Fiscal 3Q 2023 Earnings Call Supplementary Slides

May 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, and February 3, 2023 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 3Q 2023 Financial Highlights

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

	Result	Y/Y Performance	
GAAP Revenue	**$247.8**	**down**	**(21.5)%**
Non-GAAP Gross Margin	**59.7%**	**down**	**(230) basis points**
NE	62.0%	down	(180) basis points
SE	70.4%	up	130 basis points
OSP	50.6%	down	(490) basis points
Non-GAAP Operating Margin	**11.4%**	**down**	**(1010) basis points**
NSE	1.4%	down	(1,350) basis points
OSP	36.6%	down	(270) basis points
Non-GAAP Earnings Per Share	**$0.08**	**down**	**(63.6)%**
GAAP Operating Cash Flow	**$17.8**	**down**	**(38.4)%**

All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix section.

Income Statement

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

	F3Q 2023	F2Q 2023	F3Q 2022	QoQ	YoY
GAAP Revenue	$247.8	$284.5	$315.5	(12.9%)	(21.5%)
Non-GAAP Gross Margin	59.7%	61.1%	62.0%	(140) bps	(230) bps
Non-GAAP Operating Expenses	$119.7	$127.9	$127.9	(6.4%)	(6.4%)
Non-GAAP Operating Profits	$28.3	$46.0	$67.7	(38.5%)	(58.2%)
Non-GAAP Operating Margin	11.4%	16.2%	21.5 %	(480) bps	(1010) bps
Non-GAAP Net Income	$18.0	$31.5	$52.0	(42.9%)	(65.4%)
Non-GAAP EPS	$0.08	$0.14	$0.22	($0.06)	($0.14)

All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix section.

GAAP Revenue by Business Segment and Geographic Region

(Amounts in $millions)

	F3Q 2023		F2Q 2023		F3Q 2022		QoQ	YoY
Segment Mix								
NE	$149.6	60.3%	$179.7	63.2%	$204.3	64.8%	(16.8%)	(26.8%)
SE	$27.7	11.2%	$27.4	9.6%	$26.5	8.4%	1.1%	4.5%
OSP	$70.5	28.5%	$77.4	27.2%	$84.7	26.8%	(8.9%)	(16.8%)
Total	**$247.8**	**100.0%**	**$284.5**	**100.0%**	**$315.5**	**100.0%**	**(12.9%)**	**(21.5%)**
Region Mix								
Americas	$100.5	40.5%	$106.3	37.4%	$108.8	34.5%	(5.5%)	(7.6%)
Asia-Pacific	$75.5	30.5%	$105.1	36.9%	$114.5	36.3%	(28.2%)	(34.1%)
EMEA	$71.8	29.0%	$73.1	25.7%	$92.2	29.2%	(1.8%)	(22.1%)
Total	**$247.8**	**100.0%**	**$284.5**	**100.0%**	**$315.5**	**100.0%**	**(12.9%)**	**(21.5%)**

Business Segment Results

(Amounts in $millions)

	F3Q 2023	F2Q 2023	F3Q 2022	QoQ	YoY
GAAP Revenue					
NE	$149.6	$179.7	$204.3	(16.8%)	(26.8%)
SE	$27.7	$27.4	$26.5	1.1%	4.5%
OSP	$70.5	$77.4	$84.7	(8.9%)	(16.8%)
Total	**$247.8**	**$284.5**	**$315.5**	**(12.9%)**	**(21.5%)**
Non-GAAP Gross Margin					
NE	62.0%	64.1%	63.8%	(210 bps)	(180 bps)
SE	70.4%	66.8%	69.1%	360 bps	130 bps
OSP	50.6%	52.3%	55.5%	(170 bps)	(490 bps)
Total	**59.7%**	**61.1%**	**62.0%**	**(140 bps)**	**(230 bps)**
Non-GAAP Operating Margin					
NSE	1.4%	8.9%	14.9%	(750 bps)	(1,350 bps)
OSP	36.6%	35.5%	39.3%	110 bps	(270 bps)
Total	**11.4%**	**16.2%**	**21.5%**	**(480 bps)**	**(1,010 bps)**

All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix section.

Fiscal 3Q 2023 NSE Business Highlights

(Amounts reflect non-GAAP and in $millions)

- NSE revenue at $177.3 million was below the initial guidance range ($189-$205 million) due to higher than expected pullback in demand for Lab products.
- Operating margin at 1.4% below the initial guidance range (7.2%-8.2%) driven primarily by declines in volume.

NE Segment Highlights

- Revenue at $149.6 million down 26.8% Y/Y primarily due to constrained spending environment impacting demand for our products.
- Non-GAAP Gross margin at 62.0% down 180 basis points Y/Y, primarily due to declines in volume.

