



**Aviat**  
NETWORKS

# **Fiscal 2018 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 third quarter 2018 and cash flow in fiscal 2018, and our anticipated results for fiscal 2018. 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 6, 2017 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.

# AVIAT NETWORKS: AN INTRODUCTION TO OUR COMPANY

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

## DESIGN AND DEPLOYMENT

Automation and Professional  
Services for Planning, Deployment  
Software-Delivered Functions  
Ease of Network Migration

## CUSTOMER CARE

Cloud-Enabled Services  
Network Operations and Customer  
Service

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

# FY18 THIRD QUARTER EXECUTIVE COMMENTARY

“While third quarter results were somewhat mixed, our outlook for the fourth quarter and 2019 fiscal year (“Fiscal 2019”) remains very strong. We’ve added new customers, expanded successfully into new verticals and demand for our recently launched products is building. Our private networks business is strong, with new state contracts and new utility accounts on the horizon. Our international business is expected to return to growth, we have added new Tier-1 accounts, we are expanding our addressable market, and we’re well-positioned as 5G adoption begins to build steam over the next 12-18 months.”

“I’m pleased to announce that our Board of Directors has authorized a stock repurchase program, enabling us to purchase up to \$7.5 million of our common stock. Based on our improving outlook and the momentum we have built, we believe our stock represents a compelling investment and we intend to be more active on the investor relations front, while taking steps such as the stock repurchase program, to enhance valuation over the long-term.”

-- Michael Pangia, President and Chief Executive Officer

# FY18 Q3 NON-GAAP FINANCIAL HIGHLIGHTS

(COMPARES FISCAL 2018 THIRD QUARTER VS. FISCAL 2018 SECOND QUARTER)

## Income Statement Summary (Non-GAAP)

(\$'s in millions)	Q3 FY18 Actual	Q2 FY18 Actual	Variance
Revenue	\$62.1	\$61.7	\$0.4
Gross Margin	\$18.1	\$21.8	\$(3.7)
Gross Margin %	29.1%	35.3%	(620 bps)
Operating Expenses	\$19.0	\$18.2	\$(0.8)
Operating Income (Loss)	-\$0.9	\$3.5	\$(4.4)
Net Income (Loss) From Continuing Operations Attributable to Aviat Networks	-\$1.4	\$3.0	\$(4.4)
Adjusted EBITDA	\$0.2	\$4.6	\$(4.2)

## Key Take-Aways

- Revenue increased sequentially, primarily due to an increase in sales to international accounts.
- Bookings were just under 1:1, but are above 1:1 on a YTD basis and well ahead of FY17 after 3 quarters.
- Gross margin adversely affected by shift in business from N. America to International accounts in the quarter. YTD gross margin is ahead of FY17 in volume and in % of sales.
- Sequential increase in operating expense due to unfavorable exchange rate environment coupled with several single event expenses, such as a spike in some employee benefits costs.

Top-Line Guidance Met; Gross Margins and Operating Expenses Impacted by Short-Term Mix

# FISCAL 2018 – YEAR TO DATE PERFORMANCE

(COMPARES NINE-MONTH RESULTS FOR FISCAL 2018 VS. FISCAL 2017)

## Income Statement Summary (Non-GAAP)

<i>(\$'s in millions)</i>	9-Months FY18 Actual	9-Months FY17 Actual	YOY Variance
Revenue	\$180.0	\$185.4	\$(5.4)
Gross Margin	\$57.2	\$56.6	\$0.6
Gross Margin %	31.8%	30.5%	130 Bps
Operating Expenses	\$54.8	\$54.8	\$0.0
Operating Income	\$2.3	\$1.7	\$0.6
Net Income From Continuing Operations Attributable to Aviat Networks	\$0.9	\$0.9	\$0.0
Adjusted EBITDA	\$5.7	\$6.2	\$(0.5)

