VIAVI Solutions

Fiscal Q1 2025 Earnings Call Supplementary Slides

October 31, 2024

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 on August 16, 2024 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.

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Fiscal Q1 2025 Summary and Key Highlights

(Amounts in millions and other than revenue reflect non-GAAP)

KEY METRICS

REVENUE
$238.2M (3.9)% Y/Y

Non - GAAP OPERATING INCOME
$23.9M (22.4)% Y/Y

Non-GAAP OPERATING MARGIN
10.0% (240) bps Y/Y

Non - GAAP EPS
$0.06 (33.3)% Y/Y

HIGHLIGHTS

- Revenue came in slightly below mid-point of our guidance range.
- Non-GAAP Operating Margin came in at the low end of our guidance range.
- Non-GAAP EPS came in at the midpoint of guidance range.
- Generated operating cash flow of $13.5 million and free cash flow of $6.2 million in Q1FY25.
- Incurred capex of $7.3 million.
- Repurchased 2 million shares for $16.4 million.

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Fiscal Q1 2025 NSE Highlights

(Amounts in millions and other than revenue reflect non-GAAP)

NSE		NE		SE	
REVENUE		***REVENUE***		***REVENUE***	
$159.4M	(6.5)% Y/Y	**$141.6M**	(5.6)% Y/Y	**$17.8M**	(12.7)% Y/Y
GROSS MARGIN		***GROSS MARGIN***		***GROSS MARGIN***	
60.9%	(270) bps Y/Y	**60.9%**	(220) bps Y/Y	**60.7%**	(650) bps Y/Y
OPERATING MARGIN					
(4.6)%	(550) bps Y/Y				

NSE Segment Highlights

- Revenue at $159.4 million was below guidance range of $160-$168 million, driven by slower order pace from service providers for field instruments.
- Operating Margin at (4.6)% below guidance range of (1.0)%-1.0% due to lower revenue and gross margin fall through.

NE Segment Highlights

- Revenue at $141.6 million, down 5.6% Y/Y, as a result of continued conservative spend by service providers and NEMs.
- Gross Margin at 60.9%, down 220 basis points Y/Y due to lower volume and product mix.

SE Segment Highlights

- Revenue at $17.8 million, decreased 12.7% Y/Y, driven mainly by conservative spend by enterprise customers.
- Gross Margin at 60.7%, decreased 650 basis points Y/Y as a result of lower revenue.

The Company does not allocate stock-based compensation, acquisition-related charges, amortization of intangibles, restructuring, impairment of goodwill or other charges unrelated to core operating performance to its segments. All non-GAAP amounts are reconciled to the corresponding GAAP amounts at the entity level in the Appendix section.

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Fiscal Q1 2025 OSP Highlights

(Amounts in millions and other than revenue reflect non-GAAP)

KEY METRICS

REVENUE
$78.8M 1.7% Y/Y

GROSS MARGIN
55.3% 280 bps Y/Y

OPERATING MARGIN
39.6% 180 bps Y/Y

HIGHLIGHTS

- Revenue at $78.8 million, exceeded the guidance range of $75-$77 million primarily driven by Anti-Counterfeiting and 3D sensing. It was an increase of 1.7% Y/Y, as a result of strength across all products.
- Gross Margin at 55.3%, increased 280 basis points Y/Y primarily driven by higher volume.
- Operating Margin at 39.6%, exceeded the guidance range of 33.0%-35.0%, as a result of the higher gross margin fall through.

The Company does not allocate stock-based compensation, acquisition-related charges, amortization of intangibles, restructuring, impairment of goodwill or other charges unrelated to core operating performance to its segments. All non-GAAP amounts are reconciled to the corresponding GAAP amounts at the entity level in the Appendix section.

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Fiscal Q2 2025 Business Outlook

	Segment	Business Outlook
Revenue	VIAVI	$255 million to $265 million
	NSE	$188 million, plus or minus $4 million
	OSP	$72 million, plus or minus $1 million
Non-GAAP Operating Margin	VIAVI	12.4%, plus or minus 100 bps
	NSE	4.8%, plus or minus 100 bps
	OSP	32.3%, plus or minus 100 bps
Non-GAAP EPS		$0.09 to $0.11
Non-GAAP Tax		$7.0 million, plus or minus $0.5 million
Non-GAAP Other (Income) & Expense		$3.5 million
Non-GAAP Share Count		224.0 million

With respect to our business outlook above, the Company has not reconciled GAAP measures to non-GAAP measures presented above.

