



# **AVIAT NETWORKS (NASDAQ: AVNW)**

FY20 First Quarter Results – Investor Presentation

# Forward-Looking Statements

The information contained in this presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act and Section 27A of the Securities Act, including expectations regarding our results for the fiscal 2020 second quarter and six-month periods. All statements, trend analyses and other information contained herein about the markets for the services and products of Aviat Networks, Inc. and trends in revenue, as well as other statements identified by the use of forward-looking terminology, including "anticipate," "believe," "plan," "estimate," "expect," "goal," "will," "see," "continue," "delivering," "view," and "intend," or the negative of these terms or other similar expressions, constitute forward-looking statements. These forward-looking statements are based on estimates reflecting the current beliefs of the senior management of Aviat Networks, Inc. These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements.

For more information regarding the risks and uncertainties for our business, see "Risk Factors" in our Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC"), as well as other reports filed by Aviat Networks, Inc. with the SEC from time to time. Aviat Networks, Inc. undertakes no obligation to update publicly any forward-looking statement for any reason, except as required by law, even as new information becomes available or other events occur in the future.

# Exploding Demand for Data

# +79%

Mobile data traffic grew close to 79 percent year-on-year in Q3 2018, the highest growth rate since 2013. (Ericsson Mobility Report, 2018)

# 77.5 Exabytes/month

Globally, mobile data traffic will increase sevenfold between 2017 and 2022. Mobile data traffic will grow at a CAGR of 46 percent between 2017 and 2022, reaching 77.5 exabytes per month by 2022. (Cisco VNI, Feb 2019)

Demand cannot be met by fiber alone, wireless is essential

# The Leading Experts In Wireless Transport Solutions



We provide wireless transport solutions to Communications Service Providers and Private Network Operators



We help our customers lower their total cost of ownership (TCO), simplify their networks and improve their customer value proposition



We have long-standing customer relationships across our global footprint, selling into 170 countries worldwide



We have a proven track record driven by operational excellence and innovation – 2 years of growth, 3 years of profitability and well-positioned to drive bottom-line improvements in FY20

<b>Exchange</b>	NASDAQ Global Select
<b>Ticker</b>	AVNW
<b>Shares outstanding</b>	~5.4 million
<b>Stock Price</b>	\$13.83*
<b>Market Cap</b>	~\$75 million*

*\* as of November 6, 2019*

# What Makes Aviat an Attractive Investment Opportunity?



Valuation  
relative to  
performance  
and peers

1

## Compelling Market Opportunity

Favorable Industry Dynamics – Major market trends create significant opportunities for near and long-term growth

2

## Credible & Established Leader

Global Customer Footprint, Strong Relationships, Proven Track Record – Well positioned to grow with installed base, capture new accounts and expand in adjacent markets

3

## Innovative Solutions

Differentiated Transport Solutions – Unmatched offering for 5G deployments and mission-critical networks

4

## Accelerating Digital Transformation

Operational excellence for enhanced profitability; leveraging software, automation and AI to grow services

5

## Profitable & Investing in Growth

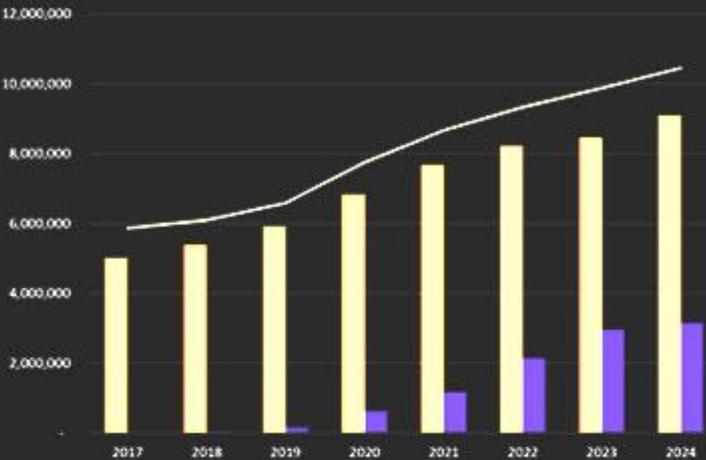
Financial Strength – Strong momentum in North America; improving margin profile and bottom-line performance

An aerial photograph of a city skyline, likely Chicago, with a network overlay of glowing nodes and connecting lines. The text "Compelling Market Opportunity" is overlaid in white on the left side of the image.

