

VIAVI Solutions

Analyst Day 2019

VIAVI Solutions

September 12, 2019

Agenda

8:00 - 8:30 am	**Registration Check-in/Breakfast**	
8:30 - 8:35 am	Welcome/Agenda	Bill Ong
8:35 - 9:45 am	VIAVI Strategy	Oleg Khaykin
9:45 - 10:00 am	Q&A	Bill Ong
10:00 - 10:15 am	Break/ Fiber, 5G & 3DS Product Demo Showcase	
10:15 - 11:00 am	Financial Update/Closing Summary	Amar Maletira
11:00 - 11:30 am	Q&A	Bill Ong
11:30 - 1:00 pm	Fiber, 5G & 3DS Product Demo Showcase; Lunch	

Safe Harbor

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 27, 2019 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 www.viavisolutions.com.

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

Speaker Title



VIAVI Strategy Presentation

Oleg Khaykin
President and Chief Executive Officer

Recap: VIAVI Strategy September 2016

Vision	To be #1 or a strong #2 in all market segments where we compete
NSE Strategy	Market leadership in Network Enablement (NE), reinforced by highly focused Service Enablement (SE) • Scale NE through share gain, consolidation, and expansion into adjacent markets • Highly focused SE that is synergistic with and leverages our NE position • Corporate development model to drive financial leverage and utilize NOLs
OSP Strategy	Leverage proprietary Pigments and Optical Coating technologies to build market leadership in large, high value applications • Defend and expand core anti-counterfeiting business • Grow leadership in 3D Sensing beyond consumer electronics • Expand into high value existing and emerging AMI* applications

*Automotive, Military & Industrial

Invested $1.3B+ To Drive Top Line Growth

R&D + CAPEX ~$700M



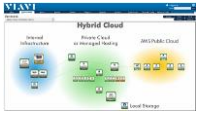
Fiber, Cable, Wireless Instrumentation Platforms



3D Sensing



Anti-Counterfeiting



Software Platforms

M&A Investment ~$630M

TRILITHIC

Cable/DOCSIS 3.1

COBHAM AEROFLEX

5G, Mil/Aero

RPC Photonics

3D Sensing

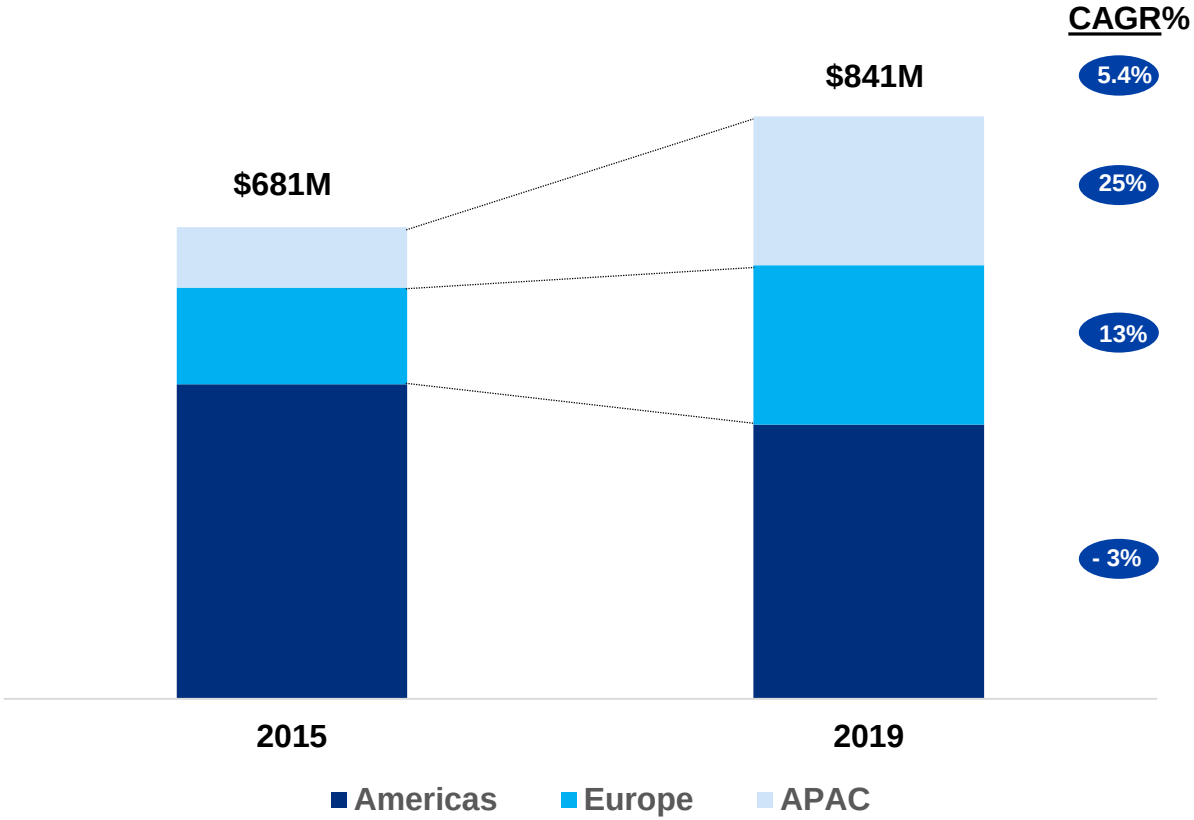
3Z TELECOM

Wireless/5G

Notes:
1) Investments are from FY16 to FY19; FY16-FY17 investments were not meaningfully impacted by ASC 606
2) R&D + CapEx excludes depreciation
3) Numbers rounded for presentation

Geographically Diversified NSE Revenue Base

Reduced Dependence on North American Spend



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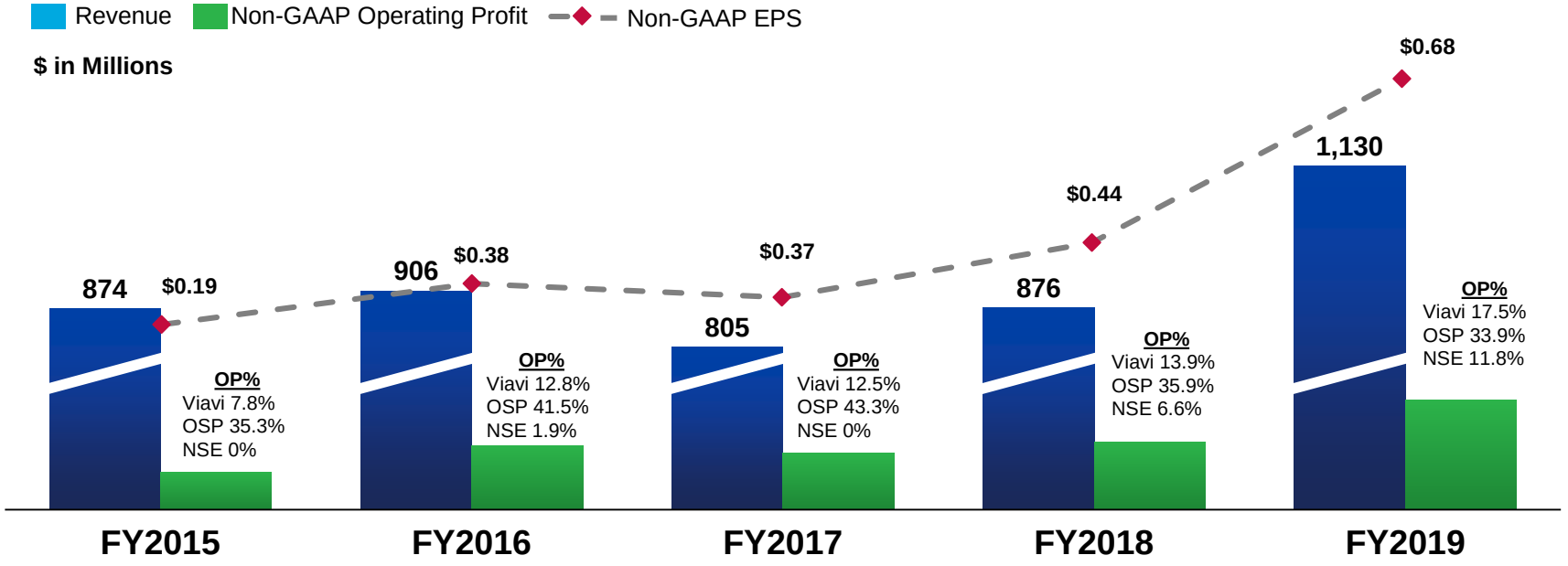
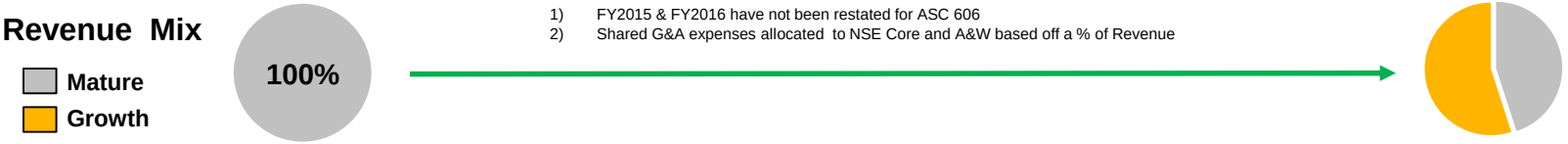
Transformed Financial and Growth Profile of the Company



Revenue Mix



1) FY2015 & FY2016 have not been restated for ASC 606
2) Shared G&A expenses allocated to NSE Core and A&W based off a % of Revenue

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2) Shared G&A expenses allocated to NSE Core and A&W based off a % of Revenue

