



# Aviat Networks (NASDAQ: AVNW)

B. Riley Securities 23<sup>rd</sup> Annual Institutional Investors Conference

May 24, 2023

# 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 2023 third quarter and nine months period. 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 most recent 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.

# Aviat Networks Company Profile

## OVERVIEW

- Aviat Networks is a leading wireless access and microwave transport equipment, software and services provider
  - US Headquarters (Austin, TX)
  - Global Customer Base (3,000+ customers)
  - Global Manufacturing Capabilities
  - Leading Technology (200+ patents)
  - Strong Position with Global Service Providers and Private Network Operators

- End-to-End Wireless Access and Transport Solutions Portfolio

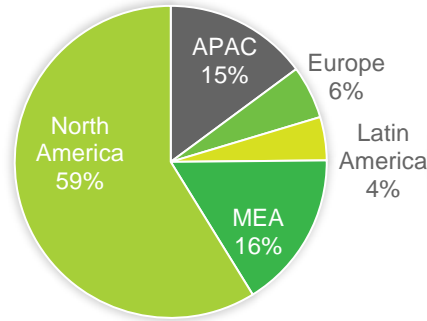


Wireless Transport, Access, Routers, Software, Services

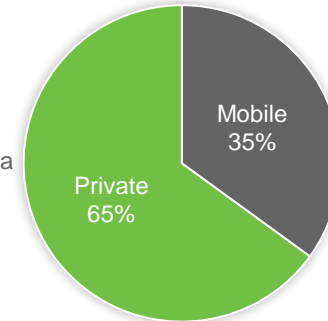
- Points of excellence
  - Lowest Total Cost of Ownership
  - Mission Critical Solutions Leader
  - Unrivaled Microwave Expertise
  - Unique and Compelling Innovations

## REVENUE SUMMARY

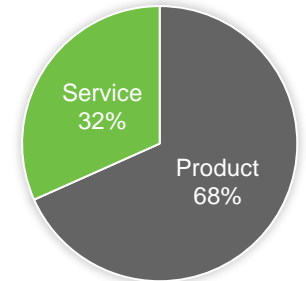
Revenue by region



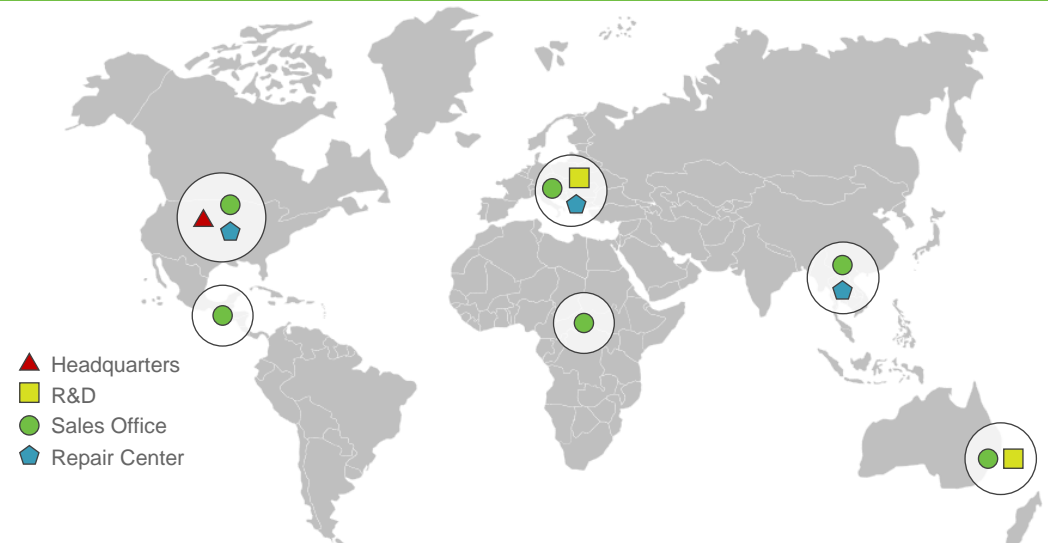
Revenue by market



Revenue by product/service



## GLOBAL PRESENCE, SERVICE & SUPPORT



# Business Financial Summary

## KEY STATISTICS

Trading Symbol	AVNW
Shares Outstanding	~11.4 million
Stock Price	\$30.05
Market Cap	~\$344 million
Headquarters	Austin, Texas
# of Employees	~700
52 Week High/Low	\$39.80 / \$21.15