# Compelling Market Opportunity

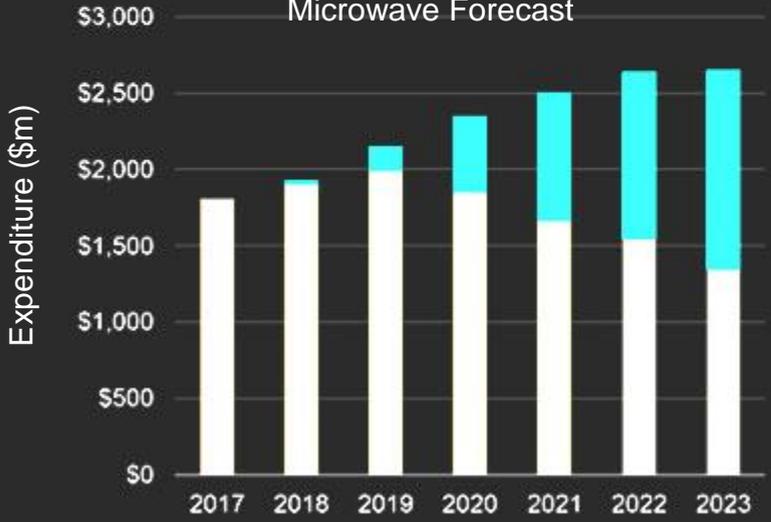
# Major Trend: The 5G Future

5G Tower Trends



Source: Ovum

Microwave Forecast



Source: Ovum

■ Microwave for 4G   ■ Microwave for 5G



“5G use cases will require network performance to increase 10-fold over current levels across all network parameters. To get there, mobile operators must invest in all network domains, including spectrum, radio access network (RAN) infrastructure, transmission, and core networks.”

