



# **Fiscal 2019 Third Quarter Investor Presentation**

***AVNW (NASDAQ)***

# FORWARD-LOOKING STATEMENTS

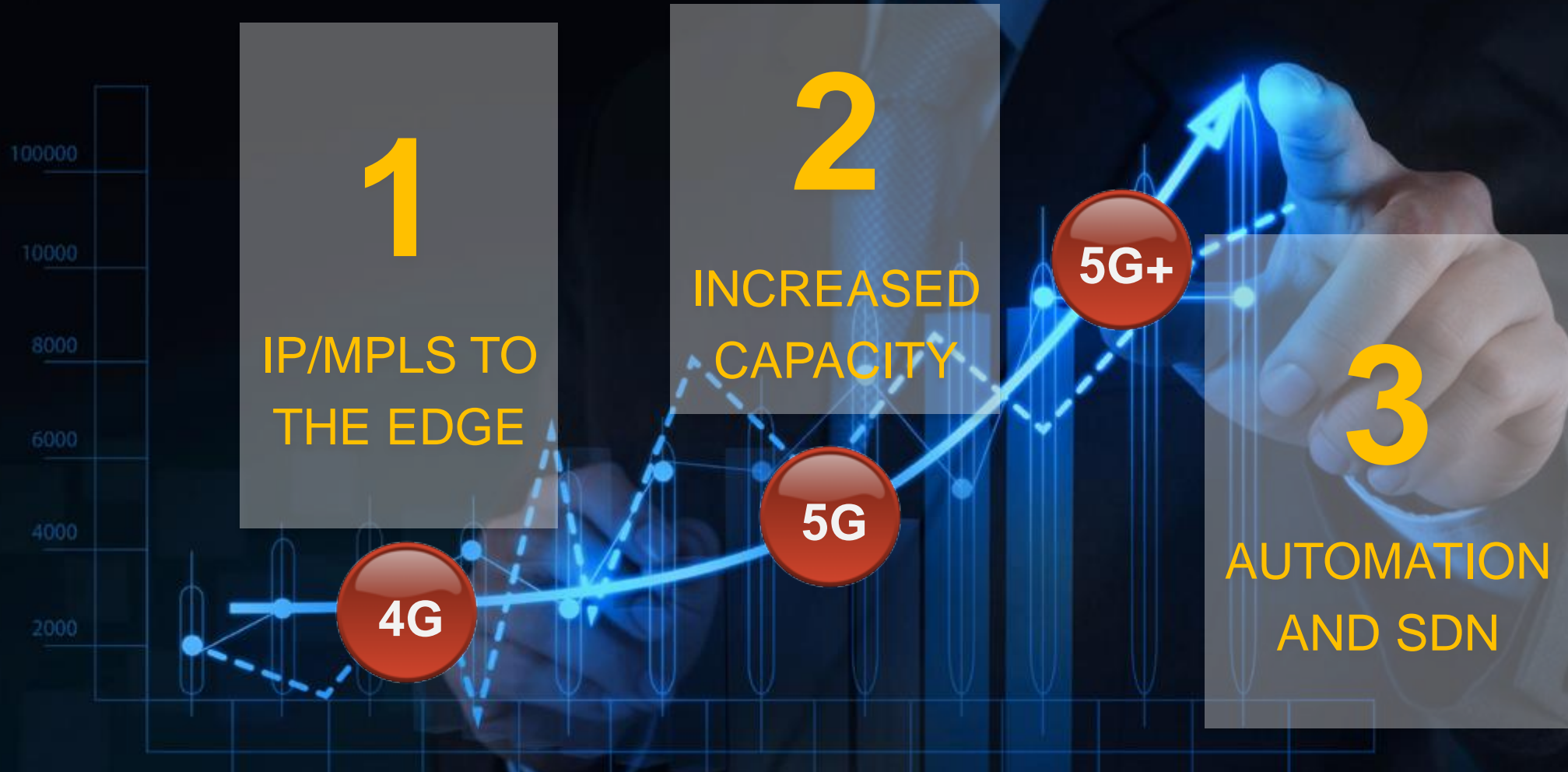
The information contained in this presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act and Section 27A of the Securities Act, including expectations regarding the results for the fiscal first quarter 2019 and cash flow in fiscal 2019, and our anticipated results for fiscal 2019. 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.



