Fiscal 4Q 2023 Earnings Call Supplementary Slides

August 10, 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 expected to be filed August 17, 2023 and our quarterly report on Form 10-Q filed November 4, 2022, February 3, 2023 and May 2, 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 4Q 2023 Financial Highlights

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

	Result	Y/Y Performance	
GAAP Revenue	**$263.6**	**down**	**(21.4)%**
Non-GAAP Gross Margin	**58.2%**	**down**	**(430) basis points**
NE	61.5%	down	(270) basis points
SE	66.3%	down	(500) basis points
OSP	46.6%	down	(930) basis points
Non-GAAP Operating Margin	**11.7%**	**down**	**(960) basis points**
NSE	5.8%	down	(930) basis points
OSP	29.5%	down	(910) basis points
Non-GAAP Earnings Per Share	**$0.10**	**down**	**(58.3)%**
GAAP Operating Cash Flow	**$23.5**	**down**	**(68.1)%**

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)

	F4Q 2023	F3Q 2023	F4Q 2022	QoQ	YoY
GAAP Revenue	$263.6	$247.8	$335.3	6.4%	(21.4%)
Non-GAAP Gross Margin	58.2%	59.7%	62.5%	(150) bps	(430) bps
Non-GAAP Operating Expenses	$122.7	$119.7	$138.0	2.5%	(11.1%)
Non-GAAP Operating Profits	$30.8	$28.3	$71.5	8.8%	(56.9%)
Non-GAAP Operating Margin	11.7%	11.4%	21.3 %	30 bps	(960) bps
Non-GAAP Net Income	$22.7	$18.0	$55.8	26.1%	(59.3%)
Non-GAAP EPS	$0.10	$0.08	$0.24	$0.02	($0.14)

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

Fiscal 2023 Financial Highlights

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

	Result	Y/Y Performance	
Revenue	**$1,106.1**	**down**	**(14.4)%**
Non-GAAP Gross Margin	**60.5%**	**down**	**(210) basis points**
NE	63.1%	down	(120) basis points
SE	67.6%	down	(160) basis points
OSP	52.0%	down	(440) basis points
Non-GAAP Operating Margin	**15.6%**	**down**	**(660) basis points**
NSE	7.6%	down	(800) basis points
OSP	36.5%	down	(400) basis points
Earnings Per Share	**$0.55**	**down**	**(42.1)%**
GAAP Operating Cash Flow	**$114.1**	**down**	**(13.3)%**

All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix beginning on slide 15.

Three-Year Fiscal Summary

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

	FY 2023	FY 2022	FY 2021
Revenue	**$1,106.1**	$1,292.4	$1,198.9
Non-GAAP Gross Margin	**60.5%**	62.6 %	62.7 %
Non-GAAP Operating Expenses	**$496.3**	$521.9	$498.7
Non-GAAP Operating Margin	**15.6 %**	22.2 %	21.1 %
Non-GAAP Net Income	**$124.7**	$225.3	$171.3
Non-GAAP EPS	**$0.55**	$0.95	$0.83
GAAP Cash from Operations	**$114.1**	$178.1	$243.3

All non-GAAP amounts are reconciled to the corresponding GAAP amounts in the Appendix beginning on slide 15.

GAAP Revenue by Business Segment and Geographic Region

(Amounts in $millions)

	F4Q 2023		F3Q 2023		F4Q 2022		QoQ	YoY
Segment Mix								
NE	$173.3	65.8%	$149.6	60.3%	$222.2	66.3%	15.8%	(22.0%)
SE	$24.6	9.3%	$27.7	11.2%	$24.0	7.1%	(11.2%)	2.5%
OSP	$65.7	24.9%	$70.5	28.5%	$89.1	26.6%	(6.8%)	(26.3%)
Total	**$263.6**	**100.0%**	**$247.8**	**100.0%**	**$335.3**	**100.0%**	**6.4%**	**(21.4%)**
Region Mix								
Americas	$108.3	41.0%	$100.5	40.5%	$129.7	38.7%	7.8%	(16.5%)
Asia-Pacific	$85.3	32.4%	$75.5	30.5%	$129.9	38.7%	13.0%	(34.3%)
EMEA	$70.0	26.6%	$71.8	29.0%	$75.7	22.6%	(2.5%)	(7.5%)
Total	**$263.6**	**100.0%**	**$247.8**	**100.0%**	**$335.3**	**100.0%**	**6.4%**	**(21.4%)**