*McKinsey & Company*

# Major Trend: More Critical Communications



## Industrial IoT

**\$500B** Industrial IoT market by 2020 (Accenture)  
Driving more critical bandwidth in vertical markets



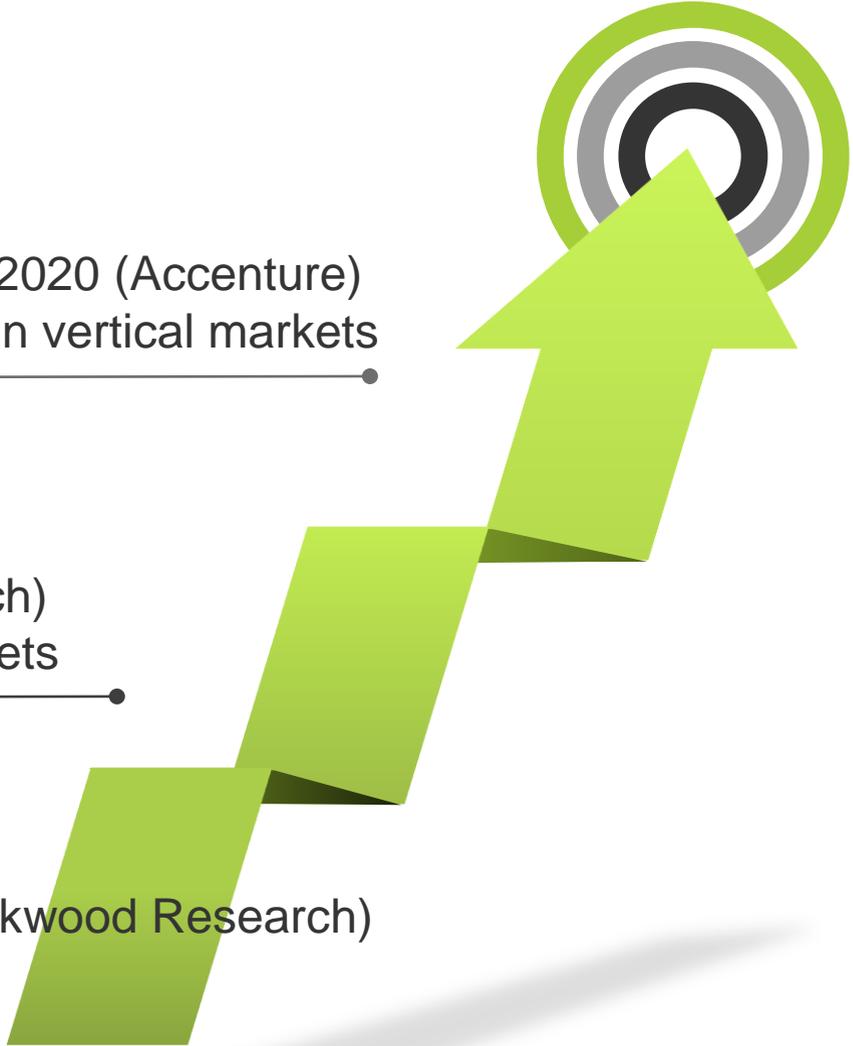
## Private LTE

**\$16B** for Private LTE by 2025 (ABI Research)  
Paving way for 5G services in vertical markets



## Public Safety & Security

**CAGR 13.2%, \$799B** in communications by 2027 (Inkwood Research)  
Robust and reliable transport solutions needed



An aerial photograph of a city skyline, likely Chicago, with a network overlay of glowing nodes and connecting lines. The text "Credible and Established Leader" is overlaid in white on the left side of the image.

# Credible and Established Leader

# Diverse, Stable Business, with Growth Potential

Based on FY2019

Service Provider  
47%

Private  
53%

North America  
54%

EMEA  
27%

LATAM and Asia Pacific  
19%

## Vertical diversity

Positive momentum in both verticals

## Geographical diversity

Presence in all geographies, strongest in high-margin regions



## Solution diversity

Radios, routers, software, services



## Customer diversity

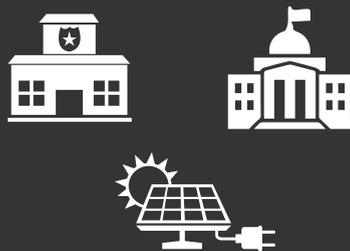
Brand name accounts  
~ 90% Direct Sales



# Capitalizing on Critical Communications Trends

Specialization and  
reach to drive  
growth  
within private  
networks vertical