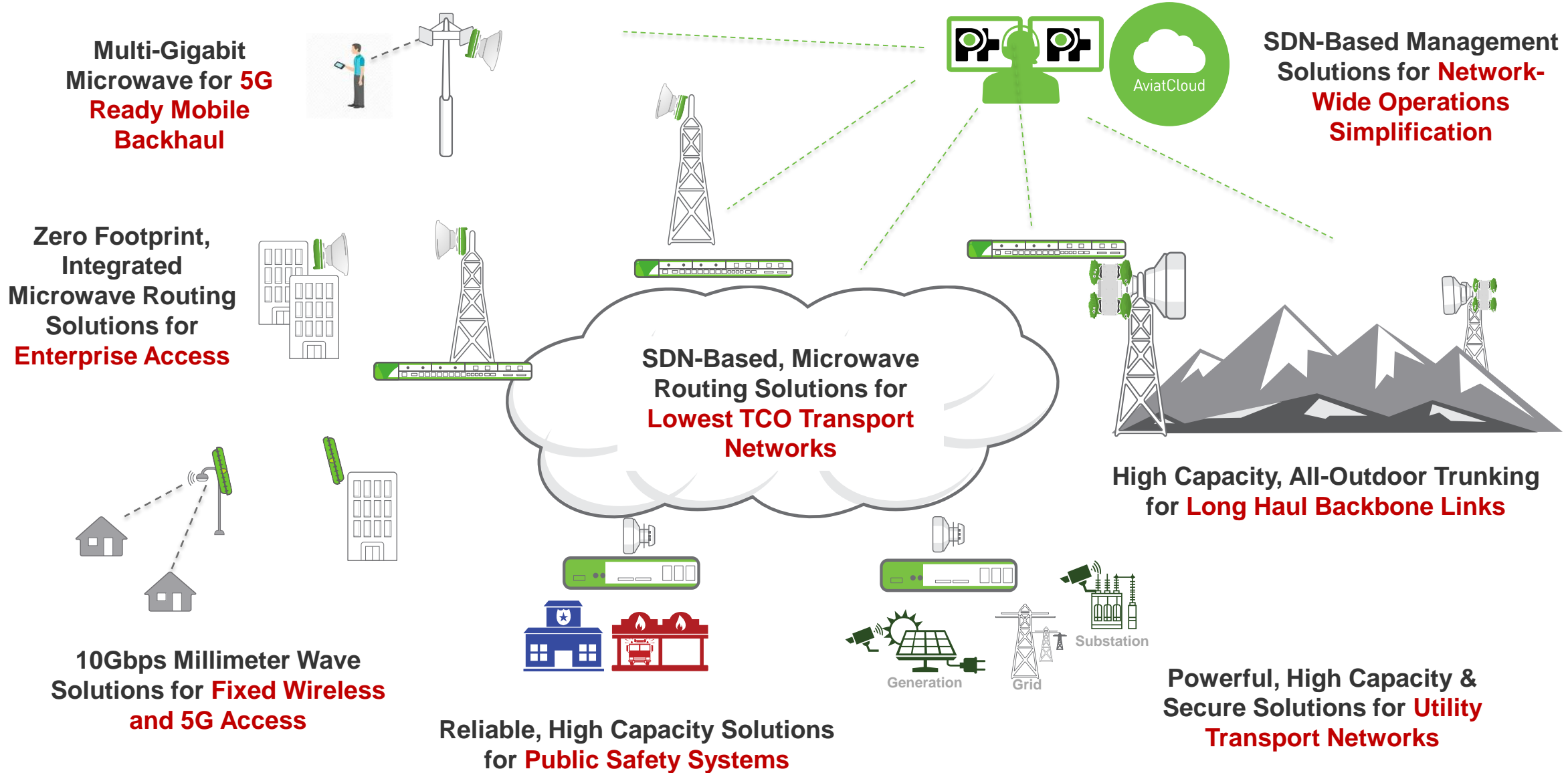
# **Our Value Proposition**

# TECHNOLOGY FOCUS



## EVOLVING INTELLIGENT WIRELESS CONNECTIVITY

# UNIQUE ABILITY TO ADDRESS MULTIPLE VERTICAL MARKETS



# INDUSTRY LEADING PRODUCTS

## MOST SECURE, HYBRID MISSION-CRITICAL PLATFORM



UPGRADED (Capacity)