Next Phase: VIAVI Strategy 2019-2022

Vision	#1 or a strong #2 in all market segments where we compete

Strategy

1. **Defend and expand the base business**
   - NSE: Continue with “Big NE, focused SE” strategy
   - OSP: Anti-Counterfeiting pigments and high value Optical Coatings
2. **“Ride the Waves” – leverage secular trends to drive growth and expand TAM**
   - “Fiber Everywhere” – wireless, cable, and FTTx networks
   - 5G – RF Field Instrumentation, Service Assurance
   - 3D Sensing technology adoption in consumer, automotive, and industrial
3. **Disciplined corporate development / M&A**
   - “Go Deep” to increase and leverage operating scale in growth areas
   - Select diversification into adjacent markets segments to monetize NOLs
4. **Drive operational effectiveness**
   - Continuous productivity improvement in Operations, R&D, and SG&A

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1 Leadership Position in all Target Market Segments

Test and Measurement Leadership

NSE

- #1 in Cable
- #1 in Access
- #1 in Metro and Transport
- #1 in Fiber

AvComm and Wireless T&M

- #1 in RAN-to-Core Network Test
- #1 in Land-Mobile and Military Radio
- #1 In Nav / Comm and Transponder

Security Authentication/Sensing Leadership

OSP

- #1 in Anti-Counterfeiting Pigment Materials
- #1 in 3D Sensing Optical Filters and Diffusers

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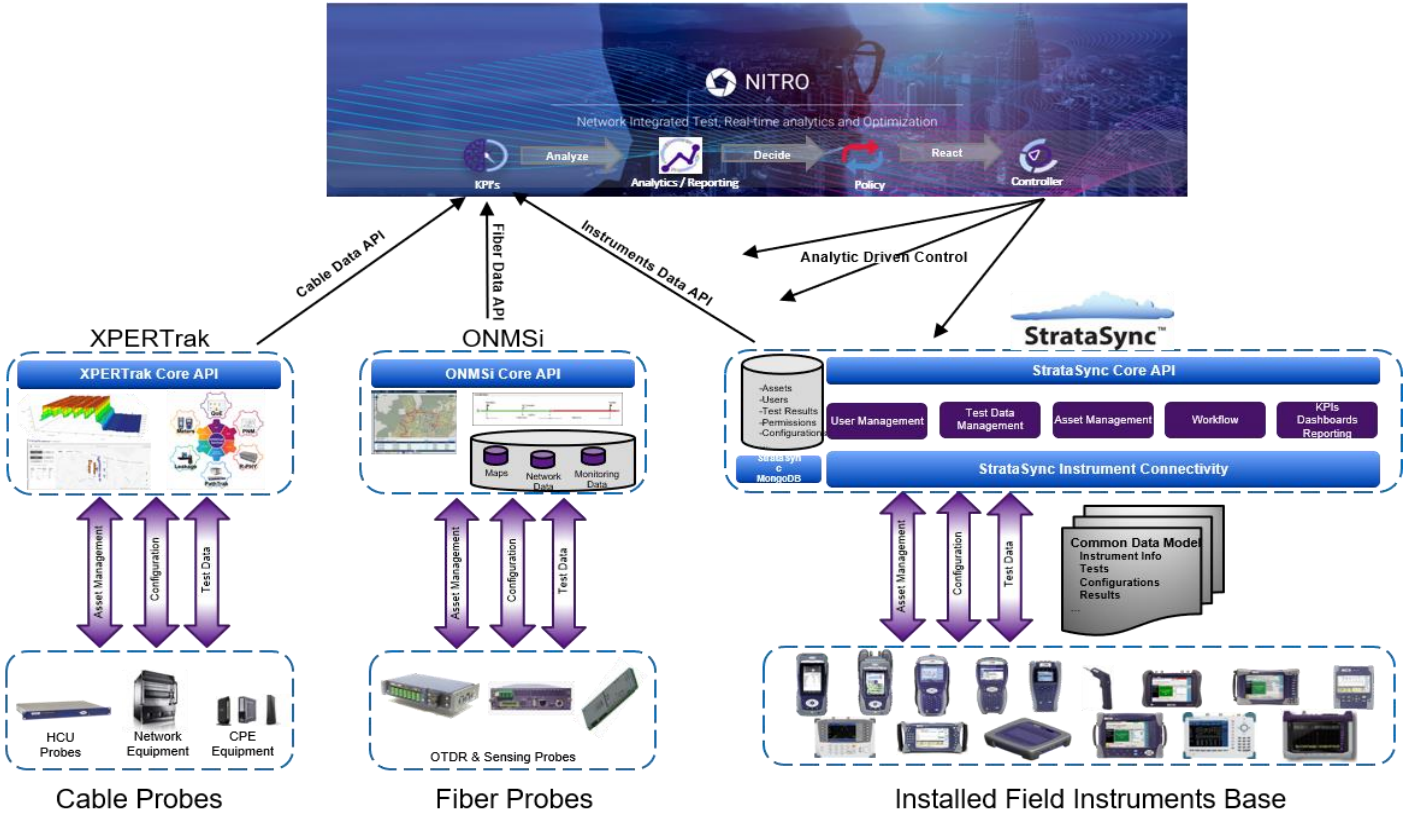
1 NSE Ecosystem a Source of Competitive Advantage and Differentiation



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1 Traditional OSP End Markets Continue to be Attractive

GROWTH

Consumer & Industrial

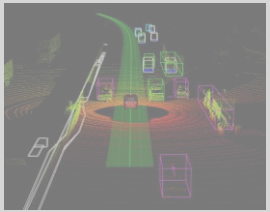




Optical components for human-to-machine interface for smartphones, computers, and drones

Automotive





Optical components for ADAS

MATURE

Anti-Counterfeiting









Protection of banknotes and other valuable documents

Government & Defense





Optics for guidance and battlefield vision systems

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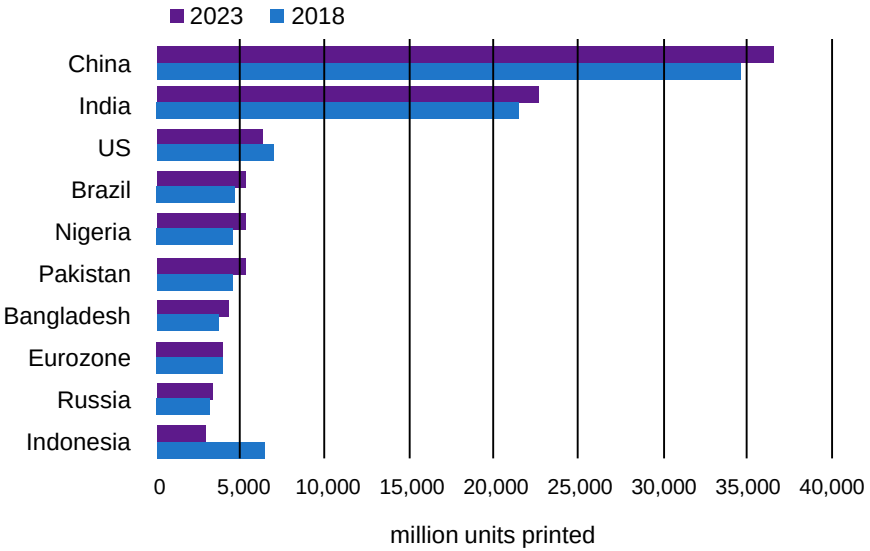
1 Banknote Print Volumes Expected to Remain Stable

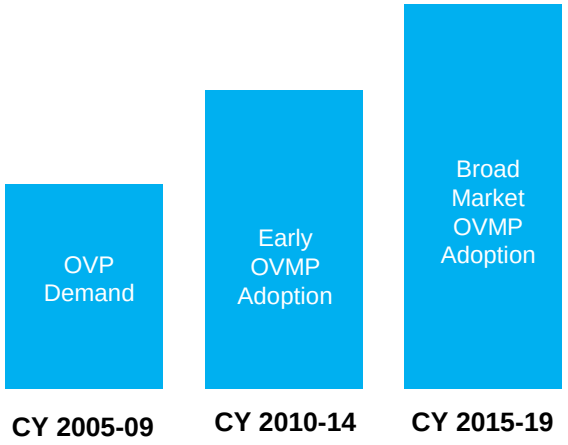
Adoption of Advanced Anti-Counterfeiting Features Driving OSP Demand

Top 10 National Banknote Markets (2018 – 2023) (in Millions of Printed Banknotes)



Source: Smithers Pira

VIAVI Average Annual Anti-Counterfeiting Pigment Shipment (in Metric Tons)



