

VIAVI Solutions

22nd Annual Needham Growth Conference 2020

Viavi Solutions Inc.

Oleg Khaykin

President and Chief Executive Officer

January 14, 2020

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 consolidated GAAP financial statements. These non-GAAP financial measures are not intended to supersede or replace the Company's GAAP financials. We provide a detailed reconciliation of GAAP results to the non-GAAP results in the Appendix to this presentation.

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

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

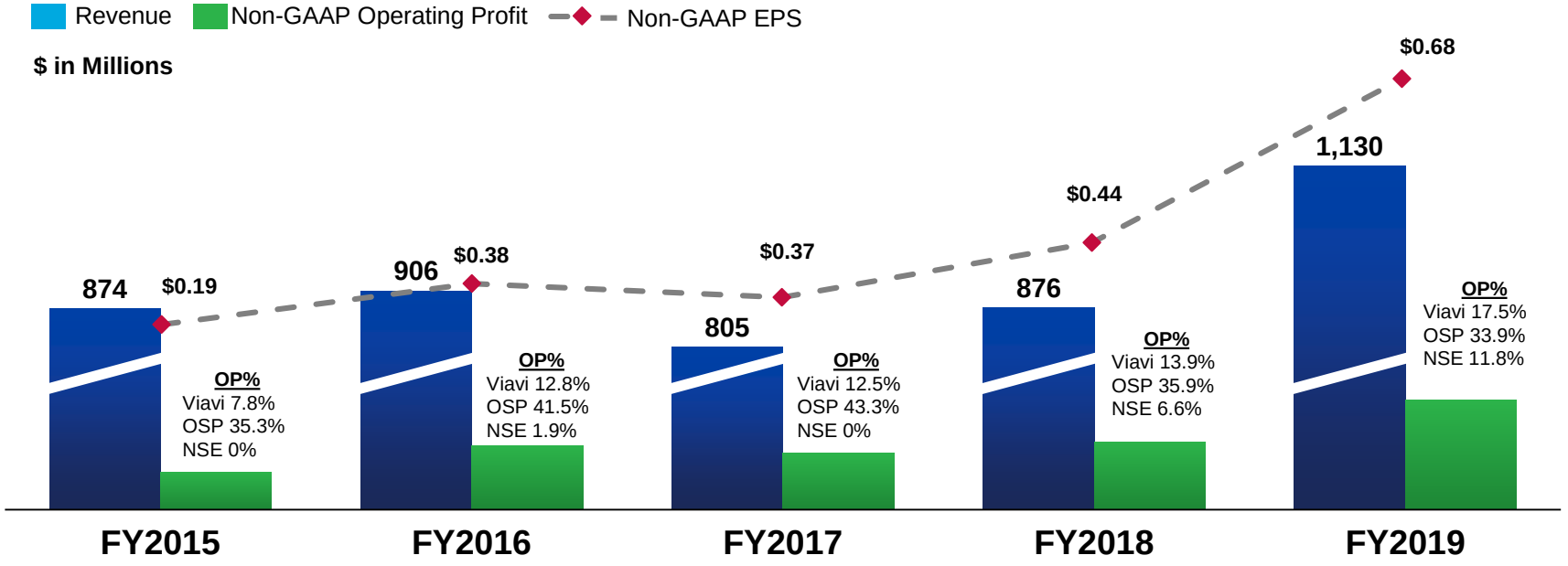
- Restructured SE
- Surgically reduced cost and improved efficiencies across-the-board
- Invested in growth: 3D Sensing, Fiber, Wireless, DOCSIS 3.1, 400GbE
- Value enhancing acquisitions in secular growth areas
- Refinanced old convertible debt

Headwinds

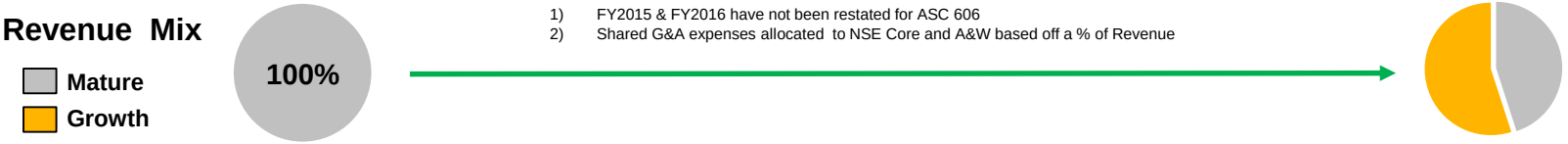
- Significant spending cut by North American Service providers
- Cyclical slowdown in Anti-Counterfeiting in FY18
- Delays in some technology transitions in NSE Field and Lab
- Macro uncertainties