ECLIPSE

## SPLIT-MOUNT OUTDOOR RADIO UNIT



UPGRADED (Capacity)

ODU 600

## INDUSTRY'S HIGHEST CAPACITY MICROWAVE



ALL NEW  
PLATFORM

WTM 4000

## NETWORK MANAGEMENT



PROVISION

## MICROWAVE ROUTERS



UPGRADED (IP/MPLS)

CTR 8000

## HIGHEST POWER MICROWAVE RADIO



UPGRADED (Capacity)

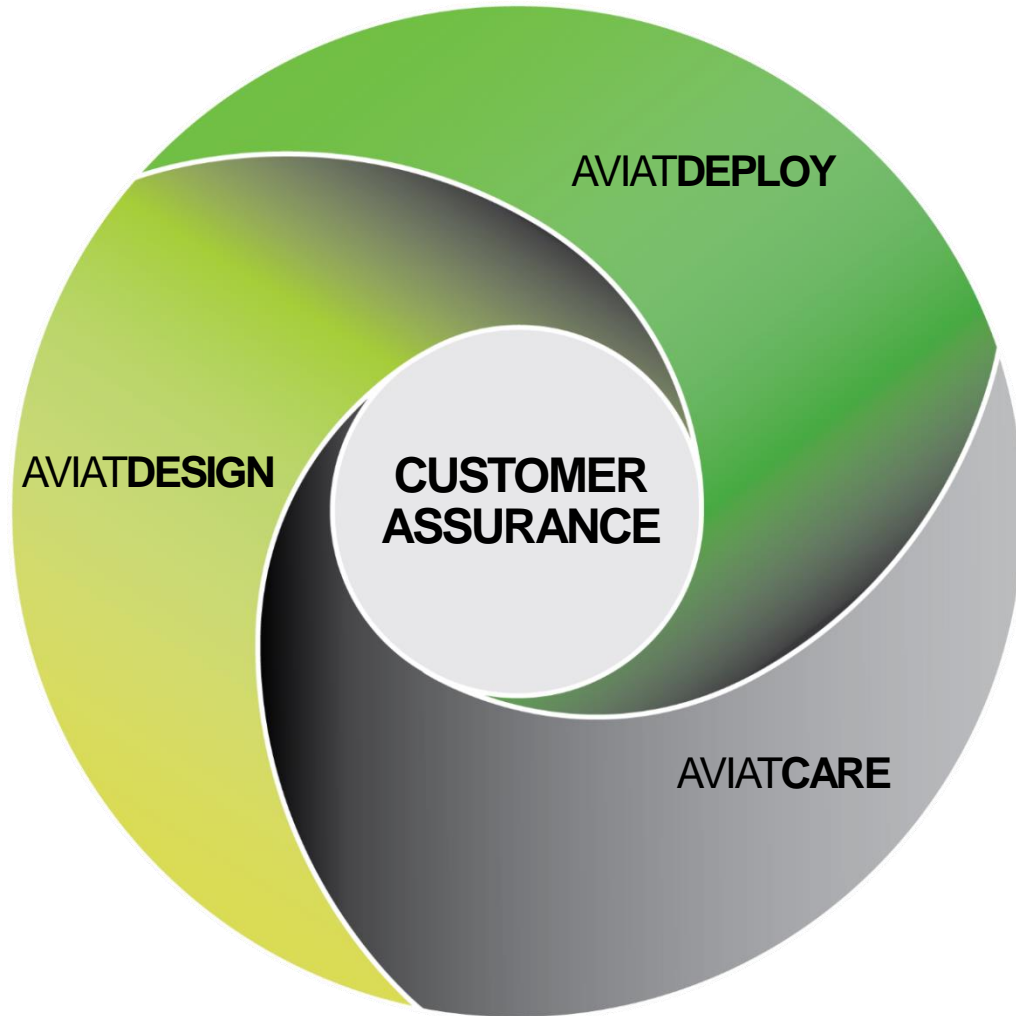
IRU 600

Solutions for  
5G Transport:  
High Capacity,  
Lifecycle  
Automation



AVIATCLOUD