The clear choice:  
Segment leader



Global Partners  
in Security &  
Defense



Expanding  
Reach – Recent  
breakthrough



National Security  
Networks

France  
Middle East  
North Africa  
Asia Pacific

Oil & Gas

West Africa  
Asia  
Europe

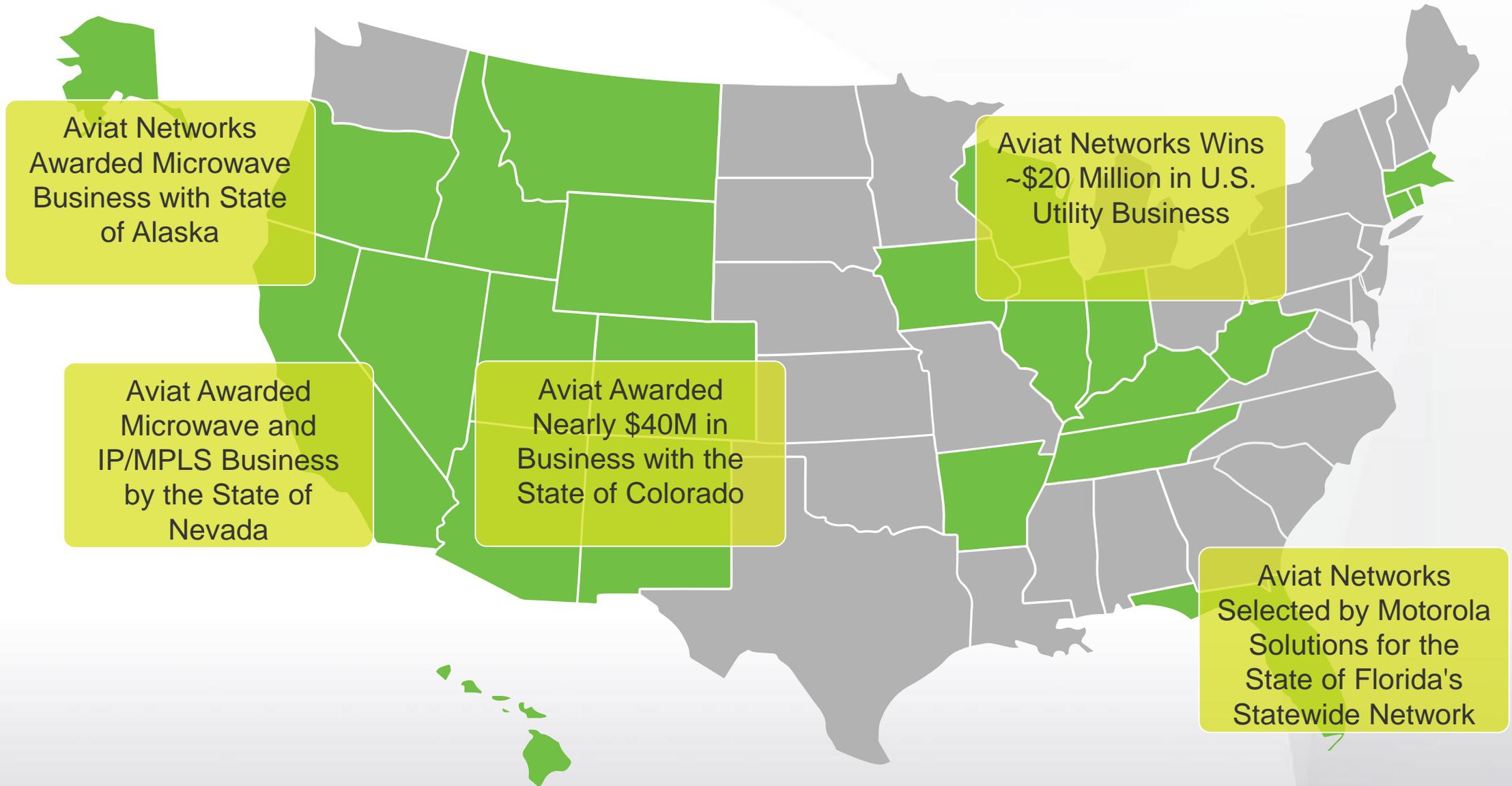
Regional  
Governments

Across all regions:  
NA, LATAM, EMEA,  
and APAC

## Trusted Expert:

Sales and Services: Direct engagement and deep  
relationships with end-customer

# Some Recent Momentum in Private Networks



# Capitalizing on the 5G Trend: Transport Deployments Started Across Customer Footprint

Aviat Receives Orders from a  
Top-5 U.S. Wireless Carrier for  
5G Transport

Globe Telecom Selects Aviat's  
WTM 4800 Multi-Band Solution  
to Support 5G Deployments



Aviat Networks Signs Global  
Frame Agreement with Ooredoo  
Group

An aerial photograph of a city skyline, likely Chicago, with a network overlay of glowing white nodes and connecting lines. The nodes are positioned at various points across the city, and the lines connect them in a complex, web-like pattern. The city is viewed from a high angle, showing the dense urban landscape and the surrounding water.

