# Fiscal 2Q 2023 Earnings Call Supplementary Slides

## February 2, 2023



# 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 and our quarterly report on Form 10-Q filed November 4, 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 2Q 2023 Financial Highlights

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

| | Result | Y/Y Performance | |
|---|---|---|---|
| **GAAP Revenue**<br>**(exceeded $271M +/- $10M guidance range)** | **$284.5** | **down** | **(9.6)%** |
| **Non-GAAP Gross Margin** | **61.1%** | **down** | **(210) basis points** |
| NE | 64.1% | down | (30) basis points |
| SE | 66.8% | down | (500) basis points |
| OSP | 52.3% | down | (390) basis points |
| **Non-GAAP Operating Margin**<br>**(exceeded 14.4% +/- 0.5% guidance range)** | **16.2%** | **down** | **(710) basis points** |
| NSE | 8.9% | down | (980) basis points |
| OSP | 35.5% | down | (370) basis points |
| **Earnings Per Share**<br>**(exceeded $0.11 +/- $0.01 guidance range)** | **$0.14** | **down** | **(41.7)%** |
| **GAAP Operating Cash Flow** | **$46.2** | **up** | **108.1%** |

*All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix beginning on page 12.*

# Income Statement

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

| | F2Q 2023 | F1Q 2023 | F2Q 2022 | QoQ | YoY |
|---|---|---|---|---|---|
| **GAAP Revenue** | $284.5 | $310.2 | $314.8 | (8.3%) | (9.6%) |
| **Non-GAAP Gross Margin** | 61.1% | 62.3% | 63.2% | (120) bps | (210) bps |
| **Non-GAAP Operating Expenses** | $127.9 | $126.0 | $125.8 | 1.5% | 1.7% |
| **Non-GAAP Operating Profits** | $46.0 | $67.4 | $73.3 | (31.8%) | (37.2%) |
| **Non-GAAP Operating Margin** | 16.2% | 21.7% | 23.3% | (550) bps | (710) bps |
| **Non-GAAP Net Income** | $31.5 | $52.5 | $59.3 | (40.0%) | (46.9%) |
| **Non-GAAP EPS** | $0.14 | $0.23 | $0.24 | ($0.09) | ($0.10) |

# GAAP Revenue by Business Segment and Geographic Region

*(Amounts in $millions)*

| | F2Q 2023 | | F1Q 2023 | | F2Q 2022 | | QoQ | YoY |
|---|---|---|---|---|---|---|---|---|
| **Segment Mix** | | | | | | | | |
| NE | $179.7 | 63.2% | $194.9 | 62.8% | $214.4 | 68.1% | (7.8%) | (16.2%) |
| SE | $27.4 | 9.6% | $24.0 | 7.8% | $29.8 | 9.5% | 14.2% | (8.1%) |
| OSP | $77.4 | 27.2% | $91.3 | 29.4% | $70.6 | 22.4% | (15.2%) | 9.6% |
| **Total** | **$284.5** | **100.0%** | **$310.2** | **100.0%** | **$314.8** | **100.0%** | **(8.3%)** | **(9.6%)** |
| **Region Mix** | | | | | | | | |
| Americas | $106.3 | 37.4% | $123.0 | 39.6% | $125.7 | 39.9% | (13.6%) | (15.4%) |
| Asia-Pacific | $105.1 | 36.9% | $111.6 | 36.0% | $91.0 | 28.9% | (5.8%) | 15.5% |
| EMEA | $73.1 | 25.7% | $75.6 | 24.4% | $98.1 | 31.2% | (3.3%) | (25.5%) |
| **Total** | **$284.5** | **100.0%** | **$310.2** | **100.0%** | **$314.8** | **100.0%** | **(8.3%)** | **(9.6%)** |

