

Fiscal 1Q 2023 Earnings Call Supplementary Slides

November 3, 2022

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 19, 2022 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 https://investor.viavisolutions.com.

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

Fiscal 1Q 2023 Financial Highlights

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

	Result	Y/Y Performance	
Revenue **(below $324M +/- $7M guidance range)**	**$310.2**	**down**	**(5.1)%**
Non-GAAP Gross Margin	**62.3%**	**down**	**(30) basis points**
NE	64.4%	down	(40) basis points
SE	66.7%	up	280 basis points
OSP	56.7%	down	(100) basis points
Non-GAAP Operating Margin **(within 21.4% +/- 0.7% guidance range)**	**21.7%**	**down**	**(100) basis points**
NSE	13.2%	down	(30) basis points
OSP	42.3%	down	(180) basis points
Earnings Per Share **(midpoint of $0.23 +/- $0.01 guidance range)**	**$0.23**	**down**	**(4.2)%**
GAAP Operating Cash Flow	**$26.6**	**down**	**(50.2)%**

All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix beginning on slide 13.

Income Statement

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

	F1Q 2023	F4Q 2022	F1Q 2022	QoQ	YoY
Revenue	$310.2	$335.3	$326.8	(7.5%)	(5.1%)
Non-GAAP Gross Margin	62.3%	62.5%	62.6%	(20) bps	(30) bps
Non-GAAP Operating Expenses	$126.0	$138.0	$130.2	(8.7%)	(3.2%)
Non-GAAP Operating Profits	$67.4	$71.5	$74.3	(5.7%)	(9.3%)
Non-GAAP Operating Margin	21.7%	21.3%	22.7 %	40 bps	(100) bps
Non-GAAP Net Income	$52.5	$55.8	$58.2	(5.9%)	(9.8%)
Non-GAAP EPS	$0.23	$0.24	$0.24	($0.01)	($0.01)

Revenue by Business Segment and Geographic Region

(Amounts in $millions)

	F1Q 2023		F4Q 2022		F1Q 2022		QoQ	YoY
Segment Mix								
NE	$194.9	62.9%	$222.2	66.3%	$204.9	62.7%	(12.3%)	(4.9%)
SE	$24.0	7.7%	$24.0	7.1%	$23.0	7.0%	—%	4.3%
OSP	$91.3	29.4%	$89.1	26.6%	$98.9	30.3%	2.5%	(7.7%)
Total	**$310.2**	**100.0%**	**$335.3**	**100.0%**	**$326.8**	**100.0%**	**(7.5%)**	**(5.1%)**
Region Mix								
Americas	$123.0	39.6%	$129.7	38.7%	$121.5	37.2%	(5.2%)	1.2%
Asia-Pacific	$111.6	36.0%	$129.9	38.7%	$126.3	38.6%	(14.1%)	(11.6%)
EMEA	$75.6	24.4%	$75.7	22.6%	$79.0	24.2%	(0.1%)	(4.3%)
Total	**$310.2**	**100.0%**	**$335.3**	**100.0%**	**$326.8**	**100.0%**	**(7.5%)**	**(5.1%)**

Business Segment Results

(Amounts in $millions)

	F1Q 2023	F4Q 2022	F1Q 2022	QoQ	YoY
Revenue					
NE	$194.9	$222.2	$204.9	(12.3%)	(4.9%)
SE	$24.0	$24.0	$23.0	—%	4.3%
OSP	$91.3	$89.1	$98.9	2.5%	(7.7%)
Total	**$310.2**	**$335.3**	**$326.8**	**(7.5%)**	**(5.1%)**
Non-GAAP Gross Margin					
NE	64.4%	64.2%	64.8%	20 bps	(40 bps)
SE	66.7%	71.3%	63.9%	(460 bps)	280 bps
OSP	56.7%	55.9%	57.7%	80 bps	(100 bps)
Total	**62.3%**	**62.5%**	**62.6%**	**(20 bps)**	**(30 bps)**
Non-GAAP Operating Margin					
NSE	13.2%	15.1%	13.5%	(190 bps)	(30 bps)
OSP	42.3%	38.6%	44.1%	370 bps	(180 bps)
Total	**21.7%**	**21.3%**	**22.7%**	**40 bps**	**(100 bps)**

All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix beginning on slide 13.

Fiscal 1Q 2023 NSE Business Highlights

(Amounts reflect non-GAAP and in $millions)

- NSE revenue at $218.9 million was below the guidance range ($231-$241 million) due to lower demand for Field Instruments from Service Providers
- Operating margin at 13.2% was below the guidance range (14.0%-15.0%) due to lower revenue, partially offset by disciplined OPEX spend

NE Segment Highlights

- Revenue at $194.9 million down 4.9% Y/Y due to decrease in demand for Field Instruments
- Non-GAAP Gross margin at 64.4% down 40 basis points Y/Y, primarily due to declines in volume

SE Segment Highlights

- Revenue at $24.0 million, increased 4.3% Y/Y due to steady demand in Assurance products
- Non-GAAP Gross margin at 66.7% increase 280 basis points Y/Y due to higher volume and favorable product mix

All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix beginning on slide 13.