*Revenue is a GAAP financial metric

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

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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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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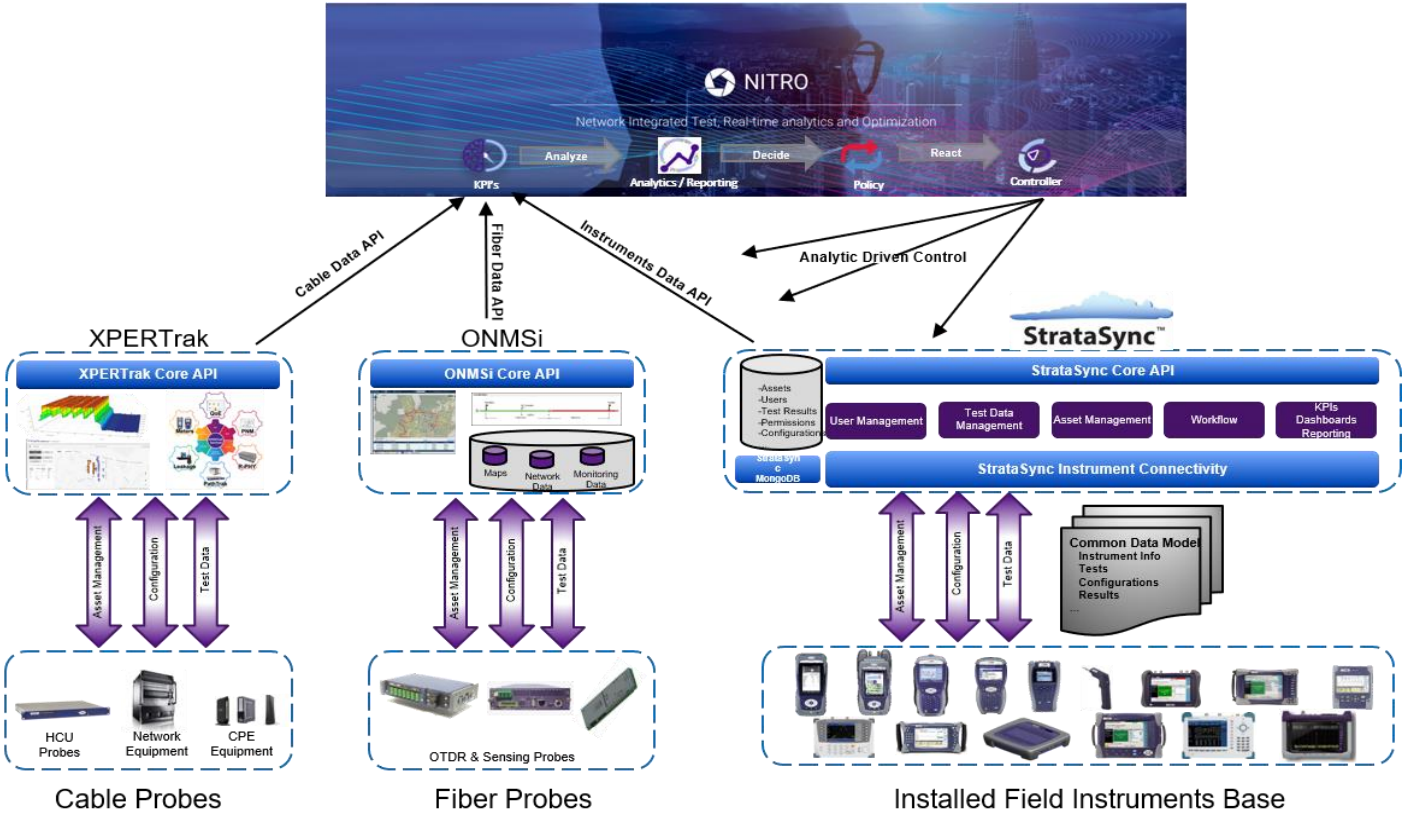
1 NSE Ecosystem a Source of Competitive Advantage and Differentiation



