



# 18<sup>th</sup> Annual Investor Conference

May 2017

# 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 the results for the fiscal fourth quarter 2016 and cash flow in fiscal 2016, and our anticipated results for fiscal 2017. 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") on September 8, 2016 as well as other reports filed by Aviat Networks, Inc. with the SEC from time to time. Aviat Networks 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.

# ABOUT US

Aviat is the trusted expert in microwave networking

Best in class TCO and proven mission-critical microwave networking solutions

## HIGH PERFORMANCE PRODUCTS

Global Microwave Portfolio  
Highest Performance  
Integrated IP/MPLS  
Proven Reliability

## SIMPLER OPERATIONS

Planning Automation  
Software Delivered Functions  
Ease of Network Migration

## CUSTOMER SERVICE

Cloud-Enabled Services  
Professional Services for Planning,  
Deployment, Network Operations  
and Customer Care

Leading Player in  
Delivering Mission-  
Critical Networks for  
Public Safety, Utility and  
Government Agencies

Sustained Presence  
in Global Tier 1  
Service Provider  
Customer Base

History of Innovating  
Solutions for Wireless  
Networks

Headquartered in Silicon  
Valley; Global Footprint  
Aligned with our Key  
Customers' Networks

# A LOOK BACK: TRANSFORMING OUR BUSINESS

- Since FY13, the industry has been impacted by a slowdown in wireless infrastructure investments; compounded in developing markets exposed to lower oil prices and currency devaluation versus the US dollar.
- With reduced demand/lower volume, competition intensified, negatively impacting pricing and gross margins.
- We took immediate actions to lower expenses, but an expected prolonged trough in demand “triggered” a major transformation:
  - ✓ Operational Excellence program launched addressing sales, services, product development and supply chain processes
- We concurrently focused on expanding our reach within select Private Network verticals, while strengthening our product and services portfolio.

	FY13	FY14	FY15	FY16	FY17*
Revenue	<u>\$471.3</u>	<u>\$346.0</u>	<u>\$335.9</u>	<u>\$268.7</u>	\$242 - \$247
North America	\$180.5	\$142.0	\$153.2	\$125.5	n/a
International	\$290.8	\$204.0	\$182.7	\$143.2	n/a
Non-GAAP Gross margin %	29.6%	25.1%	24.1%	24.9%	~ 30%
Non-GAAP Operating Expenses (as % of rev.)	27.1%	34.8%	29.6%	31.7%	< 30%
Non-GAAP Operating Income (Loss)	\$11.8	\$(33.7)	\$(18.5)	\$(18.1)	+
Adjusted EBITDA	\$18.3	\$(26.1)	\$(11.0)	\$(11.5)	++

\* Estimates based on actual results through the first nine-months of FY17 and revised company projections for the FY17 fourth quarter.

We are a Different Company as Reflected by our Improved Financial Results

# FY17 THIRD QUARTER FINANCIAL HIGHLIGHTS

## (NON-GAAP COMPARISONS)

- **Revenue of \$58.7 million, a decrease of \$1.7 million or 2.9%**
  - YOY decline primarily related to lower International revenue, offset by a \$2.0 million increase in North America
  - FY17 Q3 revenue impacted by delays in some Private Network projects; anticipated to move into FY18
- **Gross margin of 30.2%, up 630 basis points (“bps”)**
  - YOY increase driven by lower supply chain costs and improvements in product and services gross margin
- **Operating expenses of \$17.0 million, an improvement of \$3.8 million**
  - YOY improvements driven by continued focus on lowering fixed expenses and generating efficiencies through process reforms
  - Significant reduction in SG&A, while continuing to invest in innovation
- **Operating income of \$0.7 million, an improvement of \$7.0 million**
- **Net income attributable to Aviat Networks of \$0.4 million, an improvement of \$7.0 million**
- **Adjusted EBITDA of \$2.0 million, an improvement of \$6.8 million**

Income Statement Summary (Non-GAAP)			
(\$'s in millions)	Q3 FY17 Actual	Q3 FY16 Actual	Variance
Revenue	\$58.7	\$60.5	(\$1.8)
Gross Margin	\$17.7	\$14.4	\$3.3
Gross Margin %	30.2%	23.9%	630 bps
Operating Expenses	\$17.0	\$20.8	\$3.8
Operating Income (Loss)	\$0.7	(\$6.3)	\$7.0
Net Income (Loss) From Continuing Operations Attributable to Aviat Networks	\$0.4	(\$6.6)	\$7.0
Adjusted EBITDA	\$2.0	(\$4.7)	\$6.8

Company Continues to Drive Significant Bottom-Line Improvements

# FY17 NINE-MONTH FINANCIAL HIGHLIGHTS

(NON-GAAP COMPARISONS)