Source: VIAVI

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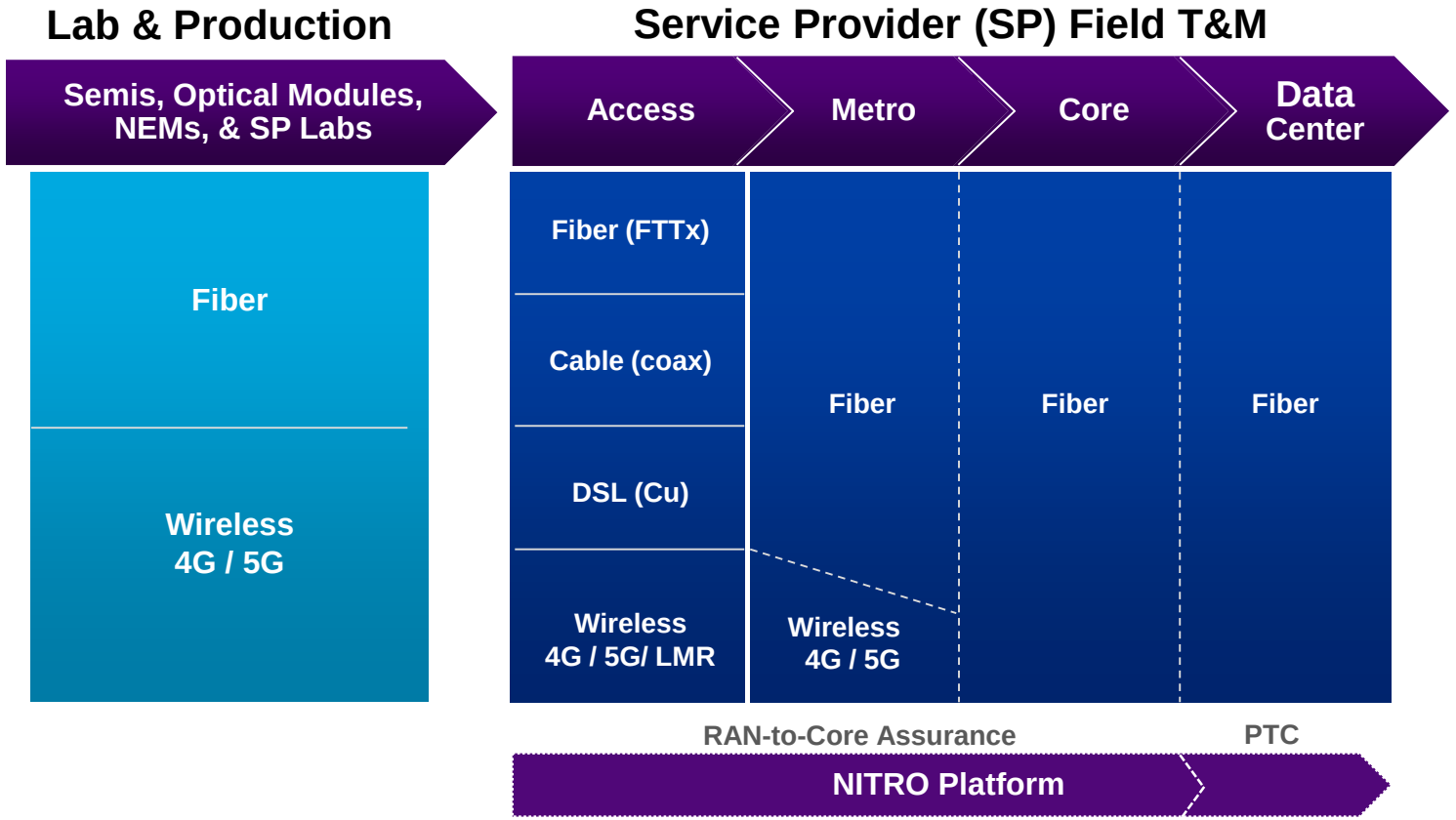
2 Fiber and Wireless at Core of NSE Growth Strategy



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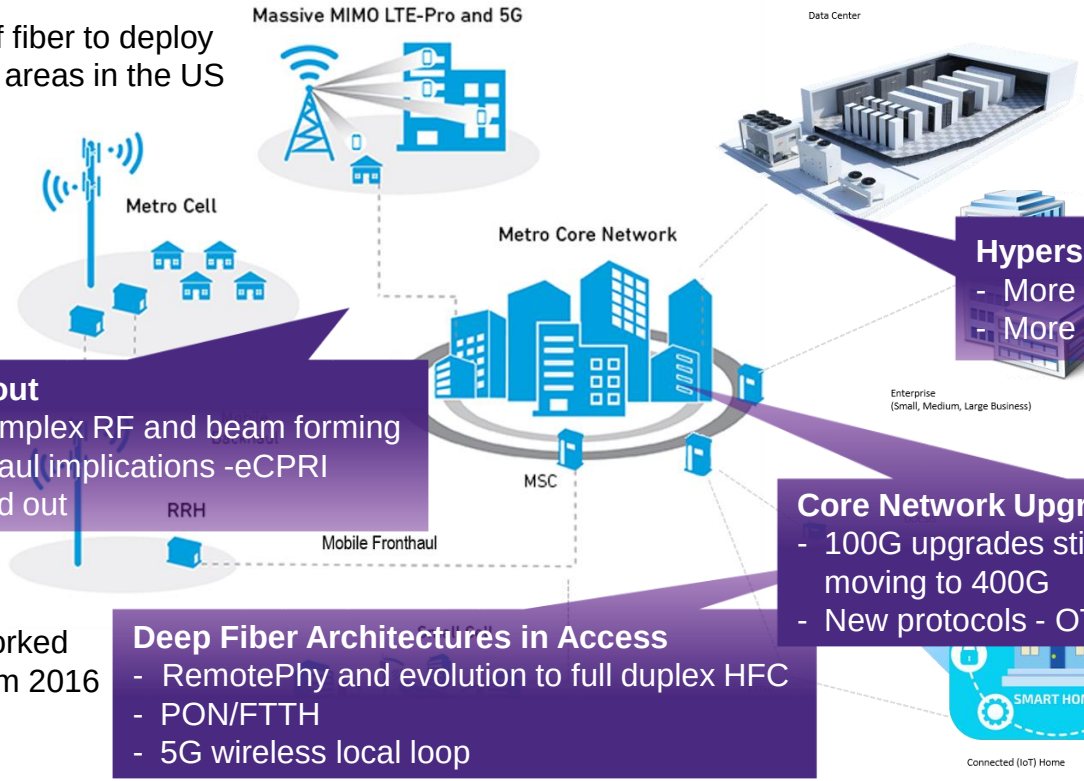
2 Fiber Proliferation and Growth Drivers

~1.4 million miles of fiber to deploy 5G in Top-25 Metro areas in the US



100K + field technicians will need fiber test gear
- Grand View Research 2016

Hyperscale Data Centers
- More apps moving to cloud
- More intense SLA

5G Network Buildout
- New RAN with complex RF and beam forming
- Timing and fronthaul implications -eCPRI
- Massive fiber build out

Core Network Upgrades
- 100G upgrades still in early stage and moving to 400G
- New protocols - OTN and FlexE / FlexO

By 2021, 27.1B networked devices, up ~60% from 2016

Deep Fiber Architectures in Access
- RemotePhy and evolution to full duplex HFC
- PON/FTTH
- 5G wireless local loop

Internet traffic 24% CAGR thru 2021
- Cisco Visual Networking Index, Sep 2017

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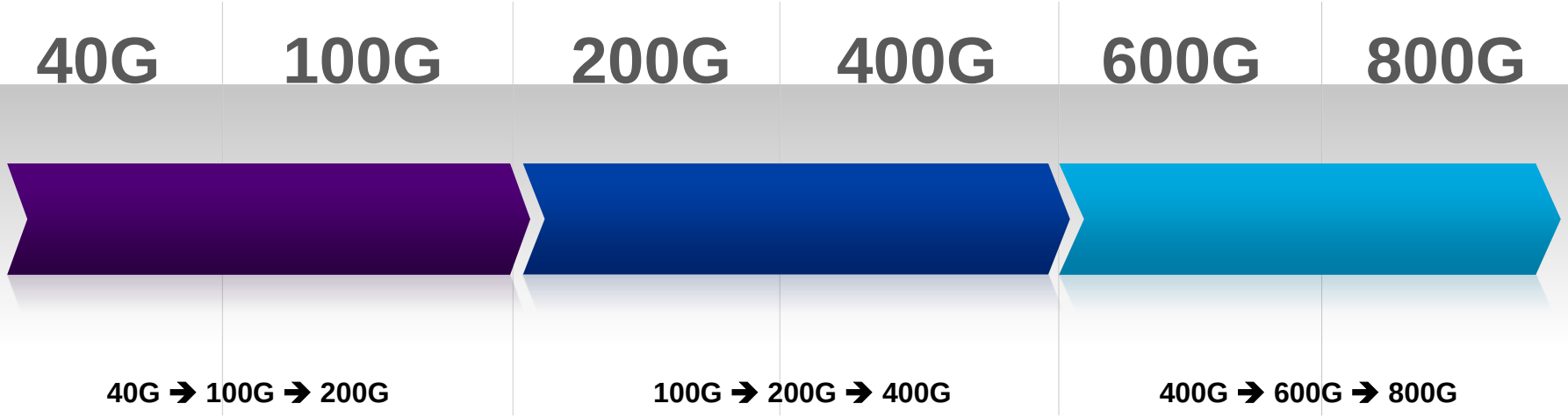
2 Speed Progression Further Amplifies the Fiber Demand



40G ➔ 100G ➔ 200G

Enterprise to Data Center Interconnect & CSP Metro Network

100G ➔ 200G ➔ 400G

Metro and Core Networks

400G ➔ 600G ➔ 800G

Advanced R&D

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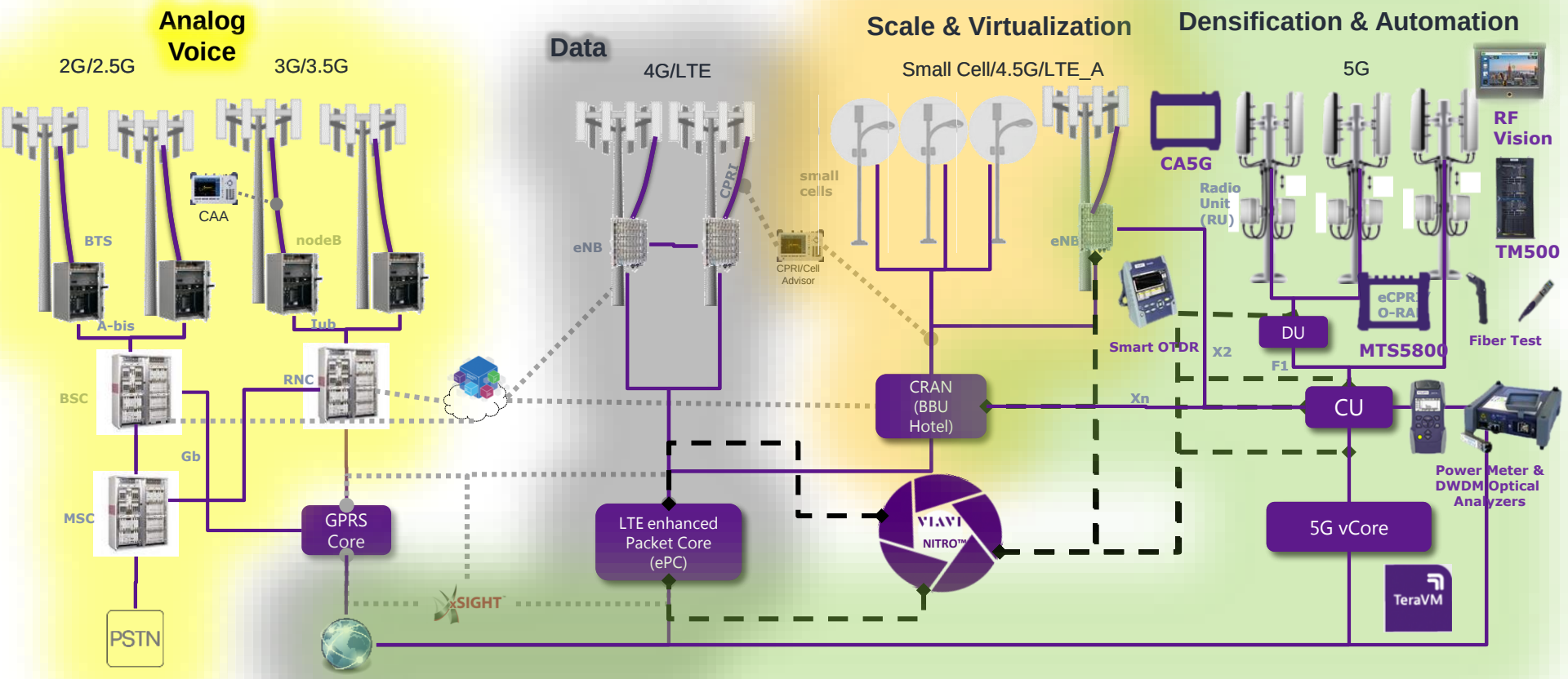
2 VIAVI Offers the Most Comprehensive Set of Fiber Test and Monitoring Solutions