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1 Traditional OSP End Markets Continue to be Attractive

GROWTH

Consumer & Industrial

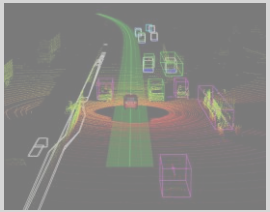




Optical components for human-to-machine interface for smartphones, computers, and drones

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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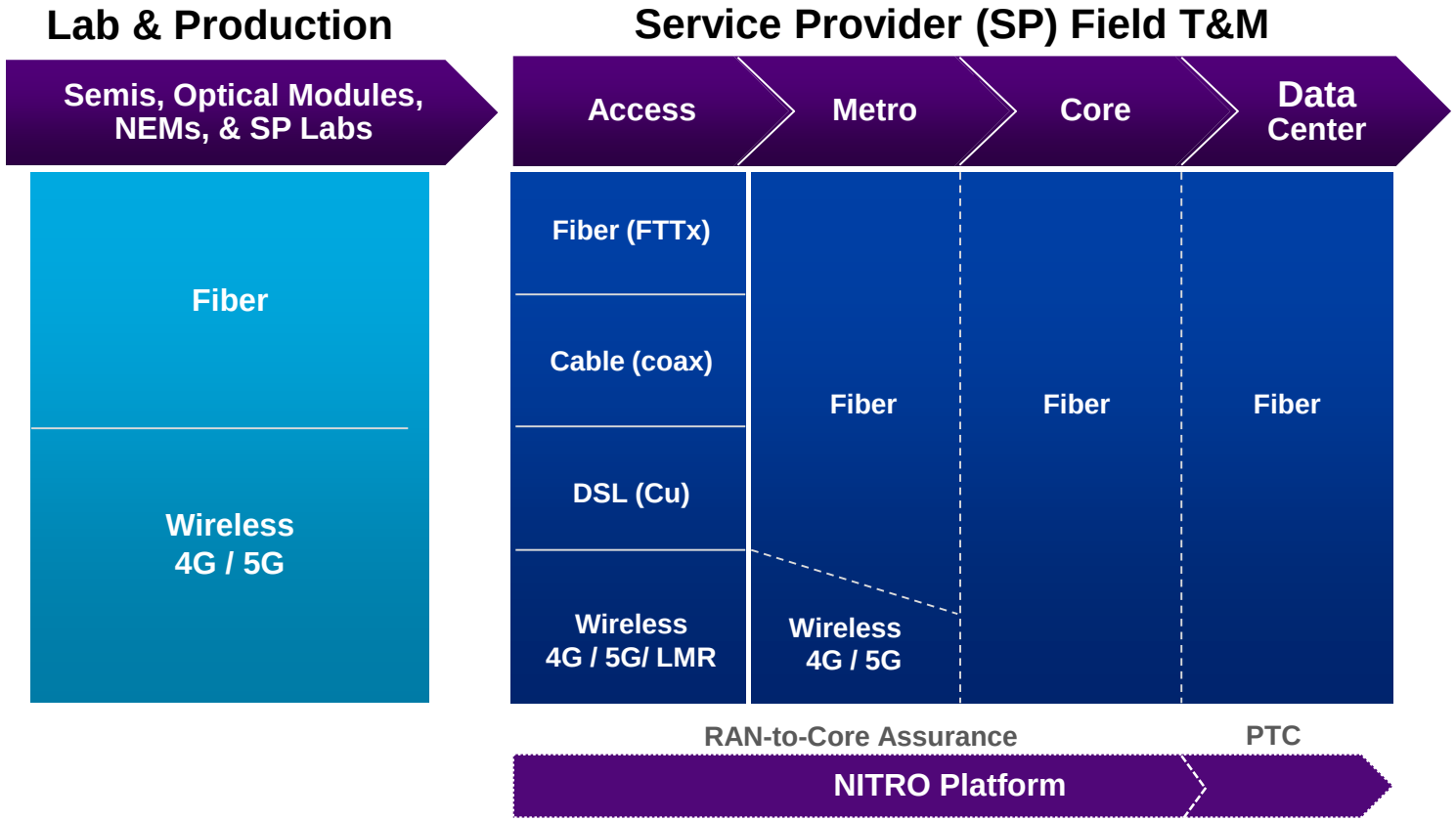
2 Fiber and Wireless at Core of NSE Growth Strategy