Fiscal 1Q 2023 OSP Business Highlights

(Amounts reflect non-GAAP and in $millions)

- Revenue at $91.3 million, while a decrease of 7.7% Y/Y, exceeded the guidance range ($86-$90 million) due to higher 3D Sensing product sales
- Non-GAAP Gross margin at 56.7% decreased 100 basis points Y/Y due to higher manufacturing and startup costs in our new Arizona facility
- Non-GAAP Operating margin at 42.3% exceeded the guidance range (39.0%-41.0%), although a decrease of 180 basis points Y/Y, due to aforementioned reduction in volume

All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix beginning on slide 13.

Balance Sheet Highlights

(Amounts in $millions)

	F1Q 2023
Total Cash Balance (1)	**$517.1**
Short-term Debt (Carrying Value) (2)	**$68.0**
Long-term Debt (Carrying Value) (2)	**$616.9**
GAAP Cash from Operations	**$26.6**

(1) Includes cash and cash-equivalents, short-term investments and restricted cash.

(2) Carrying value equals outstanding principal amount less the unamortized debt issuance costs. Face amount for short-term debt and long-term debt is $68.1 million and $623.9 million, respectively. Short-term debt includes the 2023 1.75% Notes and long-term debt includes the 2024 1.00% Notes and 2029 3.75% Notes.

Term Notes Summary

	2024 Convertible Notes	2023 Convertible Notes	2029 High-Yield Notes
Issue Size	$460.0M	$225.0M	$400.0M
Current Outstanding *	$223.9M	$68.1M	$400.0M
Coupon	1.00%	1.75%	3.75%
Final Maturity	3/1/2024	6/1/2023	10/1/2029
Put Date	N/A	N/A	N/A
Call Date	N/A	6/1/2021	10/1/2024
Call / Put Price (%)	100%	100%	N/A
Conversion Price	$13.22	$13.94	N/A
Shares Underlying *	16.9M	4.9M	N/A
Settlement	Par in Cash; Balance in stock & cash	Par in Cash; Balance in stock & cash	Par in Cash

* As of October 1, 2022

Fiscal 2Q 2023 Guidance

(Amounts reflect non-GAAP)

We expect second quarter revenue to be approximately $261 million to $281 million, non-GAAP operating margin to be 13.9% to 14.9% and non-GAAP EPS to be $0.10 to $0.12.

- **Business segment revenue guidance:**
  - For NSE, we expect revenue to be $187 million to $203 million
  - For OSP, we expect revenue to be $74 million to $78 million
- **Business segment Non-GAAP operating margin guidance:**
  - For NSE, we expect non-GAAP operating margin to be 5.5% to 6.5%
  - For OSP, we expect non-GAAP operating margin to be 35.0% to 37.0%
- Expect non-GAAP tax expenses to be in the range of 24%-26%
- Expect non-GAAP Other Income/Expense to be net expense of approximately $6.0 million
- Expect share count for EPS calculation to be approximately 230.4 million shares
  - *~1.4 million-plus higher share count reflects the dilution impact of 2023/2024 Convertible Notes*

Investor Events - F2Q23

Date	Event	Forum
Nov. 15, 2022	Needham Virtual Security, Networking, and Communications Conference	Virtual



Appendix

Non-GAAP Income Statement

(Amounts in $millions, except per share amounts)

Unaudited Non-GAAP Income Statement	Q122 Sep 2021	Q222 Dec 2021	Q322 Mar 2022	Q422 Jun 2022	Q123 Sep 2022
($ in millions, except per share amounts)					
Net revenue	$ 326.8	$ 314.8	$ 315.5	$ 335.3	$ 310.2
Cost of revenues	122.3	115.7	119.9	125.8	116.8
Gross profit	204.5	199.1	195.6	209.5	193.4
Operating expenses:					
Research and development	51.4	48.4	49.6	52.0	50.3
Selling, general and administrative	78.8	77.4	78.3	86.0	75.7
Total operating expenses	130.2	125.8	127.9	138.0	126.0
Income from operations	74.3	73.3	67.7	71.5	67.4
Interest income and other income	(2.2)	(5.6)	(5.7)	(4.2)	(5.0)
Income before income taxes	72.1	67.7	62.0	67.3	62.4
Provision for income tax	13.9	8.4	10.0	11.5	9.9
Net income	$ 58.2	$ 59.3	$ 52.0	$ 55.8	$ 52.5
Net income per share, basic	$ 0.25	$ 0.25	$ 0.23	$ 0.25	$ 0.23
Net income per share, diluted	$ 0.24	$ 0.24	$ 0.22	$ 0.24	$ 0.23
Shares used in per-share calculation (basic)	231.1	236.0	229.2	227.2	226.3
Shares used in per-share calculation (diluted)	242.3	242.3	236.8	231.3	230.4