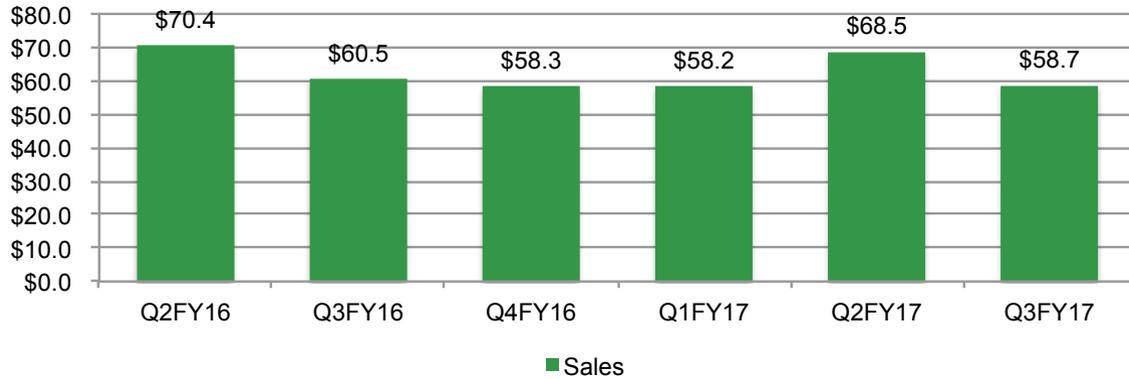
Income Statement Summary (Non-GAAP)			
(\$'s in millions)	3Q FY17 Actual	3Q FY16 Actual	Variance
Revenue	\$185.4	\$210.4	(\$25.0)
Gross Margin	\$56.6	\$52.0	\$4.6
Gross Margin %	30.5%	24.7%	580 bps
Operating Expenses	\$54.8	\$63.9	\$9.1
Operating Income (Loss)	\$1.7	(\$11.9)	\$13.7
Net Income (Loss) From Continuing Operations Attributable to Aviat Networks	\$0.9	(\$12.7)	\$13.6
Adjusted EBITDA	\$6.2	(\$7.2)	\$13.3

Company Achieves Profitability on all Non-GAAP Metrics YTD

# TRENDING 6 QUARTER FINANCIALS

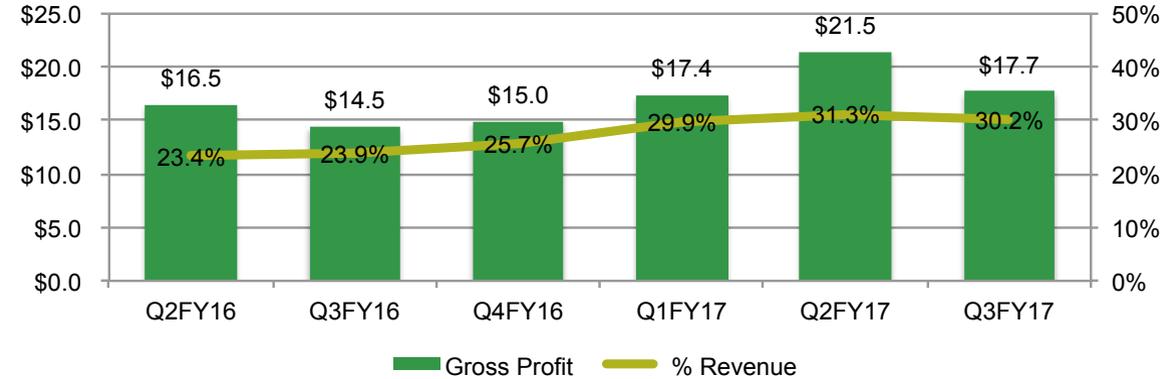
## Sales

(\$ in millions)



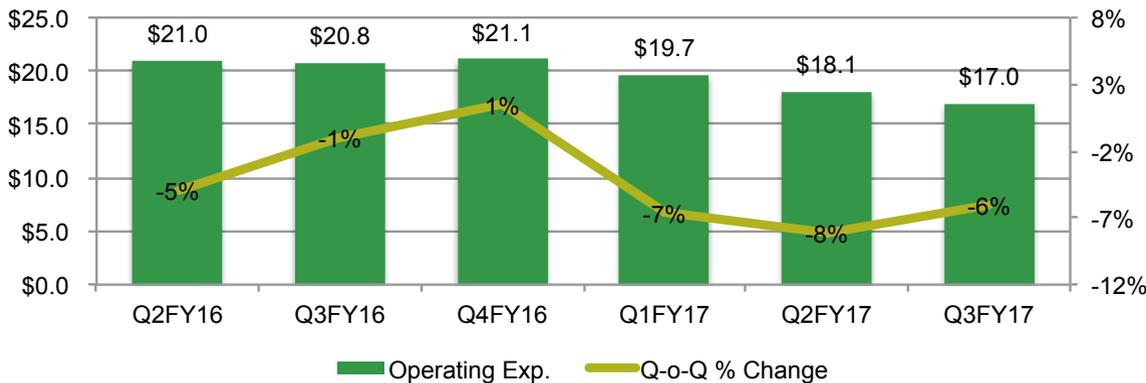
## Gross Profit

(\$ in millions)



