



# **21st Annual Needham Growth Conference**

## **Investor Presentation (NASDAQ: AVNW)**

January 16, 2019

# 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") on August 28, 2018, 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.

# WHAT MAKES US AN ATTRACTIVE LONG-TERM INVESTMENT?

**Market Position:** Leading provider and specialist in wireless backhaul and networking utilizing cutting-edge microwave transmission with growing professional services



**Competitive Trend:** Capturing an increasing share of market within North America Private Networks while maintaining a strong position in the global Service Provider vertical



**Large Installed Base:** Marquee customers including several of the premier mobile operators in the world; servicing over 50% of the largest utility companies and over 50% of US statewide networks, while partnering with the leading public safety integrator



**Technology:** Leading products in several key categories addressing networking, automation, capacity and output power...the most important attributes for our industry



**Market Opportunity:** We operate in an industry that is geared to grow in support of 5G, IoT, smart cities, and the explosion of video and data applications across all markets served; increasing investments in first responder networking – our sweet spot; continued growth in LTE while 5G momentum builds



**Proven Performance and Positive Outlook:** We have successfully realigned our business, resulting in modest growth, significant margin expansion and close to a \$22M Adjusted EBITDA improvement over the past 2 years; FY19 anticipated to show top- and bottom-line momentum



Enterprise Value ~6.5X Trailing EBITDA and ~ .25X Revenue – Substantial Upside as we Deliver!