# Business Segment Results

*(Amounts in $millions)*

| | F2Q 2023 | F1Q 2023 | F2Q 2022 | QoQ | YoY |
|---|---|---|---|---|---|
| **GAAP Revenue** | | | | | |
| NE | $179.7 | $194.9 | $214.4 | (7.8%) | (16.2%) |
| SE | $27.4 | $24.0 | $29.8 | 14.2% | (8.1%) |
| OSP | $77.4 | $91.3 | $70.6 | (15.2%) | 9.6% |
| **Total** | **$284.5** | **$310.2** | **$314.8** | **(8.3%)** | **(9.6%)** |
| **Non-GAAP Gross Margin** | | | | | |
| NE | 64.1% | 64.4% | 64.4% | (30 bps) | (30 bps) |
| SE | 66.8% | 66.7% | 71.8% | 10 bps | (500 bps) |
| OSP | 52.3% | 56.7% | 56.2% | (440 bps) | (390 bps) |
| **Total** | **61.1%** | **62.3%** | **63.2%** | **(120 bps)** | **(210 bps)** |
| **Non-GAAP Operating Margin** | | | | | |
| NSE | 8.9% | 13.2% | 18.7% | (430 bps) | (980 bps) |
| OSP | 35.5% | 42.3% | 39.2% | (680 bps) | (370 bps) |
| **Total** | **16.2%** | **21.7%** | **23.3%** | **(550 bps)** | **(710 bps)** |

*All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix beginning on page 12.*

# Fiscal 2Q 2023 NSE Business Highlights

***(Amounts reflect non-GAAP and in $millions)***

- NSE revenue at $207.1 million exceeded the guidance range ($187-$203 million) due to stabilization of demand in NSE.
- Operating margin at 8.9% exceeded the guidance range (5.5%-6.5%) driven primarily by higher than expected revenue in NSE.

## NE Segment Highlights

- Revenue at $179.7 million down 16.2% Y/Y primarily due to constrained spending environment impacting demand for our products.
- Non-GAAP Gross margin at 64.1% down 30 basis points Y/Y, primarily due to declines in volume

## SE Segment Highlights

- Revenue at $27.4 million, decreased 8.1% Y/Y due to weakness in enterprise markets impacting demand for our data center products.
- Non-GAAP Gross margin at 66.8% decreased 500 basis points Y/Y due to lower volumes and unfavorable product mix

*All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix beginning on page 12.*

# Fiscal 2Q 2023 OSP Business Highlights

***(Amounts reflect non-GAAP and in $millions)***

- Revenue at $77.4 million, an increase of 9.6% Y/Y, above the midpoint of the guidance range ($74-$78 million) due to higher Anti-Counterfeiting and 3D Sensing product sales
- Non-GAAP Gross margin at 52.3% decreased 390 basis points Y/Y due to startup costs in our new Arizona facility
- Non-GAAP Operating margin at 35.5% within the the guidance range (35.0%-37.0%), although a decrease of 370 basis points Y/Y, due to aforementioned startup costs in our new Arizona facility

*All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix beginning on page 12.*

# Balance Sheet Highlights

*(Amounts in $millions)*

| | F2Q 2023 |
|---|---|
| **Total Cash Balance** (1) | **$489.7** |
| **Short-term Debt (Carrying Value)** (2) | **$68.0** |
| **Long-term Debt (Carrying Value)** (2) | **$617.2** |
| **GAAP Cash from Operations** | **$46.2** |

(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 mostly 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 December 31, 2022

# Fiscal 3Q 2023 Guidance

***(Amounts reflect non-GAAP)***

We expect third quarter revenue to be approximately $256 million to $276 million, non-GAAP operating margin to be 13.0% to 14.2% and non-GAAP EPS to be $0.10 to $0.12.

- **Business segment revenue guidance:**
  - For NSE, we expect revenue to be $189 million to $205 million
  - For OSP, we expect revenue to be $67 million to $71 million
- **Business segment Non-GAAP operating margin guidance:**
  - For NSE, we expect non-GAAP operating margin to be 7.2% to 8.2%
  - For OSP, we expect non-GAAP operating margin to be 29.5% to 31.5%
- Expect non-GAAP tax expenses to be in the range of 23%-25%
- Expect non-GAAP Other Income/Expense to be net expense of approximately $4.5 million
- Expect share count for EPS calculation to be approximately 226.0 million shares

# Investor Events - F3Q23

| Date | Event | Forum |
|---|---|---|
| **Feb. 27, 2023** | MWC | Barcelona, Spain |
| **Mar. 06, 2023** | Morgan Stanley TMT Conference | San Francisco,CA |
| **Mar. 08, 2023** | OFC Conference | San Diego,CA |