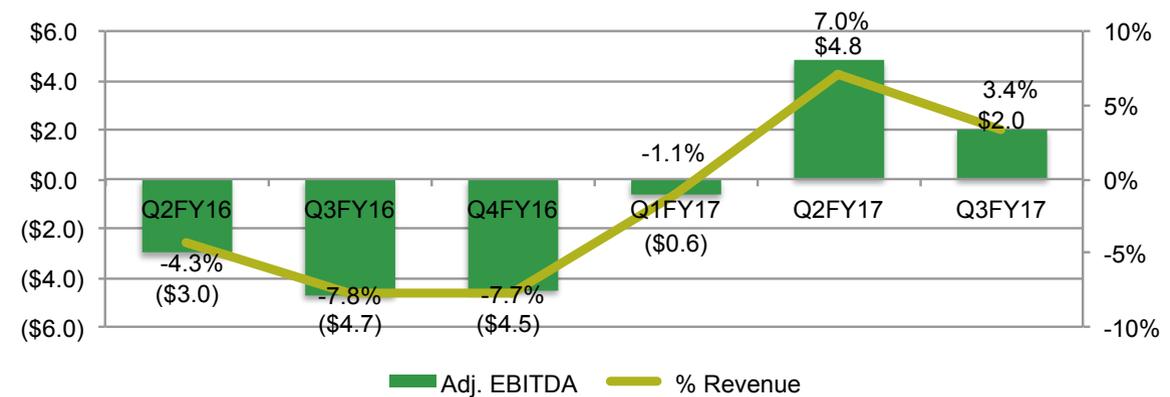
## Operating Expenses and Trend

(\$ in millions)



## Adjusted EBITDA

(\$ in millions)



Note: Aviat has a June 30<sup>th</sup> fiscal year end.

# FY17 Q3 BALANCE SHEET KEY INDICATORS

(FAVORABLE TRENDS WHEN COMPARING PRIOR QUARTERS)

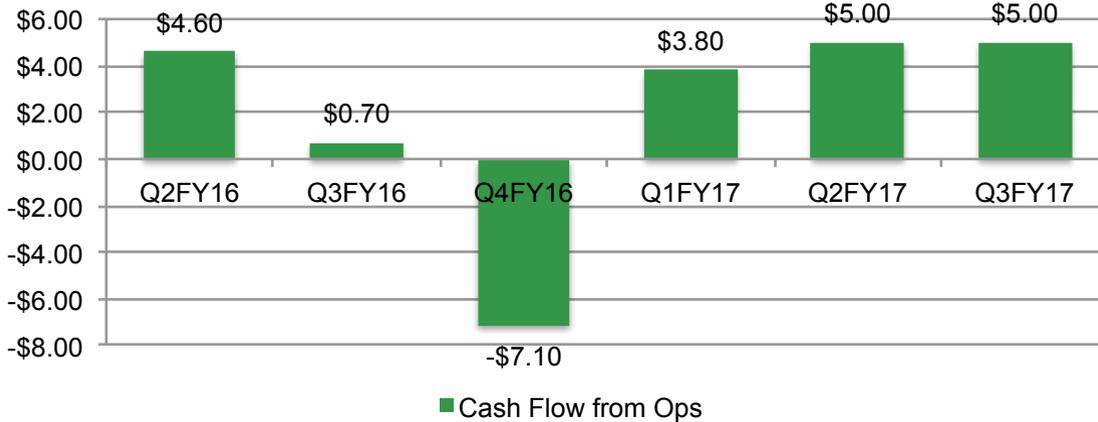
(\$'s in millions)	Q4 FY16 (FY end)	Q2 FY17	Q3 FY17
Cash and Equivalents	\$30.5M	\$35.0M	\$39.9M
Accounts Receivable	\$63.4M	\$56.2M	\$45.2M
DSO's	99 Days	75 Days	70 Days
Inventory	\$30.4M	\$23.1M	\$22.5M
Turns	6.4	8.2	7.3
Third-Party Debt	\$9.0M	\$8.0M	\$8.0M
Accounts Payable	\$33.2M	\$32.0M	\$29.8M
DPO's	63 Days	62 Days	66 Days

- Cash and equivalents have grown in each quarter in FY17 -- sequential improvement of \$4.9 million; up \$9.4 million since FY16 year-end, while debt position declined by \$1.0 million
- Higher profitability, better controls and improvements in cash collection cycles continue to drive favorability
- Cash from operations of \$5.1 million in FY17 Q3, builds on strength from FY17 1H; cash from operations YTD of \$14.0 million (consistent improvements – increased in 7 out of 8 prior quarters)
- DSO's continue to improve -- better collections from international customers, and higher revenue concentration in North America
- Trade inventory continues to decline due to better systems and controls; turn rate is in the range of 2x per quarter.
- Accounts Payable declined by \$2.2 million sequentially; DPO increased slightly but in line with projections