2 VIAVI Wireless Opportunity Growing With Mobile Networks Architecture Evolution (2G ➔ 5G)



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2 5G Strategy: Parlay Leadership in Lab Test to Field Deployment to Assurance (L2F2A)

RANtoCore™



TM500, E500: Device emulation and network test



TeraVM

Mobile network and IP data / Apps emulation

Fiber, Metro, and RF Field Test Products



CellAdvisor 5G:
- Signal
- Interference
- Beamforming
- Cable/Antenna



Fiber optic test solutions: T-BERD/MTS-2000 and FiberChek Sidewinder



T-BERD/ MTS-5800-100G





3Z RF Vision

VIAVI NITRO

Network **I**ntegrated **T**est, **R**eal-time analytics and **O**ptimization

LABS → TRIALS → PRE-COMMERCIAL → COMMERCIAL -INSTALL → OPTIMIZATION → AUTOMATION

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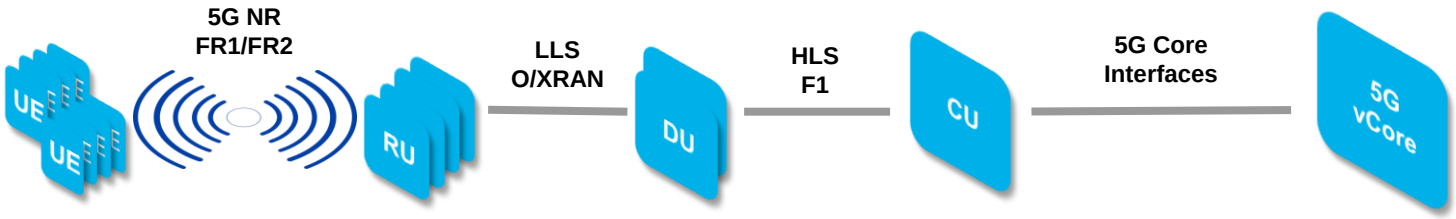
2 VIAVI Leadership in 5G System Test Opened Doors to Field Test Trials



5G NR Radio Protocols	5GNR Radio Wireless	5G xHAUL Transport & Protocols	5G Mobile Network Protocols	5G vCore Testing
TM500				

5G Devices and Applications Emulation

- eMBB, URLLC, Massive IoT
- Radio (AS), NAS and Application Traffic
- 4G and 5G FR1 & FR2 simultaneous emulation

5G Beam Scanner / Analyzer

- Lab setup and configuration verifications
- RF power, Beam power and quality analysis
- Over the Air (OTA) & cabled

5G xHAUL Transport Analyzer

- Transport SLAs verification & sensitivity tests
- Transport network design & dimensioning
- Network Timing/ Synchronization, Activation

5G RAN Analyzer

- CU-DU Split interworking
- NSA/SA RAN Core interworking
- Network wide User throughput and experience
- Cell and Beam based Mobility

5G Core Emulator

- Standalone, non-standalone 5G
- Automation and scripting tools
- Negative testing via error injection on the N2 interface (gNB -AMF)
- Virtualized architecture enables “Elastic test bed”
- Alignment and compatibility with TM500 test mobile

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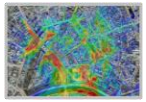
2 5G Deployment Plays to VIAVI Core Strengths

Workflow Automation Using Field Instruments and Service Assurance Software





GEO 3D Coverage, Fiber Monitoring
NITRO

Construction and Installation
5G Installer Tool Kit

Site Certification and Test Process Automation



StrataSync

Antenna Alignment
3Z RF Vision



Beam RF Scanning
CA5G





Beam Service Verification
CA5G

Timing and Transport
5800

2 3D Sensing Principal Growth Driver for OSP

GROWTH

Consumer & Industrial

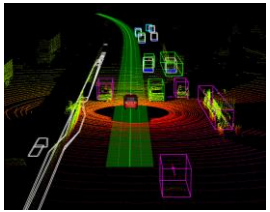




Optical components for human-to-machine interface for smartphones, computers, and drones

Automotive





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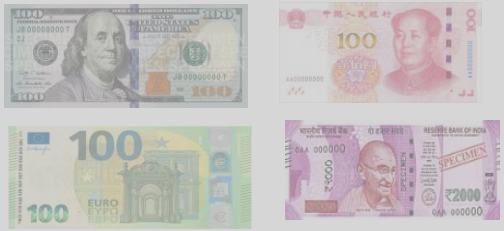
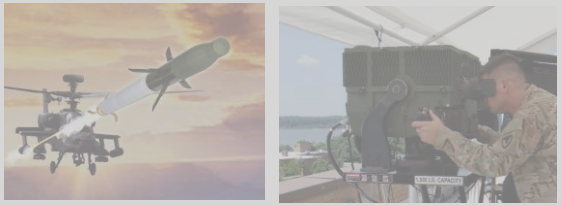


Protection of banknotes and other valuable documents

Government & Defense



Optics for guidance and battlefield vision systems

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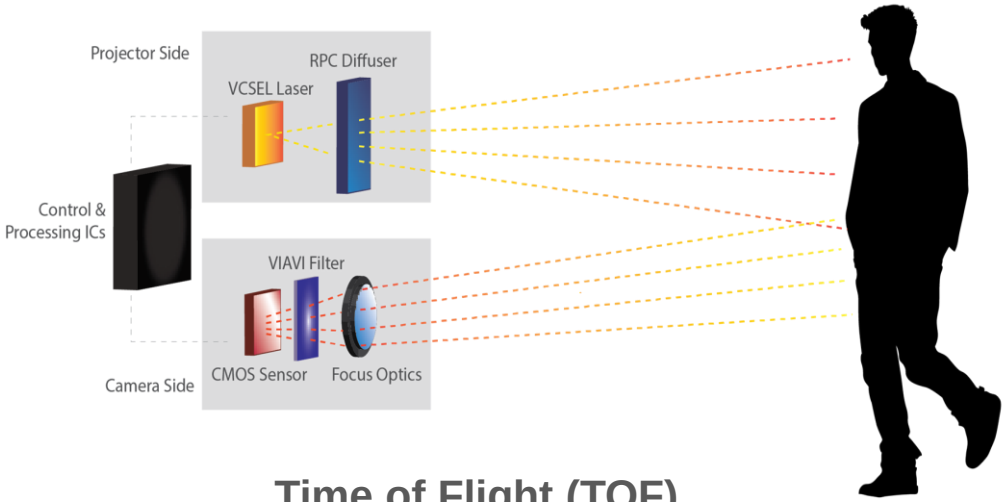
2 3D Sensing: Consumer Applications Major Focus Today

Leading technology and market position in both prevalent 3D Sensing Solutions

- Technology and market leader in LAS IR filters
- Leading position on the engineered diffusor on TOF projector side
- Strong position on the flood illuminator



Structured Light



Time of Flight (TOF)

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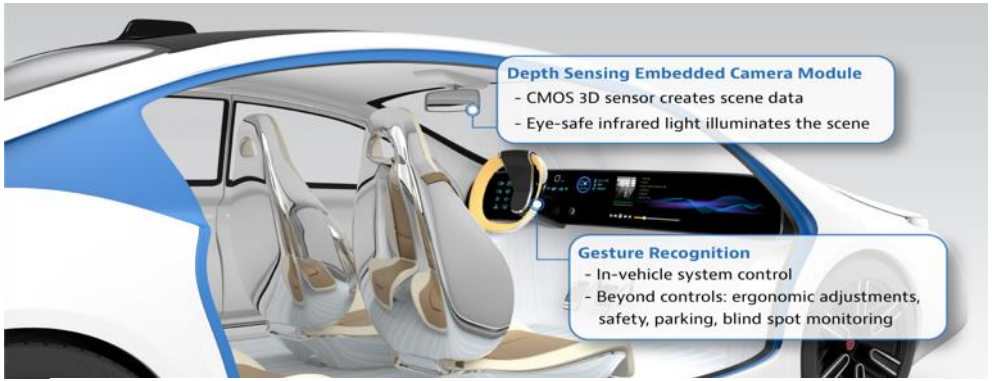
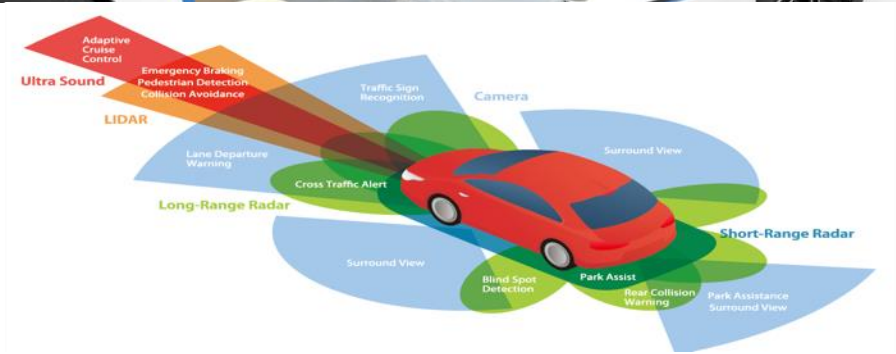
2 3D Sensing: Automotive Application