# INDUSTRY-LEADING SERVICES CAPABILITIES



**INDUSTRY'S  
LEADING  
AUTOMATION  
PLATFORM FOR  
MICROWAVE  
NETWORK  
SERVICES**

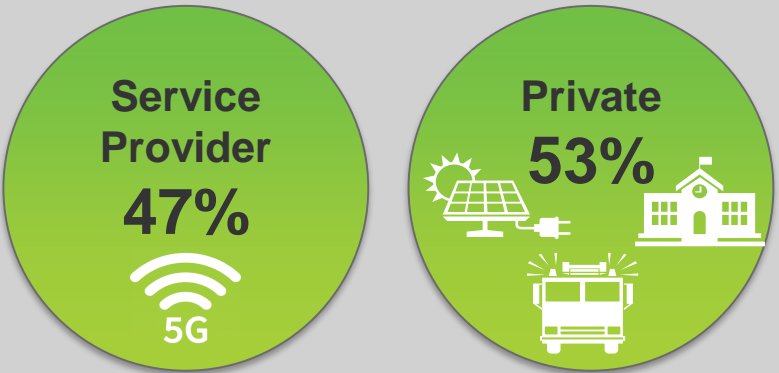


**Strong Recurring Revenue with Good Growth Potential**



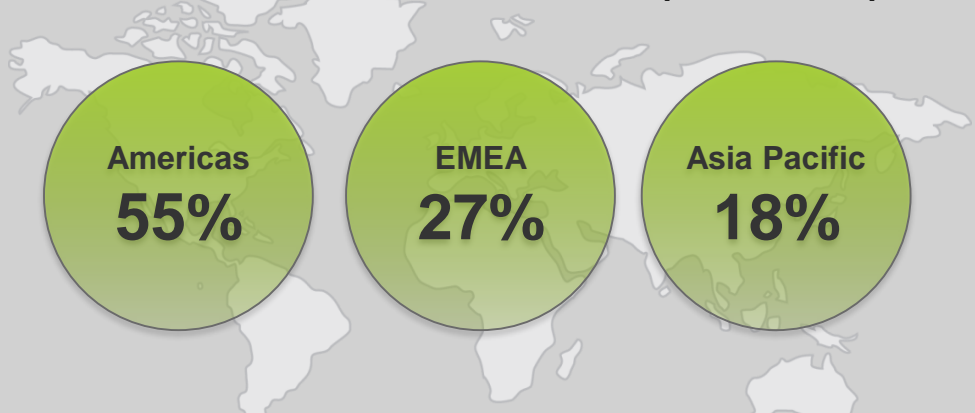
# DIVERSE, STABLE BUSINESS WITH GROWTH POTENTIAL

## VERTICALS DIVERSITY (FY19 YTD)



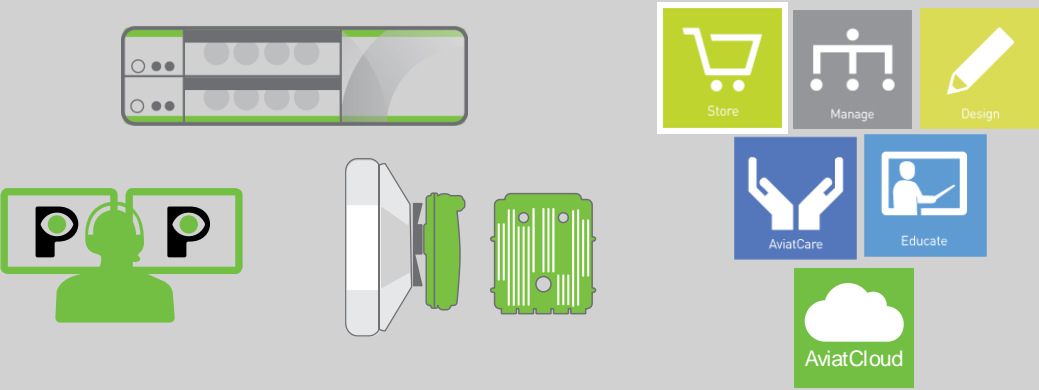
Positive Momentum in service provider and private networks