YTD Results Demonstrate Momentum in our Business; Strong Q4 Anticipated

# POSITIONED WELL IN THE FISCAL 2018 FOURTH QUARTER

Income Statement Summary (Non-GAAP)					
<i>(\$'s in millions)</i>	FY17 Q4 Actual Results	FY18 Q4 Outlook (Range)		FY18 Q4 Outlook (Mid-Point)	YOY Change (Mid-Point)
Revenue	\$56.4	\$63.0 - \$70.0		\$66.5	\$10.1M 17.9%
Gross Margin (as a %)	34.1%	30.0% - 32.0%		~31.0%	~(310 Bps)
Operating Expenses	\$19.1	~\$19.0		~\$19.0	In line with PY
Operating Income	\$0.2	\$0.0 - \$3.4		~\$1.6	\$1.5M 750.0%
Adjusted EBITDA	\$1.4	\$1.2 - \$4.6		~\$2.8	\$1.5M 107.0%

Significant Bottom-Line Increases Anticipated to Finish out FY18 Strong

# DEMONSTRATING IMPROVED YOY FINANCIAL RESULTS

Income Statement Summary (Non-GAAP)					
(\$'s in millions)	FY18 9-Month Results YTD	FY18 Q4 Outlook (Mid-Point)	FY18 Outlook (Mid-Point)	FY17 Actual Results	YOY Change (Mid-Point)
Revenue	\$180.0	\$66.5	\$246.5	\$241.9	\$4.6M 1.9%
Gross Margin (as a %)	31.8%	~31.0%	~31.5%	31.4%	~10 Bps
Operating Expenses	\$54.8	~\$19.0	~\$73.8	\$74.0	In line with PY
Operating Income	\$2.3	~\$1.6	~\$3.9	\$1.9	\$2.0M 10.52%
Adjusted EBITDA	\$5.7	~\$2.8	~\$8.5	\$7.6	\$0.9M 111.8%

Ongoing Business Improvements Driven by Process Excellence

# LOOKING BACK OVER 3-YEARS

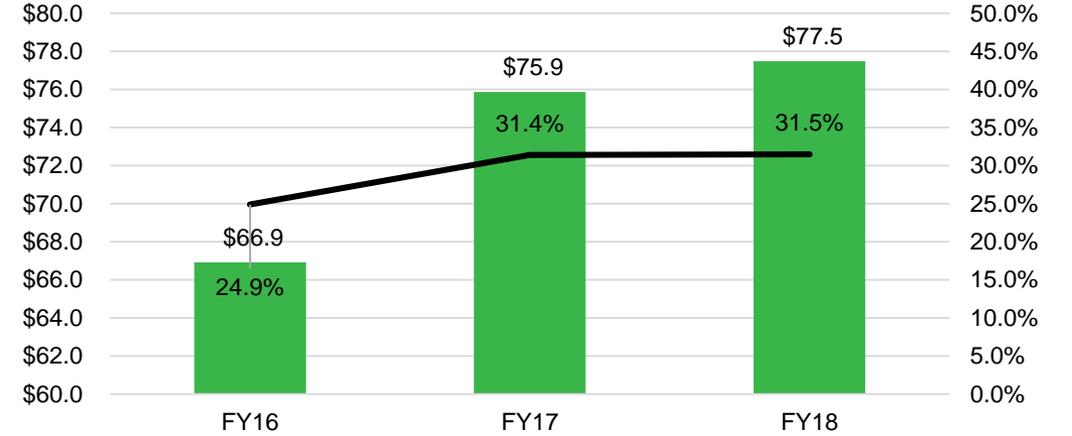
## Revenue

(\$ in millions)



## Gross Profit

(\$ in millions)



## Operating Expenses

(\$ in millions)



## Adjusted EBITDA

(\$ in millions)



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

\* FY18 estimates based on mid-point of anticipated range.

# FY18 Q3 BALANCE SHEET KEY INDICATORS

*(BALANCE SHEET STRENGTHENED – CASH POSITION INCREASED YEAR-OVER-YEAR)*

<i>(\$'s in millions)</i>	Q3 FY18	Q2 FY18	Q1 FY18
Cash and Cash Equivalents (and restricted cash)	\$38.5	\$42.1	\$39.6
Accounts Receivable	\$38.5	\$43.1	\$43.6
DSO's	77 Days	78 Days	84 Days
Inventory	\$23.7	\$26.2	\$24.8
Turns	7.4	6.1	6.3
DPO's	66 Days	76 Days	81 Days
Third-Party Debt	\$9.0	\$9.0	\$9.0
Accounts Payable	\$31.7	\$33.1	\$34.4

## Key Take-Aways

- Cash, cash equivalents and restricted cash position decreased \$3.6 million sequentially and increased \$2.3 million since FY17 year-end. Anticipate further improvements in cash position by FY18 year-end.
- DSO's, inclusive of unbilled accounts, continue to improve.
- Inventory decreased \$2.5 million sequentially from reduction in project inventories.
- DPO count fell on timing of payments to major suppliers during the quarter.
- Cash conversion cycle remains at a company historical low.