Business Segment Results

(Amounts in $millions)

	F4Q 2023	F3Q 2023	F4Q 2022	QoQ	YoY
GAAP Revenue					
NE	$173.3	$149.6	$222.2	15.8%	(22.0%)
SE	$24.6	$27.7	$24.0	(11.2%)	2.5%
OSP	$65.7	$70.5	$89.1	(6.8%)	(26.3%)
Total	**$263.6**	**$247.8**	**$335.3**	**6.4%**	**(21.4%)**
Non-GAAP Gross Margin					
NE	61.5%	62.0%	64.2%	(50 bps)	(270 bps)
SE	66.3%	70.4%	71.3%	(410 bps)	(500 bps)
OSP	46.6%	50.6%	55.9%	(400 bps)	(930 bps)
Total	**58.2%**	**59.7%**	**62.5%**	**(150 bps)**	**(430 bps)**
Non-GAAP Operating Margin					
NSE	5.8%	1.4%	15.1%	440 bps	(930 bps)
OSP	29.5%	36.6%	38.6%	(710 bps)	(910 bps)
Total	**11.7%**	**11.4%**	**21.3%**	**30 bps**	**(960 bps)**

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

Fiscal 4Q 2023 NSE Business Highlights

(Amounts reflect non-GAAP and in $millions)

- NSE revenue at $197.9 million exceeded the guidance range ($179-$195 million).
- Operating margin at 5.8% was above the midpoint of the guidance range (3.0%-6.0%).

NE Segment Highlights

- Revenue at $173.3 million down 22.0% Y/Y primarily due to constrained spending environment impacting demand for our products.
- Non-GAAP Gross margin at 61.5% down 270 basis points Y/Y, primarily due to lower volume and unfavorable product mix

SE Segment Highlights

- Revenue at $24.6 million, increased 2.5% Y/Y due to impact of our Railway acquisition.
- Non-GAAP Gross margin at 66.3% decreased 500 basis points Y/Y due to unfavorable product mix.

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

Fiscal 4Q 2023 OSP Business Highlights

(Amounts reflect non-GAAP and in $millions)

- Revenue at $65.7 million, was above the midpoint of the guidance range ($63-$67 million) although, was a decrease of 26.3% Y/Y due to lower Anti-Counterfeiting and 3D Sensing product sales.
- Non-GAAP Gross margin at 46.6% decreased 930 basis points Y/Y due to lower revenue and unfavorable product mix.
- Non-GAAP Operating margin at 29.5% was slightly below the guidance range (30.0%-31.0%), with a decrease of 910 basis points Y/Y, due to aforementioned lower revenue and mix.

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

Balance Sheet Highlights

(Amounts in $millions)

	F4Q 2023
Total Cash Balance [(1)]	**$525.6**
Short-term Debt (Carrying Value) [(2)]	**$96.2**
Long-term Debt (Carrying Value) [(2)]	**$629.5**
GAAP Cash from Operations	**$23.5**

(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 $96.4 million and $650.0 million, respectively. Short-term debt includes the 2024 1.00% Notes. Long-term debt includes the 2026 1.625% Notes and 2029 3.75% Notes.

Term Notes Summary

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

* As of July 1, 2023

Fiscal 1Q 2024 Guidance

(Amounts reflect non-GAAP)

We expect first quarter revenue to be approximately $240 million to $260 million, non-GAAP operating margin to be 12.7% to 14.2% and non-GAAP EPS to be $0.09 to $0.11.