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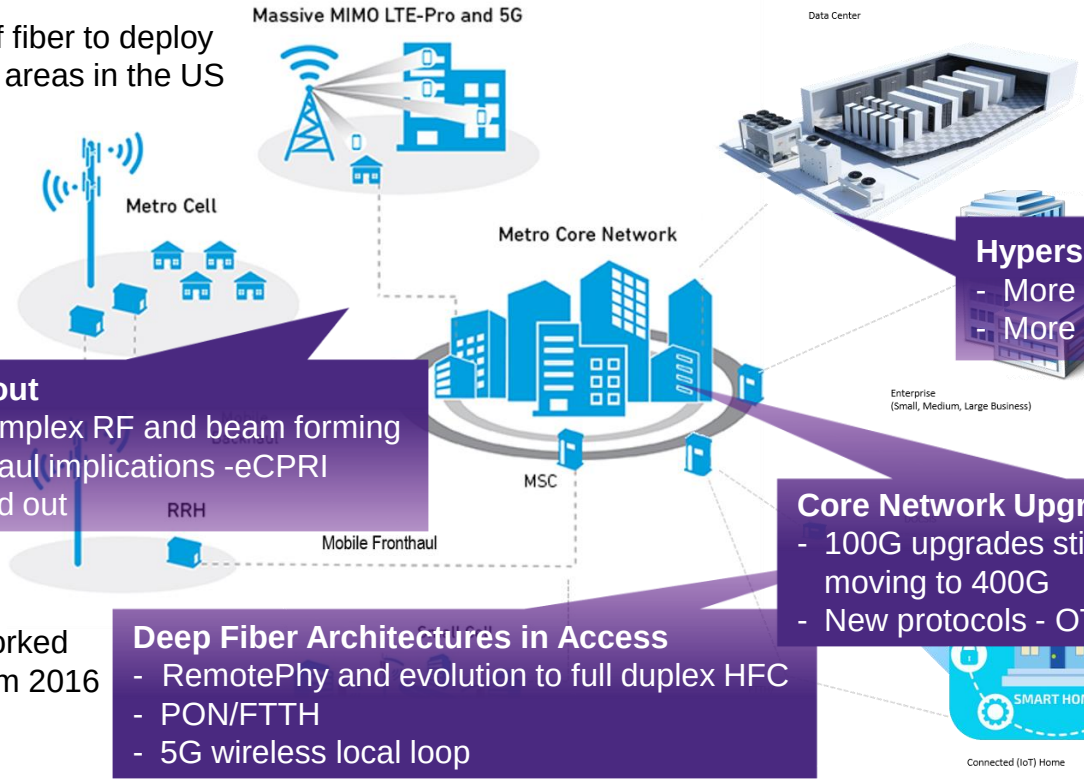
2 Fiber Proliferation and Growth Drivers

