



Fiscal 2Q 2017 Earnings Call Supplementary Slides

January 31, 2017

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 30, 2016 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 Appendix to this presentation and in the "Preliminary Reconciliation of GAAP Measures to Non-GAAP Measures" schedule in our earnings release issued today. This earnings release is located in the Investor Relations section of our web site at www.viavisolutions.com.

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

Fiscal 2Q 2017 Financial Highlights

(Amounts non-GAAP and \$millions, unless otherwise noted)

- GAAP and Non-GAAP Revenue: \$206.5 million (exceeded the midpoint of \$197 +/- \$10 million guidance range)
 - NSE exceeded the guidance range
 - OSP met the guidance midpoint
- Gross margin: 62.9% (down 80 basis points Y/Y)
 - NE down 260 basis points Y/Y
 - SE up 30 basis points Y/Y
 - OSP down 190 basis points Y/Y
- Operating margin: 13.0% (exceeded the guidance range of 10.0%-12.0%)
 - Viavi down 10 basis points Y/Y
 - NSE down 80 basis points Y/Y
 - OSP up 440 basis points Y/Y
- GAAP operating cash flow of \$18.6 million

All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix beginning on slide 17.

Income Statement

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

	F2Q 2017	F1Q 2017	F2Q 2016	<u>QoQ</u>	<u>YoY</u>
Revenue	\$206.5	\$210.8	\$232.1	(2.0)%	(11.0)%
Gross Margin	62.9%	61.8%	63.7%	110 bps	(80) bps
Operating Expenses	\$103.0	\$102.8	\$117.4	0.2%	(12.3)%
Operating Margin	13.0%	13.0%	13.1%	0 bps	(10) bps
Net Income	\$23.6	\$21.7	\$25.0	8.8%	(5.6)%
EPS	\$0.10	\$0.09	\$0.11	\$0.01	\$(0.01)

All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix beginning on slide 17.

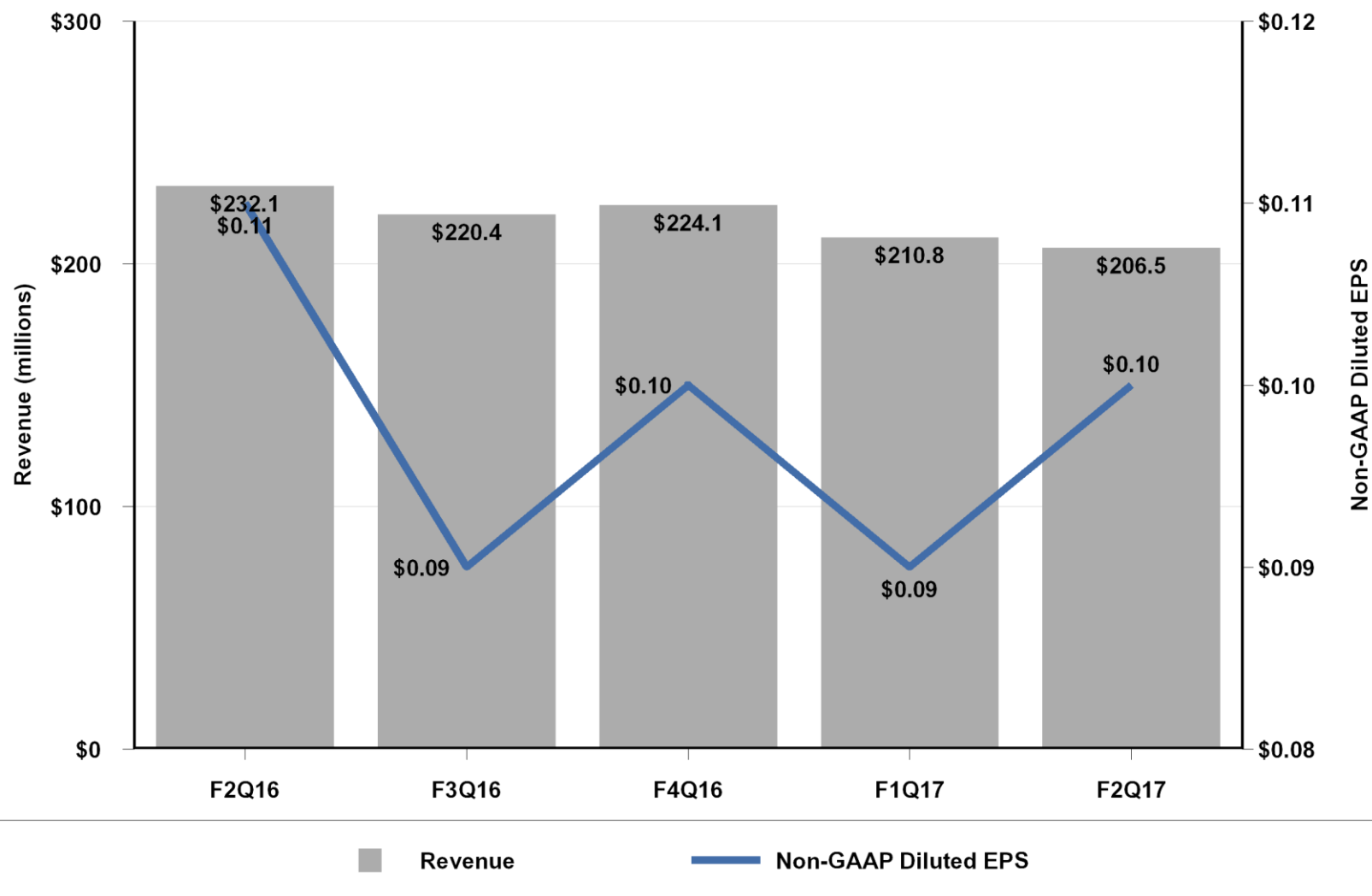
Revenue by Business Segment and Geographic Region