- **Business segment revenue guidance:**
  - For NSE, we expect revenue to be $167 million to $183 million
  - For OSP, we expect revenue to be $73 million to $77 million
- **Business segment Non-GAAP operating margin guidance:**
  - For NSE, we expect non-GAAP operating margin to be 3.0% to 5.0%
  - For OSP, we expect non-GAAP operating margin to be 35.0% to 36.0%
- Expect non-GAAP tax expenses to be approximately 26.4%.
- Expect non-GAAP Other Income/Expense to be net expense of approximately $4.0 million
- Expect share count for EPS calculation to be approximately 224.0 million shares.

Investor Events - F1Q24

Date	Event	Forum
August 22-24, 2023	Rosenblatt's Virtual Tech Summit	Virtual Conference
October 2-4, 2023	Deutsche Bank – Leveraged Finance Conference	Conference, Scottsdale Arizona

Appendix

Non-GAAP Income Statement

(Amounts in $millions, except per share amounts)

Unaudited Non-GAAP Income Statement	Q422 Jun 2022	Q123 Sep 2022	Q223 Dec 2022	Q323 Mar 2023	Q423 Jun 2023
($ in millions, except per share amounts)					
Net revenue	$ 335.3	$ 310.2	$ 284.5	$ 247.8	$ 263.6
Cost of revenues	125.8	116.8	110.6	99.8	110.1
Gross profit	209.5	193.4	173.9	148.0	153.5
Operating expenses:					
Research and development	52.0	50.3	49.9	48.6	49.4
Selling, general and administrative	86.0	75.7	78.0	71.1	73.3
Total operating expenses	138.0	126.0	127.9	119.7	122.7
Income from operations	71.5	67.4	46.0	28.3	30.8
Interest income and other income	(4.2)	(5.0)	(4.0)	(4.7)	(4.1)
Income before income taxes	67.3	62.4	42.0	23.6	26.7
Provision for income tax	11.5	9.9	10.5	5.6	4.0
Net income	$ 55.8	$ 52.5	$ 31.5	$ 18.0	$ 22.7
Net income per share, basic	$ 0.25	$ 0.23	$ 0.14	$ 0.08	$ 0.10
Net income per share, diluted	$ 0.24	$ 0.23	$ 0.14	$ 0.08	$ 0.10
Shares used in per-share calculation (basic)	227.2	226.3	225.9	224.1	222.2
Shares used in per-share calculation (diluted)	231.3	230.4	227.1	225.3	223.6

Unaudited % Total Non-GAAP Revenue	Q422 Jun 2022	Q123 Sep 2022	Q223 Dec 2022	Q323 Mar 2023	Q423 Jun 2023
Gross margin	62.5 %	62.3 %	61.1 %	59.7 %	58.2 %
Research and development	15.5 %	16.2 %	17.5 %	19.6 %	18.7 %
Selling, general and administrative	25.6 %	24.4 %	27.4 %	28.7 %	27.8 %
Total operating expenses	41.2 %	40.6 %	45.0 %	48.3 %	46.5 %
Operating margin	21.3 %	21.7 %	16.2 %	11.4 %	11.7 %

Reconciliation of GAAP Measures to Non-GAAP Measures

(Amounts in $millions)

Unaudited Gross Profit - GAAP to Non-GAAP Reconciliation	Q422 Jun 2022	Q123 Sep 2022	Q223 Dec 2022	Q323 Mar 2023	Q423 Jun 2023
($ in millions, except per share amounts)					
GAAP segment gross profit	$ 201.1	$ 184.8	$ 167.0	$ 141.0	$ 146.0
Stock-based compensation	1.2	1.2	1.2	1.2	1.2
Amortization of intangibles	7.3	7.1	5.7	5.9	5.9
Other charges (benefits) unrelated to core operating performance	(0.1)	0.3	—	(0.1)	0.4
Non-GAAP gross profit	$ 209.5	$ 193.4	$ 173.9	$ 148.0	$ 153.5

