



AVAYA Q4 AND FISCAL YEAR 2017 FINANCIAL RESULTS

December 22, 2017

FORWARD LOOKING STATEMENTS

▶ Cautionary Note Regarding Forward-Looking Statements

This document contains certain “forward-looking statements.” All statements other than statements of historical fact are “forward-looking” statements for purposes of the U.S. federal and state securities laws. These statements may be identified by the use of forward looking terminology such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “our vision,” “plan,” “potential,” “preliminary,” “predict,” “should,” “will,” or “would” or the negative thereof or other variations thereof or comparable terminology and include, but are not limited to, statements regarding, expected savings and growth opportunities, projections of future opportunities. The Company has based these forward-looking statements on its current expectations, assumptions, estimates and projections. While the Company believes these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond its control. These factors, including, but not limited to timing of effectiveness of our registration statement, and those risks discussed in the Company’s Registration Statement on Form 10, as amended, may cause its actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. For a further list and description of such risks and uncertainties, please refer to the Company’s filings with the SEC that are available at www.sec.gov. The Company cautions you that the list of important factors included in the Company’s SEC filings may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this report may not in fact occur. The Company undertakes no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

This presentation should be read in conjunction with our fourth fiscal quarter 2017 earnings press release posted on December 22, 2017. Within this presentation, we refer to certain non-GAAP financial measures that involve adjustments to GAAP measures. Reconciliations between our non-GAAP financial measures and GAAP financial measures are included on the last three slides of this presentation.

These slides, as well as current and historical financial data are available on our web site at investors.avaya.com

None of the information included on the website is incorporated by reference in this presentation.

FISCAL Q4 2017 FINANCIAL HIGHLIGHTS

(Amounts are non-GAAP)

- ▶ Revenue of \$790 million
 - *Down 2% sequentially and down 18% from Q4FY'16*
 - *Excluding the impact of the sale of the Networking business, revenue improved approximately 5% sequentially and declined approximately 10% compared from Q4FY'16*
 - Software and Services >79% of total revenue
 - Recurring revenue over >57% of total revenue
 - Cloud and Managed Services & Professional Services each accounted for >8% of total revenue
- ▶ Estimated Total Contract Value (“TCV”) \$2.7B*
- ▶ Non-GAAP gross margin of 63.2%,
- ▶ Non-GAAP operating income of \$178 million or 22.5% of revenue
- ▶ Adjusted EBITDA of \$225 million or 28.5% of revenue
- ▶ Cash balance of \$876 million
 - Cash flow provided from operating activities \$166 million
 - FY'17 YTD cash from operations \$291 million

For a reconciliation of non-GAAP to GAAP financial information, please see the appendix.

**TCV excludes Networking*

QUARTERLY INCOME STATEMENT

(Amounts are non-GAAP and dollars in millions)

< ----- As Reported ----- >

Revenue:	FQ4 2017	FQ3 2017	FQ4 2016
Product	\$343	\$345	\$469
Services	\$447	\$458	\$489
Total Revenue	\$790	\$803	\$958
Gross Margin:			
Product	69.4%	64.6%	64.0%
Services	58.4%	59.4%	59.7%
Total Gross Margin	63.2%	61.6%	61.8%
Operating Margin	22.5%	19.6%	24.2%
Adjusted EBITDA	\$225	\$204	\$284
Adjusted EBITDA %	28.5%	25.4%	29.6%

For a reconciliation of non-GAAP to GAAP financial information, please see the appendix and our Q417 and historical financials at investors.avaya.com

QUARTERLY REVENUE BY REGION

(All dollars amounts are in millions)

< ----- As Reported ----- >

Revenue	FQ4 2017	FQ3 2017	FQ4 2016
U.S.	\$447	\$435	\$552
EMEA	\$194	\$204	\$217
APAC	\$79	\$88	\$104
AI	\$70	\$76	\$85
Total	\$790	\$803	\$958
% of Total Revenue			
U.S.	57%	54%	58%
EMEA	24%	25%	22%
APAC	10%	11%	11%
AI	9%	10%	9%
Total	100%	100%	100%

Q4 FY'17 FINANCIAL HIGHLIGHTS

(\$M, as reported) Non-GAAP	4Q17 Actual	3Q17 Actual	4Q16 Actual
Revenue	\$790	\$803	\$958
Gross Margin %	63.2%	61.6%	61.8%
Oper Expense %	40.6%	42.1%	37.6%
Oper Income %	22.5%	19.6%	24.2%
Adj EBITDA \$	\$225	\$204	\$284
Adj EBITDA %	28.5%	25.4%	29.6%

Additional Highlights

- Reached a global resolution in chapter 11 restructuring with emergence as a publicly traded company
- Announced new management team headed by Jim Chirico as CEO
- Signed over 3,600 major customer contracts since filing ch. 11
- Net Promoter Score of 50 for customer satisfaction