Working Capital Metrics Continue to Be Among the Best in the Company's History



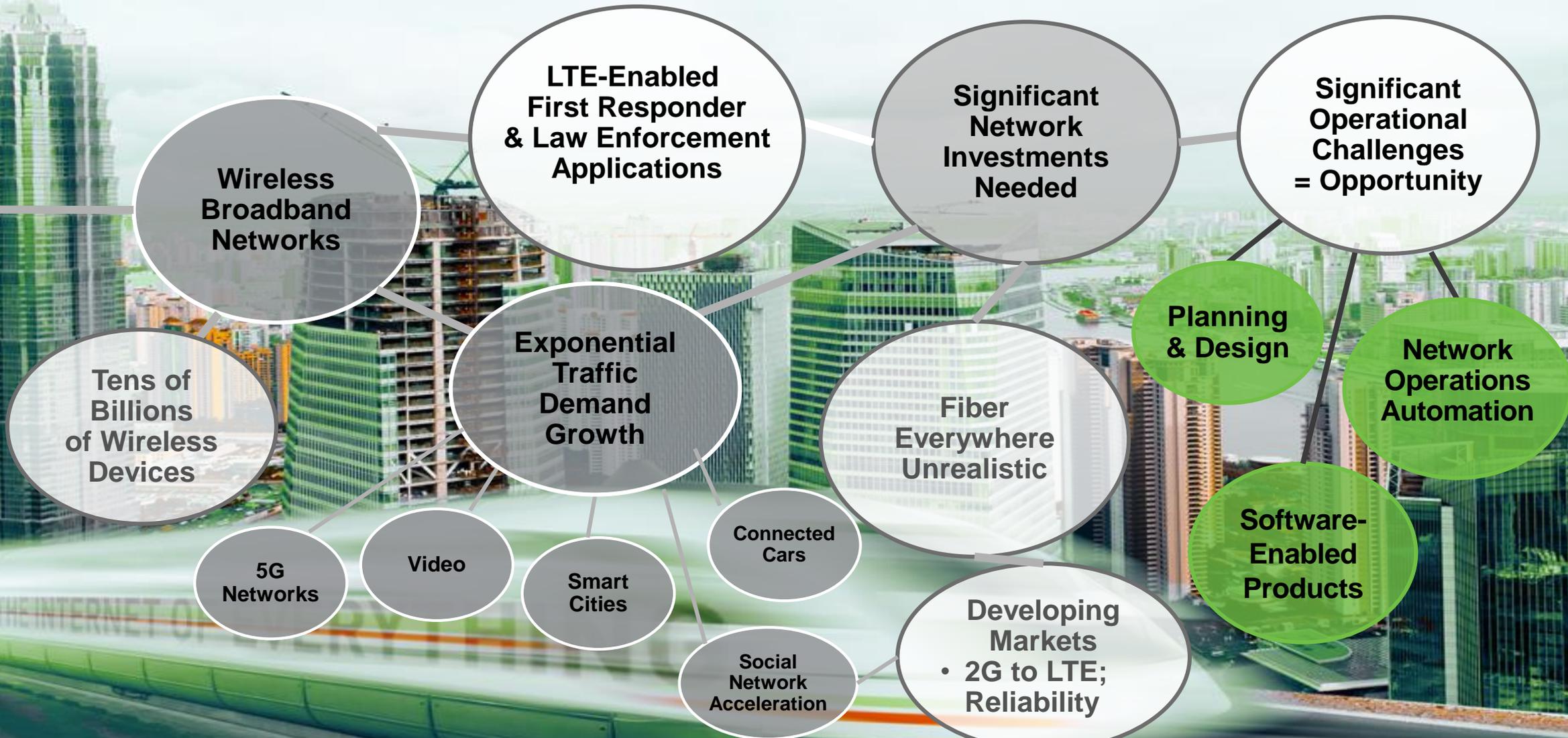
**Aviat**

NETWORKS

**Building for the Future**

*Well-Positioned for Growth Opportunities*

# LOOKING AHEAD: COMPELLING MARKET DEMAND DRIVERS



Multiple Paths to Drive Growth Globally and Across all Verticals



# AVIAT PRODUCT STRATEGY

# INDUSTRY LEADING PRODUCTS

**MOST SECURE, HYBRID  
MISSION-CRITICAL PLATFORM**



**UPGRADED (Capacity)**

**ECLIPSE**

**SPLIT-MOUNT  
OUTDOOR RADIO UNIT**



**UPGRADED (Latency)**

**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 (RF Power)**

**IRU 600**

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



**AVIATCLOUD**

# INDUSTRY-LEADING SERVICES CAPABILITIES



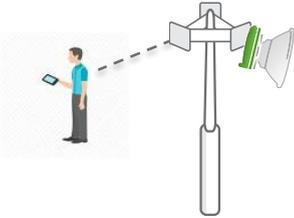
**INDUSTRY'S  
LEADING  
AUTOMATION  
PLATFORM FOR  
MICROWAVE  
NETWORK  
SERVICES**



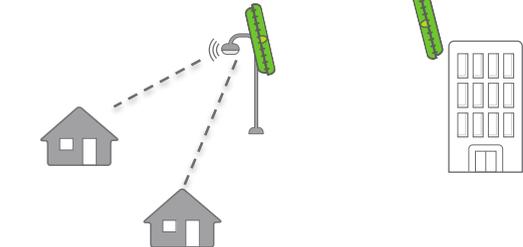
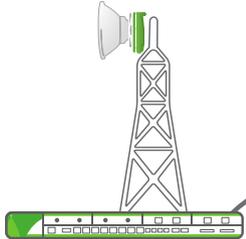
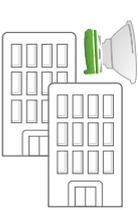
Strong Recurring Revenue Streams and Prospects for Growth

# SOLUTIONS FOR MULTIPLE VERTICAL MARKETS

Multi-Gigabit  
Microwave for **5G**  
Ready Mobile  
Backhaul



Zero Footprint,  
Integrated  
Microwave Routing  
Solutions for  
**Enterprise Access**



10Gbps Millimeter Wave  
Solutions for **Fixed Wireless**  
and **5G Access**



Reliable, High Capacity Solutions  
for **Public Safety Systems**

SDN-Based, Microwave  
Routing Solutions for  
