



# Aviat Networks Acquires NEC Wireless Transport Business

May 9, 2023

# Forward-Looking Statements

The information contained in this document includes forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, including Aviat's beliefs and expectations regarding the transaction with NEC (the "NEC Transaction"), business conditions, new product solutions, customer positioning, revenue, future orders, bookings, new contracts, cost structure, operating income, profitability in fiscal 2023, process improvements, realignment plans and review of strategic alternatives. All statements, trend analyses and other information contained herein regarding the foregoing beliefs and expectations, as well as about the markets for the services and products of Aviat and trends in revenue, and 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. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, forward-looking statements are based on estimates reflecting the current beliefs, expectations and assumptions of the senior management of Aviat regarding the future of its business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Such 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. Forward-looking statements should therefore be considered in light of various important factors, including those set forth in this document. Therefore, you should not rely on any of these forward-looking statements.

Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include the following: the impact of COVID-19; disruptions relating to the ongoing conflict between Russia and Ukraine; continued price and margin erosion in the microwave transmission industry; the impact of the volume, timing, and customer, product, and geographic mix of our product orders; the timing of our receipt of payment; our ability to meet product development dates or cost reductions of products; our suppliers' inability to perform and deliver on time, component shortages, or other supply chain constraints; the effects of inflation; the ability of our subcontractors to timely perform; weakness in the global economy affecting customer spending; retention of our key personnel; our failure to protect our intellectual property rights or defend against intellectual property infringement claims; the results of our restructuring efforts; the ability to preserve and use our net operating loss carryforwards; the effects of currency and interest rate risks; the effects of current and future government regulations; general economic conditions, including uncertainty regarding the timing, pace and extent of an economic recovery in the United States and other countries where we conduct business; the conduct of unethical business practices in developing countries; the impact of political turmoil in countries where we have significant business; our ability to realize the anticipated benefits of any proposed or recent acquisitions; the impact of tariffs, the adoption of trade restrictions affecting our products or suppliers, a United States withdrawal from or significant renegotiation of trade agreements, the occurrence of trade wars, the closing of border crossings, and other changes in trade regulations or relationships; our ability to implement our stock repurchase program or that it will enhance long-term stockholder value; the impact of adverse developments affecting the financial services industry, including events or concerns involving liquidity, defaults or non-performance by financial institutions; (i) our ability to successfully close the NEC Transaction, which requires certain regulatory approvals; (ii) disruption the NEC Transaction may cause to customers, vendors, business partners and our ongoing business; and (iii) once closed, our ability to integrate the operations of with our existing operations and fully realize the expected synergies of the NEC Transaction on the expected timeline.

For more information regarding the risks and uncertainties for Aviat's business, see "Risk Factors" in Aviat's Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on September 14, 2022, as well as other reports filed by Aviat with the SEC from time to time. Aviat undertakes no obligation to update publicly any forward-looking statement, whether written or oral, for any reason, except as required by law, even as new information becomes available or other events occur in the future.