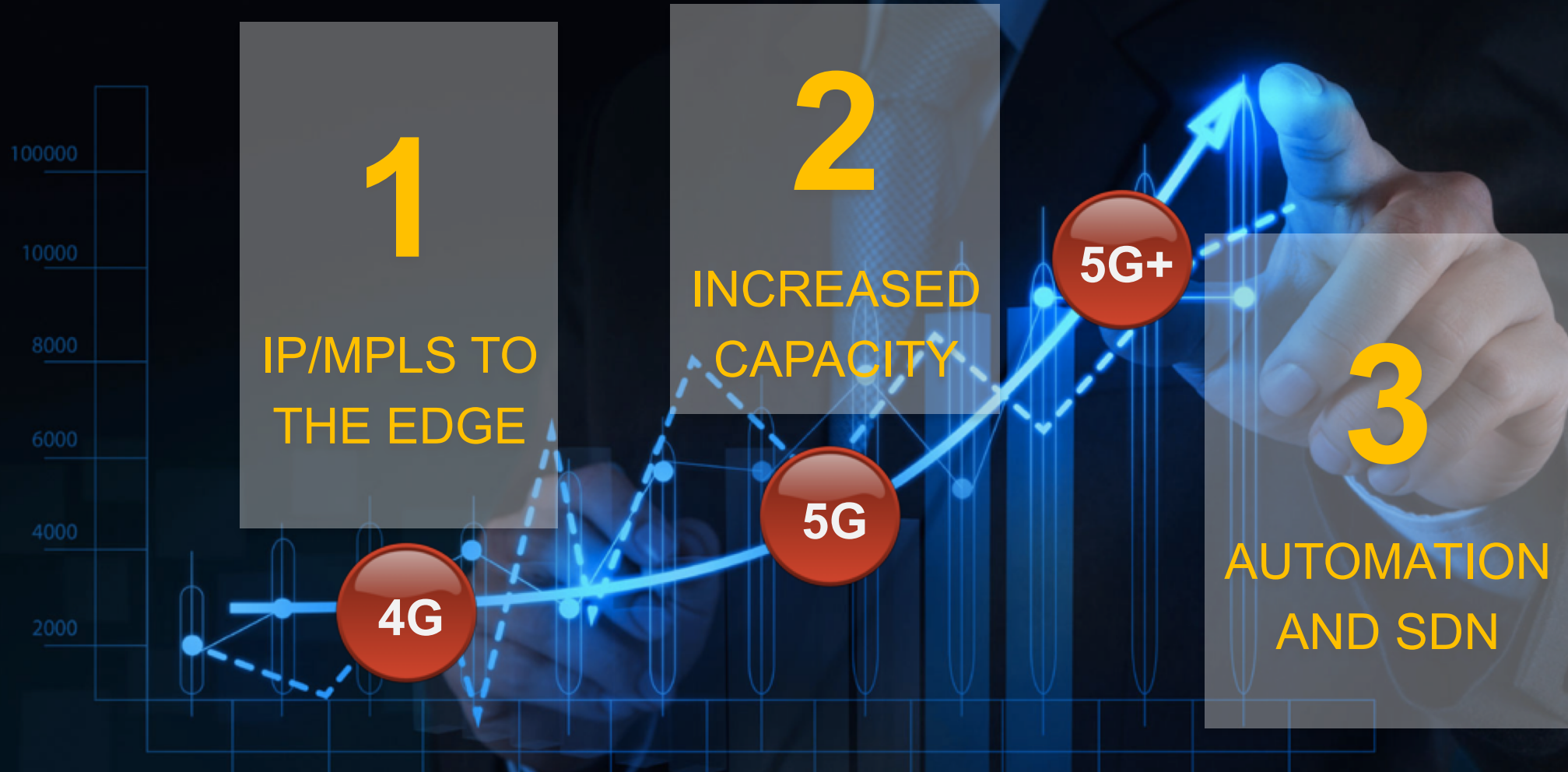


# **Technology & Services Leadership**

Uniquely Positioned Specialist



# TECHNOLOGY FOCUS



## EVOLVING INTELLIGENT WIRELESS CONNECTIVITY

# INDUSTRY LEADING PRODUCTS

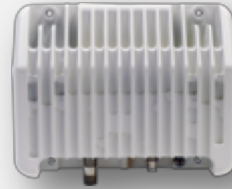
## MOST SECURE, HYBRID MISSION-CRITICAL PLATFORM