# Innovative Solutions

# Industry-Leading Transport Solutions

For High Capacity, Lifecycle Automation, & Recurring Revenue Models



Wireless  
Solutions



Routing  
Solutions



AviatCloud

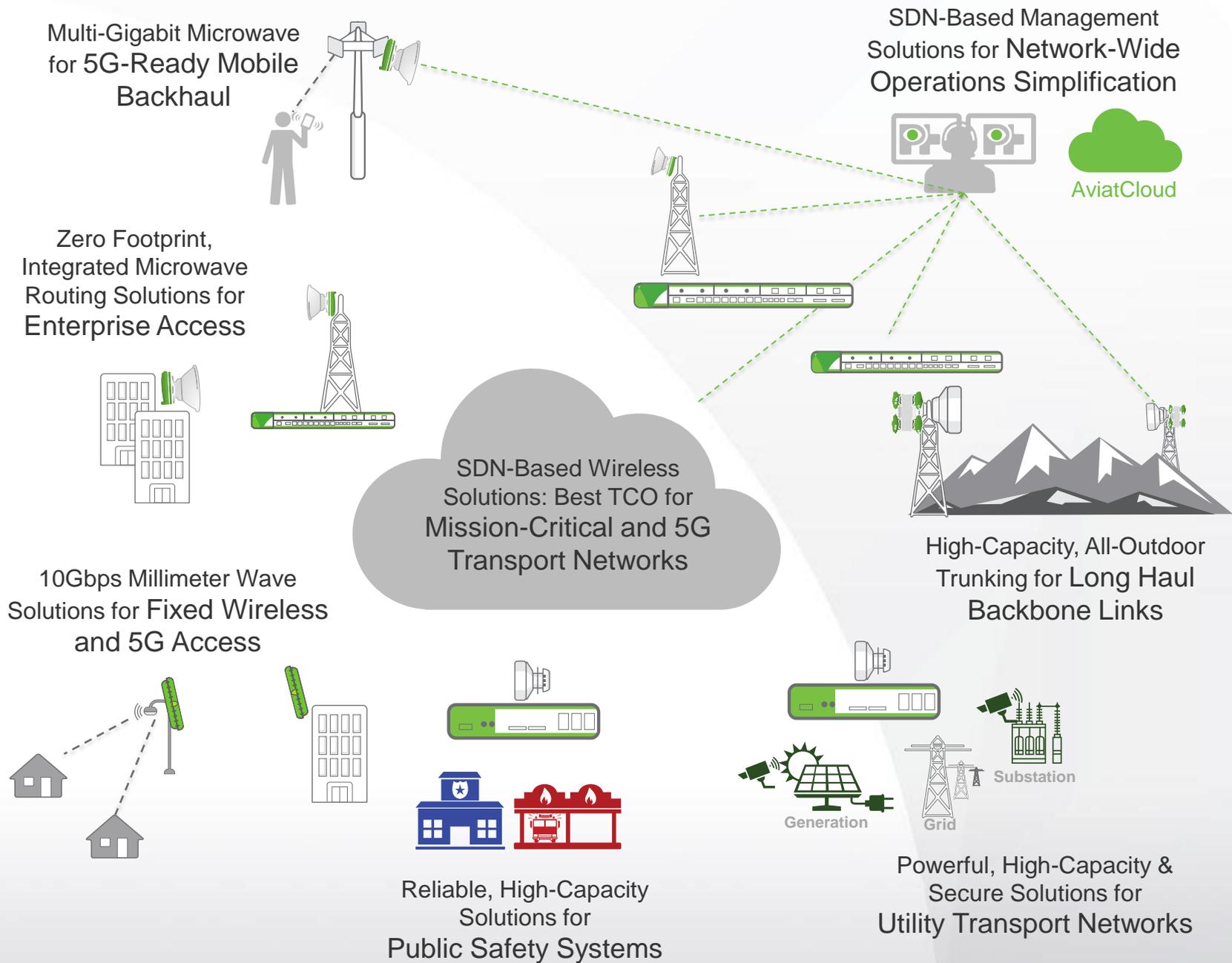
Automation and  
SDN Solutions



Professional Services &  
Multi-Year, Subscription-  
Based Offerings

# Unique Ability to Address Multiple Vertical Markets

5G Ready Mobile Backhaul  
 Enterprise Access  
 Fixed & Mobile 5G Access  
 Public Safety Systems  
 Utility Transport Networks  
 Long Haul Backbone  
 Network-wide Operations



An aerial photograph of a city, likely New York City, with a network of glowing white lines and nodes overlaid on the skyline. The lines connect various points across the city, symbolizing digital connectivity and data flow. The background is a dark, blue-tinted aerial view of the city and surrounding water.

# Accelerating Digital Transformation

# Opportunity: Automation and AI



Services &  
Support

Enhanced services  
profitability

New recurring revenue  
offerings

Leverage data to anticipate  
customer needs and  
enhance their experience

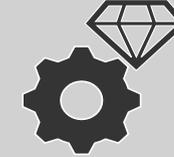


Innovation

Understand market  
opportunities faster: rapid  
deployment of differentiated  
solutions

Improved software vs.  
hardware investment profile

Automation tools to simplify  