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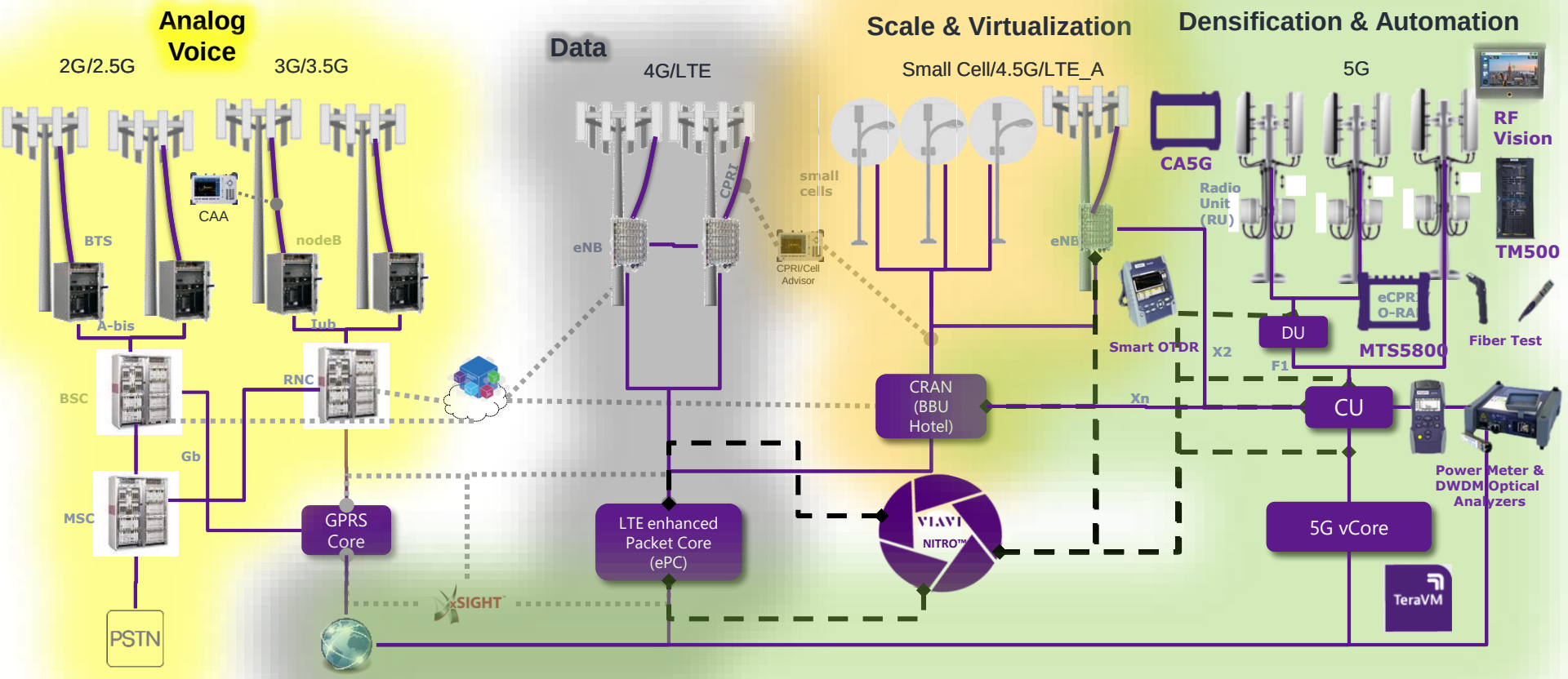
2 VIAVI Wireless Opportunity Growing With Mobile Networks Architecture Evolution (2G ➔ 5G)



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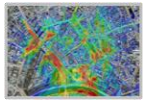
2 5G Deployment Plays to VIAVI Core Strengths

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

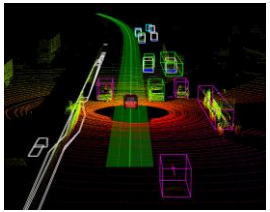




Optical components for human-to-machine interface for smartphones, computers, and drones

Automotive





Optical components for ADAS

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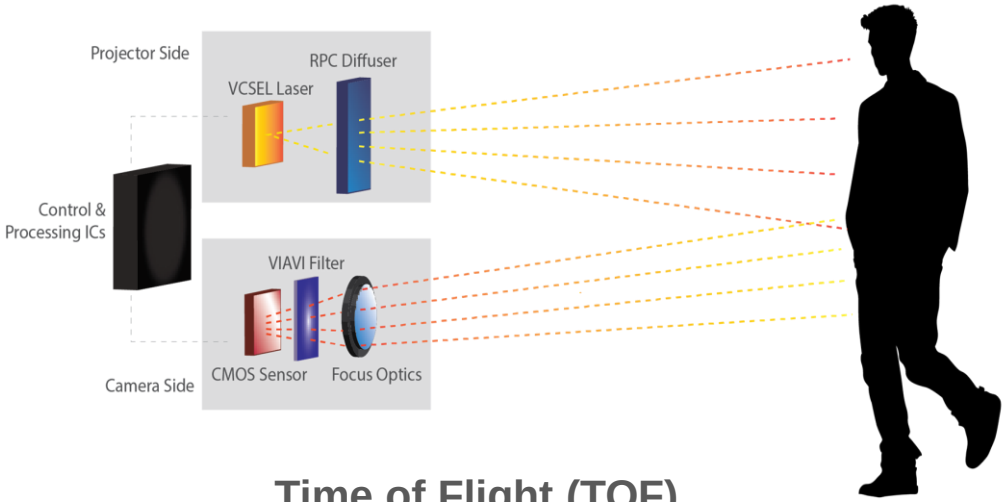
2 3D Sensing: Consumer Applications Major Focus Today