As of May 17, 2023

## KEY FINANCIAL METRICS LTM

**Revenue** **\$332.8M**

**Adjusted EBITDA\*** **\$43.6M**

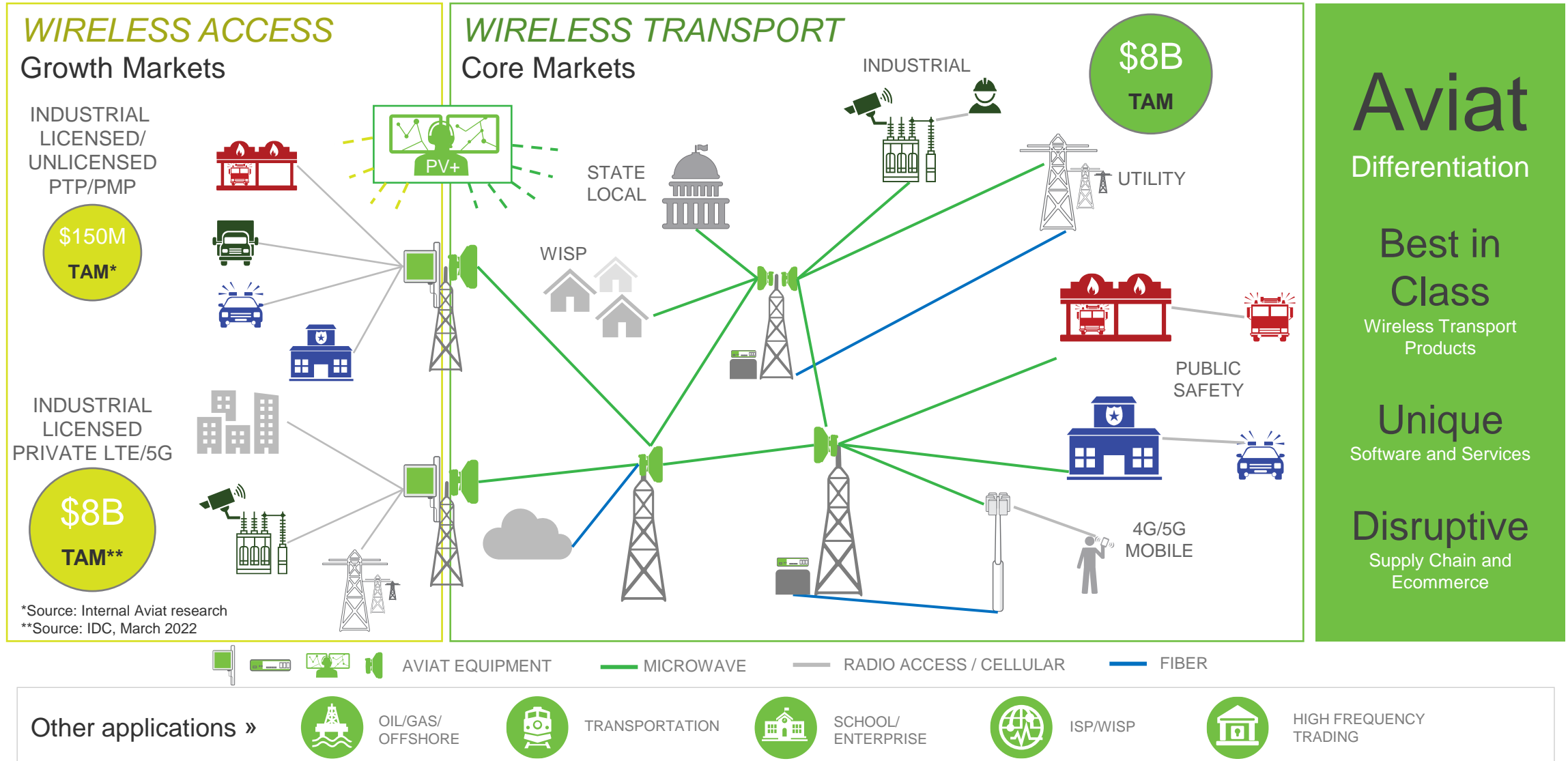
**Cash & Mkt Securities** **\$22.5M**

**Debt** **\$6.2M**

\*Adjusted EBITDA is defined as GAAP net income before interest, taxes, depreciation, amortization and non-GAAP items (e.g., share-based compensation, restructuring charges, etc.).

***Strong Balance Sheet – Consistent Performance Drives Cash***

# Aviat: Wireless Transport and Access Solutions Pureplay



**Aviat**  
Differentiation

**Best in Class**  
Wireless Transport Products

**Unique**  
Software and Services

**Disruptive**  
Supply Chain and Ecommerce

**Aviat Differentiation is Aligned with 5G, Private Networks and Rural Broadband**

# Aviat's Investment Thesis

## Tremendous Market Opportunity

- 5G, critical communications, rural broadband, emerging economies underpin demand
- 6% share in a \$3B market, significant opportunity for growth

## Well Positioned to Capture Growth

- Strong incumbency to grow with installed base
- Compelling value proposition to capture new accounts (Tier 2 / ISP) and select Tier 1s

## Highly Differentiated Solutions

- Innovative products and services for lower total cost of ownership (TCO)
- Software and services to simplify wireless transport lifecycle
- Expanding e-commerce and supply chain capabilities to disrupt go-to-market models

# Aviat is the Leader in Private Networks Wireless Transport

Why we win

## Growth Drivers

ARPA Funding  
(\$350B for US States' water, sewer and broadband infrastructure). States upgrading their public safety communications to broadband

Growth in Private LTE and Industrial IoT  
(\$16B for Private LTE by 2025)