(\$millions)

	F2Q 2017		F1Q 2017		F2Q 2016		<u>QoQ</u>	<u>YoY</u>
Segment Mix								
NE	\$117.0	56.6%	\$118.6	56.2%	\$136.4	58.8%	(1.3%)	(14.2%)
SE	\$40.6	19.7%	\$36.4	17.3%	\$36.9	15.9%	11.5%	10.0%
OSP	\$48.9	23.7%	\$55.8	26.5%	\$58.8	25.3%	(12.4%)	(16.8%)
Total	\$206.5	100.0%	\$210.8	100.0%	\$232.1	100.0%	(2.0%)	(11.0%)
Region Mix								
Americas	\$100.6	48.7%	\$102.2	48.5%	\$121.3	52.3%	(1.6%)	(17.1%)
Asia-Pacific	\$45.7	22.1%	\$46.4	22.0%	\$42.2	18.4%	(1.5%)	8.3%
EMEA	\$60.2	29.2%	\$62.2	29.5%	\$68.6	29.3%	(3.2%)	(12.2%)
Total	\$206.5	100.0%	\$210.8	100.0%	\$232.1	100.0%	(2.0%)	(11.0%)

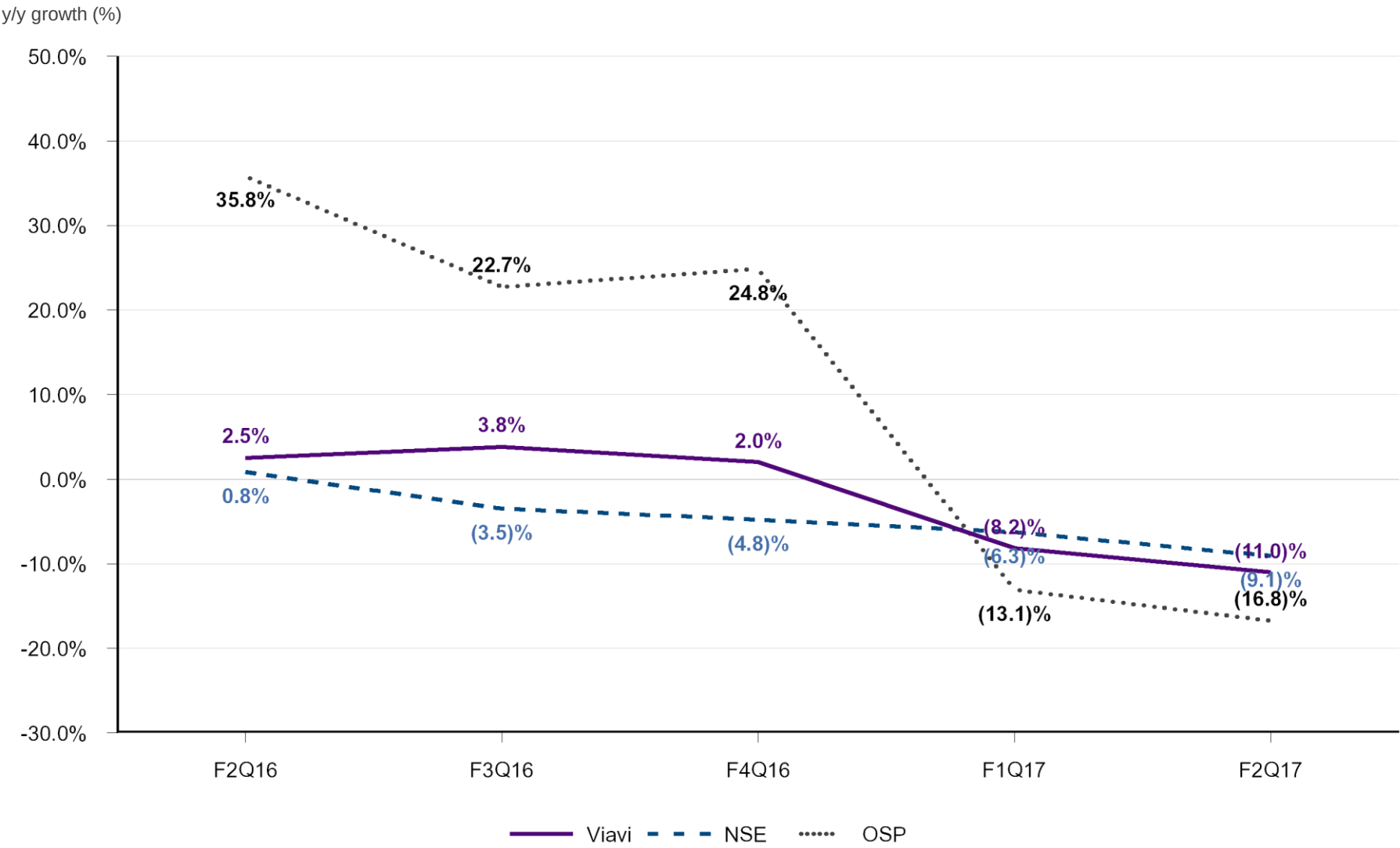
Revenue and Non-GAAP Diluted EPS Performance

(Amounts in \$millions, except per share amounts)



All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix beginning on slide 17.

Revenue Growth Y/Y%



Business Segment Results

(Amounts non-GAAP and \$millions)

	F2Q 2017	F1Q 2017	F2Q 2016	<u>QoQ</u>	<u>YoY</u>
Revenue					
NE	\$117.0	\$118.6	\$136.4	(1.3%)	(14.2%)
SE	\$40.6	\$36.4	\$36.9	11.5%	10.0%
OSP	\$48.9	\$55.8	\$58.8	(12.4%)	(16.8%)
Total	\$206.5	\$210.8	\$232.1	(2.0%)	(11.0%)
Gross Margin					
NE	63.8%	65.3%	66.4%	(150) bps	(260) bps
SE	66.7%	58.5%	66.4%	820 bps	30 bps
OSP	57.7%	56.6%	55.8%	110 bps	190 bps
Total	62.9%	61.8%	63.7%	110 bps	(80) bps
Operating Margin					
NSE	3.8%	2.6%	4.6%	120 bps	(80) bps
OSP	42.7%	41.9%	38.3%	80 bps	440 bps
Total	13.0%	13.0%	13.1%	0 bps	(10) bps

All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix beginning on slide 17.