## GEOGRAPHICAL DIVERSITY (FY19 YTD)



Presence in all geographies, strongest in high margin regions

## SOLUTIONS DIVERSITY



Differentiated total solution offering – hardware, software, services, on-line B2B capability.

## CUSTOMER DIVERSITY



Brand name accounts; ~ 90% Direct Sales



# 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



**MOTOROLA**  
#1 Supplier



**AIRBUS**  
DEFENCE & SPACE

A Leading Supplier

## Expanding Reach

Recent breaking through into  
transportation vertical

## National Security Networks

France, Middle East, North  
Africa, Asia Pacific

## Oil & Gas

West Africa, Asia, Europe

## Regional Governments

Latin America

## Sales and Services Strength

Direct engagement and deep  
relationships with end customer

Trusted Expert

Strengthening Position in a Diverse Private Networks Environment

# GAINING MOMENTUM AND MARKET SHARE ACROSS PRIVATE NETWORK VERTICALS

## Aviat Awarded Microwave and IP/MPLS Business by the State of Nevada

- Awarded a \$10M network upgrade project, which includes hardware, software and services
- Aviat to provide its IRU 600 EHP radio, CTR microwave routers and AviatCloud automation platform
- Includes multi-year outsourced managed services, including engineering, installation and support to design and build network



## Aviat Awarded Nearly \$40M in Business with the State of Colorado

- The state to support all mission-critical communications for public safety, first responders and various state agencies
- 3-year contract for ~\$28M to implement a network using Aviat's microwave, IP/MPLS routers, management software and full turnkey services
- Additional \$9.5M received since initial order (January 2018)
- New customer for Aviat – highly competitive deal



## Aviat Networks Wins ~\$20 Million in U.S. Utility Business

- Represents orders received in FY19 YTD from U.S.-based gas, water and electric utilities
- \$5 million with sustainable energy company with operations in 24 states; \$3.5 million with a leading west-coast water utility
- The remainder from over 25 utility accounts indicating scope of market penetration and reach in this vertical



## Aviat Networks Selected by Motorola Solutions for the State of Florida's Statewide Network

- Aviat selected to provide wireless transport products and services
- Supported Motorola Solutions throughout selection and award process including systems engineering and design and contract phase of the project



## Aviat Networks Awarded Microwave Business with State of Alaska

- Aviat selected to provide microwave hardware and software required to upgrade police, fire and emergency communications
- The State of Alaska will deploy Aviat's IRU 600 EHP all-indoor radio
- Aviat will also deliver CTR 8500 transport routers to support Ethernet-based services and ensure the State is prepared for future networking enhancements



# GAINING MOMENTUM WITH SERVICE PROVIDERS GLOBALLY

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

- Received 5G related orders from a top-5 U.S. wireless carrier to provide wireless transport solutions in preparation for launch of their commercial 5G services in the second half of 2019
- The operator will deploy Aviat's wireless transport solutions, and will get support from Aviat for a range of design, deployment and support services
- Aviat is proud to support this operator, one of our key customers, as they rollout 5G services across their footprint



## Aviat Networks Signs Global Frame Agreement with Ooredoo Group

- 5-year global supplier frame agreement with Ooredoo
- This agreement enables all Ooredoo operating entities around the world to purchase Aviat's complete portfolio of wireless transport solutions
- Ooredoo is leveraging Aviat's solutions to lower overall capital expenditures and operating expenses, while also ensuring high availability and very high bandwidth connectivity for mobile backhaul and fixed internet connectivity.