# Appendix

# Non-GAAP Income Statement

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

| Unaudited<br>Non-GAAP Income Statement | Q222<br>Dec 2021 | Q322<br>Mar 2022 | Q422<br>Jun 2022 | Q123<br>Sep 2022 | Q223<br>Dec 2022 |
|---|---|---|---|---|---|
| *($ in millions, except per share amounts)* | | | | | |
| Net revenue | $ 314.8 | $ 315.5 | $ 335.3 | $ 310.2 | $ 284.5 |
| Cost of revenues | 115.7 | 119.9 | 125.8 | 116.8 | 110.6 |
| **Gross profit** | 199.1 | 195.6 | 209.5 | 193.4 | 173.9 |
| **Operating expenses:** | | | | | |
| Research and development | 48.4 | 49.6 | 52.0 | 50.3 | 49.9 |
| Selling, general and administrative | 77.4 | 78.3 | 86.0 | 75.7 | 78.0 |
| **Total operating expenses** | 125.8 | 127.9 | 138.0 | 126.0 | 127.9 |
| **Income from operations** | 73.3 | 67.7 | 71.5 | 67.4 | 46.0 |
| Interest income and other income | (5.6) | (5.7) | (4.2) | (5.0) | (4.0) |
| **Income before income taxes** | 67.7 | 62.0 | 67.3 | 62.4 | 42.0 |
| Provision for income tax | 8.4 | 10.0 | 11.5 | 9.9 | 10.5 |
| **Net income** | $ 59.3 | $ 52.0 | $ 55.8 | $ 52.5 | $ 31.5 |
| Net income per share, basic | $ 0.25 | $ 0.23 | $ 0.25 | $ 0.23 | $ 0.14 |
| Net income per share, diluted | $ 0.24 | $ 0.22 | $ 0.24 | $ 0.23 | $ 0.14 |
| Shares used in per-share calculation (basic) | 236.0 | 229.2 | 227.2 | 226.3 | 225.9 |
| Shares used in per-share calculation (diluted) | 242.3 | 236.8 | 231.3 | 230.4 | 227.1 |

| Unaudited<br>% Total Non-GAAP Revenue | Q222<br>Dec 2021 | Q322<br>Mar 2022 | Q422<br>Jun 2022 | Q123<br>Sep 2022 | Q223<br>Dec 2022 |
|---|---|---|---|---|---|
| Gross margin | 63.2 % | 62.0 % | 62.5 % | 62.3 % | 61.1 % |
| Research and development | 15.4 % | 15.7 % | 15.5 % | 16.2 % | 17.5 % |
| Selling, general and administrative | 24.6 % | 24.8 % | 25.6 % | 24.4 % | 27.4 % |
| Total operating expenses | 40.0 % | 40.5 % | 41.2 % | 40.6 % | 45.0 % |
| Operating margin | 23.3 % | 21.5 % | 21.3 % | 21.7 % | 16.2 % |

# Reconciliation of GAAP Measures to Non-GAAP Measures

*(Amounts in $millions)*

| Unaudited<br>Gross Profit - GAAP to Non-GAAP Reconciliation | Q222<br>Dec 2021 | Q322<br>Mar 2022 | Q422<br>Jun 2022 | Q123<br>Sep 2022 | Q223<br>Dec 2022 |
|---|---|---|---|---|---|
| *($ in millions, except per share amounts)* | | | | | |
| **GAAP segment gross profit** | $ 190.5 | $ 186.9 | $ 201.1 | $ 184.8 | $ 167.0 |
| Stock-based compensation | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Amortization of intangibles | 7.4 | 7.4 | 7.3 | 7.1 | 5.7 |
| Other charges unrelated to core operating performance | — | 0.1 | (0.1) | 0.3 | — |
| **Non-GAAP gross profit** | $ 199.1 | $ 195.6 | $ 209.5 | $ 193.4 | $ 173.9 |

| Unaudited<br>Operating Income - GAAP to Non-GAAP Reconciliation | Q222<br>Dec 2021 | Q322<br>Mar 2022 | Q422<br>Jun 2022 | Q123<br>Sep 2022 | Q223<br>Dec 2022 |
|---|---|---|---|---|---|
| **GAAP operating income** | $ 49.3 | $ 40.8 | $ 48.0 | $ 49.8 | $ 22.9 |
| Stock-based compensation | 13.3 | 12.8 | 12.6 | 13.0 | 13.0 |
| Amortization of intangibles | 10.0 | 9.6 | 9.5 | 9.3 | 7.9 |
| Change in fair value of contingent liability | — | — | — | 0.5 | 1.3 |
| Other charges unrelated to core operating performance | 0.8 | 4.5 | 1.4 | (5.2) | 0.9 |
| Restructuring and related benefits (charges) | (0.1) | — | — | — | — |
| **Non-GAAP operating income** | $ 73.3 | $ 67.7 | $ 71.5 | $ 67.4 | $ 46.0 |