Unaudited % Total Non-GAAP Revenue	Q122 Sep 2021	Q222 Dec 2021	Q322 Mar 2022	Q422 Jun 2022	Q123 Sep 2022
Gross margin	62.6 %	63.2 %	62.0 %	62.5 %	62.3 %
Research and development	15.7 %	15.4 %	15.7 %	15.5 %	16.2 %
Selling, general and administrative	24.1 %	24.6 %	24.8 %	25.6 %	24.4 %
Total operating expenses	39.8 %	40.0 %	40.5 %	41.2 %	40.6 %
Operating margin	22.7 %	23.3 %	21.5 %	21.3 %	21.7 %

Reconciliation of GAAP Measures to Non-GAAP Measures

(Amounts in $millions)

Unaudited Gross Profit - GAAP to Non-GAAP Reconciliation	Q122 Sep 2021	Q222 Dec 2021	Q322 Mar 2022	Q422 Jun 2022	Q123 Sep 2022
($ in millions, except per share amounts)					
GAAP segment gross profit	$ 195.0	$ 190.5	$ 186.9	$ 201.1	$ 184.8
Stock-based compensation	1.6	1.2	1.2	1.2	1.2
Amortization of intangibles	7.9	7.4	7.4	7.3	7.1
Other charges unrelated to core operating performance	—	—	0.1	(0.1)	0.3
Non-GAAP gross profit	$ 204.5	$ 199.1	$ 195.6	$ 209.5	$ 193.4

Unaudited Operating Income - GAAP to Non-GAAP Reconciliation	Q122 Sep 2021	Q222 Dec 2021	Q322 Mar 2022	Q422 Jun 2022	Q123 Sep 2022
GAAP operating income	$ 46.9	$ 49.3	$ 40.8	$ 48.0	$ 49.8
Stock-based compensation	13.6	13.3	12.8	12.6	13.0
Amortization of intangibles	10.6	10.0	9.6	9.5	9.3
Change in fair value of contingent liability	0.3	—	—	—	0.5
Other charges unrelated to core operating performance	2.9	0.8	4.5	1.4	(5.2)
Restructuring and related benefits (charges)	—	(0.1)	—	—	—
Non-GAAP operating income	$ 74.3	$ 73.3	$ 67.7	$ 71.5	$ 67.4

Unaudited	Q122 Sep 2021	Q222 Dec 2021	Q322 Mar 2022	Q422 Jun 2022	Q123 Sep 2022
GAAP net income (loss)	$ (54.8)	$ 34.6	$ 19.2	$ 16.5	$ 32.6
Stock-based compensation	13.6	13.3	12.8	12.6	13.0
Amortization of intangibles	10.6	10.0	9.6	9.5	9.3
Restructuring and related benefits (charges)	—	(0.1)	—	—	—
Change in fair value of contingent liability	0.3	—	—	—	0.5
Other charges unrelated to core operating performance	2.9	0.8	4.5	1.4	(5.2)
Non-cash interest expense	—	0.4	0.1	(0.1)	—
Interest and other income	85.9	6.4	6.4	3.1	—
Income Taxes	(0.3)	(6.1)	(0.6)	12.8	2.3
Non-GAAP net income	$ 58.2	$ 59.3	$ 52.0	$ 55.8	$ 52.5

Financial Information by Segment

(Amounts in $millions)

Unaudited Segment Results ($ in millions)	Q122 Sep 2021	Q222 Dec 2021	Q322 Mar 2022	Q422 Jun 2022	Q123 Sep 2022
Net revenue:					
Network Enablement	$ 204.9	$ 214.4	$ 204.3	$ 222.2	$ 194.9
Service Enablement	23.0	29.8	26.5	24.0	24.0
Network and Service Enablement	227.9	244.2	230.8	246.2	218.9
Optical Securities and Performance Products	98.9	70.6	84.7	89.1	91.3
Net revenue	$ 326.8	$ 314.8	$ 315.5	$ 335.3	$ 310.2
Gross profit					
Network Enablement	$ 132.7	$ 138.0	$ 130.3	$ 142.6	$ 125.6
Service Enablement	14.7	21.4	18.3	17.1	16.0
Network and Service Enablement	147.4	159.4	148.6	159.7	141.6
Optical Securities and Performance Products	57.1	39.7	47.0	49.8	51.8
Total segment gross profit	$ 204.5	$ 199.1	$ 195.6	$ 209.5	$ 193.4
Operating income					
Network and Service Enablement	$ 30.7	$ 45.6	$ 34.4	$ 37.1	$ 28.8
Optical Securities and Performance Products	43.6	27.7	33.3	34.4	38.6
Total segment operating income	$ 74.3	$ 73.3	$ 67.7	$ 71.5	$ 67.4