Unaudited Operating Income - GAAP to Non-GAAP Reconciliation	Q422 Jun 2022	Q123 Sep 2022	Q223 Dec 2022	Q323 Mar 2023	Q423 Jun 2023
GAAP operating income (loss)	$ 48.0	$ 49.8	$ 22.9	$ (2.1)	$ 11.8
Stock-based compensation	12.6	13.0	13.0	12.8	12.4
Amortization of intangibles	9.5	9.3	7.9	8.0	8.1
Change in fair value of contingent liability	—	0.5	1.3	(1.9)	(4.4)
Other charges (benefits) unrelated to core operating performance	1.4	(5.2)	0.9	1.3	1.0
Restructuring and related benefits (charges)	—	—	—	10.2	1.9
Non-GAAP operating income	$ 71.5	$ 67.4	$ 46.0	$ 28.3	$ 30.8

Unaudited	Q422 Jun 2022	Q123 Sep 2022	Q223 Dec 2022	Q323 Mar 2023	Q423 Jun 2023
GAAP net income (loss)	$ 16.5	$ 32.6	$ 8.4	$ (15.4)	$ (0.1)
Stock-based compensation	12.6	13.0	13.0	12.8	12.4
Amortization of intangibles	9.5	9.3	7.9	8.0	8.1
Restructuring and related benefits (charges)	—	—	—	10.2	1.9
Change in fair value of contingent liability	—	0.5	1.3	(1.9)	(4.4)
Other charges (benefits) unrelated to core operating performance	1.4	(5.2)	0.9	1.3	1.0
Non-cash interest expense	(0.1)	—	—	0.4	1.2
Interest and other income	3.1	—	—	2.2	0.1
Income Taxes	12.8	2.3	—	0.4	2.5
Non-GAAP net income	$ 55.8	$ 52.5	$ 31.5	$ 18.0	$ 22.7

Financial Information by Segment

(Amounts in $millions)

Unaudited Segment Results ($ in millions)	Q422 Jun 2022	Q123 Sep 2022	Q223 Dec 2022	Q323 Mar 2023	Q423 Jun 2023
Net revenue:					
Network Enablement	$ 222.2	$ 194.9	$ 179.7	$ 149.6	$ 173.3
Service Enablement	24.0	24.0	27.4	27.7	24.6
Network and Service Enablement	246.2	218.9	207.1	177.3	197.9
Optical Securities and Performance Products	89.1	91.3	77.4	70.5	65.7
Net revenue	$ 335.3	$ 310.2	$ 284.5	$ 247.8	$ 263.6
Gross profit					
Network Enablement	$ 142.6	$ 125.6	$ 115.1	$ 92.8	$ 106.6
Service Enablement	17.1	16.0	18.3	19.5	16.3
Network and Service Enablement	159.7	141.6	133.4	112.3	122.9
Optical Securities and Performance Products	49.8	51.8	40.5	35.7	30.6
Total segment gross profit	$ 209.5	$ 193.4	$ 173.9	$ 148.0	$ 153.5
Operating income					
Network and Service Enablement	$ 37.1	$ 28.8	$ 18.5	$ 2.5	$ 11.4
Optical Securities and Performance Products	34.4	38.6	27.5	25.8	19.4
Total segment operating income	$ 71.5	$ 67.4	$ 46.0	$ 28.3	$ 30.8

Unaudited Non-GAAP Revenue by Segment (%)	Q422 Jun 2022	Q123 Sep 2022	Q223 Dec 2022	Q323 Mar 2023	Q423 Jun 2023
Network Enablement	66.3 %	62.8 %	63.2 %	60.3 %	65.8 %
Service Enablement	7.1 %	7.6 %	9.7 %	11.1 %	9.3 %
Optical Securities and Performance Products	26.6 %	29.4 %	27.2 %	28.5 %	24.9 %