Major Opportunity Longer Term

High-performance Filters and Engineered Diffusers for Automotive Applications

- In cabin driver and passenger monitoring for personalization, comfort and security
- Facial and gesture recognition for driver monitoring and interior controls
- 3D external environment monitoring for Advanced Driving Assisted Systems (ADAS) and LiDAR for autonomous driving





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Next Phase: VIAVI Strategy 2019-2022

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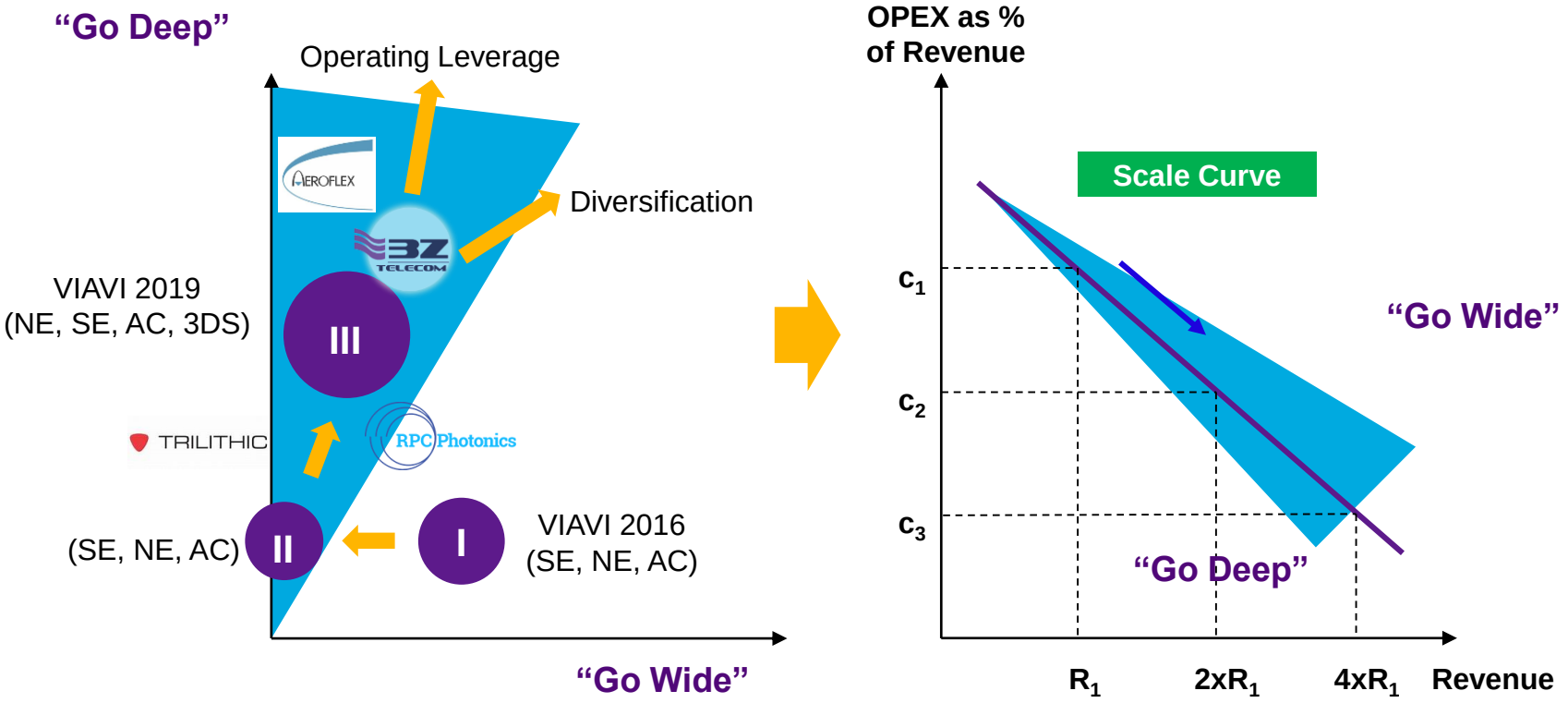
3 Disciplined Corporate Development / M&A Framework

Drive Scale and Operating Leverage



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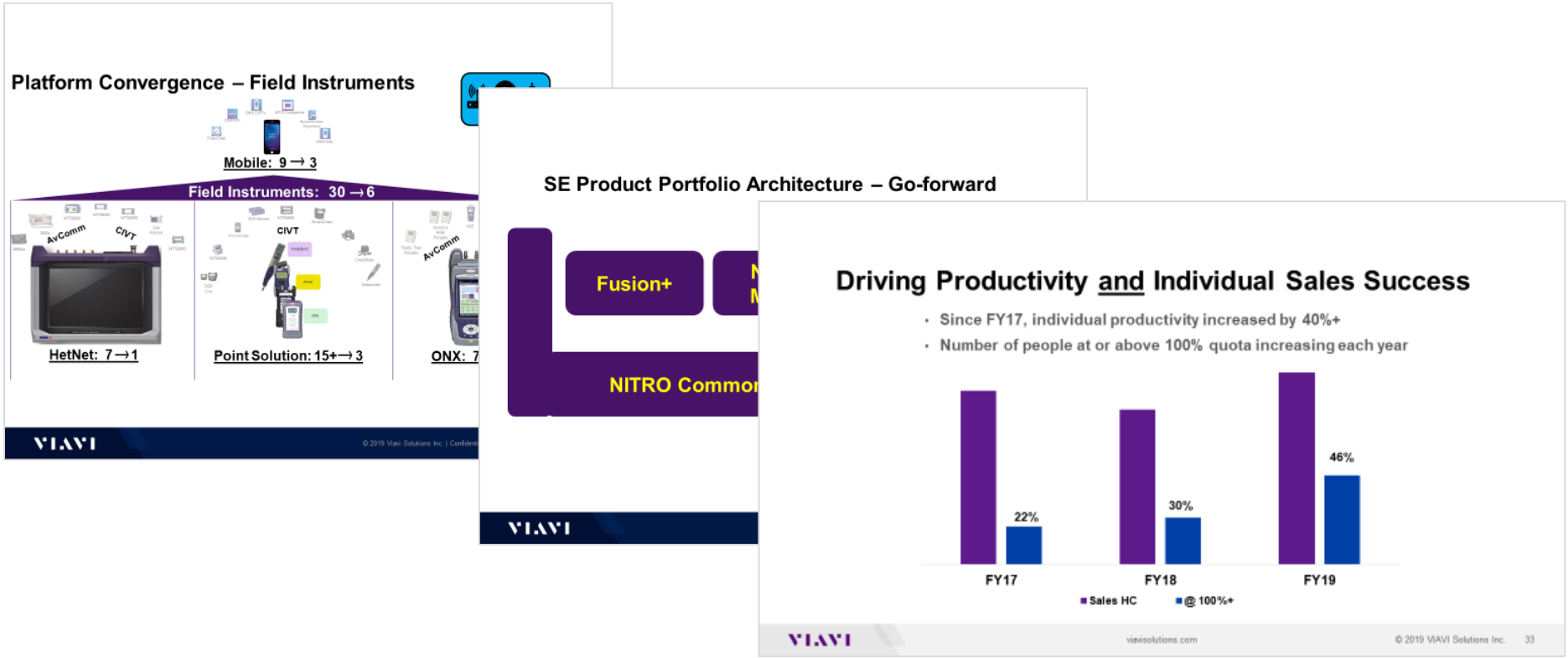
4 Driving Operational Effectiveness Across the Company



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VIAVI
VIAVI Solutions
Q & A
$
5G

Speaker Title



Financial Update

Amar Maletira
Executive Vice President and
Chief Financial Officer

Delivered on 3-Year Financial Commitment

Non-GAAP	Sept. 2016 Guidance	FY19 Results
VIAVI Revenue*	**$805M - $875M**	**$1,130M** ✓
NSE	$555M - $595M	$841M
OSP	$250M - $280M	$289M
VIAVI Op Margin	**17% to 19%**	**~17.5%** ✓
NSE	7% to 9%	~12%
OSP	39% to 41%	~34%
EPS	**$0.45 - $0.55**	**$0.68** ✓

Key Drivers

- Restructured SE
- Surgically reduced cost and improved efficiencies across-the-board
- Invested in growth: 3D Sensing, Fiber, Wireless, DOCSIS 3.1, 400GbE
- Value enhancing acquisitions in secular growth areas
- Refinanced old convertible debt

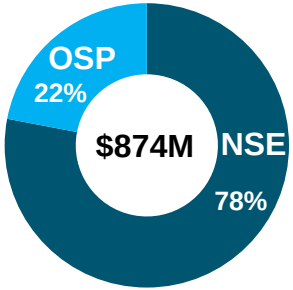
Headwinds

- Significant spending cut by North American Service providers
- Cyclical slowdown in Anti-Counterfeiting in FY18
- Delays in some technology transitions in NSE Field and Lab
- Macro uncertainties

*Revenue is a GAAP financial metric

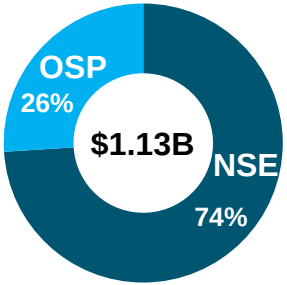
Grew Revenue While Improving the Mix

FY15*



- No clear growth areas
- NSE revenue concentrated in Americas
- Several unprofitable businesses / product lines

FY19



FY19 vs FY15

VIAVI	29% ↑
NSE	24% ↑
OSP	50% ↑

- 50%+ of revenue in secular growth areas
- Diversified NSE revenue outside Americas
- Every business is profitable