SE Segment Highlights

- Revenue at $27.7 million, increased 4.5% Y/Y due to strength in Assurance Products.
- Non-GAAP Gross margin at 70.4% increased 130 basis points Y/Y due to increases in volume and favorable product mix.

All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix section.

Fiscal 3Q 2023 OSP Business Highlights

(Amounts reflect non-GAAP and in $millions)

- Revenue at $70.5 million, was above the midpoint of the initial guidance range ($67-$71 million) although, was a decrease of 16.8% Y/Y due to lower Anti-Counterfeiting and 3D Sensing product sales.
- Non-GAAP Gross margin at 50.6% decreased 490 basis points Y/Y due to startup costs in our new Arizona facility.
- Non-GAAP Operating margin at 36.6% exceeded the initial guidance range (29.5%-31.5%), although was a decrease of 270 basis points Y/Y, due to lower revenue and the aforementioned startup costs in our new Arizona facility.

All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix section.

Balance Sheet Highlights

(Amounts in $millions)

	F3Q 2023
Total Cash Balance (1)	**$586.6**
Short-term Debt (Carrying Value) (2)	**$164.2**
Long-term Debt (Carrying Value) (2)	**$627.9**
GAAP Cash from Operations	**$17.8**

(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 and discount costs (if applicable). Face amount for short-term debt and long-term debt is $164.5 million and $650.0 million, respectively. Short-term debt includes the 2023 1.75% Notes and 2024 1.00% Notes. Long-term debt includes the 2026 1.625% Notes and 2029 3.75% Notes.

Term Notes Summary

	2023 Convertible Notes	2024 Convertible Notes	2026 Convertible Notes	2029 High-Yield Notes
Issue Size	$225.0M	$460.0M	$250.0M	$400.0M
Current Outstanding *	$68.1M	$96.4M	$250.0M	$400.0M
Coupon	1.75%	1.00%	1.625%	3.75%
Final Maturity	6/1/2023	3/1/2024	3/15/2026	10/1/2029
Put Date	N/A	N/A	N/A	N/A
Call Date	6/1/2021	N/A	3/20/2025	10/1/2024
Call / Put Price (%)	100%	100%	100%	N/A
Conversion Price	$13.94	$13.22	$13.19	N/A
Shares Underlying *	4.9M	7.3M	18.9M	N/A
Settlement	Par in Cash; Balance in stock & cash	Par in Cash; Balance in stock & cash	Par in Cash; Balance in stock & cash	Par in Cash

* As of April 1, 2023

Fiscal 4Q 2023 Guidance

(Amounts reflect non-GAAP)

We expect fourth quarter revenue to be approximately $242 million to $262 million, non-GAAP operating margin to be 10.0% to 12.4% and non-GAAP EPS to be $0.07 to $0.09.

- **Business segment revenue guidance:**
  - For NSE, we expect revenue to be $179 million to $195 million
  - For OSP, we expect revenue to be $63 million to $67 million
- **Business segment Non-GAAP operating margin guidance:**
  - For NSE, we expect non-GAAP operating margin to be 3.0% to 6.0%
  - For OSP, we expect non-GAAP operating margin to be 30.0% to 31.0%
- Expect non-GAAP tax expenses to be approximately 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 222.0 million shares

Investor Events - F4Q23

Date	Event	Forum
June 08, 2023	Rosenblatt's Virtual Tech Summit	Virtual Conference

Appendix

Non-GAAP Income Statement

(Amounts in $millions, except per share amounts)

Unaudited Non-GAAP Income Statement	Q322 Mar 2022	Q422 Jun 2022	Q123 Sep 2022	Q223 Dec 2022	Q323 Apr 2023
($ in millions, except per share amounts)					
Net revenue	$ 315.5	$ 335.3	$ 310.2	$ 284.5	$ 247.8
Cost of revenues	119.9	125.8	116.8	110.6	99.8
Gross profit	195.6	209.5	193.4	173.9	148.0
Operating expenses:					
Research and development	49.6	52.0	50.3	49.9	48.6
Selling, general and administrative	78.3	86.0	75.7	78.0	71.1
Total operating expenses	127.9	138.0	126.0	127.9	119.7
Income from operations	67.7	71.5	67.4	46.0	28.3
Interest income and other income	(5.7)	(4.2)	(5.0)	(4.0)	(4.7)
Income before income taxes	62.0	67.3	62.4	42.0	23.6
Provision for income tax	10.0	11.5	9.9	10.5	5.6
Net income	$ 52.0	$ 55.8	$ 52.5	$ 31.5	$ 18.0
Net income per share, basic	$ 0.23	$ 0.25	$ 0.23	$ 0.14	$ 0.08
Net income per share, diluted	$ 0.22	$ 0.24	$ 0.23	$ 0.14	$ 0.08
Shares used in per-share calculation (basic)	229.2	227.2	226.3	225.9	224.1
Shares used in per-share calculation (diluted)	236.8	231.3	230.4	227.1	225.3