Fiscal 2Q 2017 NSE Business Highlights

(Amounts non-GAAP and \$millions)

- NSE revenue at \$157.6 million exceeded the guidance range (\$140-\$156 million); operating margin at 3.8% exceeded the guidance range (0.5-2.5%)
- Operating margin decreased 80 basis points Y/Y driven by lower NE revenue volume which negatively impacted gross margins offset by operating expense reduction

NE Segment Highlights

- Revenue at \$117.0 million down 14.2% due to weaker demand in North America offset by stronger performance in other regions
- Gross margin at 63.8% down 260 basis points Y/Y on lower revenue volume

SE Segment Highlights

- Revenue at \$40.6 million increased 10.0% Y/Y driven by increases in Datacenter and Growth Assurance offset by a decline in Mature Assurance
- Gross margin at 66.7% increased 30 basis points Y/Y on favorable product mix

All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix beginning on slide 17.

Fiscal 2Q 2017 Segment Highlights - OSP

(Amounts non-GAAP and \$millions)

- Revenue at \$48.9 million met the guidance midpoint (\$47-\$51 million); operating margin at 42.7% exceeded the guidance range (39.0%-41.0%)
- Revenue down 16.8% Y/Y driven by the expected anti-counterfeiting inventory adjustment
- Gross margin at 57.7% increased 190 basis points Y/Y due to increased factory utilization and lower discretionary expenses
- Operating margin increased 440 basis points Y/Y reflects both gross margin expansion and lower operating expenses

All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix beginning on slide 17.

Balance Sheet Highlights

(\$ millions)

	F2Q 2017	F1Q 2017	F4Q 2016
Total Cash Balance*	\$1,014.9	\$1,044.2	\$979.8
Long-term Debt (Carrying Value)**	\$598.3	\$590.8	\$583.3
GAAP Cash from Operations	\$18.6	\$10.3	\$17.9
Short term Deferred Revenue	\$64.4	\$69.9	\$78.6

*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 2017 Guidance

(Amounts non-GAAP)

F3Q 2017 Guidance

We expect third quarter revenue to be \$188 million to \$204 million, operating margin to be 11% to 13% and EPS to be \$0.06 to \$0.08

▪Business segment revenue guidance:

- For NSE, we expect revenue to be \$134 million to \$146 million
- For OSP, we expect revenue to be \$54 million to \$58 million

▪Business segment operating margin guidance:

- For NSE, we expect operating margin to be 0.0% to 2.0%
- For OSP, we expect operating margin to be 39.0% to 41.0%

- Expect tax expenses to be approximately \$4.5 million
- Expect Other Income/Expense to be net expense of approximately \$2.5 million
- Expect share count for EPS calculation to be approximately 235.0 million shares