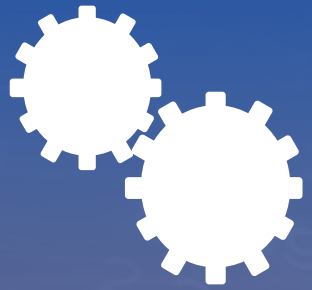
*FY15 pre-spin financials not recast to ASC 606; for directional comparative purpose only

Significant Turnaround In Profitability

	Non-GAAP Operating Profit	Non-GAAP Operating Margin	Non-GAAP EPS	Cash Flow from Operations
FY15*	VIAVI $68M NSE 0 OSP $68M	VIAVI 8.0% NSE 0% OSP 35%	$0.19	$36M**
FY19	VIAVI $198M NSE $100M OSP $98M 190%	VIAVI 17.5% NSE 12% OSP 34% 950bps	$0.68 258%	$139M 286%

*FY15 pre-spin financials not recast to ASC 606; for directional comparative purpose only
**Estimated FY15 cash flow from operations based on segment profitability allocation

Levers Used to Drive Improved Profitability

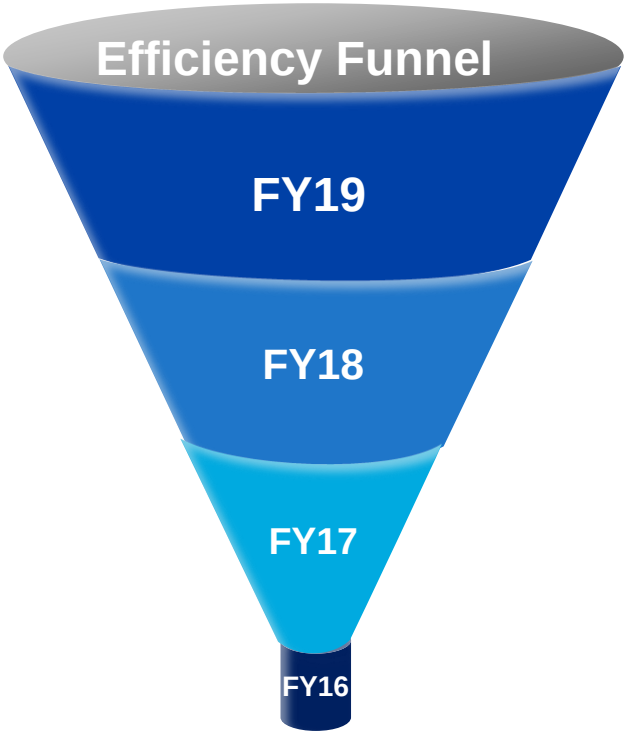


Operational Efficiency



Growth
Organic and Inorganic

Relentless Execution of Cost Initiatives



FY19	• AvComm and Wireless Synergies (ongoing) • Launched IT system upgrade (ongoing)
FY18	• Consolidated R&D platforms and selective offshoring (ongoing) • Improved Sales efficiency (ongoing)
FY17	• Restructured SE • Exited unprofitable product lines in NE • Drove efficiency in Marketing and Operations (ongoing)
FY16	• Right-sized G&A (offshored Finance and IT) • Consolidated sites and legal entities (ongoing)

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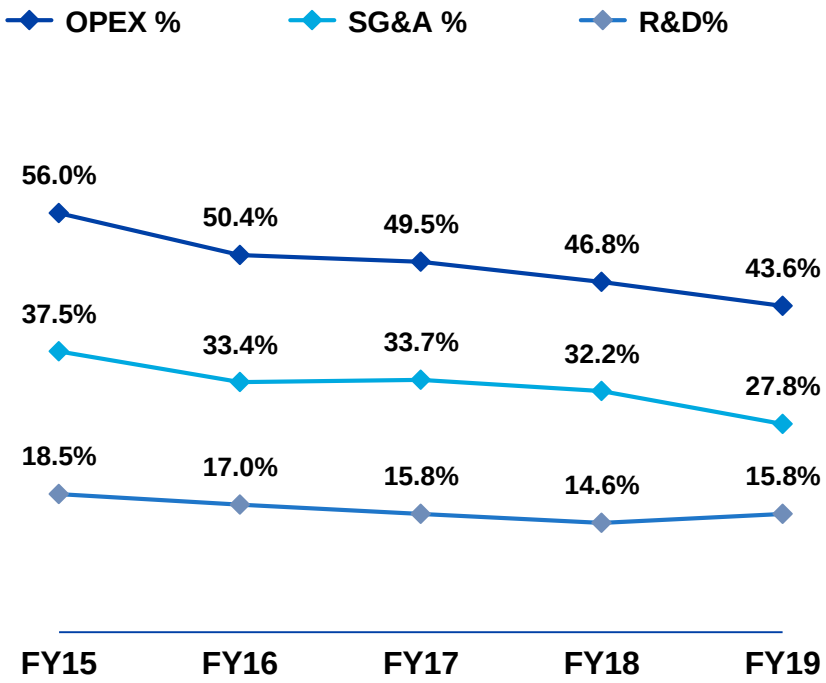
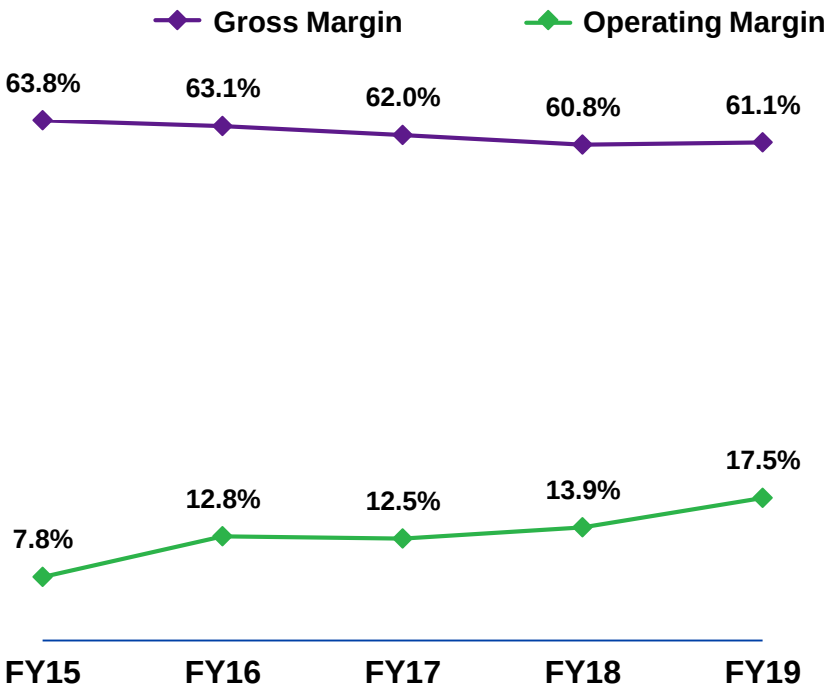
Solid Improvement in Operating Efficiency

VIAVI OpEx Trend



VIAVI Margin Trend



Notes:
1.) FY15 and FY16 reflect ASC 605
2.) All Metrics are Non-GAAP

Invested $1.3B+ To Drive Top Line Growth

R&D + CAPEX ~$700M



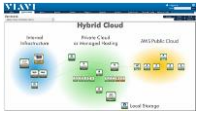
Fiber, Cable, Wireless Instrumentation Platforms



3D Sensing



Anti-Counterfeiting



Software Platforms

M&A Investment ~$630M

TRILITHIC

Cable/DOCSIS 3.1

COBHAM AEROFLEX

5G, Mil/Aero

RPC Photonics

3D Sensing

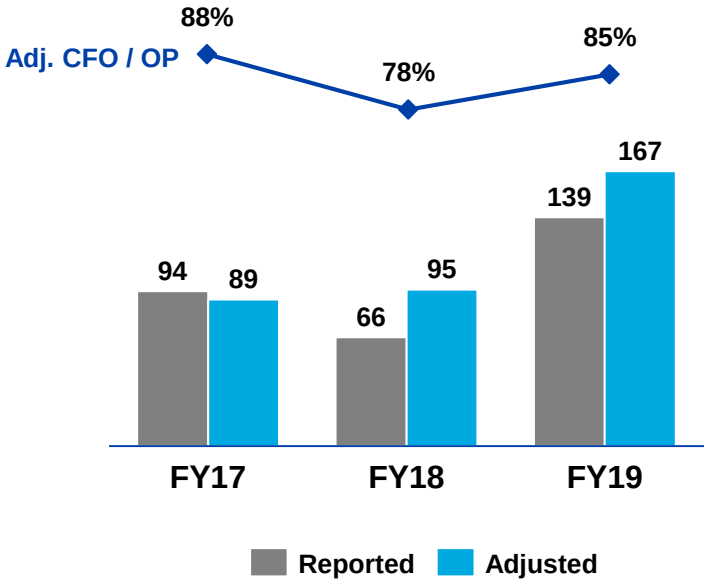
3Z TELECOM

Wireless/5G

Notes:
1) Investments are from FY16 to FY19; FY16-FY17 investments were not meaningfully impacted by ASC 606
2) R&D + CapEx excludes depreciation
3) Numbers rounded for presentation

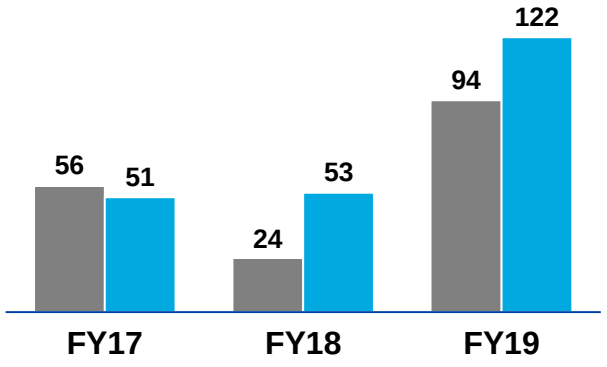
Significant Improvement in Cash Flow

Cash Flow from Operations



All figures in $M

Free Cash Flow



CapEx	38	42	45

All figures in $M

Notes:
1) Adjustments include one-time cashflows related to restructuring, acquisitions, M&A integration and customer pre-payment
2) Operating Profit used in (Adj.CFO / OP) is Non-GAAP.