GAAP Income Statement

(Amounts in $millions, except per share amounts)

Unaudited GAAP Income Statement	Q422 Jun 2022	Q123 Sep 2022	Q223 Dec 2022	Q323 Mar 2023	Q423 Jun 2023
($ in millions, except per share amounts)					
Net revenue	$ 335.3	$ 310.2	$ 284.5	$ 247.8	$ 263.6
Cost of revenues	126.9	118.3	111.8	100.9	111.7
Amortization of acquired technologies	7.3	7.1	5.7	5.9	5.9
Total cost of revenues	134.2	125.4	117.5	106.8	117.6
Gross profit	201.1	184.8	167.0	141.0	146.0
Operating expenses:					
Research and development	54.2	52.6	51.9	50.8	51.6
Selling, general and administrative	96.7	80.2	90.0	80.0	78.5
Amortization of other intangibles	2.2	2.2	2.2	2.1	2.2
Restructuring and related charges	—	—	—	10.2	1.9
Total operating expenses	153.1	135.0	144.1	143.1	134.2
Income from operations	48.0	49.8	22.9	(2.1)	11.8
Interest income and other income (expense)	(1.0)	1.1	2.2	(0.6)	2.7
Interest expense	(6.2)	(6.1)	(6.2)	(6.7)	(8.1)
Income (loss) before income taxes	40.8	44.8	18.9	(9.4)	6.4
Provision for Income Tax	24.3	12.2	10.5	6.0	6.5
Net income (Net loss)	$ 16.5	$ 32.6	$ 8.4	$ (15.4)	$ (0.1)
Net income (loss) per share, basic	$ 0.07	$ 0.14	$ 0.04	$ (0.07)	$ —
Net income (loss) per share, diluted	$ 0.07	$ 0.14	$ 0.04	$ (0.07)	$ —
Shares used in per-share calculation (basic)	227.2	226.3	225.9	224.1	222.2
Shares used in per-share calculation (diluted)	231.3	230.4	227.1	224.1	222.2

Unaudited % Total GAAP Revenue	Q422 Jun 2022	Q123 Sep 2022	Q223 Dec 2022	Q323 Mar 2023	Q423 Jun 2023
Gross margin	60.0%	59.6%	58.7%	56.9%	55.4%
Research and development	16.2%	17.0%	18.2%	20.5%	19.6%
Selling, general and administrative	28.8%	25.9%	31.6%	32.3%	29.8%
Total operating expenses	45.7%	43.5%	50.7%	57.7%	50.9%
Operating margin	14.3%	16.1%	8.0%	(0.8)%	4.5%

Condensed Balance Sheet

(Amounts in $millions)

Unaudited Balance Sheet (in millions)	Q422 YTD Jun 2022	Q423 YTD Jun 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 559.9	$ 506.5
Short-term investments	1.4	14.6
Restricted cash	3.6	4.5
Accounts receivable, net	260.9	231.2
Inventories, net	110.1	116.1
Prepayments and other current assets	69.2	72.1
Total current assets	1,005.1	945.0
Property, plant and equipment, net	228.9	243.0
Goodwill, net	387.6	455.2
Intangibles, net	54.2	58.6
Deferred income taxes	86.3	87.0
Other non-current assets	65.8	61.7
Total assets	$ 1,827.9	$ 1,850.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 58.3	$ 47.2
Accrued payroll and related expenses	76.0	50.5
Deferred revenue	81.0	78.6
Accrued expenses	29.3	21.2
Short-term debt	68.4	96.2
Other current liabilities	56.3	49.8
Total current liabilities	369.3	343.5
Long-term debt	616.5	629.5
Other non-current liabilities	170.4	186.7
Total stockholders' equity	671.7	690.8
Total liabilities and stockholders' equity	$ 1,827.9	$ 1,850.5