# 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

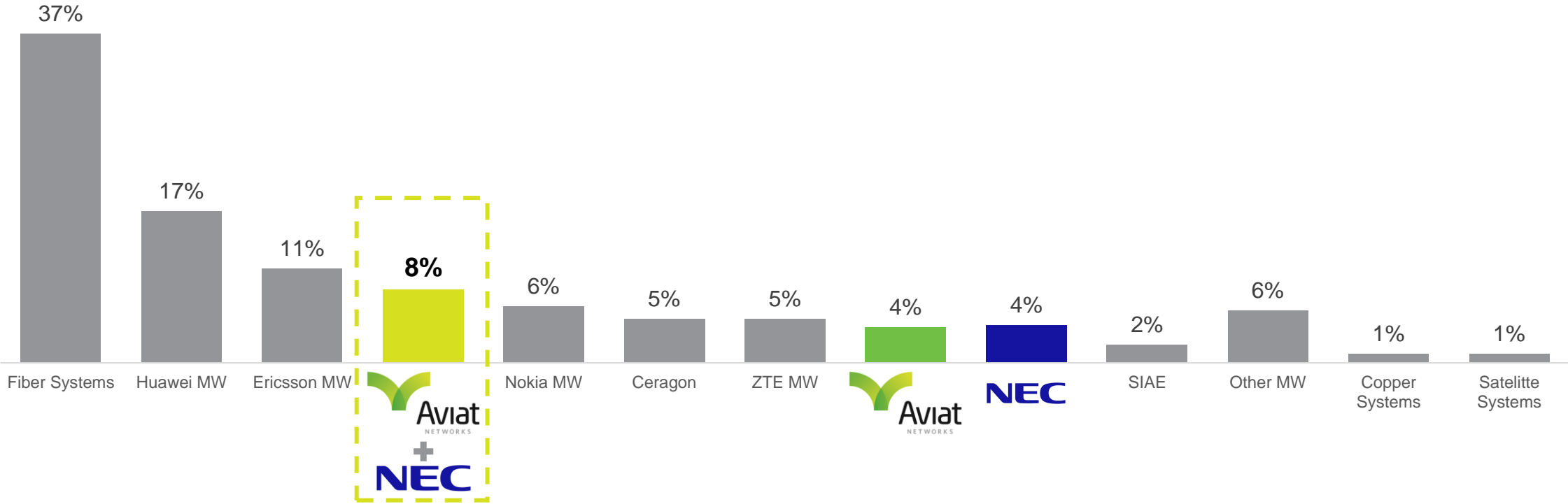


Significant cost savings by merging highly complementary businesses; builds on collaboration between NEC and Aviat in 2019 channel partnership agreement

***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 companies**

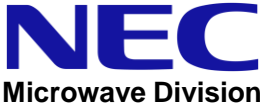
Notes:

- 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

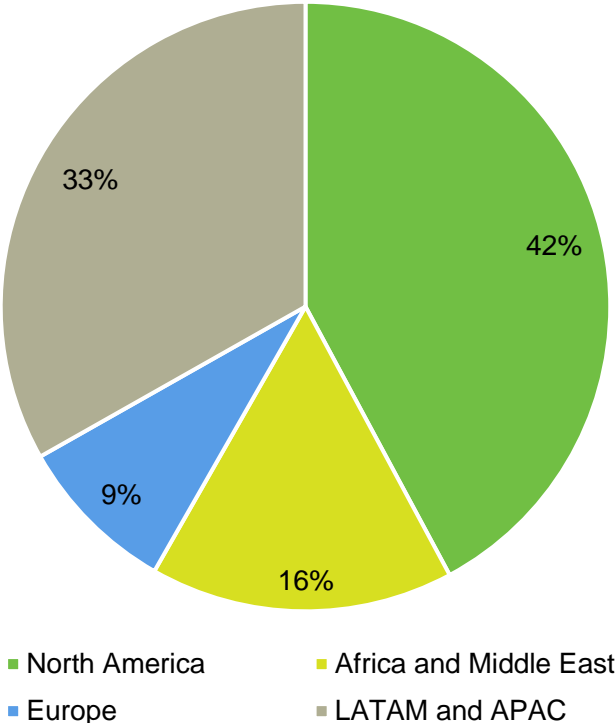
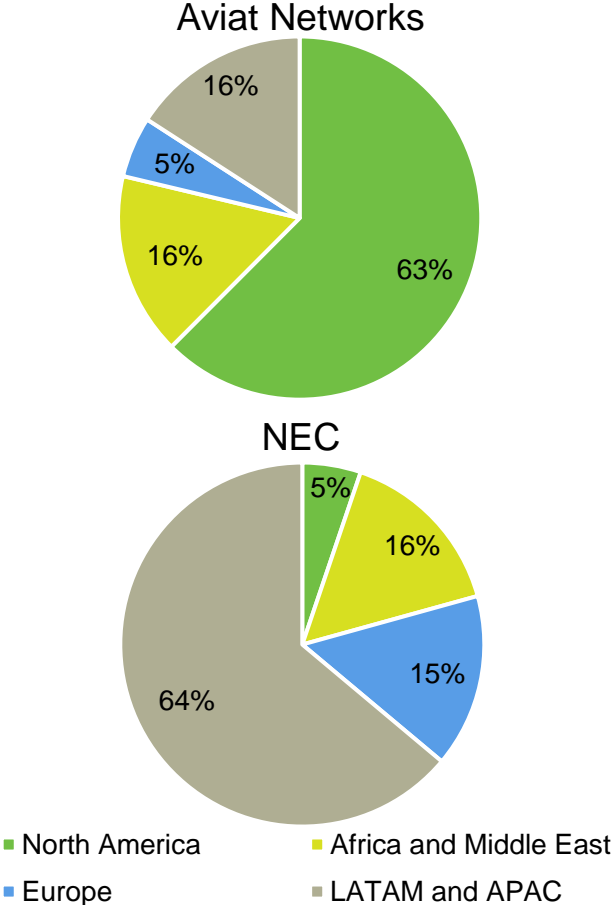
***Leading products, innovation, and execution***