Unaudited % Total Non-GAAP Revenue	Q322 Mar 2022	Q422 Jun 2022	Q123 Sep 2022	Q223 Dec 2022	Q323 Apr 2023
Gross margin	62.0 %	62.5 %	62.3 %	61.1 %	59.7 %
Research and development	15.7 %	15.5 %	16.2 %	17.5 %	19.6 %
Selling, general and administrative	24.8 %	25.6 %	24.4 %	27.4 %	28.7 %
Total operating expenses	40.5 %	41.2 %	40.6 %	45.0 %	48.3 %
Operating margin	21.5 %	21.3 %	21.7 %	16.2 %	11.4 %

Reconciliation of GAAP Measures to Non-GAAP Measures

(Amounts in $millions)

Unaudited Gross Profit - GAAP to Non-GAAP Reconciliation	Q322 Mar 2022	Q422 Jun 2022	Q123 Sep 2022	Q223 Dec 2022	Q323 Apr 2023
($ in millions, except per share amounts)					
GAAP segment gross profit	$ 186.9	$ 201.1	$ 184.8	$ 167.0	$ 141.0
Stock-based compensation	1.2	1.2	1.2	1.2	1.2
Amortization of intangibles	7.4	7.3	7.1	5.7	5.9
Other charges (benefits) unrelated to core operating performance	0.1	(0.1)	0.3	—	(0.1)
Non-GAAP gross profit	$ 195.6	$ 209.5	$ 193.4	$ 173.9	$ 148.0

Unaudited Operating Income - GAAP to Non-GAAP Reconciliation	Q322 Mar 2022	Q422 Jun 2022	Q123 Sep 2022	Q223 Dec 2022	Q323 Apr 2023
GAAP operating income (loss)	$ 40.8	$ 48.0	$ 49.8	$ 22.9	$ (2.1)
Stock-based compensation	12.8	12.6	13.0	13.0	12.8
Amortization of intangibles	9.6	9.5	9.3	7.9	8.0
Change in fair value of contingent liability	—	—	0.5	1.3	(1.9)
Other charges (benefits) unrelated to core operating performance	4.5	1.4	(5.2)	0.9	1.3
Restructuring and related benefits (charges)	—	—	—	—	10.2
Non-GAAP operating income	$ 67.7	$ 71.5	$ 67.4	$ 46.0	$ 28.3

Unaudited	Q322 Mar 2022	Q422 Jun 2022	Q123 Sep 2022	Q223 Dec 2022	Q323 Apr 2023
GAAP net income (loss)	$ 19.2	$ 16.5	$ 32.6	$ 8.4	$ (15.4)
Stock-based compensation	12.8	12.6	13.0	13.0	12.8
Amortization of intangibles	9.6	9.5	9.3	7.9	8.0
Restructuring and related benefits (charges)	—	—	—	—	10.2
Change in fair value of contingent liability	—	—	0.5	1.3	(1.9)
Other charges (benefits) unrelated to core operating performance	4.5	1.4	(5.2)	0.9	1.3
Non-cash interest expense	0.1	(0.1)	—	—	0.4
Interest and other income	6.4	3.1	—	—	2.2
Income Taxes	(0.6)	12.8	2.3	—	0.4
Non-GAAP net income	$ 52.0	$ 55.8	$ 52.5	$ 31.5	$ 18.0

Financial Information by Segment

(Amounts in $millions)

Unaudited Segment Results ($ in millions)	Q322 Mar 2022	Q422 Jun 2022	Q123 Sep 2022	Q223 Dec 2022	Q323 Apr 2023
Net revenue:					
Network Enablement	$ 204.3	$ 222.2	$ 194.9	$ 179.7	$ 149.6
Service Enablement	26.5	24.0	24.0	27.4	27.7
Network and Service Enablement	230.8	246.2	218.9	207.1	177.3
Optical Securities and Performance Products	84.7	89.1	91.3	77.4	70.5
Net revenue	$ 315.5	$ 335.3	$ 310.2	$ 284.5	$ 247.8
Gross profit					
Network Enablement	$ 130.3	$ 142.6	$ 125.6	$ 115.1	$ 92.8
Service Enablement	18.3	17.1	16.0	18.3	19.5
Network and Service Enablement	148.6	159.7	141.6	133.4	112.3
Optical Securities and Performance Products	47.0	49.8	51.8	40.5	35.7
Total segment gross profit	$ 195.6	$ 209.5	$ 193.4	$ 173.9	$ 148.0
Operating income					
Network and Service Enablement	$ 34.4	$ 37.1	$ 28.8	$ 18.5	$ 2.5
Optical Securities and Performance Products	33.3	34.4	38.6	27.5	25.8
Total segment operating income	$ 67.7	$ 71.5	$ 67.4	$ 46.0	$ 28.3