FY2020 Outlook

Raising Q1 FY20 Outlook with Strength in both NSE & OSP

VIAVI	Q1 FY20 Updated Outlook (Non-GAAP)	FY20 Outlook (Non-GAAP)
Revenue	$282M - $294M ↑	$1,140M - $1,170M
Operating Margin	16% - 18% ↑	17.5% - 18.5%
EPS	$0.15 - $0.17 ↑	$0.67 - $0.73

Key Assumptions for FY2020 Outlook

Wireless and Fiber key drivers of growth in NE across both Lab and Field

SE revenue expected to stabilize after multiple years of decline; SE mature product lines expected to be 10% or less of SE mix

3D Sensing revenues will continue to ramp as adoption for this technology increases at both Android and Non-Android customers

Core OSP revenue returns to normal run rate in FY20; presently due to limited visibility, although pipeline remains robust

Expected OI&E in the range of $7M to $8M, Tax rate of 17% to 19% and Share count at 237M shares

Note: Revenue is a GAAP financial metric

FY2022 Outlook

Expect EPS Growth to Outpace Topline Growth

VIAVI	FY22 Outlook (Non-GAAP)	CAGR (FY19-FY22)
Revenue	$1,200M - $1,300M	2% - 5%
Operating Profit	$230M - $270M	5% - 11%
Operating Margin %	19% - 21%	
EPS	$0.80 - $0.90	6% - 10%

Reported Segment	Revenue CAGR (FY19-FY22)	Operating Margin (Non-GAAP)
NSE	2% - 5%	13.5% - 14.5%
OSP	2% - 5%	35.0% - 37.0%

Key Assumptions

- Macro environment does not degrade
- Wireless/5G, Fiber, and 3D Sensing key drivers of growth
- Core OSP business, although cyclical, remains stable at baseline run-rate
- Mature businesses in NSE will decline moderately
- Continue to drive operational efficiency

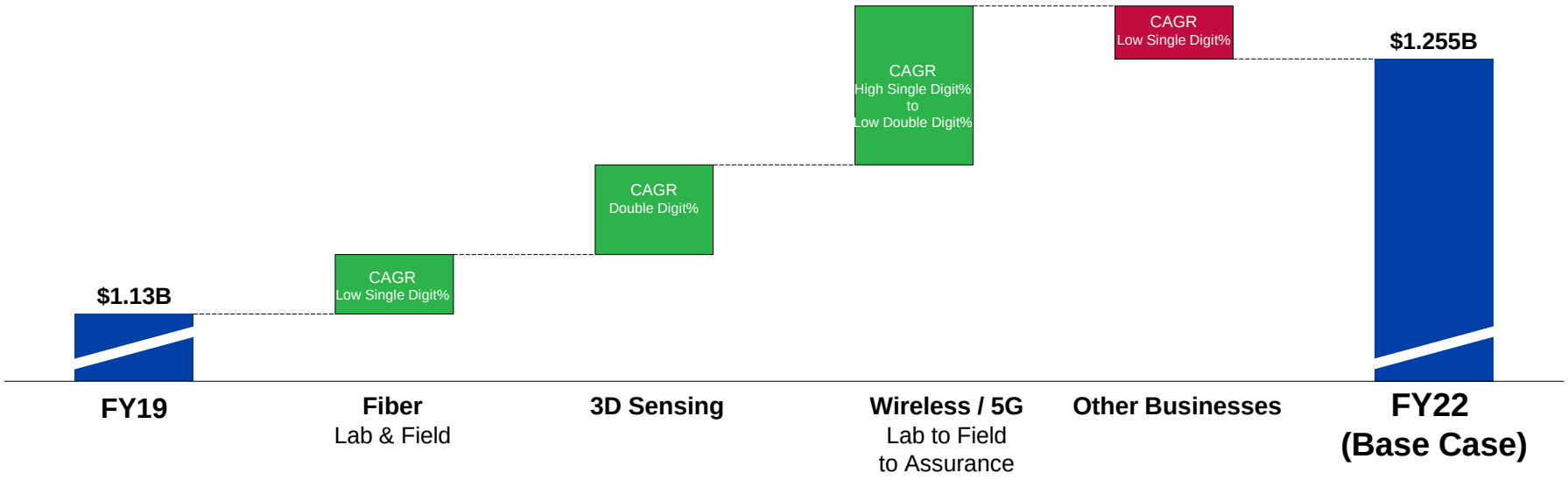
Non-Operational Assumptions

- Share count : 240 million shares
- Tax rate : 17% to 18% annual
- OI&E : $7M to $9M annual

*Revenue is a GAAP financial metric

FY2022 Base Case Revenue Drivers

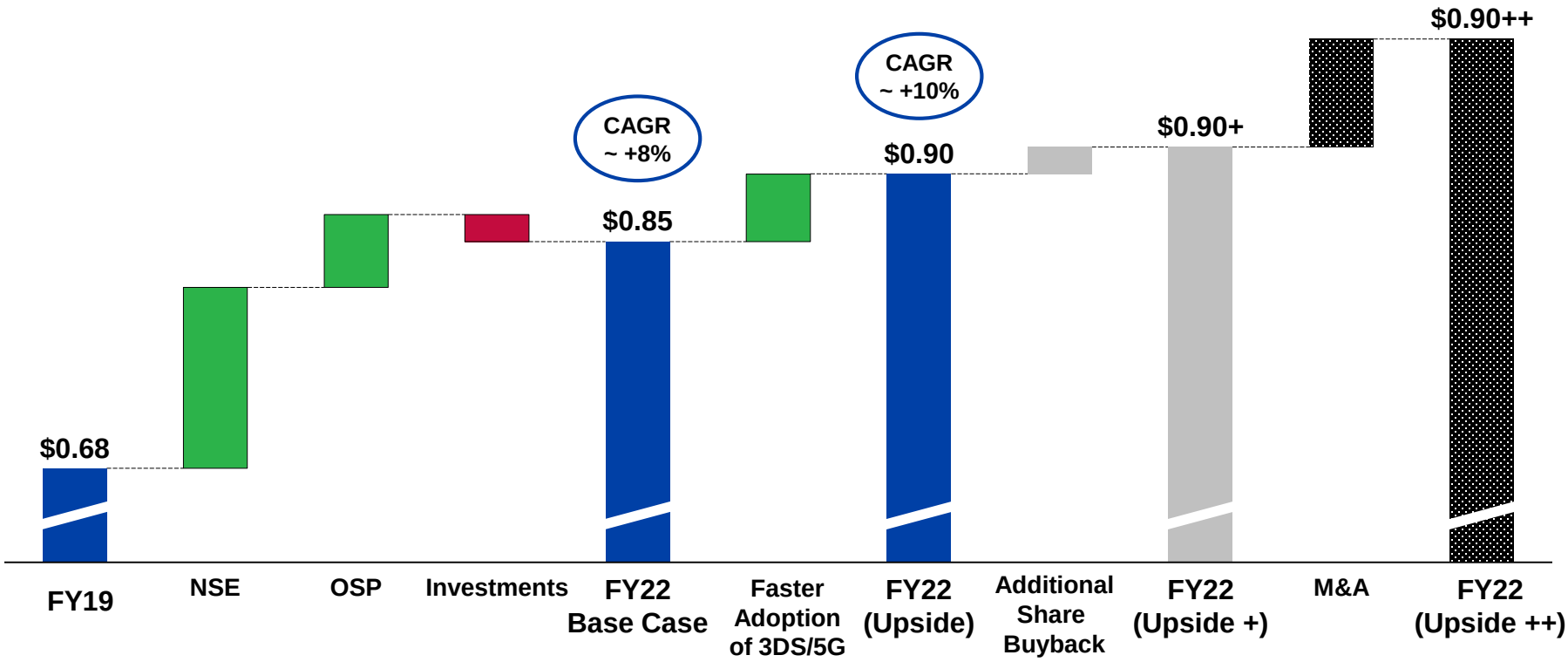
(+$125M, +3.5% CAGR)



Wireless / 5G, Fiber (FTTX) and 3D Sensing key drivers of growth

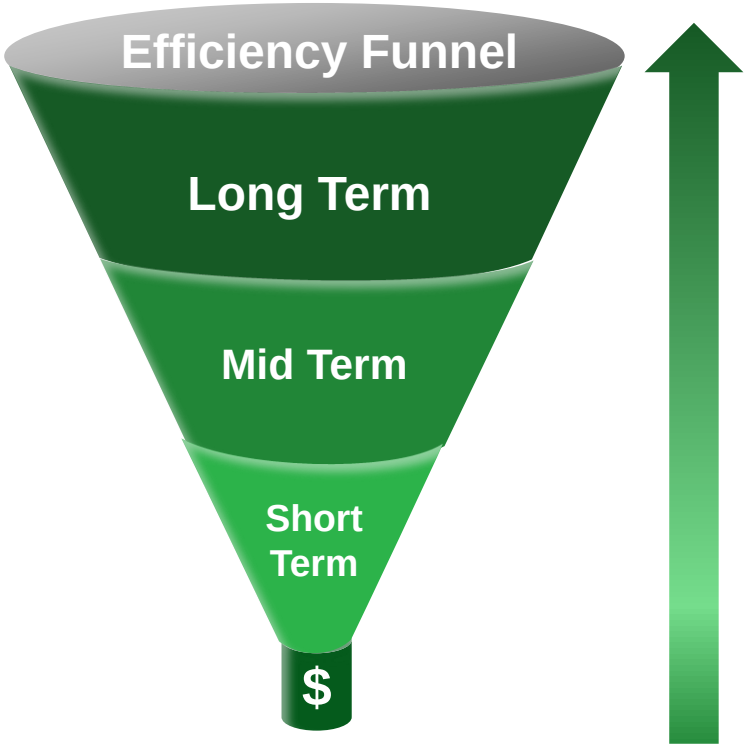
Notes:
1) Figures are directional and show approximations based on certain assumptions product groupings, technology drivers, etc.
2) Numbers might not add to total due to rounding
3) Businesses grouped per internal mgmt. hierarchies