| Unaudited | Q222<br>Dec 2021 | Q322<br>Mar 2022 | Q422<br>Jun 2022 | Q123<br>Sep 2022 | Q223<br>Dec 2022 |
|---|---|---|---|---|---|
| **GAAP net income (loss)** | $ 34.6 | $ 19.2 | $ 16.5 | $ 32.6 | $ 8.4 |
| Stock-based compensation | 13.3 | 12.8 | 12.6 | 13.0 | 13.0 |
| Amortization of intangibles | 10.0 | 9.6 | 9.5 | 9.3 | 7.9 |
| Restructuring and related benefits (charges) | (0.1) | — | — | — | — |
| Change in fair value of contingent liability | — | — | — | 0.5 | 1.3 |
| Other charges unrelated to core operating performance | 0.8 | 4.5 | 1.4 | (5.2) | 0.9 |
| Non-cash interest expense | 0.4 | 0.1 | (0.1) | — | — |
| Interest and other income | 6.4 | 6.4 | 3.1 | — | — |
| Income Taxes | (6.1) | (0.6) | 12.8 | 2.3 | — |
| **Non-GAAP net income** | $ 59.3 | $ 52.0 | $ 55.8 | $ 52.5 | $ 31.5 |

# Financial Information by Segment

*(Amounts in $millions)*

| Unaudited<br>Segment Results ($ in millions) | Q222<br>Dec 2021 | Q322<br>Mar 2022 | Q422<br>Jun 2022 | Q123<br>Sep 2022 | Q223<br>Dec 2022 |
|---|---|---|---|---|---|
| **Net revenue:** | | | | | |
| Network Enablement | $ 214.4 | $ 204.3 | $ 222.2 | $ 194.9 | $ 179.7 |
| Service Enablement | 29.8 | 26.5 | 24.0 | 24.0 | 27.4 |
| Network and Service Enablement | 244.2 | 230.8 | 246.2 | 218.9 | 207.1 |
| Optical Securities and Performance Products | 70.6 | 84.7 | 89.1 | 91.3 | 77.4 |
| **Net revenue** | $ 314.8 | $ 315.5 | $ 335.3 | $ 310.2 | $ 284.5 |
| **Gross profit** | | | | | |
| Network Enablement | $ 138.0 | $ 130.3 | $ 142.6 | $ 125.6 | $ 115.1 |
| Service Enablement | 21.4 | 18.3 | 17.1 | 16.0 | 18.3 |
| Network and Service Enablement | 159.4 | 148.6 | 159.7 | 141.6 | 133.4 |
| Optical Securities and Performance Products | 39.7 | 47.0 | 49.8 | 51.8 | 40.5 |
| **Total segment gross profit** | $ 199.1 | $ 195.6 | $ 209.5 | $ 193.4 | $ 173.9 |
| **Operating income** | | | | | |
| Network and Service Enablement | $ 45.6 | $ 34.4 | $ 37.1 | $ 28.8 | $ 18.5 |
| Optical Securities and Performance Products | 27.7 | 33.3 | 34.4 | 38.6 | 27.5 |
| **Total segment operating income** | $ 73.3 | $ 67.7 | $ 71.5 | $ 67.4 | $ 46.0 |

| Unaudited<br>Non-GAAP Revenue by Segment (%) | Q222<br>Dec 2021 | Q322<br>Mar 2022 | Q422<br>Jun 2022 | Q123<br>Sep 2022 | Q223<br>Dec 2022 |
|---|---|---|---|---|---|
| Network Enablement | 68.1 % | 64.8 % | 66.3 % | 62.8 % | 63.2 % |
| Service Enablement | 9.5 % | 8.4 % | 7.1 % | 7.8 % | 9.6 % |
| Optical Securities and Performance Products | 22.4 % | 26.8 % | 26.6 % | 29.4 % | 27.2 % |