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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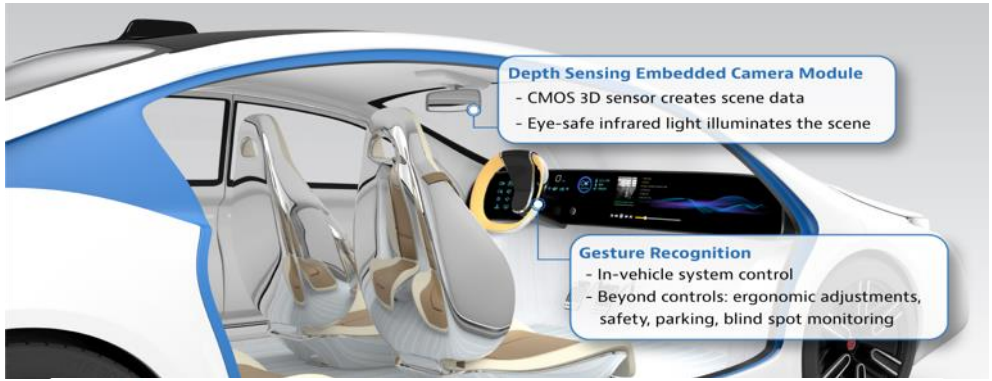
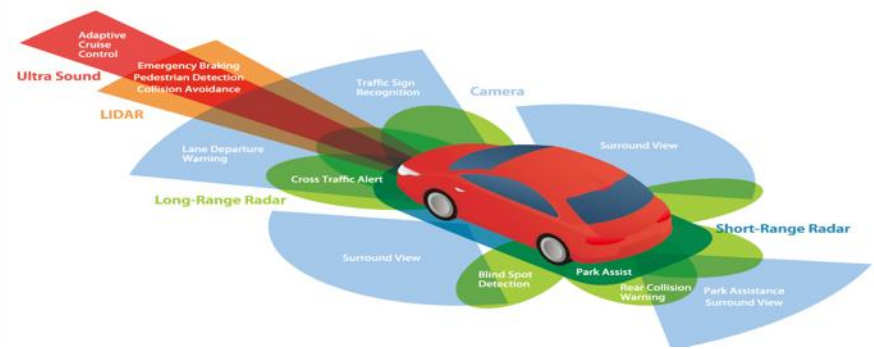
2 3D Sensing: Automotive Application

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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3

$1.3B+ Organic and Inorganic Investments To Drive Top Line Growth

R&D + CAPEX ~$700M



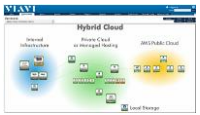
Fiber, Cable, Wireless Instrumentation Platforms