**UPGRADED (Capacity)**

**ECLIPSE**

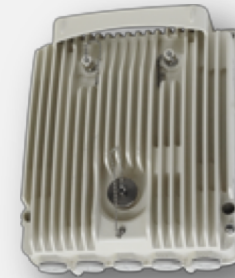
## SPLIT-MOUNT OUTDOOR RADIO UNIT



**UPGRADED (Capacity)**

**ODU 600**

## INDUSTRY'S HIGHEST CAPACITY MICROWAVE



**ALL NEW  
PLATFORM**

**WTM 4000**

## MICROWAVE ROUTERS



**UPGRADED (IP/MPLS)**

**CTR 8000**

## HIGHEST POWER MICROWAVE RADIO



**UPGRADED (Capacity)**

**IRU 600**

## NETWORK MANAGEMENT



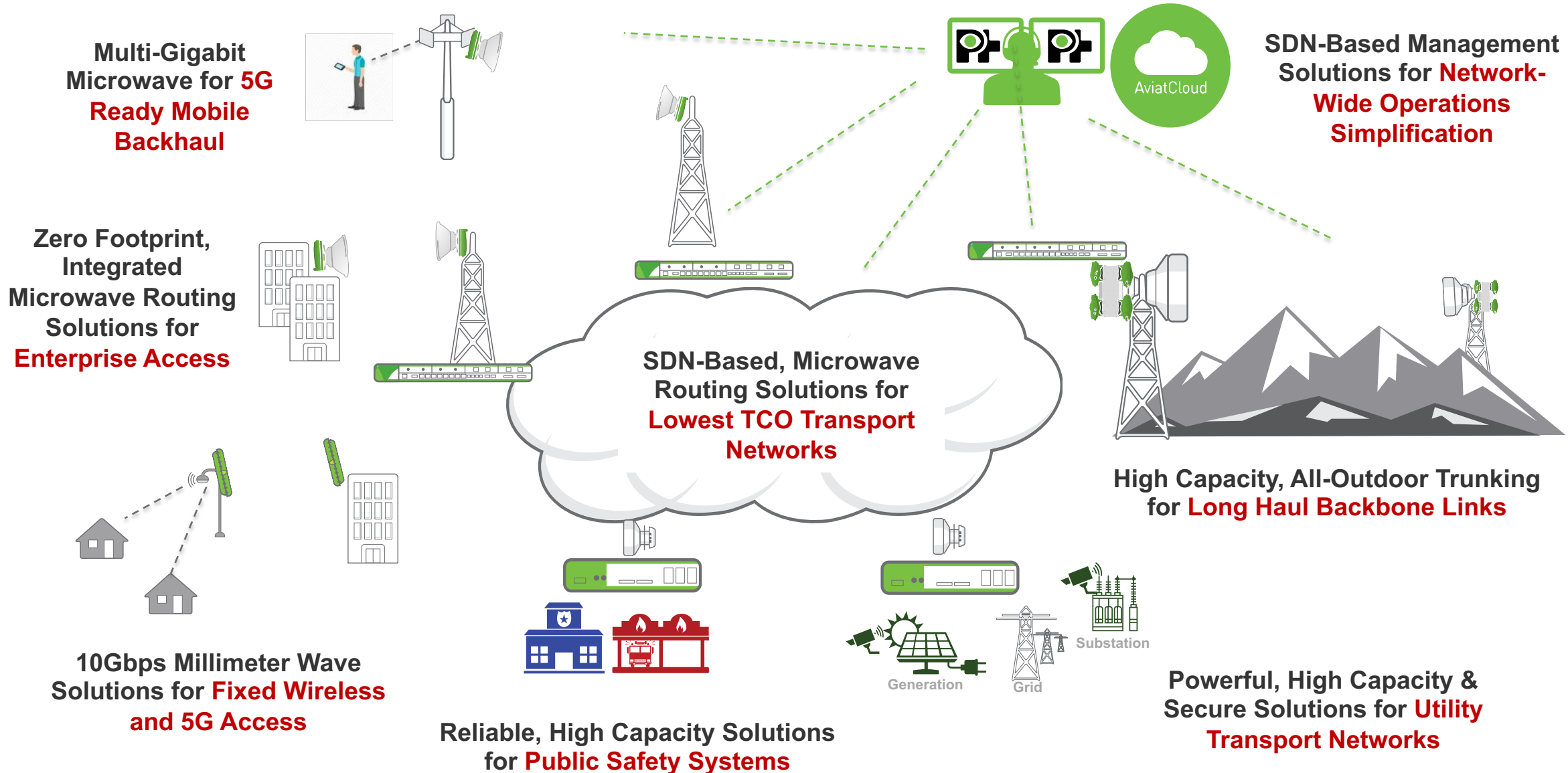