# TRENDING 6 QTR BALANCE SHEET KEY INDICATORS

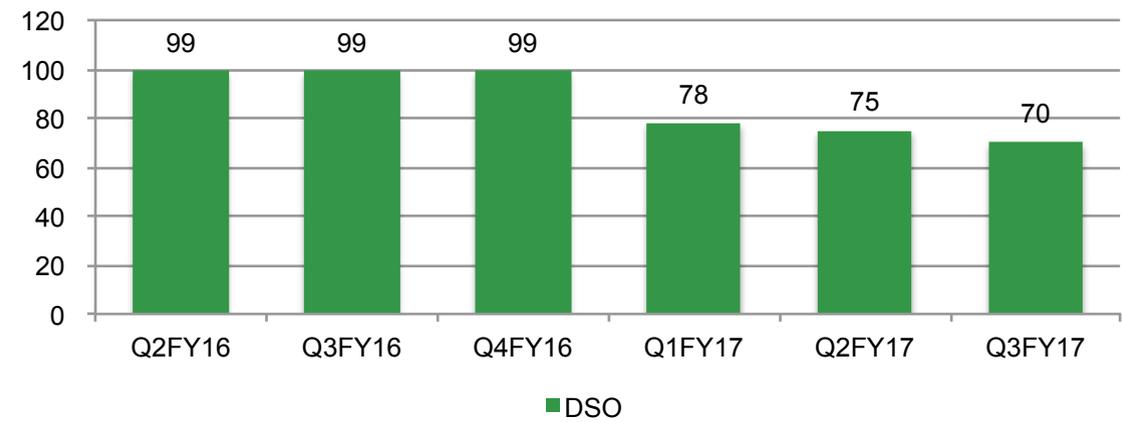
## Cashflow from Operations

(\$ in millions)

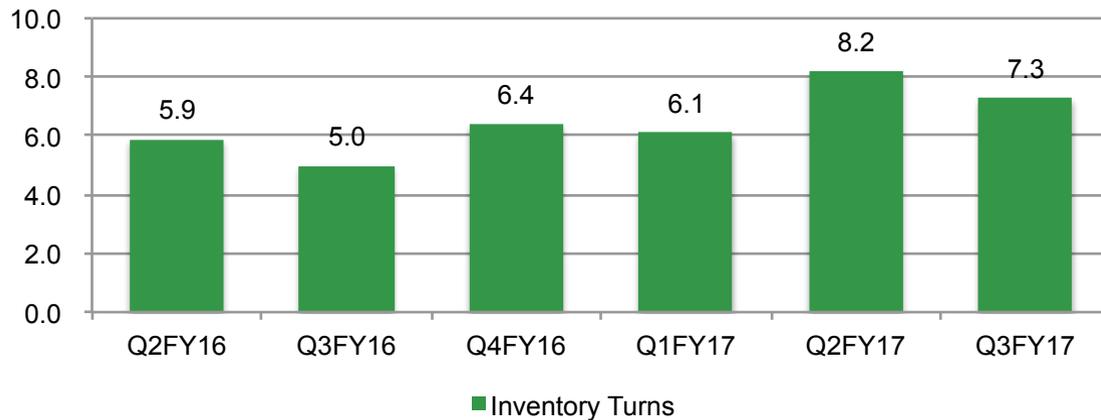


## Days Sales Outstanding (DSO)

(in Days)