Growing Complexity, Vendor Outsourcing  
Share of Wallet Opportunity

## Segments We Address

Gas  
Water  
Electric Utilities



National / Regional  
Government



Public Safety  
and Security



## Aviat Leadership

Mission Critical Product Differentiation

- Highest Power Radios
- IP/MPLS Integration
- Software Innovations

Strong Global Partners  
In Security & Defense



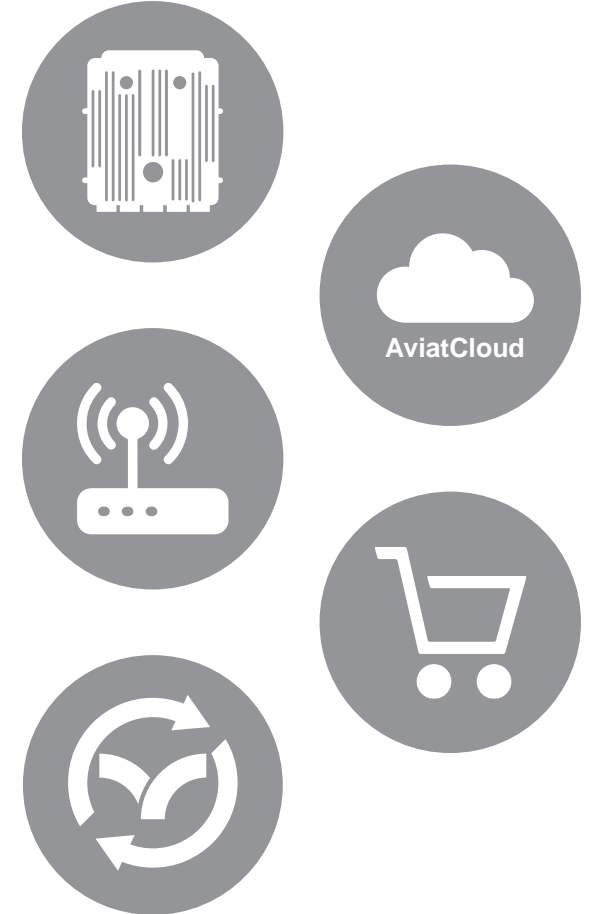
Differentiated Services Offering:  
Design, Install, Support, Managed  
Services incl. NOC

Source: ABI Research

***A Differentiated TCO Value Proposition for Private Networks***

# Well Positioned in Growing 5G and Rural Broadband Markets

- Best in Class Wireless Transport Products
  - Industry's highest capacity, highest power radios on the market for lowest TCO
  - First to integrate microwave and IP/MPLS routing
  - Unique multi-band solution for 5G
- Unique Software (SaaS) and Services
  - Industry's only interference monitoring software for microwave
  - Full turnkey services including network operations center (NOC)
  - Network operations automation with ProVision Plus, Aviat Design
- Disruptive Delivery and Supply Chain Offerings
  - E-commerce go to market model with Aviat Store
  - US and Intl. manufacturing, industry best lead times



***Aviat is Highly Differentiated, Lowest Total Cost of Ownership (TCO) for 5G and Rural Broadband Applications***



# Rural Broadband Opportunity

“There are up to 42 million Americans for whom this essential network is not available, and millions more for whom it is available but unaffordable.”

*Brookings Institute*

## \$73B+ in Available Funding

**\$1.5B**  
CAF II

**\$20B**

Rural Digital Opportunity Fund (RDOF)

**\$9B**

5G Fund for Rural America

**\$42.5B**

Broadband Equity, Access, and Deployment (BEAD) Program

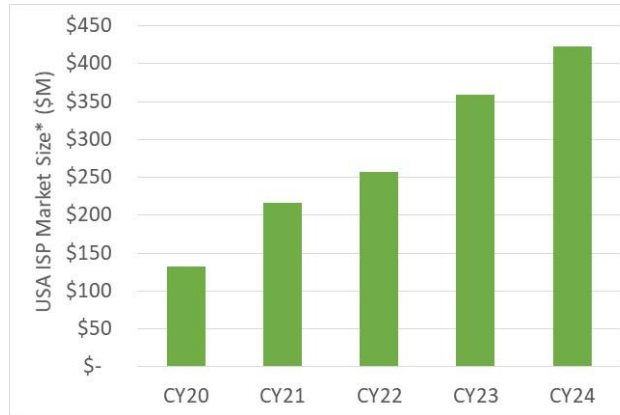
**\$635M**

USDA Reconnect Program

## Wireless Transport is the Solution

Wireless transport is ideal for rural communities and is lower cost, more reliable, and faster to deploy than fiber

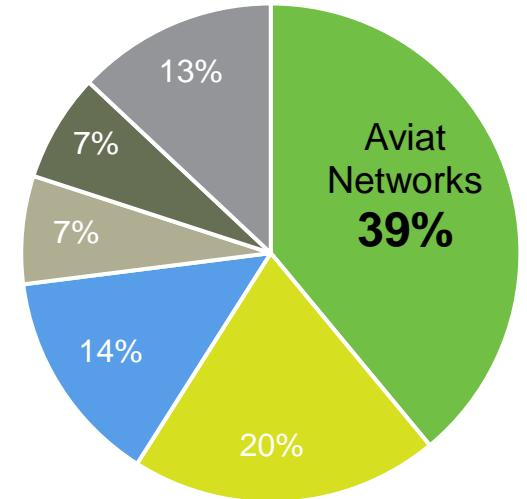
\$423M TAM in USA rural broadband segment by 2024 (34% CAGR)



Source: Sky Light Research, 2021

## Aviat is #1 in USA Rural Broadband Transport

39% share of demand in wireless transport for NA ISP segment (up from 24% share of demand in fiscal 2021)



Source: PCN data from Comsearch

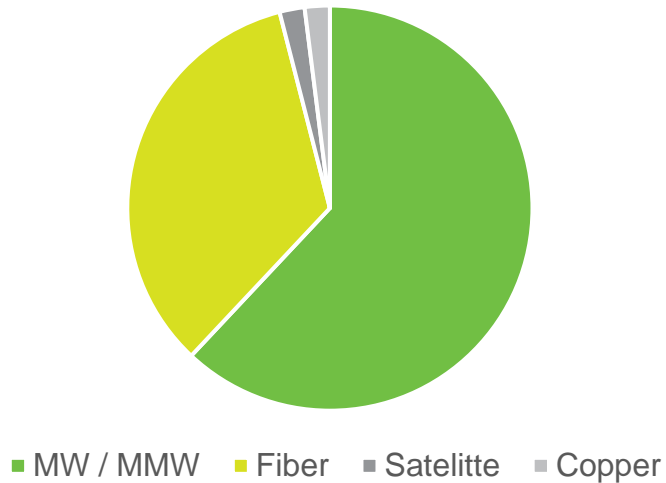
**Large Investments to Bridge the Digital Divide Create Opportunities for Wireless Transport; Aviat is #1 in Wireless Transport for this Segment in the USA**

