



May 7, 2015

Aviat Networks Announces Third Quarter of Fiscal 2015 Financial Results

SANTA CLARA, Calif., May 7, 2015 /PRNewswire/ -- Aviat Networks, Inc. (NASDAQ: AVNW), the leading expert in microwave networking solutions, today reported preliminary financial results for the third quarter of fiscal 2015, which ended April 3, 2015.

Financial Highlights for Q3FY15

- Revenue at \$74.8 million
- Book to bill was above 1
- GAAP Gross Margin at 23.5%; Non-GAAP Gross Margin at 23.7%
- GAAP Operating Expense at \$27.7 million; Non-GAAP Operating Expense at \$23.8 million
- GAAP Net Loss including discontinued operations at \$(11.5) million, or \$(0.18) per share
- Non-GAAP Loss from Continuing Operations at \$(6.5) million, or \$(0.10) per share

A reconciliation of GAAP to non-GAAP financial measures for the fiscal third quarter along with the accompanying notes is provided on Table 4 below.

"Our fiscal third quarter results reflect positive trends in the business. Key customer wins in North America and Africa have further diversified our customer base and we made substantial progress lowering expenses," said Michael Pangia, president and CEO, Aviat Networks. "Recent bookings momentum will lead to higher fourth quarter revenue. Leveraging our new product portfolio and operational efficiencies, we are increasingly confident in our ability to generate cash and profit."

GAAP Financial Results

For the third quarter of fiscal 2015, revenue was \$74.8 million, compared with \$81.4 million in the year-ago quarter. Aviat reported a net loss, including discontinued operations, for the quarter of \$(11.5) million, or \$(0.18) per share, compared with a net loss of \$(14.8) million, or \$(0.24) per share, in the year-ago quarter. Loss from continuing operations for the quarter was \$(11.5) million, or \$(0.18) per share, compared with a loss from continuing operations of \$(15.1) million, or \$(0.24) per share, in the year-ago quarter.

Cash and cash equivalents were \$35.0 million as of April 3, 2015 compared with \$38.7 million as of the end of the second quarter of fiscal 2015.

Non-GAAP Financial Results

Non-GAAP loss from continuing operations for the quarter was \$(6.5) million, or \$(0.10) per share, compared with a non-GAAP loss from continuing operations of \$(10.2) million, or \$(0.16) per share, in the year-ago quarter.

The third quarter of fiscal 2015 non-GAAP loss from continuing operations excluded \$4.0 million of pre-tax charges composed primarily of the following:

- \$0.7 million of share-based compensation expense;
- \$3.2 million of restructuring expense; and
- \$0.1 million of amortization of purchased intangibles.

Third quarter of fiscal 2015 Adjusted EBITDA was \$(4.2) million, compared with \$(7.8) million in the year ago quarter. In addition to the \$4.0 million of pre-tax charges excluded from non-GAAP loss from continuing operations noted above, third quarter of fiscal 2015 Adjusted EBITDA also excludes \$1.8 million of pre-tax charges primarily comprised of depreciation and amortization on property, plant and equipment.

A reconciliation of GAAP to non-GAAP financial measures for the third quarter of fiscal 2015 along with accompanying notes is provided on Table 4 below.

Third Quarter of Fiscal 2015 Revenue by Region

Revenue in the North America region was \$31.9 million in the third quarter of fiscal 2015, compared with \$37.4 million in the year-ago quarter. International revenue was \$42.9 million, compared with \$44.0 million in the year-ago quarter.

Fourth Quarter of Fiscal 2015 Outlook

Aviat Networks expects the following:

- Revenue in the range of \$80 million to \$85 million; and
- Adjusted EBITDA of approximately breakeven.

Conference Call Details

Aviat Networks will host a conference call at 4:30 p.m. Eastern Time (ET) today to discuss its financial results for the third quarter of fiscal 2015. To listen to the live conference call, please dial toll free 888-468-2440 or 719-325-2329, access code 8806832, by 4:20 p.m. ET. Investors are invited to listen via webcast, which will be broadcast live and via replay approximately two hours after the call at <http://investors.aviatnetworks.com/events.cfm>.