customers' operations



Operational  
Excellence

Rapid deployment of  
Continuous Improvement  
solutions and tools to  
improve return on capital

Supply chain innovations  
(incl. Aviat Store, rapid  
fulfillment)

Augment balance sheet to  
fuel growth

**Automation and AI: upscaled support and services solutions, more resources to invest in our business, improved profitability**



# Financials: Profitable, Investing in Growth

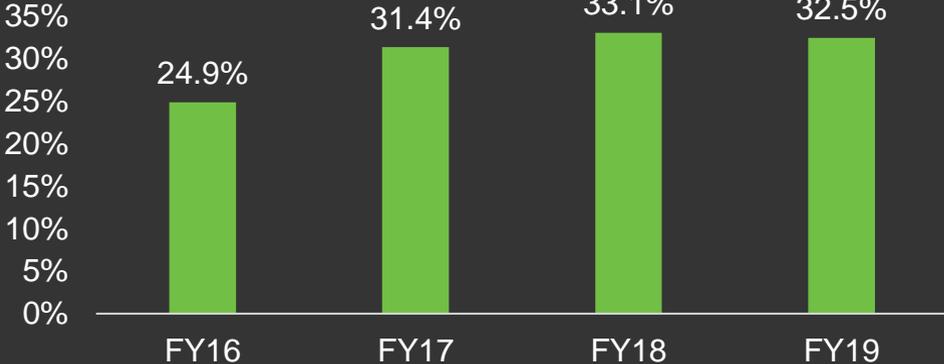
# Historical Performance

(\$'s million)

### Total Revenue



### Non-GAAP Gross Margin



(\$'s million)

### Non-GAAP Operating Expenses



(\$'s million)

### Adjusted EBITDA (Loss)



# FY20 Q1 Non-GAAP Financial Highlights

De-risking top-line challenges and pursuing other avenues for growth

Focus on margin expansion and improved profitability

Reinvestment in innovation, automation and productivity tools

Year-Over-Year Comparison		
(\$'s in millions)	Q1 FY20 Actual	Q1 FY19 Actual
Revenue	\$58.6	\$60.5
Gross Margin %	38.6%	29.6%
Operating Expenses	\$19.5	\$18.3
Operating Income (loss)	\$3.1	\$(0.4)
Adjusted EBITDA	\$4.1	\$0.9
Sequential Comparison		
(\$'s in millions)	Q1 FY20 Actual	Q4 FY19 Actual
Revenue	\$58.6	\$64.2
Gross Margin %	38.6%	35.1%
Operating Expenses	\$19.5	\$19.8
Operating Income	\$3.1	\$2.8
Adjusted EBITDA	\$4.1	\$3.9