Upcoming Investor Events

Feb 27, 2017

Morgan Stanley TMT Investor Conference

San Francisco, CA

Appendix

GAAP Income Statement

Unaudited GAAP Income Statement	Q116 Sep-15	Q216 Dec-15	Q316 Mar-16	Q416 Jun-16	Q117 Sep-16	Q217 Dec-16
(\$ in millions, except per share amounts)						
Net revenue	\$ 229.7	\$ 232.1	\$ 220.4	\$ 224.1	\$ 210.8	\$ 206.5
Cost of revenues	84.9	85.7	85.0	83.7	81.9	78.1
Amortization of acquired technologies	4.3	4.6	4.1	4.3	3.8	3.7
Total cost of revenues	89.2	90.3	89.1	88.0	85.7	81.8
Gross profit	140.5	141.8	131.3	136.1	125.1	124.7
Operating expenses:						
Research and development	44.3	41.7	40.0	40.4	36.1	35.9
Selling, general and administrative	94.7	85.7	80.1	89.4	75.4	76.0
Amortization of other intangibles	3.8	3.7	3.6	3.5	3.5	3.4
Impairment of goodwill	—	—	—	91.4	—	—
Loss (gain) on disposal of long-lived assets	0.2	0.1	0.5	0.4	—	0.9
Restructuring and related charges	0.4	1.4	(0.1)	8.8	—	1.8
Total operating expenses	143.4	132.6	124.1	233.9	115.0	118.0
Income (loss) from operations	(2.9)	9.2	7.2	(97.8)	10.1	6.7
Interest and other income (expense), net	(1.1)	1.7	2.5	1.1	1.3	3.8
Gain on sale of investments	—	—	39.8	31.8	81.5	53.9
Interest expense	(8.8)	(8.8)	(9.1)	(9.0)	(9.2)	(9.4)
Income (loss) from continuing operations before income taxes	(12.8)	2.1	38.7	(73.9)	83.7	55.0
Income tax expense (benefit)	2.9	7.0	9.9	(9.4)	5.7	5.8
Income (loss) from continuing operations, net of tax	\$ (15.7)	\$ 1.0	\$ 28.8	\$ (64.5)	\$ 78.0	\$ 49.2
Income (loss) from discontinued operations, net of tax	(53.4)	3.0	5.0	(3.4)	—	—
Net income (loss)	\$ (69.1)	\$ 4.0	\$ 33.8	\$ (67.9)	\$ 78.0	\$ 49.2
Basic net income (loss) per share from:						
Continuing operations	\$ (0.07)	\$ 0.01	\$ (0.28)	\$ (0.07)	\$ 0.34	\$ 0.21
Discontinued operations	(0.22)	0.01	(0.01)	(0.22)	—	—
Net income (loss)	\$ (0.29)	\$ 0.02	\$ (0.29)	\$ (0.29)	\$ 0.34	\$ 0.21
Diluted net income (loss) per share from:						
Continuing operations	\$ (0.07)	\$ 0.01	\$ (0.28)	\$ (0.07)	\$ 0.33	\$ 0.21
Discontinued operations	(0.22)	0.01	(0.01)	(0.22)	—	—
Net income (loss)	\$ (0.29)	\$ 0.02	\$ (0.29)	\$ (0.29)	\$ 0.33	\$ 0.21
Shares used in per-share calculation (basic)	236.0	234.9	232.0	232.7	232.4	230.5
Shares used in per-share calculation (diluted)	236.0	237.1	234.6	232.7	236.8	234.2
Unaudited % Total GAAP Revenue	Q116 Sep-15	Q216 Dec-15	Q316 Mar-16	Q416 Jun-16	Q117 Sep-16	Q217 Dec-16
Gross margin	61.2%	61.1%	59.6%	60.7%	59.3%	60.4%
Research and development	19.3%	18.0%	18.1%	18.0%	17.1%	17.4%
Selling, general and administrative ⁽¹⁾	41.3%	37.0%	36.6%	40.1%	35.8%	37.2%
Total operating expenses	62.4%	57.1%	56.3%	104.4%	54.6%	57.1%
Operating margin	(1.3)%	4.0%	3.3%	(43.6)%	4.8%	3.2%

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

Non-GAAP Income Statement

Unaudited	Q116	Q216	Q316	Q416	Q117	Q217
Non-GAAP Income Statement	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
(\$ in millions, except per share amounts)						
Net revenue	\$ 229.7	\$ 232.1	\$ 220.4	\$ 224.1	\$ 210.8	\$ 206.5
Cost of revenues	83.6	84.2	84.0	82.3	80.5	76.6
Gross profit	146.1	147.9	136.4	141.8	130.3	129.9
Operating expenses:						
Research and development	40.2	39.0	37.2	37.9	33.7	34.2
Selling, general and administrative	77.2	78.4	73.0	73.7	69.1	68.8
Total operating expenses	117.4	117.4	110.2	111.6	102.8	103.0
Income from operations	28.7	30.5	26.2	30.2	27.5	26.9
Interest and other income (expense), net	(3.4)	(0.5)	(1.5)	(1.2)	(1.0)	1.5
Income (loss) before income taxes	25.3	30.0	24.7	29.0	26.5	28.4
Income tax expense (benefit)	5.7	5.0	3.1	5.2	4.8	4.8
Net income (loss)	\$ 19.6	\$ 25.0	\$ 21.6	\$ 23.8	\$ 21.7	\$ 23.6
Net income (loss) per share, basic	\$ 0.08	\$ 0.11	\$ 0.09	\$ 0.10	\$ 0.09	\$ 0.10
Net income (loss) per share, diluted	\$ 0.08	\$ 0.11	\$ 0.09	\$ 0.10	\$ 0.09	\$ 0.10
Shares used in per-share calculation (basic)	236.0	234.9	232.0	232.7	232.4	230.5
Shares used in per-share calculation (diluted)	238.7	237.1	234.6	236.5	236.8	234.2