# Complementary Geographies

## Individual Geographic Exposure

## Combined Geographic Exposure

## Benefits to Shareholders



Increased exposure to global 5G spend and private network opportunities

Strong presence in fast growing international markets

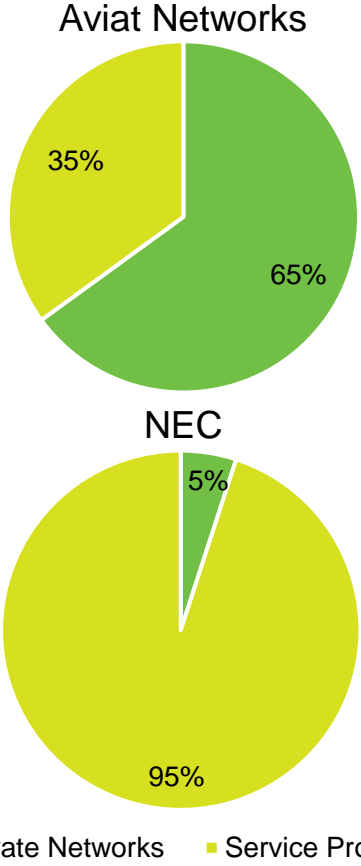
Opportunity to expand private networks business beyond U.S.

*Expands geographic reach...*

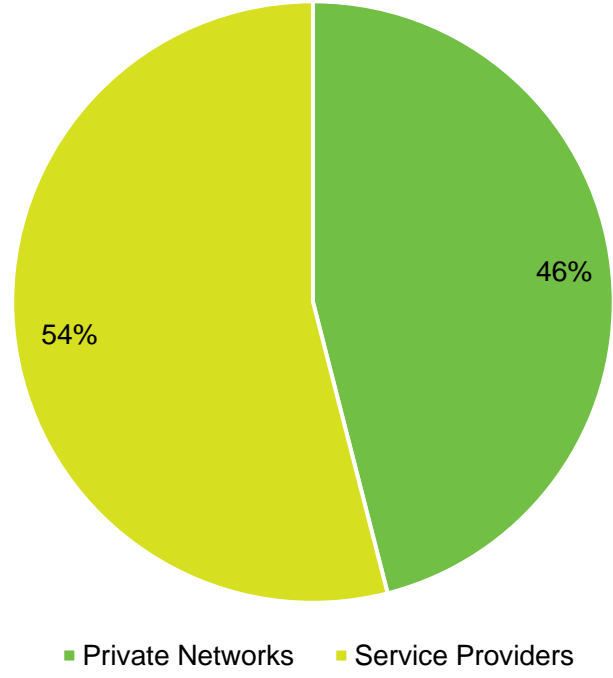


# Complementary Customers

## Individual Market Exposure



## Combined Market Exposure



## Benefits to Shareholders

Diversification in top customers; no customer makes up over 10% of revenue

Opportunity to capture additional spend from customers with stronger product portfolio

Balances impacts of different capital expenditures cycles between private networks and service providers

**... And increases customer diversification**

# Aviat Operating Model

## 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

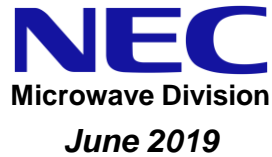
### Continuous Improvement | We Strive Everyday...

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***

# Aviat Is Ready to Execute Transaction and Integration

## NEC North America Channel Partnership



- Channel partner agreement established Aviat as the exclusive distributor for sales, services, and customer support for NEC microwave products in North America
- Deal added incremental profit from the beginning; Aviat rapidly realized cost synergy savings
- Extensive experience working together between NEC and Aviat
- NEC products are already in Aviat's ERP and order system

## Redline Communications Acquisition



- All-cash transaction for Canadian wireless network access solutions provider
- Aviat's execution of cost synergies has exceeded plans and led to accretive acquisition from Year 1
- Successful implementation of Aviat Operating Model in an acquisition scenario

***Aviat's prior experience with NEC and the recent integration of Redline has prepared the team for a successful transaction***

# Transaction Advances Aviat's Strategic Goals



Increases global scale and reach to create leading wireless specialist



Strengthens product portfolio and next-generation roadmap



Creates stronger foundation for above market growth and diversified customer exposure



Accelerates path to meeting long-term target EBITDA margins

***Transaction makes Aviat the leading wireless transport specialist***



**Aviat**  
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