Unaudited Non-GAAP Revenue by Segment (%)	Q122 Sep 2021	Q222 Dec 2021	Q322 Mar 2022	Q422 Jun 2022	Q123 Sep 2022
Network Enablement	62.7 %	68.1 %	64.8 %	66.3 %	62.8 %
Service Enablement	7.0 %	9.5 %	8.4 %	7.1 %	7.8 %
Optical Securities and Performance Products	30.3 %	22.4 %	26.8 %	26.6 %	29.4 %

GAAP Income Statement

(Amounts in $millions, except per share amounts)

Unaudited GAAP Income Statement	Q122 Sep 2021	Q222 Dec 2021	Q322 Mar 2022	Q422 Jun 2022	Q123 Sep 2022
($ in millions, except per share amounts)					
Net revenue	$ 326.8	$ 314.8	$ 315.5	$ 335.3	$ 310.2
Cost of revenues	123.9	116.9	121.2	126.9	118.3
Amortization of acquired technologies	7.9	7.4	7.4	7.3	7.1
Total cost of revenues	131.8	124.3	128.6	134.2	125.4
Gross profit	195.0	190.5	186.9	201.1	184.8
Operating expenses:					
Research and development	53.6	50.5	54.9	54.2	52.6
Selling, general and administrative	91.8	88.2	89.0	96.7	80.2
Amortization of other intangibles	2.7	2.6	2.2	2.2	2.2
Restructuring and related charges	—	(0.1)	—	—	—
Total operating expenses	148.1	141.2	146.1	153.1	135.0
Income from operations	46.9	49.3	40.8	48.0	49.8
Interest income and other income	(84.5)	(5.3)	(5.8)	(1.0)	1.1
Interest expense	(3.6)	(7.1)	(6.4)	(6.2)	(6.1)
Income (loss) before income taxes	(41.2)	36.9	28.6	40.8	44.8
Provision for Income Tax	13.6	2.3	9.4	24.3	12.2
Net income (Net loss)	$ (54.8)	$ 34.6	$ 19.2	$ 16.5	$ 32.6
Net income (Net loss) per share, basic	$ (0.24)	$ 0.15	$ 0.08	$ 0.07	$ 0.14
Net income (Net loss) per share, diluted	$ (0.24)	$ 0.14	$ 0.08	$ 0.07	$ 0.14
Shares used in per-share calculation (basic)	231.1	236.0	229.2	227.2	226.3
Shares used in per-share calculation (diluted)	231.1	242.3	236.8	231.3	230.4

Unaudited % Total GAAP Revenue	Q122 Sep 2021	Q222 Dec 2021	Q322 Mar 2022	Q422 Jun 2022	Q123 Sep 2022
Gross margin	59.7%	60.5%	59.2%	60.0%	59.6%
Research and development	16.4%	16.0%	17.4%	16.2%	17.0%
Selling, general and administrative [(1)]	28.1%	28.0%	28.2%	28.8%	25.9%
Total operating expenses	45.3%	44.9%	46.3%	45.7%	43.5%
Operating margin	14.4%	15.7%	12.9%	14.3%	16.1%

Condensed Balance Sheet

(Amounts in $millions)

Unaudited Balance Sheet (in millions)	Q422 YTD Jun 2022	Q123 YTD Sep 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 559.9	$ 512.6
Short-term investments	1.4	1.3
Restricted cash	3.6	3.2
Accounts receivable, net	260.9	246.3
Inventories, net	110.1	110.6
Prepayments and other current assets	69.2	76.8
Total current assets	1,005.1	950.8
Property, plant and equipment, net	228.9	231.7
Goodwill, net	387.6	387.8
Intangibles, net	54.2	48.7
Deferred income taxes	86.3	83.0
Other non-current assets	65.8	63.1
Total assets	$ 1,827.9	$ 1,765.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 58.3	$ 62.0
Accrued payroll and related expenses	76.0	48.6
Deferred revenue	81.0	71.4
Accrued expenses	29.3	26.7
Short-term debt	68.4	68.0
Other current liabilities	56.3	56.5
Total current liabilities	369.3	333.2
Long-term debt	616.5	616.9
Other non-current liabilities	170.4	166.6
Total stockholders' equity	671.7	648.4
Total liabilities and stockholders' equity	$ 1,827.9	$ 1,765.1