+900  
bps

+\$3.5M

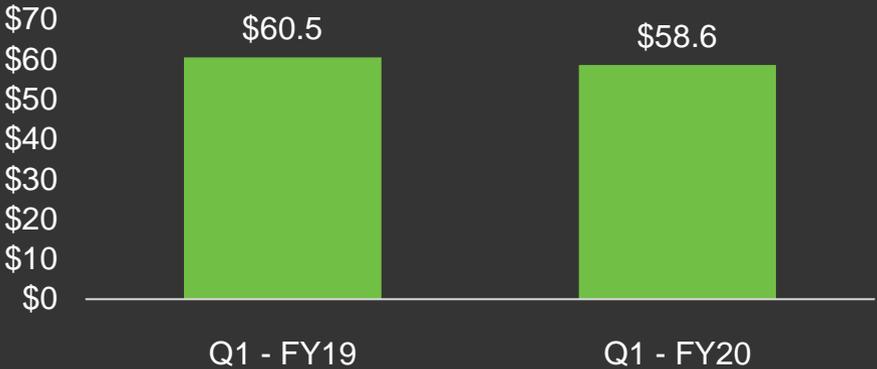
+\$3.2M

Achieving  
Profitable  
Performance

# FY20 First Quarter Financial Results – YOY Comparisons

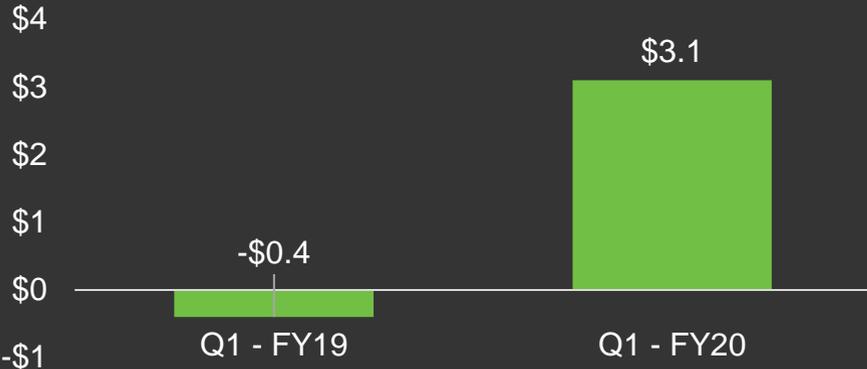
(\$'s million)

### Total Revenue

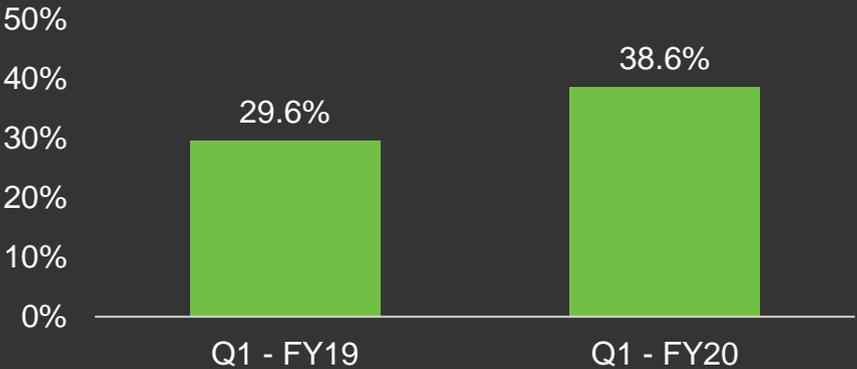


(\$'s million)