**PROVISION**



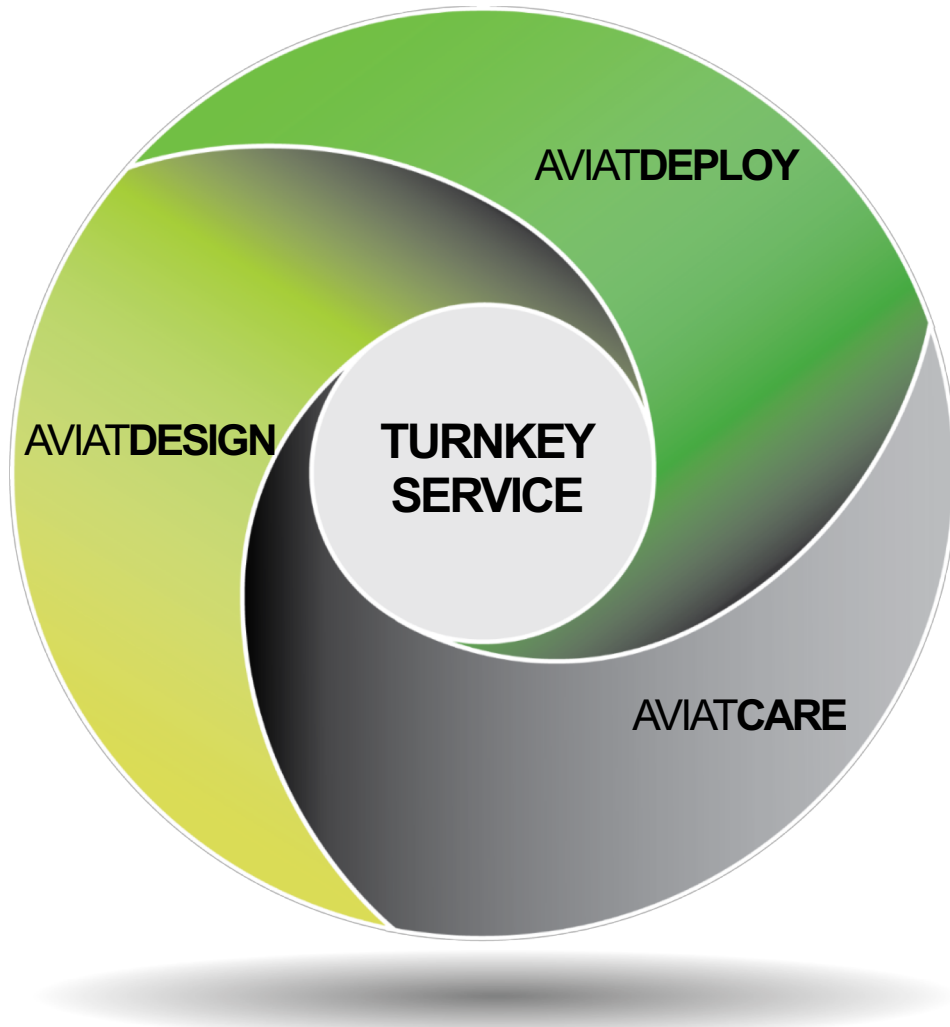
**AVIATCLOUD**

**Solutions for  
5G Transport:  
High Capacity,  
Lifecycle  
Automation**

# UNIQUE ABILITY TO ADDRESS MULTIPLE VERTICAL MARKETS



# INCREASING AUTOMATION TO ENHANCE SERVICES CAPABILITIES

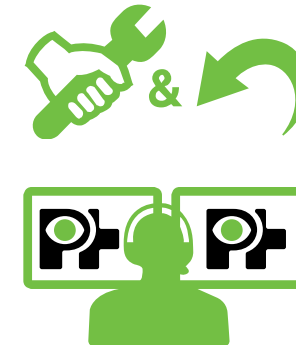


## Aviat Cloud Automation

Design, Purchasing & licensing



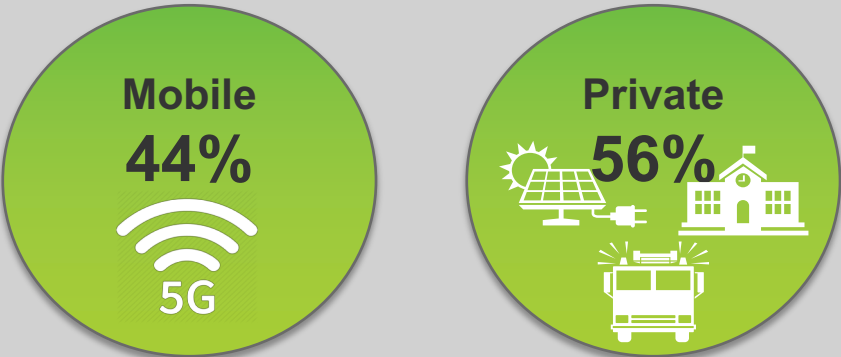
Installation, Operation,  
Optimization & Support