3D Sensing



Anti-Counterfeiting



Software Platforms

M&A Investment ~$630M

TRILITHIC — **Cable/DOCSIS 3.1**

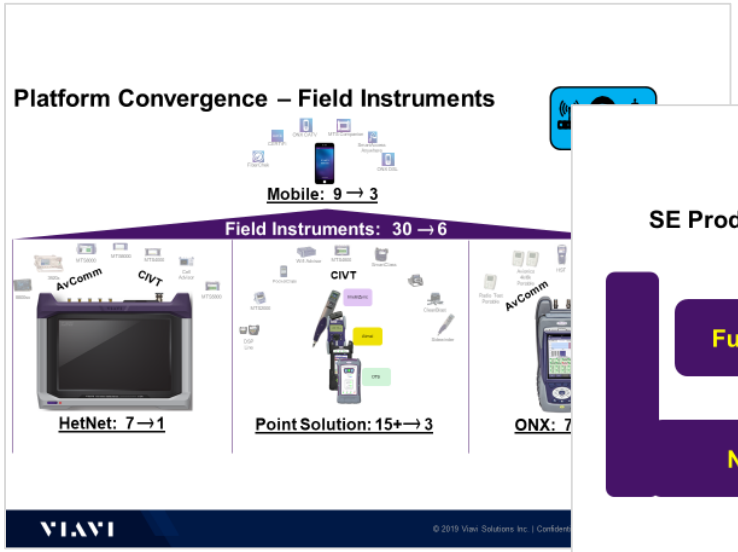
COBHAM AEROFLEX — **5G, Mil/Aero**

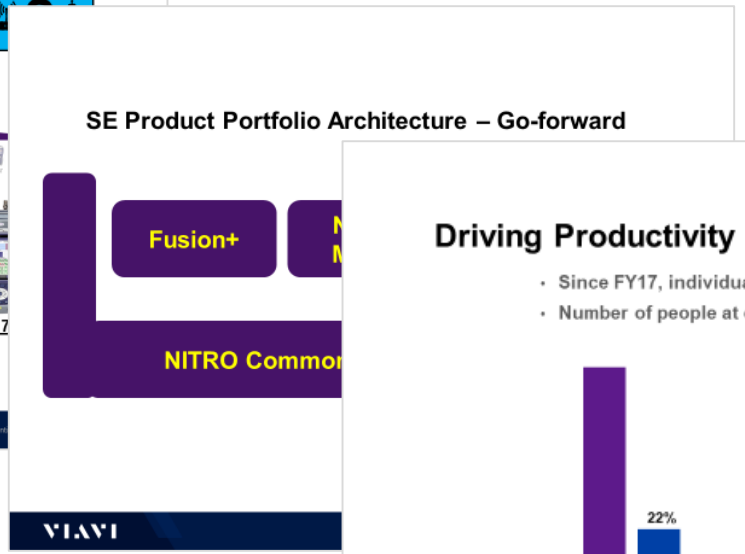
RPC Photonics — **3D Sensing**

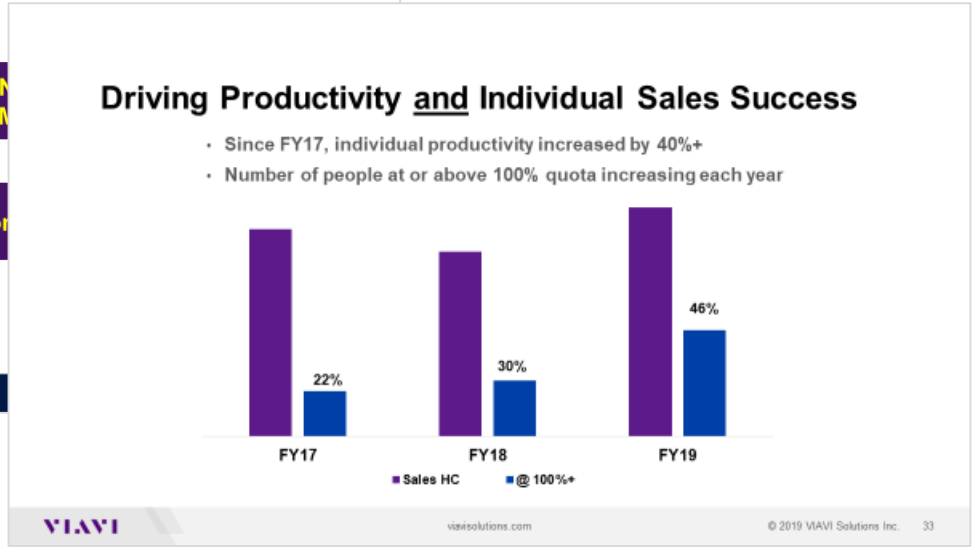
3Z TELECOM — **Wireless/5G**

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

4 Driving Operational Effectiveness Across the Company







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

Summary

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

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Q & A
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5G


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Appendix
5G

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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