# Aviat's Large and Growing 5G Opportunity

Wireless transport accounts for 60% of global cellular transport links from 2021 through 2027

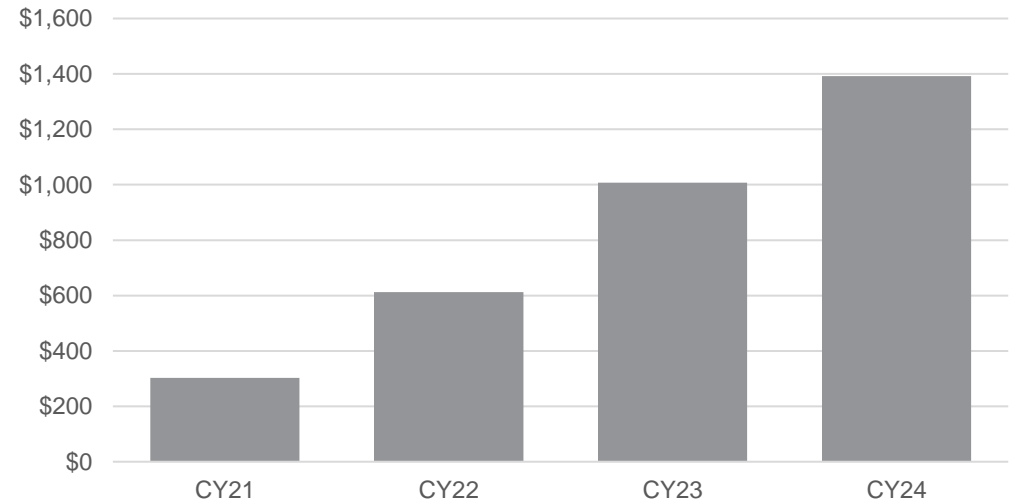
Modest growth in overall wireless transport with significant 5G market growth rates (41% CAGR)

Transport Technologies



Source: Dell 'Oro

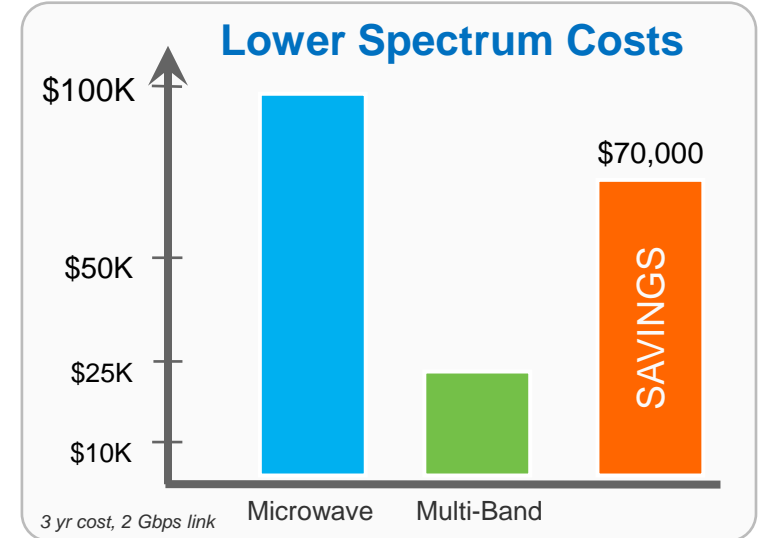
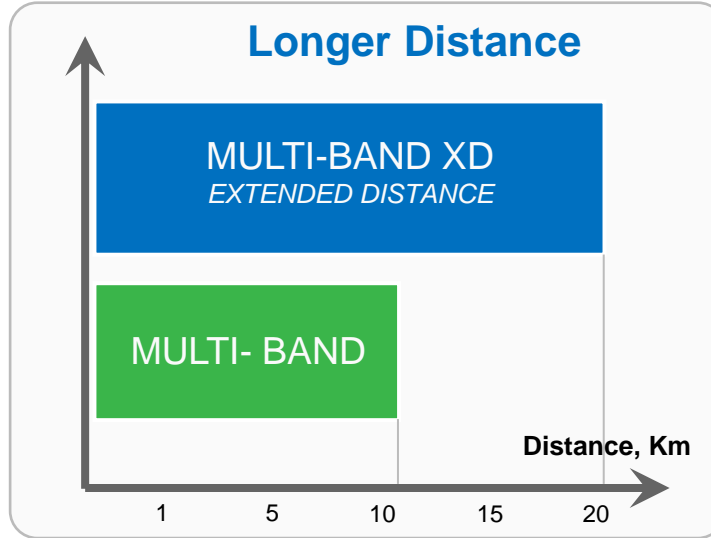
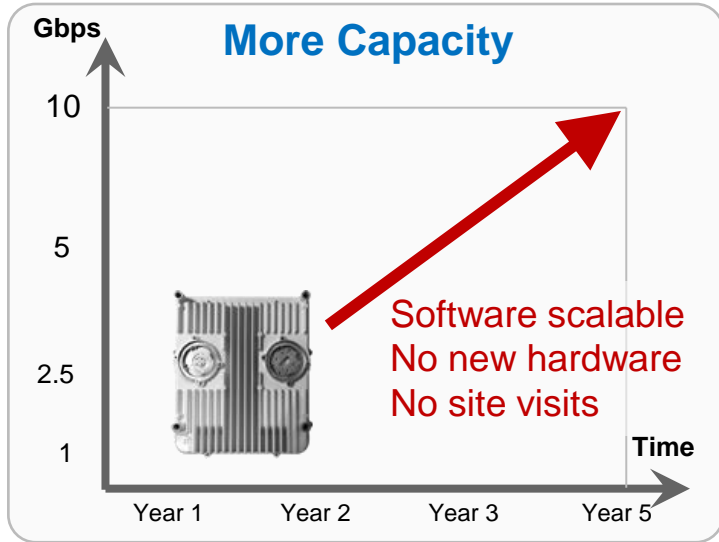
5G Wireless Transport Market Forecast (\$M)