**Increasing Recurring Revenue & Addressable Market Opportunity**

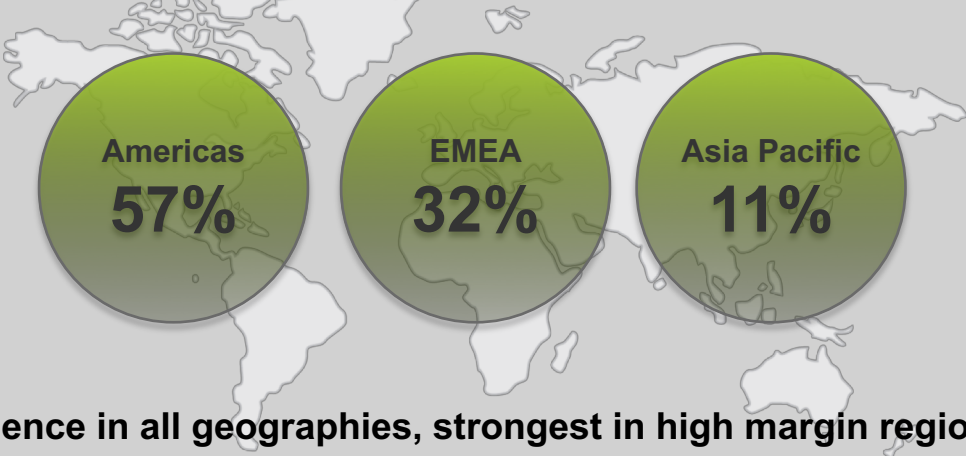
# DIVERSE, STABLE BUSINESS WITH GROWTH POTENTIAL

## VERTICALS DIVERSITY



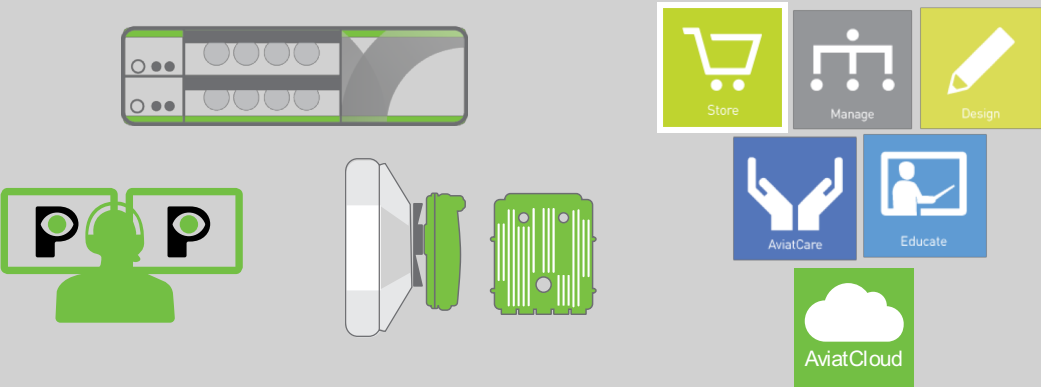
Positive Momentum in mobile and private networks

## GEOGRAPHICAL DIVERSITY



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



# 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





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# **Financial Review**

# **Company Outlook**

# FISCAL 2019 Q1 NON-GAAP FINANCIAL HIGHLIGHTS

## Income Statement Summary (Non-GAAP)

<i>(In Millions \$)</i>	Q1 FY19 Actual	Q1 FY18 Actual	Variance
Revenue	<b>\$60.5</b>	<b>\$56.2</b>	<b>Up 7.7%</b>
Gross Margin	<b>\$17.9</b>	<b>\$17.3</b>	<b>\$0.6</b>
Gross Margin %	<b>29.6%</b>	<b>30.8%</b>	<b>(120) bps</b>
Operating Expenses	<b>\$18.3</b>	<b>\$17.6</b>	<b>\$0.7</b>
Operating Income (Loss)	<b>\$(0.4)</b>	<b>\$(0.3)</b>	<b>\$(0.1)</b>
Net Income (Loss) From Continuing Operations Attributable to Aviat Networks	<b>\$(0.6)</b>	<b>\$(0.6)</b>	<b>--</b>
Adjusted EBITDA	<b>\$0.9</b>	<b>\$0.9</b>	<b>--</b>