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Fiscal Q2 2025 Events

Date	Event	Location
Nov 7, 2024	Stifel 2024 Midwest 1x1 Conference	Chicago
Nov 19, 2024	18th Annual Needham Virtual Security, Networking, & Communications Conference	Virtual

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Additional Financial Information

Fiscal Q1 2025 Financial Highlights

(Amounts in $millions, except per share amount)

Fiscal Quarter	Q1 2025	Q4 2024	Q1 2024	QoQ	YoY
GAAP Revenue					
NE	$141.6	$158.5	$150.0	(10.7%)	(5.6%)
SE	$17.8	$23.7	$20.4	(24.9%)	(12.7%)
OSP	$78.8	$69.8	$77.5	12.9%	1.7%
Total	**$238.2**	**$252.0**	**$247.9**	**(5.5%)**	**(3.9%)**
Non-GAAP Gross Margin					
NE	60.9%	61.3%	63.1%	(40 bps)	(220 bps)
SE	60.7%	67.5%	67.2%	(680 bps)	(650 bps)
OSP	55.3%	53.0%	52.5%	230 bps	280 bps
Total	**59.1%**	**59.6%**	**60.1%**	**(50 bps)**	**(100 bps)**
Non-GAAP Operating Margin					
NSE	(4.6%)	1.8%	0.9%	(640 bps)	(550 bps)
OSP	39.6%	34.8%	37.8%	480 bps	180 bps
Total	**10.0%**	**10.9%**	**12.4%**	**(90 bps)**	**(240 bps)**
Non-GAAP Earnings Per Share	**$0.06**	**$0.08**	**$0.09**	**(25.0%)**	**(33.3%)**
GAAP Operating Cash Flow	**$13.5**	**$26.2**	**$50.3**	**(48.5%)**	**(73.2%)**

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

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Income Statement

(Amounts in $millions, except per share amounts)

Fiscal Quarter	Q1 2025	Q4 2024	Q1 2024	QoQ	YoY
GAAP Revenue	$238.2	$252.0	$247.9	(5.5%)	(3.9%)
Non-GAAP Gross Margin	59.1%	59.6%	60.1%	(50) bps	(100) bps
Non-GAAP Operating Expenses	$116.8	$122.7	$118.2	(4.8%)	(1.2%)
Non-GAAP Operating Profits	$23.9	$27.5	$30.8	(13.1%)	(22.4%)
Non-GAAP Operating Margin	10.0%	10.9%	12.4%	(90) bps	(240) bps
Non-GAAP Net Income	$12.4	$17.1	$19.5	(27.5%)	(36.4%)
Non-GAAP EPS	$0.06	$0.08	$0.09	($0.02)	($0.03)

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

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Revenue by Business Segment and Geographic Region

(Amounts in $millions)

Fiscal Quarter	Q1 2025		Q4 2024		Q1 2024		QoQ	YoY
Segment Mix								
NE	$141.6	59.4%	$158.5	62.9%	$150.0	60.5%	(10.7%)	(5.6%)
SE	$17.8	7.5%	$23.7	9.4%	$20.4	8.2%	(24.9%)	(12.7%)
OSP	$78.8	33.1%	$69.8	27.7%	$77.5	31.3%	12.9%	1.7%
Total	**$238.2**	**100.0%**	**$252.0**	**100.0%**	**$247.9**	**100.0%**	**(5.5%)**	**(3.9%)**
Region Mix								
Americas	$88.7	37.2%	$98.8	39.2%	$100.5	40.5%	(10.2%)	(11.7%)
Asia-Pacific	$85.9	36.1%	$91.4	36.3%	$85.9	34.7%	(6.0%)	—%
EMEA	$63.6	26.7%	$61.8	24.5%	$61.5	24.8%	2.9%	3.4%
Total	**$238.2**	**100.0%**	**$252.0**	**100.0%**	**$247.9**	**100.0%**	**(5.5%)**	**(3.9%)**

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Balance Sheet Highlights

(Amounts in $millions)

Fiscal Quarter	Q1 2025
Total Cash Balance [1]	**$497.9**
Long-term Debt (Carrying Value) [2]	**$637.6**
GAAP Cash from Operations	**$13.5**

[1] Includes cash and cash-equivalents, short-term investments and short-term restricted cash.

[2] Carrying value equals outstanding principal amount less the unamortized debt issuance costs and discount costs (if applicable). Face amount for long-term debt is $650.0 million. Long-term debt includes the 2026 1.625% Notes and 2029 3.75% Notes.