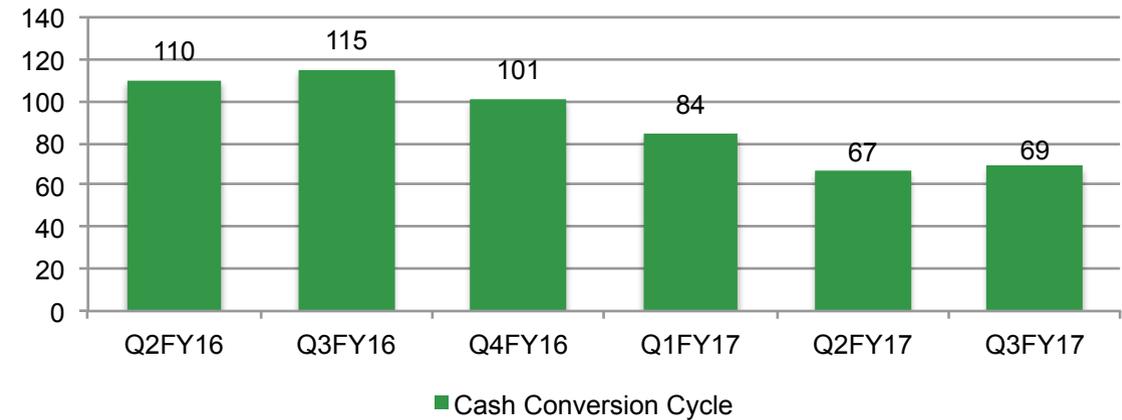
## Inventory Turns



## Cash Conversion Cycle\* (CCC)

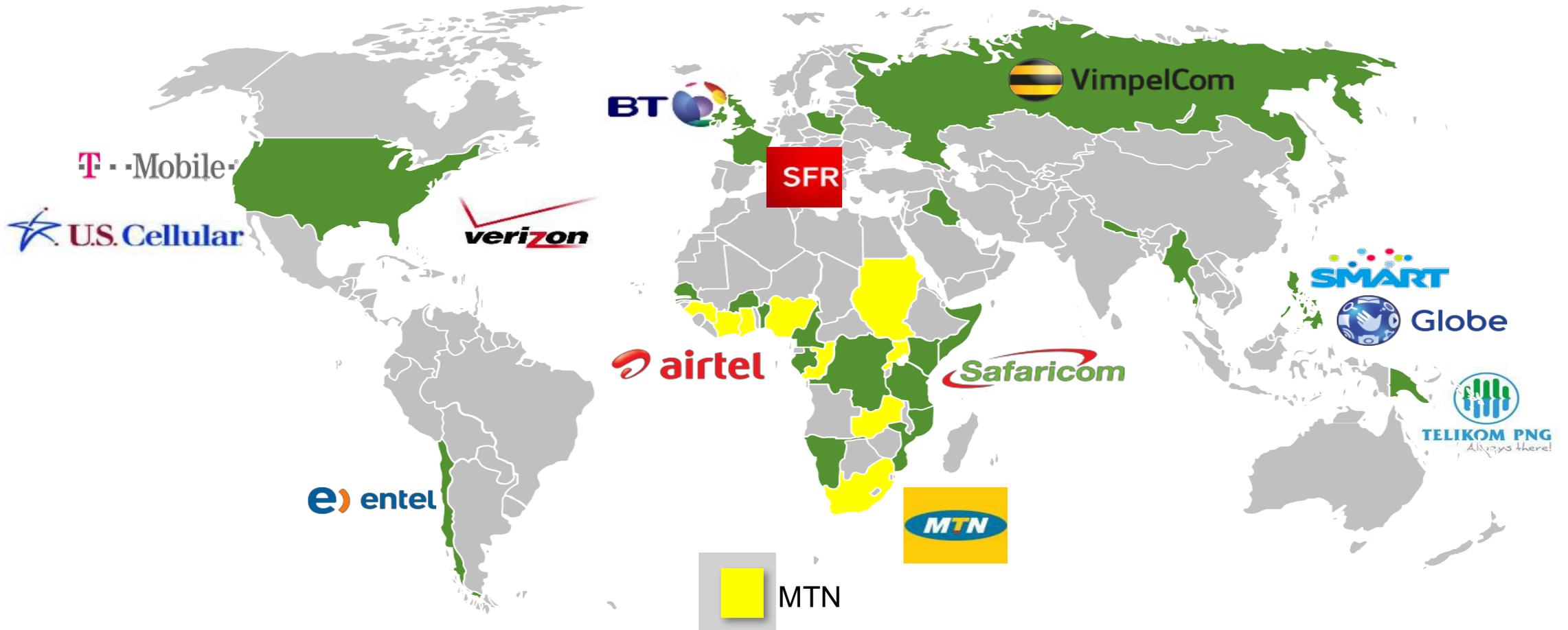
(in Days)

\*Includes unbilled receivables



# DRIVING OUR OPTIMISM: MARQUE CUSTOMER BASE

Leading Provider in Key Markets Served – Global Service Providers



Strong Global Brand with a Targeted Sales Approach (Focus on Profitability and Cash Generation)