# **Fiscal 2019 Third Quarter and Nine Month Financial Results**

# FISCAL 2019 YEAR-TO-DATE SUMMARY

- YTD revenue tracking roughly in line with prior year, with strong fiscal 2019 fourth quarter anticipated
- Enhanced product portfolio and services leading to new global opportunities
- Strong momentum building in North America and the APAC region
- Over 50 new Private Network accounts and 12 Service Provider accounts added YTD
- Two new state contracts in FY19 (Florida and Alaska) with impact to be felt in FY20 and beyond
- Cash position down \$1.4 million YTD; up \$4.5 million sequentially; further improvements anticipated
- Company maintains a positive outlook for the FY19 fourth quarter and for the full fiscal year

**Expect 3<sup>rd</sup> Consecutive Year of Bottom-Line Improvements and 2<sup>nd</sup> Consecutive Year of Growth**

# FISCAL 2019 Q3 NON-GAAP FINANCIAL HIGHLIGHTS

## Income Statement Summary (Non-GAAP)

<i>(In Millions \$)</i>	Q3 FY19 Actual	Q3 FY18 Actual	Variance
Revenue	<b>\$54.0</b>	<b>\$62.1</b>	<b>\$(8.1)</b>
Gross Margin	<b>\$16.3</b>	<b>\$18.1</b>	<b>\$(1.8)</b>
Gross Margin %	<b>30.2%</b>	<b>29.1%</b>	<b>110 Bps</b>
Operating Expenses	<b>\$17.9</b>	<b>\$19.0</b>	<b>\$1.1</b>
Operating Loss	<b>\$(1.6)</b>	<b>\$(0.9)</b>	<b>\$(0.7)</b>
Net Loss From Continuing Operations Attributable to Aviat Networks	<b>\$(1.8)</b>	<b>\$(1.4)</b>	<b>\$(0.4)</b>
Adjusted EBITDA (loss)	<b>\$(0.5)</b>	<b>\$0.2</b>	<b>\$(0.7)</b>

## Key Take-Aways

- Strong growth in the APAC region (up 38.2%), offset by declines in other international markets; North America revenue down by \$3.2 million related to component shortage which has been corrected.
- Non-GAAP gross margin rate improved YOY due to higher profitability on product sales and lower supply chain costs.
- Non-GAAP operating expenses improved YOY due to a reduction in variable compensation expense, offset by continued investments in R&D to fund future growth.
- While losses were reported, Company expects significant momentum in its fiscal 2019 fourth quarter, finishing the year with both top- and bottom-line growth.

Fiscal 2019 Third Quarter Results Impacted by North America Component Shortage, Spending Declines in Africa and a Delay in One Customer Order in Northern Africa

# FISCAL 2019 Q4 AND FULL-YEAR NON-GAAP FINANCIAL OUTLOOK

## Income Statement Summary (Non-GAAP)

	Q4 FY19 Estimate	Q4 FY18 Actual	Variance	FY19 Full Year Estimate	FY18 Full Year Actual	Variance
Revenue	\$66.0 - \$71.0	\$62.5	Up ~5.5% - 13.5%	\$246.0 - \$251.0	\$242.5	Up 1.5% - 3.5%
Gross Margin %	35.5% - 36.5%	36.9%	Down YOY but in line with prior outlook	~33.0%	33.1%	In line with PY
Operating Expenses	\$18.0 - \$19.0	\$20.0	Improvement of \$1.0 - \$2.0 million	\$73.5 - \$74.5	\$74.8	Expenses down while continuing to invest in R&D
Operating Income (loss)	~\$6.0	\$3.0	Up ~\$3.0 million	~\$7.5	\$5.4	~39% YOY increase*
Adjusted EBITDA (loss)	~\$7.0	\$4.4	Up ~\$2.6 million	~\$11.0 - \$12.0	\$10.1	~9.0% – 19.0% YOY improvement*

