments	464.9	585.5
Restricted cash	26.2	11.5
Accounts receivable, net	152.3	181.8
Inventories, net	53.8	57.6
Prepayments and other current assets	38.2	34.1
Current assets of discontinued operations	310.2	—
Total current assets	1,380.1	1,199.5
Property, plant and equipment, net	149.2	136.5
Deferred income taxes	117.3	103.3
Goodwill	255.5	246.1
Intangibles, net	90.6	77.6
Other non-current assets	20.9	19.4
Non-current assets of discontinued operations	204.2	—
Total assets	\$ 2,217.8	\$ 1,782.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 42.0	\$ 37.5
Accrued payroll and related expenses	52.6	54.7
Income taxes payable	3.1	15.8
Deferred revenue	80.6	93.3
Accrued expenses	23.7	29.8
Other current liabilities	43.5	30.8
Current liabilities of discontinued operations	130.0	—
Total current liabilities	375.5	261.9
Long-term debt	561.6	574.8
Other non-current liabilities	168.4	162.3
Non-current liabilities of discontinued operations	10.9	—
Total stockholders' equity	1,101.4	783.4
Total liabilities and stockholders' equity	\$ 2,217.8	\$ 1,782.4