# DRIVING OUR OPTIMISM: SPECIALIZATION AND REACH TO DRIVE GROWTH WITHIN PRIVATE NETWORKS VERTICAL

**Segment Leader**  
**The Clear Choice**

## **Public Safety**

Presence in all 50 States  
With 25 U.S. Statewide  
Networks

## **Energy**

More than 50% of Largest  
U.S. Utilities

## **USA Federal Departments**

Multiple Agencies

**Global Partners in  
Security & Defense**



**A Leading Supplier**

## **National Security Networks**

France, Middle East, North  
Africa, Asia Pacific

## **Oil & Gas**

West Africa, Asia, Europe

## **Regional Governments**

Latin America

## **Financial**

18,000 Low Latency Microwave  
Miles Worldwide for Trading  
Networks

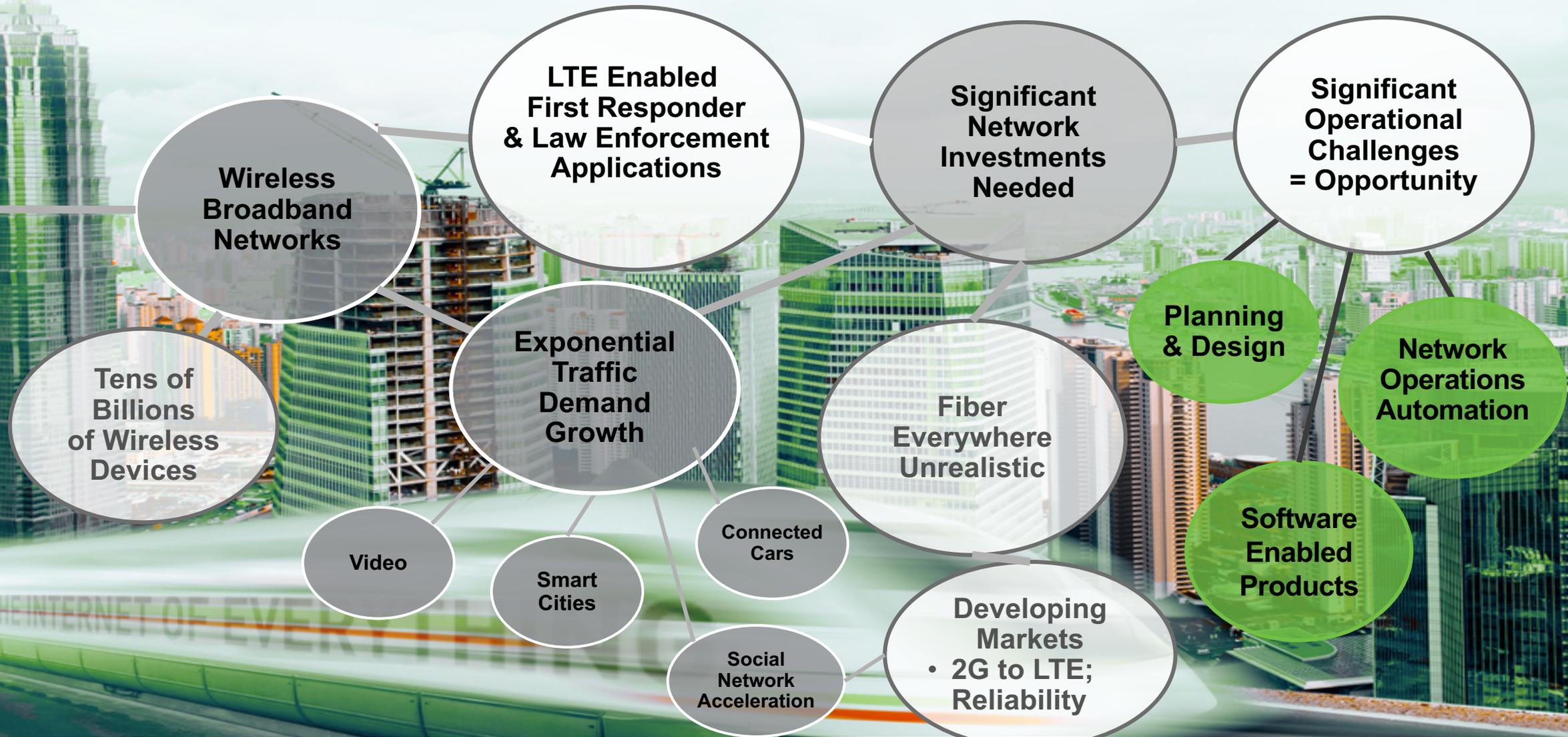
**Market Leader**

Strengthening Position in a Diverse Private Networks Environment

# DRIVING OUR OPTIMISM: GROWING PRIVATE NETWORKS CUSTOMER BASE



# COMPELLING MARKET DEMAND DRIVERS



Multiple Paths to Drive Growth Globally and Across All Verticals



**1**  
IP/MPLS TO THE EDGE

**2**  
INCREASED CAPACITY

**3**  
AUTOMATION AND SDN

# AVIAT NETWORK 2020 VISION

# DRIVING OUR OPTIMISM: INDUSTRY LEADING PRODUCTS

INDUSTRY'S FIRST  
INTEGRATED  
MICROWAVE ROUTER



UPGRADED

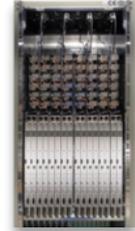
INDUSTRY'S LOWEST  
LATENCY MWAVE



HIGHEST POWER  
MWAVE RADIO EVER  
BUILT



INDUSTRY'S  
MOST  
RELIABLE  
INDOOR  
TRUNKING



UPGRADED

MOST SECURE,  
HYBRID MISSION  
CRITICAL PLATFORM



INDUSTRY'S  
HIGHEST  
CAPACITY  
MICROWAVE

NEW



INDUSTRY'S  
SMALLEST,  
LIGHTEST  
SPLIT  
MOUNT  
TRUNKING



# DRIVING OUR OPTIMISM: EXPANDING MARKET OPPORTUNITIES

## WTM 4000 All-Outdoor IP/SDN Radio



- New category of product for Aviat
- Incremental revenue potential
  - Expand into / re-enter select service providers
  - Attractive solution for wireless ISP and rural broadband service providers
  - Stronger appeal to VAR Channel than current core portfolio
- Industry leading RFIC core
- First Shipments Early FY18

**Leveraging Embedded Technology across Broader Portfolio**  
*Catalyst for New Customer Pursuits*

# DRIVING OUR OPTIMISM: LEVERAGING INSTALLED BASE FOR GROWTH



## • RAC 70

- Plug-In module incorporating next generation modem from WTM 4000 Program
- Doubles capacity of IRU 600 installed base, enhances new bids



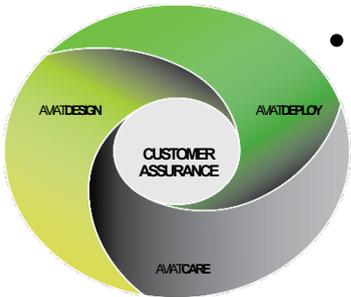
## • Low Latency ODU LLR

- Enhanced version of an existing product
- Orders received to upgrade multiple operational networks



## • Portfolio RF refresh

- Bringing WTM 4000 RFIC Core into ODU/IRU product lines
- Driving new upgrades across all verticals