Unaudited	Q116	Q216	Q316	Q416	Q117	Q217
% Total Non-GAAP Revenue	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
Gross margin	63.6%	63.7%	61.9%	63.3%	61.8%	62.9%
Research and development	17.5%	16.8%	16.9%	16.9%	16.0%	16.6%
Selling, general and administrative	33.6%	33.8%	33.1%	32.9%	32.8%	33.3%
Total operating expenses	51.1%	50.6%	50.0%	49.8%	48.8%	49.9%
Operating margin	12.5%	13.1%	11.9%	13.5%	13.0%	13.0%

Reconciliation of GAAP Measures to Non-GAAP Measures

Unaudited	Q116	Q216	Q316	Q416	Q117	Q217
Gross Profit - GAAP to Non-GAAP Reconciliation	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
(\$ in millions, except per share amounts)						
GAAP segment gross profit	\$ 140.5	\$ 141.8	\$ 131.3	\$ 136.1	\$ 125.1	\$ 124.7
Stock-based compensation	1.2	1.4	1.1	1.1	1.0	1.0
Amortization of intangibles	4.3	4.6	4.1	4.3	3.8	3.7
Other charges unrelated to core operating performance	0.1	0.1	(0.1)	0.3	0.4	0.5
Non-GAAP gross profit	\$ 146.1	\$ 147.9	\$ 136.4	\$ 141.8	\$ 130.3	\$ 129.9

Unaudited	Q116	Q216	Q316	Q416	Q117	Q217
Operating Income - GAAP to Non-GAAP Reconciliation	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
GAAP operating (loss) income	\$ (2.9)	\$ 9.2	\$ 7.2	\$ (97.8)	\$ 10.1	\$ 6.7
Stock-based compensation	16.0	8.9	9.1	8.4	8.7	9.1
Amortization of intangibles	8.1	8.3	7.7	7.8	7.3	7.1
Other charges related to non-recurring activities	7.1	2.7	2.3	11.6	1.4	2.2
Impairment of goodwill	—	—	—	91.4	—	—
Restructuring and related charges	0.4	1.4	(0.1)	8.8	—	1.8
Non-GAAP operating income	\$ 28.7	\$ 30.5	\$ 26.2	\$ 30.2	\$ 27.5	\$ 26.9

Unaudited	Q116	Q216	Q316	Q416	Q117	Q217
Net Income GAAP to Non-GAAP Reconciliation	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
GAAP net (loss) income	\$ (69.1)	\$ 4.0	\$ 33.8	\$ (67.9)	\$ 78.0	\$ 49.2
Stock-based compensation	16.0	8.9	9.1	8.4	8.7	9.1
Amortization of intangibles	8.1	8.3	7.7	7.8	7.3	7.1
Restructuring and related charges	0.4	1.4	(0.1)	8.8	—	1.8
Other charges unrelated to core operating performance	7.1	2.7	2.3	11.6	1.4	2.2
Impairment of goodwill	—	—	—	91.4	—	—
Interest and other income	—	—	—	—	—	—
Non-cash interest expense	6.5	6.6	6.8	6.7	6.9	7.1
Gain, loss or impairment of investments	—	—	(39.8)	(31.8)	(81.5)	(53.9)
Discontinued operations, net of tax	53.4	(3.0)	(5.0)	3.4	—	—
Income taxes	(2.8)	(3.9)	6.8	(14.6)	0.9	1.0
Non-GAAP net income	\$ 19.6	\$ 25.0	\$ 21.6	\$ 23.8	\$ 21.7	\$ 23.6