FY2019 to FY2022 Non-GAAP EPS Drivers



Notes:
1. Figures are directional and show approximations based on certain assumptions product groupings, technology drivers, etc.
2. Numbers might not add to total due to rounding
3. Vertical Bars in walk might not be to scale

FY2020-FY2022 Operational Efficiency & Effectiveness Initiatives



- Tax optimization outside of the U.S.
- Real estate consolidation
- Legal entity rationalization
- Continued focus on Sales and Marketing efficiencies
- Ongoing Operations/Manufacturing efficiency program
- Further optimization of G&A footprint and robotic automation
- Integration of AvComm and Wireless IT systems, and tools
- Upgrade IT systems and tools (simplification, standardization and automation of processes)
- Continued consolidation & convergence of technology platforms across NSE product lines

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VIAVI Operating Model

Revenue Sensitivity	-10%	Mid-Point	+10%
Operating Margin	-2.0 to -3.0 ppts	17.5% **FY19** → 19% - 21% **FY22**	+1.5 to +2.5 ppts

Resilient against Minor Downturns and Highly Leverageable to Upsides

Note: Operating Margin is Non-GAAP

Strong Balance Sheet and Flexible Capital Structure

Leverage Profile

FY2019 year-end (June 29, 2019)	
1.75% Convertible Notes due 2023	$225M
1.00% Convertible Notes due 2024	$460M
Gross Debt	$685M
Cash and Cash Equivalents	$526M
Net Debt	$159M
FY19 Year-End EBITDA (Non-GAAP)	$238M
Gross Debt-to-EBITDA (Non-GAAP)	2.9x
Net Debt-to-EBITDA (Non-GAAP)	0.7x

Good Liquidity

~$500M+ in available liquidity

- $526M in cash / cash equivalents
- Strong balance sheet provides flexibility in managing liquidity

Gross Debt-to-EBITDA of ~3x

- Ability to lever up for the right value enhancing inorganic opportunity

Notes:
1. Numbers might not add to total due to rounding
2. Debt Ratio = Total Debt / Total Assets as of FY19 Year–End
3. Cash and Cash Equivalents includes cash and cash equivalents, short-term investments and short-term restricted cash

Capital Allocation Priorities Remain Unchanged



Reinvest in Core Business

- Targeted investments in R&D and go-to-market to drive organic growth
- Average annual capital expenditures of 3% to 5% of revenue



Disciplined M&A

- Aligned to growth strategies and industry consolidation
- Continued focus on tuck-ins to strengthen current portfolio
- Accretive acquisitions



Return of Capital

- Opportunistically repurchase shares to manage earnings dilution
- Repurchased $148.6M (avg. $8.89 paid per share) in the old program
- Initiate new share repurchase program of $200M valid until September 30, 2021

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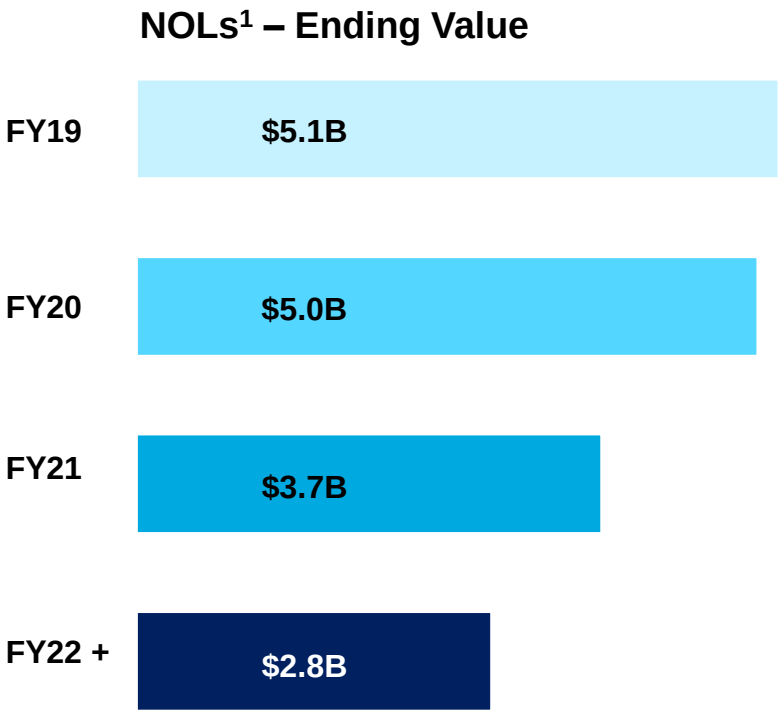
Net Operating Losses Remain a Key Asset



Key Highlights

- Significant U.S. Federal Net Operating Losses [NOLs] remain even after ~$1.2B expires in FY21
- Shielded $150M+ in U.S. Federal profits from FY16-FY19[2]
- Super Distributor Model brought back $100M+ in overseas profits and cash
- Key synergy in accretive/profitable M&As

Section 382 Limits NOL Usage

- Ownership changes [>50ppts, rolling 3-years, 5% shareholders]
- Additional stock issuance for M&A
- VIAVI is acquired

Notes:
1) US Federal NOLs
2) Shielded $50M in Operating Profits and an additional $110M in capital gains generated from sale of Lumentum shares, spin-related gains, etc.; excluding shield due to Divestiture

Financial Summary

- Delivered on our previous 3-year Commitment
- Positioned the Business for Growth
- Execution Discipline and Focus on Efficiency is Ongoing
- FY2019 to FY2022 Profit growth will Outpace Topline growth
- Capital Allocation priorities focused on Organic & Inorganic investments and Capital Return

Summary – VIAVI Investment Thesis

I. Core Business Optimization

- Defensible core business with significant financial leverage
- Continued improvement in operational effectiveness across all functions to drive margin expansion

II. Major Secular Growth Opportunities

- 5G Wireless
  - OEMs/NEMs: Simulation/Testing
  - Field Instruments: 5G Trials and Network Deployment
- Fiber proliferation
- 3D Sensing
  - Consumer Electronics today
  - Automotive in 2-3 years
- Track record of executing our strategy

III. Capital Allocation Discipline

- Corporate Development/M&A discipline and track record to drive financial leverage and utilize net operating losses (NOLs)

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Appendix

Non-GAAP Reconciliations ($ millions)

Non-GAAP Gross Profit	FY2015	FY2016	FY2017	FY2018	FY2019
Non-GAAP gross profit	557.4	572.2	499.3	532.1	690.1
Stock-based compensation	(4.2)	(4.8)	(3.6)	(3.3)	(3.8)
Amortization of intangibles	(31.9)	(17.3)	(14.3)	(26.7)	(34.4)
Other charges unrelated to core operations	(1.2)	(0.4)	(2.4)	(13.7)	(0.5)
GAAP gross profit as reported	**520.1**	**549.7**	**479.0**	**488.4**	**651.4**

Non-GAAP Operating Income	FY2015	FY2016	FY2017	FY2018	FY2019
NSE segment operating income	(0.1)	12.7	0.5	43.6	99.6
OSP segment operating income	68.1	102.9	100.5	78.2	98.0
Total segment operating income	68.0	115.6	101.0	121.8	197.6
Stock-based compensation	(47.5)	(42.4)	(33.2)	(30.5)	(38.2)
Amortization of intangibles	(51.4)	(31.9)	(28.3)	(47.7)	(72.5)
Impairment of goodwill	-	(91.4)	-	-	-
Other charges unrelated to core operations	(18.1)	(23.7)	(10.9)	(33.4)	(4.1)
Restructuring and related charges	(26.8)	(10.5)	(21.6)	(8.3)	(15.4)
GAAP operating income (loss) as reported	**(75.8)**	**(84.3)**	**7.0**	**1.9**	**67.4**

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Non-GAAP Reconciliations ($ millions, except per share numbers)

Non-GAAP Income from Continuing Operations	FY2015		FY2016		FY2017		FY2018		FY2019	
	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS
Non-GAAP income from continuing operations	44.0	0.19	90.0	0.38	87.5	0.37	101.4	0.44	156.2	0.68
Stock-based compensation	(47.5)	(0.20)	(42.4)	(0.18)	(33.2)	(0.14)	(30.5)	(0.13)	(38.2)	(0.17)
Amortization of intangibles	(51.4)	(0.22)	(31.9)	(0.13)	(28.3)	(0.12)	(47.7)	(0.21)	(72.5)	(0.31)
Restructuring and related charges	(26.8)	(0.11)	(10.5)	(0.04)	(21.6)	(0.09)	(8.3)	(0.04)	(15.4)	(0.07)
Gain (loss) on sale of investments	-	-	71.6	0.30	203.1	0.87	(0.1)	-	(0.5)	-
Other charges unrelated to core operations	(18.1)	(0.08)	(115.1)	(0.49)	(10.9)	(0.05)	(33.4)	(0.15)	(4.1)	(0.02)
Non-cash interest expense and other expense	(23.0)	(0.10)	(26.6)	(0.11)	(33.3)	(0.14)	(38.1)	(0.17)	(21.0)	(0.09)
Benefit (expense) from income taxes	(8.6)	(0.04)	14.5	0.06	(4.7)	(0.02)	8.1	0.04	3.3	0.01
Total related to net income from continuing operations and EPS	(175.4)	(0.75)	(140.4)	(0.59)	71.1	0.31	(150.0)	(0.66)	(148.4)	(0.65)
GAAP measures from continuing operations as reported	**(131.4)**	**(0.55)**	**(50.4)**	**(0.21)**	**158.6**	**0.68**	**(48.6)**	**(0.21)**	**7.8**	**0.03**
Shares used in per share calculation for Non-GAAP EPS		236.8		237.3		234.5		230.2		231.2

Note: Certain totals may not sum due to rounding

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