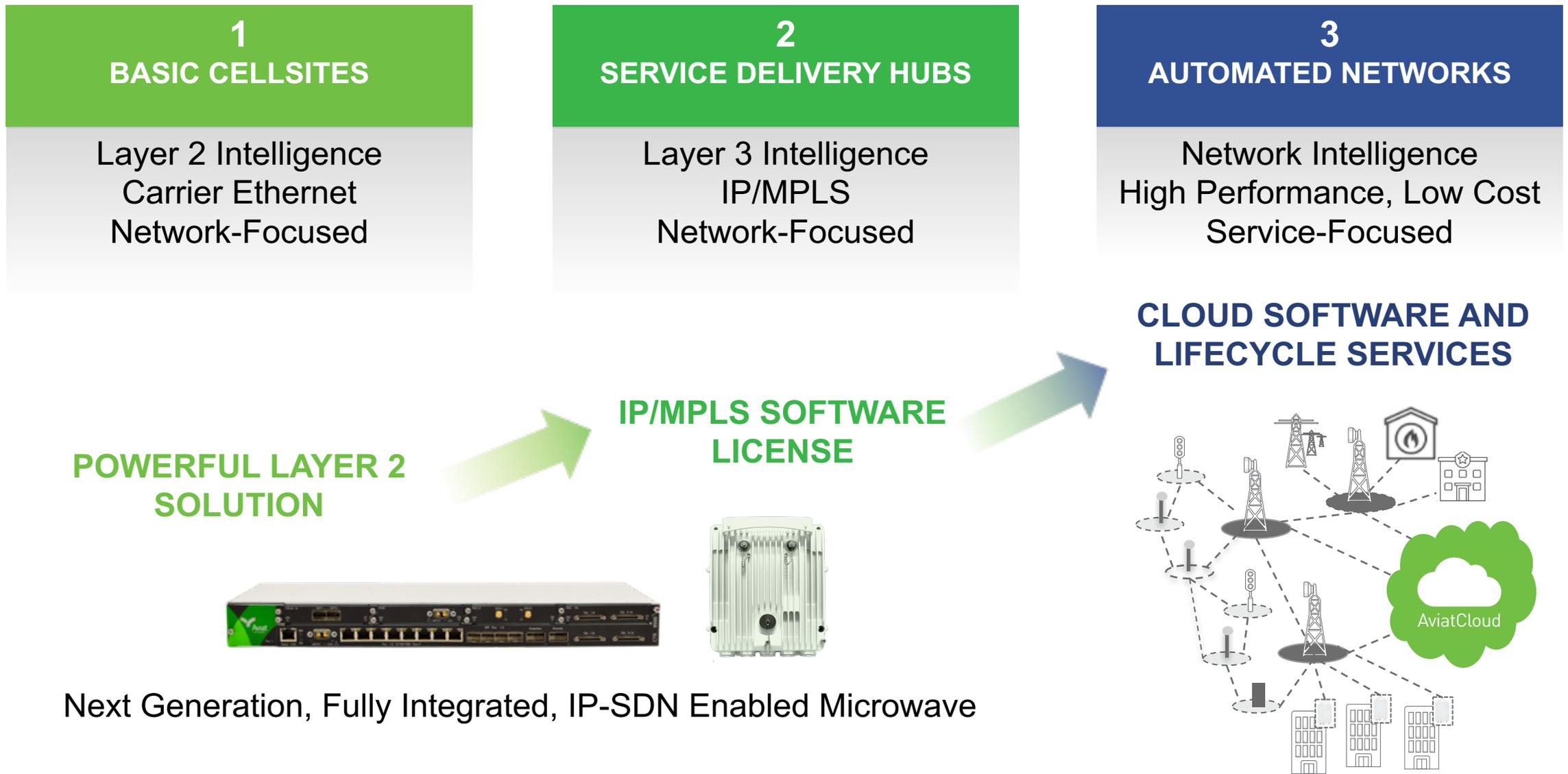


## • Advanced Services

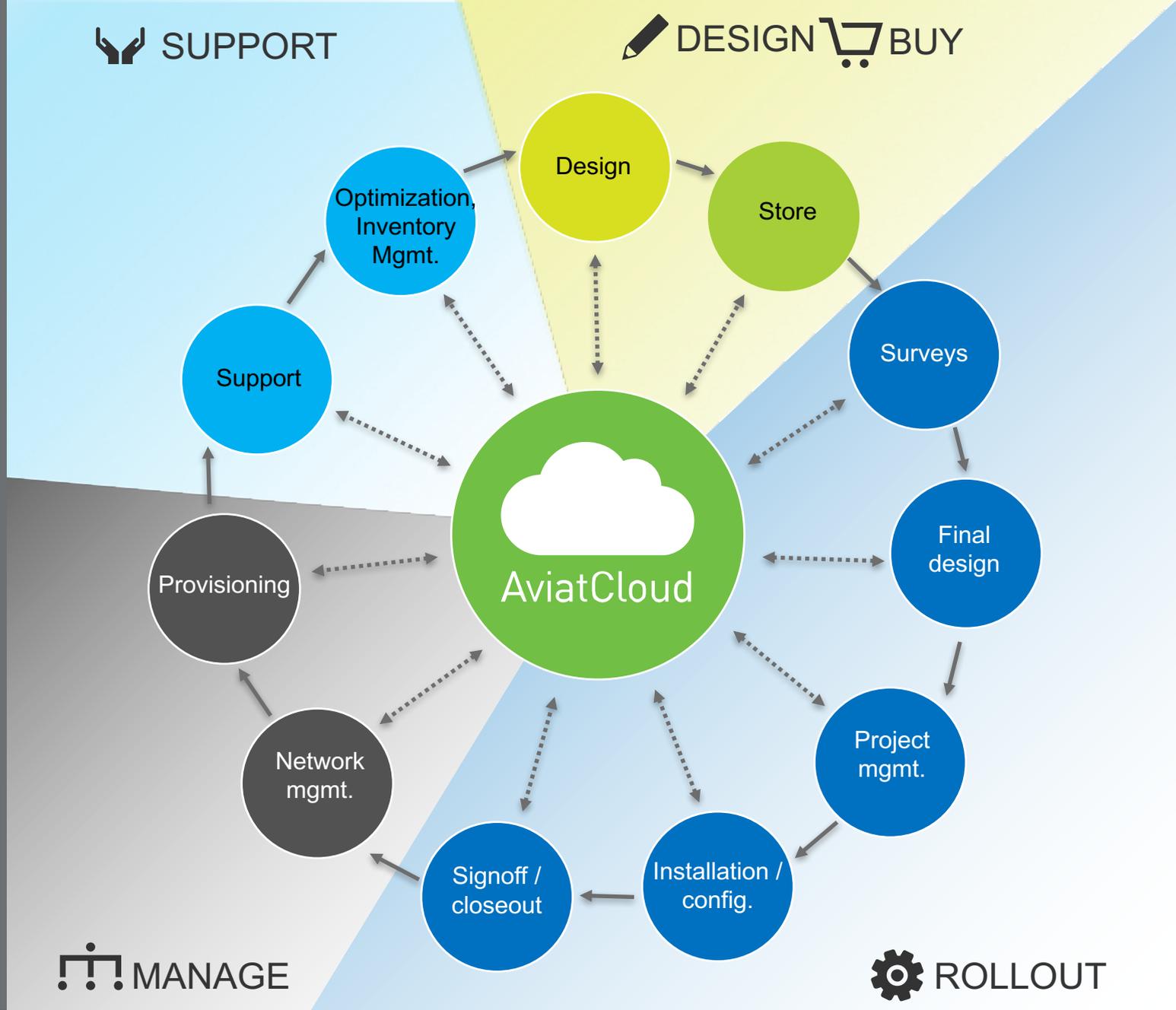
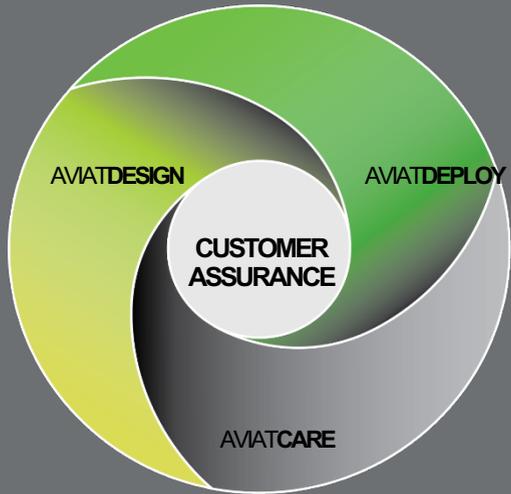
- Expansion and growth of services capabilities into existing customer base
- High value, improved margins



# DRIVING OUR OPTIMISM: A VISION FOR TRANSFORMATION



Automating the microwave lifecycle means transformative solutions for customers and new software & services growth for Aviat



# FY17 FINANCIAL OUTLOOK

## Income Statement Summary (Non-GAAP)

<i>(\$'s in millions)</i>	FY16 9-Month Results Actual	FY17 9-Month Results Actual	FY17 4 <sup>th</sup> Quarter Outlook	FY17 Full-Year Outlook
Revenue	\$210.4	\$185.4	\$57.0 – \$62.0	\$242.0 - \$247.0
Gross Margin (as a %)	24.7%	30.5%	~ 30%	~ 30%
Operating Expenses	\$63.9	\$54.8	\$18.0 - \$18.5	\$72.8 - \$73.3
Operating Income (Loss)	(\$11.9)	\$1.7	Break-even (+/-)	Positive
Adjusted EBITDA	(\$7.2)	\$6.2	Positive	Positive

Positioned for Growth and Profitability

# LOOKING AHEAD – FY18 TARGET MODEL

## Company Anticipates a Significant YOY Increase in Operating Income and Adjusted EBITDA

- Based on current backlog, funnel and expected bookings, we are targeting revenue of \$250 - \$280 million (a 2-14% YOY increase)
  - Continued strength in North America and within Private Networks segment globally
  - Stabilization in international service provider business with potential upside based on a recovery in select emerging markets
- Gross margins should continue to trend upwards and be in excess of 30%
  - Potential increase of up to 200 basis points based on mix/volume
- Operating expenses should remain relatively flat with FY17; some variability based on top-line growth
- Significant year-over-year profitability increase anticipated under wide range of revenue scenarios
- Expect continued improvements in cash from operations, cash and overall strength of balance sheet

# KEY TAKEAWAYS

- We are a different company – stronger foundation driven by operational excellence and improved performance
- Top-line stabilizing with growth anticipated:
  - Strong installed customer base with near- and long-term growth opportunities
  - Multiple prospects for growth with new customers in all verticals
  - Enhanced and upgraded products and service offerings
- Sustainable gross margin and operating expense improvements
- Strong balance sheet; working capital metrics are the best in the Company's history
- Potential for value appreciation based on sustainable profitability and “top-line” operating leverage



**Aviat**  
NETWORKS

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