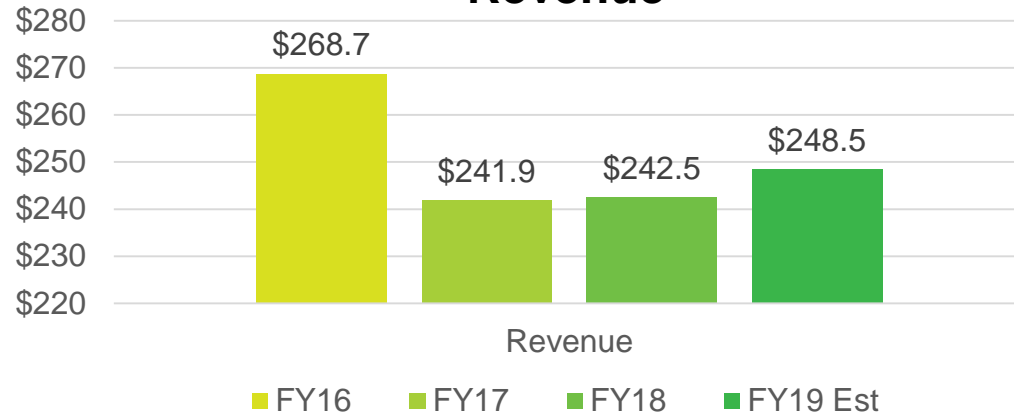
\* YOY variance for Operating Income and Adjusted EBITDA uses the mid-point of the FY19 ranges provides.

1<sup>st</sup> and 2<sup>nd</sup> Half Financial Results More Indicative of True Operating Performance