Unaudited Non-GAAP Revenue by Segment (%)	Q322 Mar 2022	Q422 Jun 2022	Q123 Sep 2022	Q223 Dec 2022	Q323 Apr 2023
Network Enablement	64.8 %	66.3 %	62.8 %	63.2 %	60.3 %
Service Enablement	8.4 %	7.1 %	7.8 %	9.6 %	11.2 %
Optical Securities and Performance Products	26.8 %	26.6 %	29.4 %	27.2 %	28.5 %

GAAP Income Statement

(Amounts in $millions, except per share amounts)

Unaudited GAAP Income Statement	Q322 Mar 2022	Q422 Jun 2022	Q123 Sep 2022	Q223 Dec 2022	Q323 Apr 2023
($ in millions, except per share amounts)					
Net revenue	$ 315.5	$ 335.3	$ 310.2	$ 284.5	$ 247.8
Cost of revenues	121.2	126.9	118.3	111.8	100.9
Amortization of acquired technologies	7.4	7.3	7.1	5.7	5.9
Total cost of revenues	128.6	134.2	125.4	117.5	106.8
Gross profit	186.9	201.1	184.8	167.0	141.0
Operating expenses:					
Research and development	54.9	54.2	52.6	51.9	50.8
Selling, general and administrative	89.0	96.7	80.2	90.0	80.0
Amortization of other intangibles	2.2	2.2	2.2	2.2	2.1
Restructuring and related charges	—	—	—	—	10.2
Total operating expenses	146.1	153.1	135.0	144.1	143.1
(Loss) income from operations	40.8	48.0	49.8	22.9	(2.1)
Interest income and other income (expense)	(5.8)	(1.0)	1.1	2.2	(0.6)
Interest expense	(6.4)	(6.2)	(6.1)	(6.2)	(6.7)
Income (loss) before income taxes	28.6	40.8	44.8	18.9	(9.4)
Provision for Income Tax	9.4	24.3	12.2	10.5	6.0
Net income (Net loss)	$ 19.2	$ 16.5	$ 32.6	$ 8.4	$ (15.4)
Net income (loss) per share, basic	$ 0.08	$ 0.07	$ 0.14	$ 0.04	$ (0.07)
Net income (loss) per share, diluted	$ 0.08	$ 0.07	$ 0.14	$ 0.04	$ (0.07)
Shares used in per-share calculation (basic)	229.2	227.2	226.3	225.9	224.1
Shares used in per-share calculation (diluted)	236.8	231.3	230.4	227.1	224.1

Unaudited % Total GAAP Revenue	Q322 Mar 2022	Q422 Jun 2022	Q123 Sep 2022	Q223 Dec 2022	Q323 Apr 2023
Gross margin	59.2%	60.0%	59.6%	58.7%	56.9%
Research and development	17.4%	16.2%	17.0%	18.2%	20.5%
Selling, general and administrative	28.2%	28.8%	25.9%	31.6%	32.3%
Total operating expenses	46.3%	45.7%	43.5%	50.7%	57.7%
Operating margin	12.9%	14.3%	16.1%	8.0%	(0.8)%

Condensed Balance Sheet

(Amounts in $millions)

Unaudited Balance Sheet (in millions)	Q422 YTD Jun 2022	Q323 YTD Apr 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 559.9	$ 580.6
Short-term investments	1.4	1.5
Restricted cash	3.6	4.5
Accounts receivable, net	260.9	220.1
Inventories, net	110.1	125.9
Prepayments and other current assets	69.2	70.4
Total current assets	1,005.1	1,003.0
Property, plant and equipment, net	228.9	247.2
Goodwill, net	387.6	451.9
Intangibles, net	54.2	64.0
Deferred income taxes	86.3	89.7
Other non-current assets	65.8	61.6
Total assets	$ 1,827.9	$ 1,917.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 58.3	$ 43.7
Accrued payroll and related expenses	76.0	41.2
Deferred revenue	81.0	75.5
Accrued expenses	29.3	27.8
Short-term debt	68.4	164.2
Other current liabilities	56.3	60.2
Total current liabilities	369.3	412.6
Long-term debt	616.5	627.9
Other non-current liabilities	170.4	194.6
Total stockholders' equity	671.7	682.3
Total liabilities and stockholders' equity	$ 1,827.9	$ 1,917.4