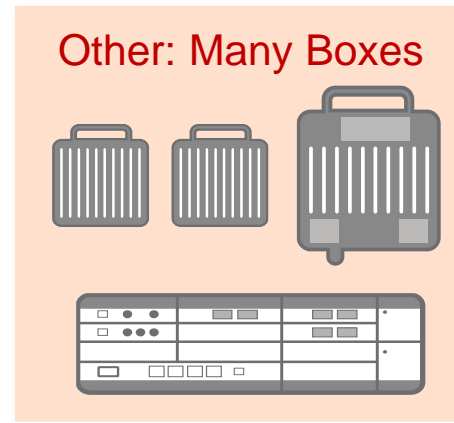
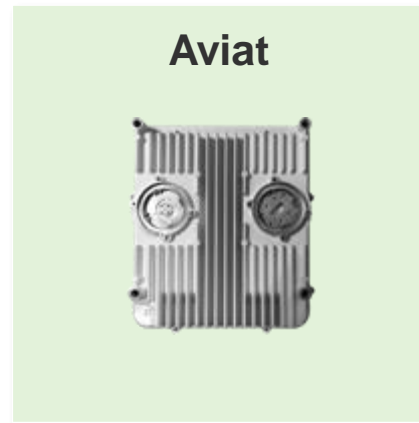
Source: Dell 'Oro

***The Demand for Wireless Transport is Strong with a Growing Addressable Market Driven by 5G***

# Multi-Band: The Ideal Solution for 5G Transport



## Aviat's Multi-Band Advantage



**Superior** Solution  
**Less** hardware  
**Lowest** TCO

**Aviat's Multi-Band is Up to \$10,000/link Lower TCO vs Competitive Multi-Band Solutions. Lower TCO Alternative to Fiber up to 20km**

# Aviat – A Highly Differentiated Offering

## Innovations in Products, Software & Services, and Supply Chain

	<b>WIRELESS TRANSPORT PRODUCTS</b> Ex: MULTI-BAND	<b>SOFTWARE &amp; SERVICES</b> Ex: HEALTH ASSURANCE SOFTWARE (HAS)	<b>SUPPLY CHAIN &amp; DELIVERY</b> Ex: AVIAT STORE
<b>Unique Attribute</b>	Industry's only single box multi-band solution	Comprehensive Hosted Assurance solution to improve Network health	Disintermediation of complex distribution / channel market
<b>Demand Driver</b>	Global 5G rollouts	Poor network performance. Too many outages. Loss of RF expertise	5G; rural broadband
<b>Customers / Market</b>	4G/5G networks globally; countries with high spectrum costs	Private and Mobile network operators globally	Mobile operators and private networks; customers that buy from channel today
<b>Competitor Offering</b>	3 (or more) boxes, complex design solution	Management systems designed for use by engineers	Channel / distribution
<b>Customer Benefit</b>	High capacity, lowest OPEX alternative to fiber	Better network availability / uptime Reduced OPEX	Lower cost, simpler experience, fast deliveries

***Innovations Solve Customers' Economic, Reliability and Supply Chain Challenges***

# Competitive Positioning: Why Aviat Wins Versus...

## Specialists »

## Aviat Advantage

## Competitor Implication

### Products

Modular radio platform. Full portfolio of radios and routers. Better RF performance, Multi-Band

Highly leveraged in chipsets, products designed for cost – difficult to create new product variants quickly, and unable to invest in routing and other products. Higher TCO

### Software and services

Turnkey services portfolio. Software innovations targeted at lowering microwave TCO like AviatCloud, FAS, HAS, MPLS

Product only. Makes it difficult to compete in private networks. Lack of investment in software

### Supply chain

Aviat has core competence vs specialists. Fast deliveries, disruptive models like Aviat Store

Lack of modularity limits supply chain flexibility. Unable to create new business models or react to Aviat innovations. Longer lead times

## Generalists »

## Aviat Advantage

## Competitor Implication

### Products

Differentiated radio products. Better RF performance, Multi-Band

Microwave not a core competence / focus. Less responsive and agile in bringing radio solutions to market

### Software and services

Software innovations targeted at lowering microwave TCO like AviatCloud, FAS, HAS

Lack a focus on dedicated software solutions for transport networks

### Supply chain

Aviat has core competence vs generalists. Fast deliveries, disruptive models like Aviat Store

Microwave supply chain not a priority vs RAN. Cannot react to Aviat innovations. Longer lead times

***Bottom Line: Aviat Provides More Innovation, Lower TCO, Better Value Than our Competitors***

# Aviat Operating Model Framework

## Excellence in

### Customer Focus



### Innovation



### Talent



### Supply Chain



#### Our Actions

**We listen** during the commercial and sales process to understand our customers' needs and use our combined talents, skill and capabilities to create solutions that exceed expectations.