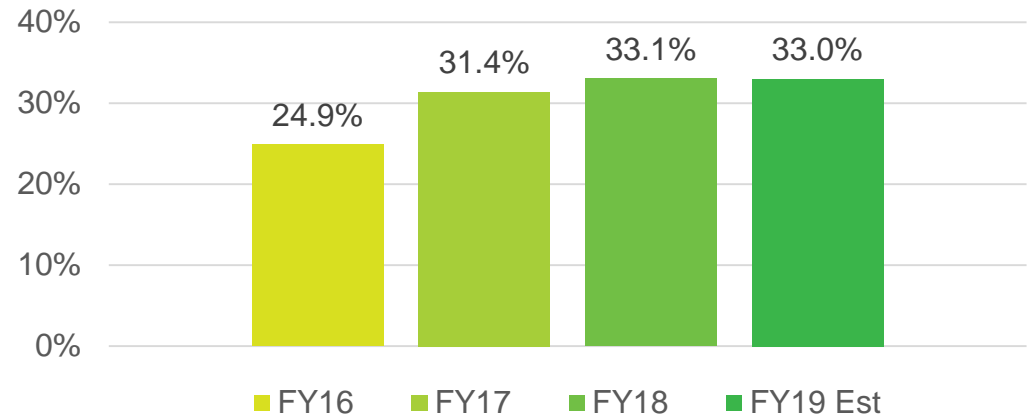


# THREE YEARS OF IMPROVED FINANCIAL PERFORMANCE

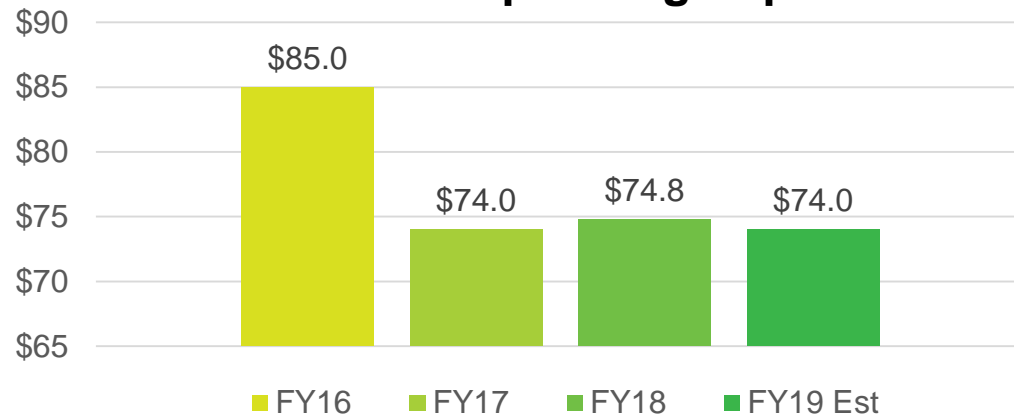
## Revenue



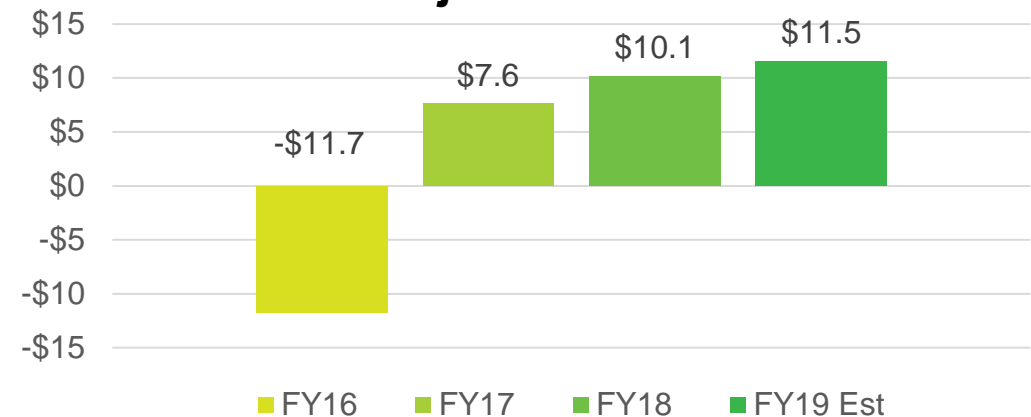
## Non-GAAP Gross Margin %



## Non-GAAP Operating Expenses



## Adjusted EBITDA



FY19 Estimates Use Mid-Point of Guidance – 2<sup>nd</sup> Year of Growth / 3<sup>rd</sup> Year of Improved Profitability

# FISCAL 2019 Q3 BALANCE SHEET KEY INDICATORS

(\$'s in millions)	Q3 FY19	Q2 FY19	Q1 FY19	Q4 FY18
Cash/Cash Equivalents	\$36.1	\$31.5	\$28.4	\$37.4
Accounts Receivable	\$45.6	\$48.6	\$50.9	\$43.1
DSO's	77 Days	68 Days	77 Days	63 Days
Inventory*	\$11.3*	\$9.7*	\$10.0*	\$22.8
Turns*	13.4*	17.6*	17.0*	6.9
DPO's	82 Days	74 Days	71 Days	72 Days
Third-Party Debt	\$9.0	\$9.0	\$9.0	\$9.0
Accounts Payable	\$34.2	\$34.8	\$33.3	\$30.9

\* FY19 Q1 – Q3 are based on ASC 606; FY18 is based on ASC 605.

## Key Take-Aways

- Cash balance increased by \$4.5 million sequentially over Q2 FY19 on stronger collections, primarily in North America and reduced capex
- Accounts receivable declined by \$3.0 million primarily due to timing of invoicing and collections.
- Inventory up by \$1.6 million primarily due to orders from Service Provider customers, both in North America and internationally.
- Accounts payable remained relatively constant in line with strong customer collections.
- Company anticipates further improvements in cash and cash equivalents in its fiscal 2019 fourth quarter

Strong Balance Sheet Capable of Supporting Continued Growth

# DELIVERING RESULTS; WELL POSITIONED FOR THE FUTURE

- Competitive position continues to strengthen; multiple opportunities for long-term growth
- Increasing investment in growth related activities; continue to optimize other areas
- Favorable market dynamics including: international networks upgrade to LTE; U.S. networks upgrade to 5G; more First Responder requirements; growth in State and Local Private Networks, etc.
- Changing our business model in Africa with respect to MTN; other opportunities with MNO's materializing
- Generating savings through better processes, tools and efficiencies; uncovering "hidden" cost savings
- Expect strong FY19 fourth quarter and year-over-year improvements on the top- and bottom-line
- Balance sheet continues to strengthen

**Stronger Foundation, Profitable Performance and Building Momentum**



**Aviat**  
NETWORKS

[WWW.AVIATNETWORKS.COM](http://WWW.AVIATNETWORKS.COM)