## Key Take-Aways

- Fourth consecutive quarter of \$60 million-plus in revenue
- Revenue increased YOY driven by a 30% improvement in international business sales primarily from mobile operators in APAC and several smaller customers in Africa
- Year-to-date, ~\$20 million of new orders from the Utility market vertical
- Margin declined YOY due to a lower proportion of North America revenue; upside anticipated throughout FY19
- YOY increase in operating expenses driven by investments in growth-related activities in sales, marketing and R&D functions

Direction Remains on Track With Eighth Consecutive Quarter of Adjusted EBITDA Profitability



# FISCAL 2019 Q1 BALANCE SHEET KEY INDICATORS

(\$'s in millions)	Q1 FY19	Q4 FY18	Q1 FY18
Cash/Cash Equivalents (and restricted cash)	\$28.4	\$37.4	\$39.6
Accounts Receivable	\$50.9	\$43.1	\$43.6
DSO's	77 Days	63 Days	71 Days
Inventory	\$10.0	\$22.8	\$24.7
Turns	17.0	6.9	6.3
DPO's	71 Days	72 Days	81 Days
Third-Party Debt	\$9.0	\$9.0	\$9.0
Accounts Payable	\$33.3	\$30.9	\$34.4

## Key Take-Aways

- Cash down in Q1 FY19 due to timing of collections in Africa/ME and higher working capital requirements for larger projects
- Accounts receivable increased directly due to timing of payments
- Inventory down by \$14.7 million on a YOY basis and reflects reduction of deferred inventories under ASC 606

Strong Balance Sheet Capable of Supporting Continued Growth

# Q2 FISCAL 2019 GUIDANCE

## Income Statement Summary (Non-GAAP)

<i>(\$'s in millions)</i>	Q1 FY19 Actual Results	Q2 FY19 Outlook	Commentary
Revenue	\$60.5	\$61.0 - \$65.0	Sequential growth of 4% at midpoint
Gross Margin (%)	29.6%	Mid 30s	Improved mix of North America revenues
Operating Expenses	\$18.3	~\$19M	Increased investments in growth areas
Operating Income (Loss)	\$(1.5)	\$2.5 - \$3.5	1H consistent with prior expectations based on stronger Q2
Adjusted EBITDA	\$0.9	\$3.5 - \$4.5	

Expecting Strong Bottom-Line Sequential Improvements

# FISCAL YEAR 2019 GUIDANCE AND KEY DRIVERS

## Income Statement Summary (Non-GAAP)

(\$'s in millions)	FY19 Outlook	Commentary
Revenue	<b>\$250.0 - \$260.0</b>	Anticipate YOY growth of ~4.0% - 7.0%
Gross Margin (%)	<b>32.0% - 33.0%</b>	In line with prior FY19 expectations
Operating Expenses	<b>\$75.0 - \$77.0</b>	Increased investments in growth-related areas
Operating Income	<b>~\$7.0</b>	~30% increase YOY
Adjusted EBITDA	<b>~\$12.5</b>	~24% increase YOY

### KEY DRIVERS FOR FY 2019:

- Opportunities across all private network verticals globally
- Increasing share with service provider customers preparing for 5G; supporting existing customer base in their 4G and LTE networks
- Addressable market expansion enabled by WTM product platform, Aviat store, new service offerings and enhanced partnerships

Maintaining Positive Expectations for FY19 Performance

# KEY TAKE-AWAYS

- Competitive position continues to strengthen; multiple opportunities for long-term growth
- Increasing investment in growth related activities; continue to optimize other areas
- Expecting stronger second quarter with significant bottom-line improvements; maintaining positive full year outlook
- Cash performance expected to improve over the course of the year
- Potential for significant value appreciation as we deliver improved profitability and top-line growth

Aviat Networks is Positioned for Long-Term Financial Success and Market Expansion

FOR MORE USEFUL  
ANALYSIS AND INSIGHT,  
FOLLOW  
**AVIAT NETWORKS**  
ON