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Term Notes Summary

(Amounts in $millions)

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

* As of September 28, 2024

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GAAP Income Statement

(Amounts in $millions, except per share amounts)

Unaudited GAAP Income Statement	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Net revenue	$ 247.9	$ 254.5	$ 246.0	$ 252.0	$ 238.2
Cost of revenues	100.0	103.1	104.6	103.0	98.8
Amortization of acquired technologies	3.5	3.4	3.5	3.4	3.3
Total cost of revenues	103.5	106.5	108.1	106.4	102.1
Gross profit	144.4	148.0	137.9	145.6	136.1
Operating expenses:					
Research and development	49.9	49.5	50.0	52.5	49.4
Selling, general and administrative	77.2	74.8	98.2	83.1	74.1
Amortization of other intangibles	2.1	1.4	1.5	1.3	1.1
Restructuring and related charges	(0.8)	(0.1)	0.1	14.4	—
Total operating expenses	128.4	125.6	149.8	151.3	124.6
Income from operations	16.0	22.4	(11.9)	(5.7)	11.5
Interest income and other income	10.2	3.8	4.0	3.7	3.2
Interest expense	(7.8)	(7.9)	(7.7)	(7.5)	(7.5)
Income (loss) before income taxes	18.4	18.3	(15.6)	(9.5)	7.2
Provision for Income Tax	8.6	7.6	9.0	12.2	9.0
Net income (loss)	$ 9.8	$ 10.7	$ (24.6)	$ (21.7)	$ (1.8)
Net income (loss) per share, basic	$ 0.04	$ 0.05	$ (0.11)	$ (0.10)	$ (0.01)
Net income (loss) per share, diluted	$ 0.04	$ 0.05	$ (0.11)	$ (0.10)	$ (0.01)
Shares used in per-share calculation (basic)	222.0	222.5	223.0	222.9	222.0
Shares used in per-share calculation (diluted)	224.2	223.5	223.0	222.9	222.0

Unaudited % Total GAAP Revenue	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Gross margin	58.2 %	58.2 %	56.1 %	57.8 %	57.1 %
Research and development	20.1 %	19.4 %	20.3 %	20.8 %	20.7 %
Selling, general and administrative	31.1 %	29.4 %	39.9 %	33.0 %	31.1 %
Total operating expenses	51.8 %	49.4 %	60.9 %	60.0 %	52.3 %
Operating margin	6.5 %	8.8 %	(4.8)%	(2.3)%	4.8 %

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Non-GAAP Income Statement

(Amounts in $millions, except per share amounts)

Unaudited Non-GAAP Income Statement	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Net revenue	$ 247.9	$ 254.5	$ 246.0	$ 252.0	$ 238.2
Cost of revenues	98.9	101.7	103.5	101.8	97.5
Gross profit	149.0	152.8	142.5	150.2	140.7
Operating expenses:					
Research and development	47.7	47.3	47.8	49.9	47.3
Selling, general and administrative	70.5	71.8	71.7	72.8	69.5
Total operating expenses	118.2	119.1	119.5	122.7	116.8
Income from operations	30.8	33.7	23.0	27.5	23.9
Interest income and other income	(3.7)	(2.6)	(1.7)	(2.6)	(3.2)
Income before income taxes	27.1	31.1	21.3	24.9	20.7
Provision for income tax	7.6	7.4	8.1	7.8	8.3
Net income	$ 19.5	$ 23.7	$ 13.2	$ 17.1	$ 12.4
Net income per share, basic	$ 0.09	$ 0.11	$ 0.06	$ 0.08	$ 0.06
Net income per share, diluted	$ 0.09	$ 0.11	$ 0.06	$ 0.08	$ 0.06
Shares used in per-share calculation (basic)	222.0	222.5	223.0	222.9	222.0
Shares used in per-share calculation (diluted)	224.2	223.5	224.6	224.2	224.0

Unaudited % Total Revenue	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Gross margin	60.1 %	60.0 %	57.9 %	59.6 %	59.1 %
Research and development	19.2 %	18.6 %	19.4 %	19.8 %	19.9 %
Selling, general and administrative	28.4 %	28.2 %	29.1 %	28.9 %	29.2 %
Total operating expenses	47.7 %	46.8 %	48.6 %	48.7 %	49.0 %
Operating margin	12.4 %	13.2 %	9.3 %	10.9 %	10.0 %

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Appendix

Reconciliation of GAAP Measures to Non-GAAP Measures

(Amounts in $millions)

Unaudited Gross Profit - GAAP to Non-GAAP Reconciliation	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
GAAP segment gross profit	$ 144.4	$ 148.0	$ 137.9	$ 145.6	$ 136.1
Stock-based compensation	1.2	1.3	1.2	1.2	1.2
Amortization of intangibles	3.5	3.4	3.5	3.4	3.3
Other (benefits) charges unrelated to core operating performance [1]	(0.1)	0.1	(0.1)	—	0.1
Non-GAAP gross profit	$ 149.0	$ 152.8	$ 142.5	$ 150.2	$ 140.7