### Non-GAAP Operating Income

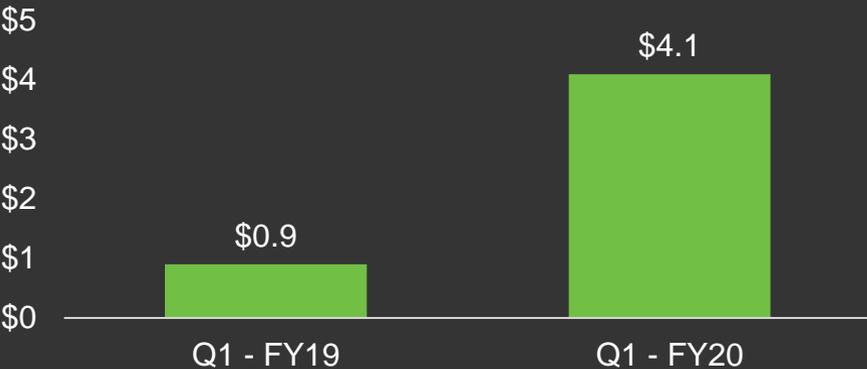


### Non-GAAP Gross Margin



(\$'s million)

### Adjusted EBITDA



Exceptionally strong bottom-line performance

# Balance Sheet Highlights

On track to generate cash in FY20

Strong cash conversion cycle

Solid balance sheet

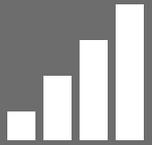
<i>(\$'s in millions, except for DSO, DPO and turns)</i>	Q1 FY20 Actual
Cash and Cash Equivalents	<b>\$34.5</b>
Accounts Receivable	<b>\$43.2</b>
DSO's	<b>67</b>
DSO's with Unbilled	<b>114</b>
Accounts Payable	<b>\$31.8</b>
DPO's	<b>80</b>
Inventory	<b>\$12.2</b>
Turns	<b>11.8</b>
Third-Party Debt	<b>\$9.0</b>

**+\$2.5M**  
since FY19 YE

# FY20 First Quarter Financial Results –Take-Aways

- Revenue down modestly as expected, primarily due to declines in international markets, offset by significant growth in North America (up over 40% YOY)
- Non-GAAP gross margins of 38.6% increased by 900 basis points and represented historical bests for the Company; anticipate continued momentum in Q2 based on mix
- Non-GAAP operating expenses increased by \$1.2 million or 6.8%, driven by higher R&D expenses to support customers and innovation, as well as higher selling & administrative expenses due to investments in productivity tools to drive future savings
- Exceptionally strong bottom-line performance – non-GAAP operating income improved by \$3.5 million and Adjusted EBITDA improved by \$3.2 million
- Balance sheet remains strong – cash position increased by \$2.5 million since FY19 year-end; further improvements anticipated throughout FY20

# Reiterating FY20 First Half Guidance



Revenue  
Down  
Modestly

Strong growth in North America offset by declines in Africa as noted, but with a stronger margin profile globally



Stronger  
Gross  
Margins

Mix shift, efficiencies and higher-margin business expected to result in FY20 1H YOY improvement



Bottom-Line  
Improvements

**Affirming prior guidance:**  
Non-GAAP operating income of ~\$6 million and Adjusted EBITDA of ~\$7.5 million expected in 1H

# Well Positioned In FY20 and Beyond

## Foundation Continues to Improve / Balance Sheet Remains Strong



North America business is growing



Competitive position continues to strengthen



Investments in R&D driving competitive differentiation; 5G opportunities ahead of us



Operational excellence programs generating savings; implementing automation and AI to drive efficiencies



Market dynamics are improving, as is our position



High level of confidence in achieving or exceeding our guidance



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