**We deliver** innovative, high-quality solutions that meet key customer segment needs. Voice of customer informs investment decisions. Release to market within budget, timeframe and scope.

**We drive** a performance culture and invest in our talent management programs to support evolving strategic business needs and implement organizational structures to facilitate results.

**We achieve** a competitive advantage by delivering quality products with best-in-class lead-times.

#### Our Processes

- Standard global VOC process
- Sales Goal planning
- eCommerce platform
- AviatCare customer service and support

- Aviat Operating System for software
- New Product Introduction (NPI) process
- Portfolio management
- Agile development methodology

- Performance Management Process
- Career Framework
- Talent Management Review
- Employee Ownership Program

- S&OP Planning
- Next day delivery e-commerce
- Order to Cash process
- Strategic sourcing to meet customer objectives globally

### Continuous Improvement | We Strive Everyday...

To improve, innovate and drive cost efficiency to achieve higher performance and to promote our continuous improvement culture

***Aviat Operating Model Supports Growth-Centric Culture by Leveraging Continuous Improvement and Driving Competitive Excellence***

# Announced Acquisition of NEC Wireless Transport Business

# Transaction Summary

## Transaction Structure

- Aviat Networks agreed to acquire the microwave backhaul business from NEC for \$70.0 million
  - Anticipate addition of \$150 million in revenue
- Transaction structured as an asset purchase

## Financing

- \$25.0 million of Aviat shares\*
- \$45.0 million cash to be funded by delayed draw term loan facility
  - 0.7x net debt Aviat's standalone adjusted EBITDA

## Approvals and Timing

- Transaction has been approved by both Aviat and NEC Board of Directors
- Subject to customary closing conditions and regulatory approvals
- Expected to close third calendar quarter 2023

***Transaction Significantly Increases Aviat's Scale and Leverages the Company's Strong Balance Sheet to Finance the Deal***



# Transaction Rationale



Creates the leading global wireless transport specialist with increased scale and capabilities to effectively compete against the large generalists in the industry



Positions Aviat to further benefit from key growth drivers of 5G, rural broadband, and private networks



Combined product and IP portfolios creates best-in-class offering for customers and boosts innovation

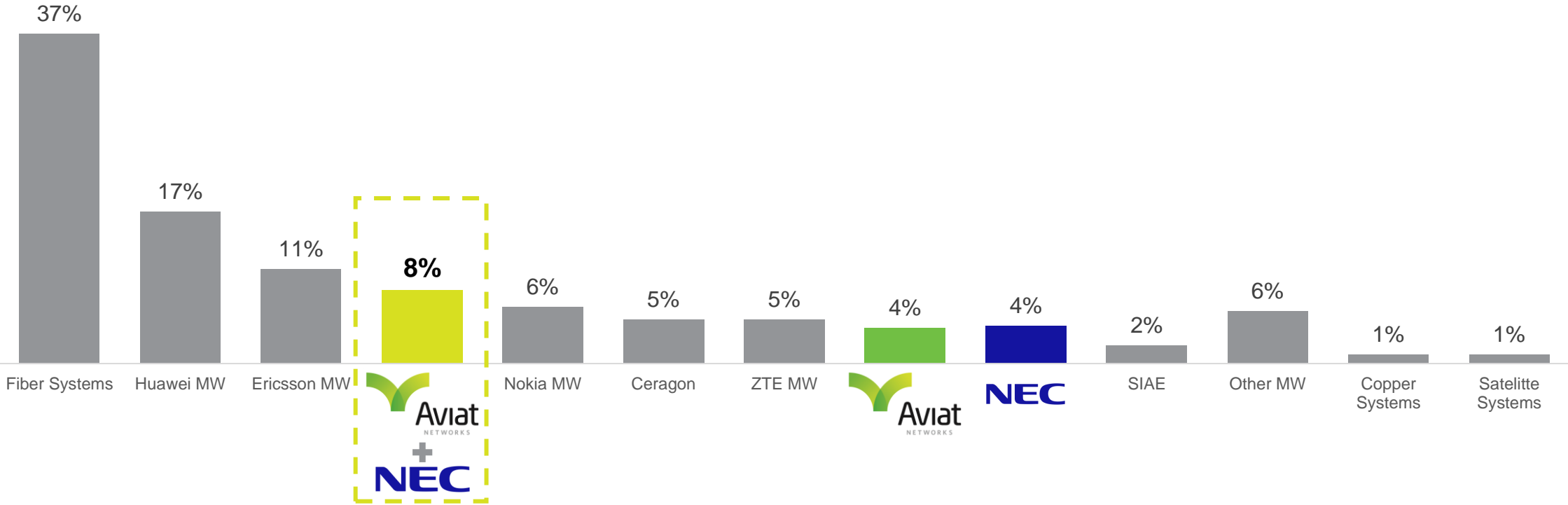


Significant cost savings by merging highly complementary businesses; builds on collaboration between NEC and Aviat in 2019 channel partnership agreement

***Aviat Becomes the Clear Specialist Leader in the Wireless Transport Industry***

# Scale and Strength to Compete Globally for Backhaul Business

2022 Backhaul Market Share



**Combined Companies Create a Specialist Leader Capable of Competing with Larger Generalists**

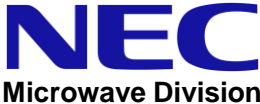
Notes:

- 1. Microwave Market Shares by revenue. Source Dell'Oro Microwave Transmission and Mobile Backhaul Quarterly Report 4Q22
- 2. Fiber, Copper/DSL and Satellite Market Share source Ericsson Microwave Outlook, October 2020. Fiber share excludes North Asia (China, Japan, S. Korea).