Non-GAAP Measures and Comparative Financial Information

Aviat Networks, Inc. reports information in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). Management of Aviat Networks monitors gross margin, research and development expenses, selling and administrative expenses, operating income or loss, income tax provision or benefit, income or loss from continuing operations, basic and diluted income or loss per share from continuing operations, adjusted earnings (losses) before interest, tax, depreciation and amortization ("Adjusted EBITDA") adjusted to exclude certain costs, charges, gains and losses, on a non-GAAP basis for planning and forecasting results in future periods, and may use these measures for some management compensation purposes. These measures exclude certain costs, expenses, gains and losses as shown on the attached Reconciliation of Non-GAAP Financial Measures table (table 4). As a result, management is presenting these non-GAAP measures in addition to results reported in accordance with GAAP to better communicate underlying operational and financial performance in each period. Management believes these non-GAAP measures provide information that is useful to investors in understanding period-over-period operating results separate and apart from items that may, or could, have a disproportionate positive or negative impact on results in any given period. Management also believes that these non-GAAP measures enhance the ability of an investor to analyze trends in Aviat Networks' business and to better understand our performance.

Aviat Networks' management does not, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Aviat Networks presents these non-GAAP financial measures in reporting its financial results to provide investors with an additional tool to evaluate its financial performance. Reconciliations of these non-GAAP financial measures with the most directly comparable financial measures calculated in accordance with GAAP are included in the tables below.

About Aviat Networks

Aviat Networks, Inc. (NASDAQ: AVNW) is a leading global provider of microwave networking solutions transforming communications networks to handle the exploding growth of IP-centric, multi-Gigabit data services. With more than 750,000 systems installed around the world, Aviat Networks provides LTE-proven microwave networking solutions to mobile operators, including some of the largest and most advanced 4G/LTE networks in the world. Public safety, utility, government and defense organizations also trust Aviat Networks' solutions for their mission-critical applications where reliability is paramount. In conjunction with its networking solutions, Aviat Networks provides a comprehensive suite of localized professional and support services enabling customers to effectively and seamlessly migrate to next generation Carrier Ethernet/IP networks. For more than 50 years, customers have relied on Aviat Networks' high performance and scalable solutions to help them maximize their investments and solve their most challenging network problems. Headquartered in Santa Clara, California, Aviat Networks operates in more than 100 countries around the world. For more information, visit www.aviatnetworks.com or connect with Aviat Networks on [Twitter](#), [Facebook](#) and [LinkedIn](#).

Forward-Looking Statements

The information contained in this document 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 bookings momentum; expectations regarding Aviat Networks' ability to generate cash and profit; and expectations and outlook regarding the fourth quarter of fiscal year 2015. All statements, trend analyses and other information contained herein about the markets for the services and products of Aviat Networks 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. 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. Forward-looking statements should therefore be considered in light of various important factors, including those set forth in this document. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include the following:

- material weaknesses identified in our system of internal control and associated remediation efforts and investments and other actions needed to remedy those material weaknesses;
- continued price and margin erosion as a result of increased competition in the microwave transmission industry;
- the impact of the volume, timing and customer, product and geographic mix of our product orders;
- our ability to meet financial covenant requirements which could impact our liquidity;
- our ability to meet projected new product development dates or anticipated cost reductions of new products;
- our suppliers' inability to perform and deliver on time as a result of their financial condition, component shortages or other supply chain constraints;
- customer acceptance of new products;
- the ability of our subcontractors to timely perform;
- continued weakness in the global economy affecting customer spending;
- retention of our key personnel;
- our ability to manage and maintain key customer relationships;
- uncertain economic conditions in the telecommunications sector combined with operator and supplier consolidation;
- the timing of our receipt of payment for products or services from our customers;
- our failure to protect our intellectual property rights or defend against intellectual property infringement claims by others;
- the results of restructuring efforts;
- the effects of currency and interest rate risks; and
- the impact of political turmoil in countries where we have significant business.

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 December 19, 2014 as well as other reports filed by Aviat Networks, Inc. with the SEC from time to time. Aviat Networks 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.