Financial Information by Segment and Geography

Unaudited	Q116		Q216		Q316		Q416		Q117		Q217	
Segment Results (\$ in millions)	Sep-15		Dec-15		Mar-16		Jun-16		Sep-16		Dec-16	
Net revenue:												
Network Enablement	\$	117.6	\$	136.4	\$	123.1	\$	127.5	\$	118.6	\$	117.0
Service Enablement		47.9		36.9		35.2		33.6		36.4		40.6
Network and Service Enablement		165.5		173.3		158.3		161.1		155.0		157.6
Optical Securities and Performance Products		64.2		58.8		62.1		63.0		55.8		48.9
Net revenue	\$	229.7	\$	232.1	\$	220.4	\$	224.1	\$	210.8	\$	206.5
Gross profit												
Network Enablement	\$	75.7	\$	90.6	\$	80.7	\$	82.7	\$	77.4	\$	74.6
Service Enablement		33.4		24.5		19.8		21.7		21.3		27.1
Network and Service Enablement		109.1		115.1		100.5		104.4		98.7		101.7
Optical Securities and Performance Products		37.0		32.8		35.9		37.4		31.6		28.2
Total segment gross profit	\$	146.1	\$	147.9	\$	136.4	\$	141.8	\$	130.3	\$	129.9
Operating income (loss)												
Network and Service Enablement	\$	2.4	\$	8.0	\$	(0.1)	\$	2.4	\$	4.1	\$	6.0
Optical Securities and Performance Products		26.3		22.5		26.3		27.8		23.4		20.9
Total segment operating income	\$	28.7	\$	30.5	\$	26.2	\$	30.2	\$	27.5	\$	26.9

Unaudited	Q116		Q216		Q316		Q416		Q117		Q217	
Non-GAAP Revenue by Segment (%)	Sep-15		Dec-15		Mar-16		Jun-16		Sep-16		Dec-16	
Network Enablement		57.0%		58.8%		55.9%		56.9%		56.2%		56.6%
Service Enablement		20.7%		15.9%		16.0%		15.0%		17.3%		19.7%
Optical Securities and Performance Products		22.3%		25.3%		28.2%		28.1%		26.5%		23.7%

Unaudited	Q116		Q216		Q316		Q416		Q117		Q217	
Non-GAAP Revenue by Region (\$ in millions)	Sep-15		Dec-15		Mar-16		Jun-16		Sep-16		Dec-16	
Americas	\$	119.0	\$	121.3	\$	111.8	\$	110.2	\$	102.2	\$	100.6
Americas %		51.8%		52.3%		50.7%		49.1%		48.5%		48.7%
EMEA	\$	65.2	\$	68.6	\$	67.4	\$	76.8	\$	62.2	\$	60.2
EMEA %		28.4%		29.3%		30.6%		34.3%		29.5%		29.2%
Asia-Pacific	\$	45.5	\$	42.2	\$	41.2	\$	37.1	\$	46.4	\$	45.7
Asia-Pacific %		19.8%		18.4%		18.7%		16.6%		22.0%		22.1%

Condensed Balance Sheet

Unaudited Balance Sheet (in millions)	Q416 Jun-16	Q217 Dec-16
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 482.9	\$ 505.7
Short-term investments	484.7	498.0
Restricted cash	12.2	11.2
Accounts receivable, net	148.4	164.4
Inventories, net	51.4	47.2
Prepayments and other current assets	32.1	48.4
Total current assets	1,211.7	1,274.9
Property, plant and equipment, net	133.0	133.8
Deferred income taxes	108.8	103.8
Goodwill	152.1	149.7
Intangibles, net	59.9	44.4
Other non-current assets	12.6	12.2
Total assets	\$ 1,678.1	\$ 1,718.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 47.0	\$ 36.0
Accrued payroll and related expenses	44.9	42.1
Deferred revenue	78.6	64.4
Accrued expenses	24.9	31.5
Other current liabilities	31.0	71.0
Total current liabilities	226.4	245.0
Long-term debt	583.3	598.3
Other non-current liabilities	179.1	166.1
Total stockholders' equity	689.3	709.4
Total liabilities and stockholders' equity	\$ 1,678.1	\$ 1,718.8