Unaudited Operating Income - GAAP to Non-GAAP Reconciliation	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
GAAP operating income (loss)	$ 16.0	$ 22.4	$ (11.9)	$ (5.7)	$ 11.5
Stock-based compensation	11.2	12.6	12.8	12.8	12.7
Amortization of intangibles	5.6	4.8	5.0	4.7	4.4
Change in fair value of contingent liability	(1.4)	(7.0)	0.6	(1.7)	(3.5)
Acquisition and integration related charges	—	0.6	16.0	1.5	0.6
Other charges (benefits) unrelated to core operating performance [1]	0.2	0.4	0.4	1.5	(1.8)
Restructuring and related (benefits) charges	(0.8)	(0.1)	0.1	14.4	—
Non-GAAP operating income	$ 30.8	$ 33.7	$ 23.0	$ 27.5	$ 23.9

Net Income GAAP to Non-GAAP Reconciliation	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
GAAP net income (loss)	$ 9.8	$ 10.7	$ (24.6)	$ (21.7)	$ (1.8)
Stock-based compensation	11.2	12.6	12.8	12.8	12.7
Amortization of intangibles	5.6	4.8	5.0	4.7	4.4
Restructuring and related charges (benefits)	(0.8)	(0.1)	0.1	14.4	—
Change in fair value of contingent liability	(1.4)	(7.0)	0.6	(1.7)	(3.5)
Acquisition and integration related charges	—	0.6	16.0	1.5	0.6
Other (benefits) charges unrelated to core operating performance [1]	(7.1)	0.7	1.1	1.5	(1.8)
Non-cash interest expense	1.2	1.2	1.3	1.2	1.1
Income Taxes	1.0	0.2	0.9	4.4	0.7
Non-GAAP net income	$ 19.5	$ 23.7	$ 13.2	$ 17.1	$ 12.4

[1] Other (benefits) charges consists of legal settlements, transformational initiatives, intangible impairment and net losses related to long-lived assets.

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Financial Information by Segment

Amounts in millions and other than revenue reflect non-GAAP)

Unaudited Segment Results ($ in millions)	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Net revenue:					
Network Enablement	$ 150.0	$ 155.5	$ 151.7	$ 158.5	$ 141.6
Service Enablement	20.4	24.1	18.1	23.7	17.8
Network and Service Enablement	170.4	179.6	169.8	182.2	159.4
Optical Securities and Performance Products	77.5	74.9	76.2	69.8	78.8
Net revenue	$ 247.9	$ 254.5	$ 246.0	$ 252.0	$ 238.2
Gross profit					
Network Enablement	$ 94.6	$ 97.2	$ 93.3	$ 97.2	$ 86.3
Service Enablement	13.7	16.6	11.0	16.0	10.8
Network and Service Enablement	108.3	113.8	104.3	113.2	97.1
Optical Securities and Performance Products	40.7	39.0	38.2	37.0	43.6
Total segment gross profit	$ 149.0	$ 152.8	$ 142.5	$ 150.2	$ 140.7
Operating income					
Network and Service Enablement	$ 1.5	$ 6.4	$ (3.1)	$ 3.2	$ (7.3)
Optical Securities and Performance Products	29.3	27.3	26.1	24.3	31.2
Total segment operating income	$ 30.8	$ 33.7	$ 23.0	$ 27.5	$ 23.9

Unaudited Revenue by Segment (%)	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Network Enablement	60.5 %	61.1 %	61.7 %	62.9 %	59.4 %
Service Enablement	8.2 %	9.5 %	7.4 %	9.4 %	7.5 %
Optical Securities and Performance Products	31.3 %	29.4 %	31.0 %	27.7 %	33.1 %

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Condensed Balance Sheet

(Amounts in $millions)

Unaudited Balance Sheet (in millions)	Q4 2024	Q1 2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 471.3	$ 467.9
Short-term investments	19.9	25.2
Restricted cash	5.0	4.8
Accounts receivable, net	213.1	203.1
Inventories, net	96.5	93.2
Prepayments and other current assets	70.7	69.8
Total current assets	876.5	864.0
Property, plant and equipment, net	228.2	230.5
Goodwill, net	452.9	461.2
Intangibles, net	38.2	34.0
Deferred income taxes	82.5	86.1
Other non-current assets	58.0	61.8
Total assets	$ 1,736.3	$ 1,737.6
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 50.4	$ 47.4
Accrued payroll and related expenses	48.2	44.4
Deferred revenue	65.7	63.7
Accrued expenses	25.3	23.8
Short-term debt	—	—
Other current liabilities	57.5	53.5
Total current liabilities	247.1	232.8
Long-term debt	636.0	637.6
Other non-current liabilities	171.6	165.1
Total stockholders' equity	681.6	702.1
Total liabilities and stockholders' equity	$ 1,736.3	$ 1,737.6

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