# GAAP Income Statement

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

| Unaudited<br>GAAP Income Statement | Q222<br>Dec 2021 | Q322<br>Mar 2022 | Q422<br>Jun 2022 | Q123<br>Sep 2022 | Q223<br>Dec 2022 |
|---|---|---|---|---|---|
| ($ in millions, except per share amounts) | | | | | |
| Net revenue | $ 314.8 | $ 315.5 | $ 335.3 | $ 310.2 | $ 284.5 |
| Cost of revenues | 116.9 | 121.2 | 126.9 | 118.3 | 111.8 |
| Amortization of acquired technologies | 7.4 | 7.4 | 7.3 | 7.1 | 5.7 |
| Total cost of revenues | 124.3 | 128.6 | 134.2 | 125.4 | 117.5 |
| Gross profit | 190.5 | 186.9 | 201.1 | 184.8 | 167.0 |
| Operating expenses: | | | | | |
| Research and development | 50.5 | 54.9 | 54.2 | 52.6 | 51.9 |
| Selling, general and administrative | 88.2 | 89.0 | 96.7 | 80.2 | 90.0 |
| Amortization of other intangibles | 2.6 | 2.2 | 2.2 | 2.2 | 2.2 |
| Restructuring and related charges | (0.1) | — | — | — | — |
| Total operating expenses | 141.2 | 146.1 | 153.1 | 135.0 | 144.1 |
| Income from operations | 49.3 | 40.8 | 48.0 | 49.8 | 22.9 |
| | | | | | |
| Interest income and other income | (5.3) | (5.8) | (1.0) | 1.1 | 2.2 |
| Interest expense | (7.1) | (6.4) | (6.2) | (6.1) | (6.2) |
| **Income (loss) before income taxes** | 36.9 | 28.6 | 40.8 | 44.8 | 18.9 |
| Provision for Income Tax | 2.3 | 9.4 | 24.3 | 12.2 | 10.5 |
| **Net income (Net loss)** | $ 34.6 | $ 19.2 | $ 16.5 | $ 32.6 | $ 8.4 |
| Net income (Net loss) per share, basic | $ 0.15 | $ 0.08 | $ 0.07 | $ 0.14 | $ 0.04 |
| Net income (Net loss) per share, diluted | $ 0.14 | $ 0.08 | $ 0.07 | $ 0.14 | $ 0.04 |
| Shares used in per-share calculation (basic) | 236.0 | 229.2 | 227.2 | 226.3 | 225.9 |
| Shares used in per-share calculation (diluted) | 242.3 | 236.8 | 231.3 | 230.4 | 227.1 |

| Unaudited<br>% Total GAAP Revenue | Q222<br>Dec 2021 | Q322<br>Mar 2022 | Q422<br>Jun 2022 | Q123<br>Sep 2022 | Q223<br>Dec 2022 |
|---|---|---|---|---|---|
| Gross margin | 60.5% | 59.2% | 60.0% | 59.6% | 58.7% |
| Research and development | 16.0% | 17.4% | 16.2% | 17.0% | 18.2% |
| Selling, general and administrative [(1)] | 28.0% | 28.2% | 28.8% | 25.9% | 31.6% |
| Total operating expenses | 44.9% | 46.3% | 45.7% | 43.5% | 50.7% |
| Operating margin | 15.7% | 12.9% | 14.3% | 16.1% | 8.0% |

# Condensed Balance Sheet

*(Amounts in $millions)*

| Unaudited<br>Balance Sheet (in millions) | Q422 YTD<br>Jun 2022 | Q223 YTD<br>Dec 2022 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 559.9 | $ 484.1 |
| Short-term investments | 1.4 | 1.4 |
| Restricted cash | 3.6 | 4.2 |
| Accounts receivable, net | 260.9 | 223.7 |
| Inventories, net | 110.1 | 120.3 |
| Prepayments and other current assets | 69.2 | 78.2 |
| Total current assets | 1,005.1 | 911.9 |
| Property, plant and equipment, net | 228.9 | 244.8 |
| Goodwill, net | 387.6 | 449.2 |
| Intangibles, net | 54.2 | 72.4 |
| Deferred income taxes | 86.3 | 88.1 |
| Other non-current assets | 65.8 | 61.6 |
| **Total assets** | $ 1,827.9 | $ 1,828.0 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 58.3 | $ 50.2 |
| Accrued payroll and related expenses | 76.0 | 54.4 |
| Deferred revenue | 81.0 | 74.7 |
| Accrued expenses | 29.3 | 29.3 |
| Short-term debt | 68.4 | 68.0 |
| Other current liabilities | 56.3 | 52.1 |
| Total current liabilities | 369.3 | 328.7 |
| Long-term debt | 616.5 | 617.2 |
| Other non-current liabilities | 170.4 | 194.3 |
| Total stockholders' equity | 671.7 | 687.8 |
| Total liabilities and stockholders' equity | $ 1,827.9 | $ 1,828.0 |