# Combined Financial Profile



*A global provider of wireless transport products and services for 5G, rural broadband, and private networks*



*A leader in wireless backhaul networks with extensive installed base and recognized Pasolink brand*



*The leading global wireless transport specialist*

**Pro-Forma**

<b>Scale</b> LTM Revenue	\$333M	~\$150M	~\$483M
<b>Margins</b> LTM Gross Margin	36%	~30%	~33% <i>Goal to improve margins through the Aviat Operating Model</i>
<b>Profitability</b> LTM Adj. EBITDA	13%	~0%	Combined business to reach 11-13% by end of Year 2
<b>Leverage</b> Net Debt / EBITDA	-0.4x	NA	0.7x net leverage on Aviat's standalone adj. EBITDA

***Transaction Creates a Larger Company with Global Scale and Increased Operating Leverage***

# Best-in-Class Products and Technology Roadmap



- Leader in mission critical applications for private networks
- Industry's highest capacity, highest power radios on the market for lowest Total Cost of Ownership (TCO)
- Strong multi-band offerings with the industry's only single box multi-band solution
- Routers with full IP networking stack (MPLS and segment routing)
- Advance set of software offerings – Health Assurance Software (HAS); Frequency Assurance Software (FAS); and NMS platform
- E-commerce capabilities through the Aviat Store that allows for a self-service experience for customers
- Leading supply chain management has differentiated Aviat's performance over the last two years



- Cutting-edge split-mount solution and strong E-band and all-indoor trunking products as part of a complete microwave portfolio
- Network management solution
- Global installed based with over 3 million shipments of PASOLINK series products
- Leading NEC MMW RF product
- State-of-the-art technologies that simplify installation and reduce investment costs
- Industry-leading product quality and reliability
- Strong next-generation roadmap

**The combination creates a comprehensive wireless specialist company that will have...**

## Leading Product Portfolio

Broader and deeper technology set to address customer's needs for both service providers and private networks

## Innovative R&D

Utilize the best next-generation developments from both R&D teams to create value-add products for customers and the lowest TCO

## Reliable Execution

Prior Aviat and NEC North America channel partner agreement paves the road for smooth customer transition

***Leading Products, Innovation, and Execution***

# Third Fiscal Quarter 2023 Financial Highlights and Historical Performance

# Third Fiscal Quarter 2023 Non-GAAP Financial Highlights

Continued to Demonstrate Consistency and Improvements in Performance

Laser Focused on: Increasing Revenue, Capturing Aviat's Differentiation, Driving Out Costs, and Increasing Overall Shareholder Value

Year-Over-Year Comparison		
(\$'s in millions)	Q3 FY22 Actual	Q3 FY23 Actual
Revenue	\$74.5	\$83.5
Gross Margin %	37.1%	35.9%
Operating Expenses	\$19.2	\$20.7
Operating Income	\$8.4	\$9.3
Adjusted EBITDA	\$9.5	\$10.8
Adjusted EBITDA Margin	12.7%	13.0%

Year-Over-Year Comparison		
(\$'s in millions)	FY22 Actual	LTM Actual
Revenue	\$303.0	\$332.8
Gross Margin %	36.2%	35.9%
Operating Expenses	\$75.8	\$81.6
Operating Income	\$33.9	\$38.0
Adjusted EBITDA	\$38.3	\$43.6
Adjusted EBITDA Margin	12.7%	13.1%

- Q3 Fiscal 2023 Revenue of \$83.5 Million, Up 12.1% Year-Over-Year
- Q3 Fiscal 2023 Adjusted EBITDA of \$10.8 Million, up \$1.3M Year-Over-Year
- Q3 Fiscal 2023 Adjusted EBITDA Margin of 13.0%
- Strong profit growth from disciplined cost management and topline execution

# Balance Sheet Highlights

\$22.5 Million Cash and Cash Equivalents; cash use to minimize supply chain impact to opportunities and customers