Table 1
AVIAT NETWORKS, INC.
Fiscal Year 2015 Third Quarter Summary
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Quarter Ended		Three Quarters Ended	
	April 3, 2015	March 28, 2014	April 3, 2015	March 28, 2014
	(In millions, except per share amounts)			
Revenue from product sales and services	\$ 74.8	\$ 81.4	\$ 249.7	\$ 260.6
Cost of revenue	57.2	60.5	185.1	195.3
Gross margin	17.6	20.9	64.6	65.3
Operating expenses:				
Research and development expenses	6.4	8.4	19.4	27.5
Selling and administrative expenses	18.0	23.0	58.4	67.4
Amortization of identifiable intangible assets	0.1	0.1	0.3	0.3
Restructuring charges	3.2	4.2	4.7	9.0
Operating loss	(10.1)	(14.8)	(18.2)	(38.9)
Interest income	0.1	0.3	0.3	0.4
Interest expense	—	(0.1)	(0.3)	(0.3)
Loss from continuing operations before income taxes	(10.0)	(14.6)	(18.2)	(38.8)
Provision for income taxes	1.5	0.5	2.4	0.2
Loss from continuing operations	(11.5)	(15.1)	(20.6)	(39.0)
Income from discontinued operations, net of tax	—	0.3	0.1	0.7
Net loss	<u>\$ (11.5)</u>	<u>\$ (14.8)</u>	<u>\$ (20.5)</u>	<u>\$ (38.3)</u>
Basic and diluted income (loss) per common share:				
Continuing operations	\$ (0.18)	\$ (0.24)	\$ (0.33)	\$ (0.63)
Discontinued operations	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01
Net loss	\$ (0.18)	\$ (0.24)	\$ (0.33)	\$ (0.62)
Weighted average shares outstanding, basic and diluted	62.3	61.9	62.2	61.5

Table 2
AVIAT NETWORKS, INC.
Fiscal Year 2015 Third Quarter Summary
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	April 3, 2015	June 27, 2014
	(In millions)	
Assets		
Cash and cash equivalents	\$ 35.0	\$ 48.8
Receivables, net	69.1	77.2
Unbilled costs	20.8	23.8
Inventories	37.6	38.1
Customer service inventories	7.8	11.4
Other current assets	18.2	18.9
Property, plant and equipment, net	25.4	29.3
Identifiable intangible assets, net	0.1	0.4
Other assets	5.2	5.3
	<u>\$ 219.2</u>	<u>\$ 253.2</u>
Liabilities and Stockholders' Equity		
Short-term debt	\$ 9.0	\$ 6.0
Accounts payable	37.4	46.1
Accrued expenses and other current liabilities	42.6	45.5
Unearned income	36.6	33.3
Other long-term liabilities	16.1	19.7
Stockholders' equity	77.5	102.6
	<u>\$ 219.2</u>	<u>\$ 253.2</u>

Table 3
AVIAT NETWORKS, INC.

plant and equipment	1.8		1.8		5.3		5.3	
Interest expense	—		0.1		0.3		0.3	
Share-based compensation	0.7		0.6		1.7		2.8	
Warehouse consolidation costs	—		—		—		0.2	
Transactional taxes assessments	—		—		—		0.6	
Amortization of intangible assets	0.1		0.1		0.3		0.3	
Restructuring charges	3.2		4.2		4.7		9.0	
Provision for income taxes	1.5		0.5		2.4		0.2	
Adjusted EBITDA	\$ (4.2)	(5.6)%	\$ (7.8)	(9.6)%	\$ (5.9)	(2.4)%	\$ (20.3)	(7.8)%

(1) The adjustments above reconcile our GAAP financial results to the non-GAAP financial measures used by us. Our non-GAAP income or loss from continuing operations excluded share-based compensation, warehouse consolidation costs, transactional tax assessments, amortization of intangible assets, restructuring charges and adjustment to reflect pro forma tax rate. Adjusted EBITDA was determined by excluding depreciation and amortization on property, plant and equipment, interest expense, provision for income taxes, and non-GAAP pre-tax adjustments, as set forth above, from the GAAP income from continuing operations. We believe that the presentation of these non-GAAP items provides meaningful supplemental information to investors, when viewed in conjunction with, and not in lieu of, our GAAP results. However, the non-GAAP financial measures have not been prepared under a comprehensive set of accounting rules or principles. Non-GAAP information should not be considered in isolation from, or as a substitute for, information prepared in accordance with GAAP. Moreover, there are material limitations associated with the use of non-GAAP financial measures.

Table 5
AVIAT NETWORKS, INC.
Fiscal Year 2015 Third Quarter Summary
SUPPLEMENTAL SCHEDULE OF REVENUE BY GEOGRAPHICAL AREA
(Unaudited)

	Quarter Ended		Three Quarters Ended	
	April 3, 2015	March 28, 2014	April 3, 2015	March 28, 2014
	(in millions)			
North America	\$ 31.9	\$ 37.4	\$ 114.7	\$ 104.9
International:				
Africa and Middle East	23.0	21.7	70.8	84.7
Europe and Russia	8.2	9.5	28.1	28.1
Latin America and Asia Pacific	11.7	12.8	36.1	42.9
	42.9	44.0	135.0	155.7
Total Revenue	\$ 74.8	\$ 81.4	\$ 249.7	\$ 260.6

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/aviat-networks-announces-third-quarter-of-fiscal-2015-financial-results-300079881.html>

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