**Lowest TCO Transport  
Networks**



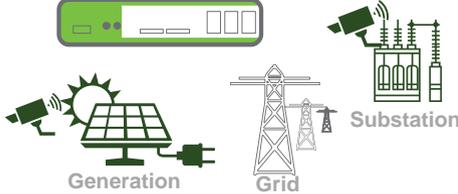
SDN-Based Management  
Solutions for **Network-  
Wide Operations  
Simplification**



High Capacity, All-Outdoor Trunking  
for **Long Haul Backbone Links**



Powerful, High Capacity &  
Secure Solutions for **Utility  
Transport Networks**



# 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

## **Expanding Reach**

Recent breaking through into  
transportation vertical

## **Sales and Services Strength**

Direct engagement and deep  
relationships with end customer

Trusted Expert

Strengthening Position in a Diverse Private Networks Environment

# MARQUEE SERVICE PROVIDER CUSTOMERS

Leading Provider in Key Markets Served



Opportunity to Leverage Significant Installed Base  
Maintaining Customer Base, Adding New Accounts and Well-Positioned for 5G Adoption

# LOOKING AHEAD: KEY TAKE-AWAYS

- Stronger foundation driven by operational excellence and improved performance
- Multiple prospects for growth with new customers in all verticals
- Sustainable gross margin and operating expense improvements
- Strong balance sheet; ~\$7 million increase in cash position since the beginning of FY17
- Working capital metrics are among the best in the Company's history
- Potential for value appreciation based on improved profitability and increased operating leverage

Anticipate FY19 will be Significantly Improved over FY18



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