\$6.2M loan outstanding at quarter end

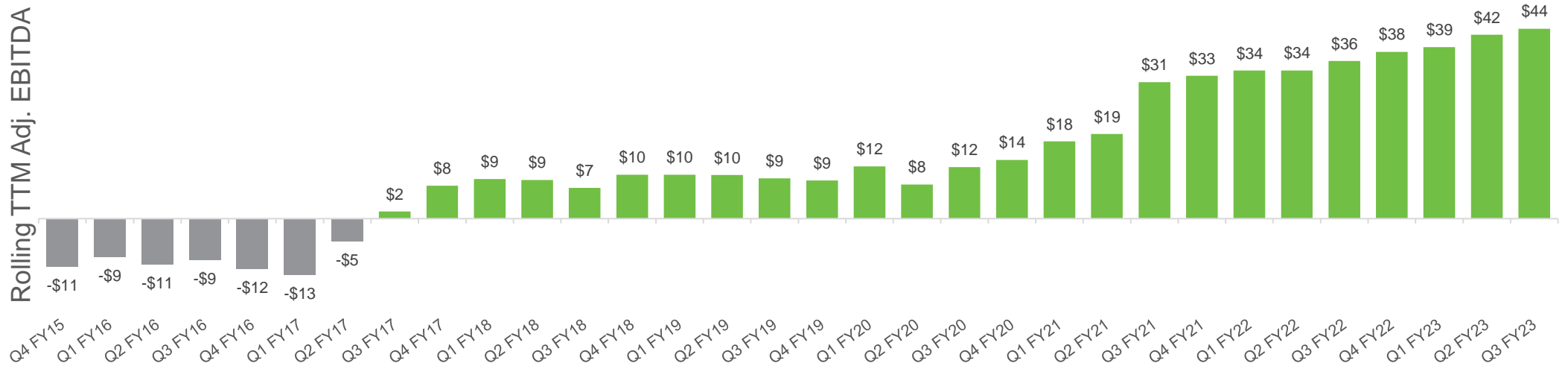
<i>(\$'s in millions, except for DSO, DPO and Turns)</i>	Q3 FY21 Actual	Q4 FY21 Actual	Q1 FY22 Actual	Q2 FY22 Actual	Q3 FY22 Actual	Q4 FY22 Actual	Q1 FY23 Actual	Q2 FY23 Actual	Q3 FY23 Actual
Cash Equivalents and Marketable Securities	\$45.8	\$47.9	\$47.3	\$42.3	\$33.8	\$47.8	\$22.9	\$21.4	\$22.5
Third-Party Debt	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$6.2
<b>Net Cash and Marketable Securities</b>	\$45.8	\$47.9	\$47.3	\$42.3	\$33.8	\$47.8	\$22.9	\$21.4	\$16.3
Accounts Receivable	\$47.6	\$48.1	\$59.4	\$69.1	\$76.2	\$73.2	\$72.5	\$91.4	\$88.5
DSO's	66	60	66	74	88	87	81	81	97
DSO's with Unbilled	113	107	114	122	141	140	134	133	160
Accounts Payable	\$37.2	\$32.4	\$39.4	\$43.5	\$40.6	\$42.4	\$48.2	\$59.9	\$61.7
DPO's	83	68	69	75	81	75	79	83	102
Inventory	\$23.1	\$24.9	\$25.5	\$27.4	\$30.5	\$27.2	\$35.0	\$37.1	\$40.9
Turns	7.8	7.6	7.5	7.5	6.5	6.9	6.7	6.5	5.5

# Rolling TTM Historical Performance

(\$'s million)

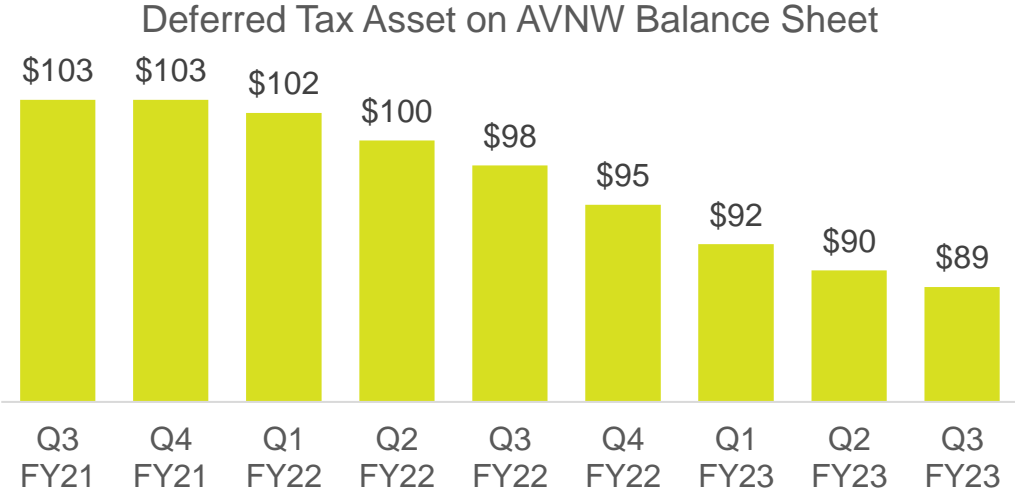
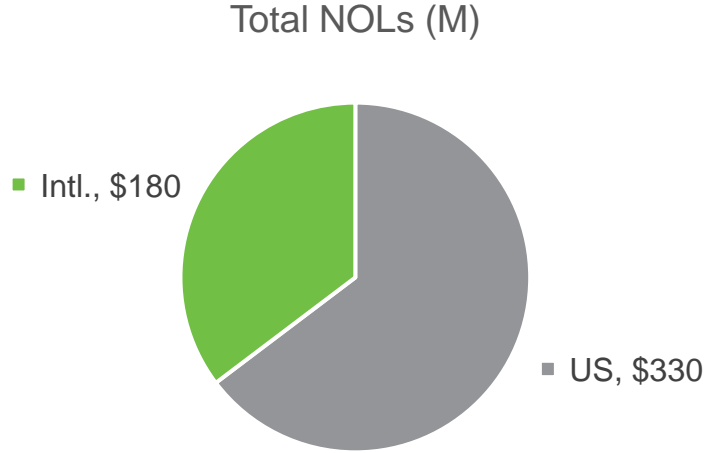


(\$'s million)





# Cash Benefit of Historical Net Operating Losses (NOLs)



- Over \$500 million of historical NOLs (net of FIN48)
- NOL's reduce Aviat's statutory fed & state blended tax rate of ~25% to an effective cash tax rate of ~4-5%
  - This saved the company \$5.9 million in cash taxes in FY22.
  - **NOLs expected to deliver an estimated \$11.8 million in cash tax savings in FY23.**

- Improved financial performance and outlook for Aviat resulted in a full release of the valuation allowance against US NOLs in Q3 of fiscal 2021.
- A one-time benefit of \$92 million was recognized in Net Income and Deferred Tax Assets.

**Cash Tax Savings Will Continue for the Foreseeable Future (>5 years) at Levels Commensurate with our Earnings Before Tax Performance**



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