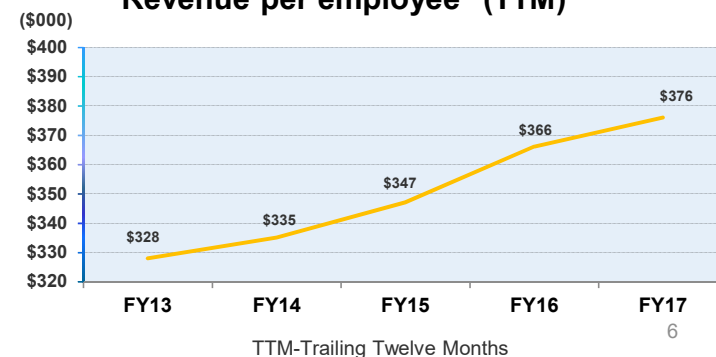
*Headcount as of the end of the period indicated

For a reconciliation of non-GAAP to GAAP financial information, please see the appendix and our Q4'17 and historical earnings releases at investors.avaya.com

Notable Q4'17 Stats (non-GAAP):

- Recurring revenue was over >57% of total
- >79% of total revenue from Software and Services
- Cloud and Managed Services & Professional Services each accounted for >8% of total revenue
- Non-GAAP operating income of 22.5% of revenue
- Adj. EBITDA of 28.5% of revenue
- Record \$876 million cash on balance sheet
- \$166 million cash flow from operations

Revenue per employee* (TTM)



ANNUAL INCOME STATEMENT

(Amounts are non-GAAP and dollars in millions)

< ----- As Reported ----- >

Revenue:	FY 2017	FY 2016	FY 2015
Product	\$1,437	\$1,755	\$2,029
Services	\$1,835	\$1,947	\$2,052
Total Revenue	\$3,272	\$3,702	\$4,081
Gross Margin:			
Product	65.2%	64.2%	63.3%
Services	59.0%	59.2%	57.6%
Total Gross Margin	61.7%	61.5%	60.5%
Operating Margin	20.4%	20.4%	17.6%
Adjusted EBITDA	\$866	\$940	\$900
Adjusted EBITDA %	26.5%	25.4%	22.1%

For a reconciliation of non-GAAP to GAAP financial information, please see the appendix and our Q4'17 and historical earnings releases at investors.avaya.com

ANNUAL REVENUE BY REGION

(All dollars amounts are in millions)

< ----- As Reported ----- >

Revenue	FY 2017	FY 2016	FY 2015
U.S.	\$1,798	\$2,072	\$2,203
EMEA	\$834	\$880	\$1,073
APAC	\$334	\$416	\$425
AI	\$306	\$334	\$380
Total	\$3,272	\$3,702	\$4,081
% of Total Revenue			
U.S.	55%	56%	54%
EMEA	26%	24%	26%
APAC	10%	11%	11%
AI	9%	9%	9%
Total	100%	100%	100%

BALANCE SHEET AND OPERATING METRICS

(Dollars in millions, Balance sheet items as of the end of the period indicated)

	FQ4 2017	FQ3 2017	FQ4 2016
Total Cash and Cash Equivalents	\$876	\$729	\$336
Cash from Operations	\$166	\$72	\$83
Capital Expenditures and Capitalized Software	\$17	\$8	\$20
Days Sales Outstanding	60	60	55
Inventory Turns	12.3	9.4	9.8
Headcount <i>(as of the end of the period indicated)</i>	8,712	9,235	10,101
Trailing Twelve Month Revenue (\$K) / Employee* <i>*(Headcount as of the end of the period indicated)</i>	\$376	\$372	\$366

NON-GAAP RECONCILIATION

ADJUSTED EBITDA

Avaya Holdings Corp.
(Debtor-in-possession)
Supplemental Schedule of Non-GAAP Adjusted EBITDA
(Unaudited; in millions)

	Three months ended		Fiscal year ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net income (loss)	\$ 27	\$ (483)	\$ (182)	\$ (730)
Interest expense	17	118	246	471
Interest income	(2)	-	(4)	(1)
Provision for (benefit from) income taxes	6	(55)	(16)	11
Depreciation and amortization	63	97	326	374
EBITDA	111	(323)	370	125
Restructuring charges, net	8	17	30	105
Sponsor and other advisory fees	3	28	85	43
Integration-related costs	-	-	1	2
Third-party sales transformation costs	-	-	-	5
Reorganization items, net	21	-	98	-
Share-based and other compensation	1	7	11	19
Loss on disposal of long-lived assets, net	-	1	-	1
Gain on sale of Networking business	(2)	-	(2)	-
Impairment of indefinite-lived intangible assets	-	100	65	100
Goodwill impairment	-	442	52	442
Impairment of long-lived asset	-	-	3	-
Loss on equity investment	-	11	-	11
Change in fair value of Preferred B embedded derivative	-	(17)	-	(73)
Securities registration fees	-	-	-	1
Costs in connection with certain legal matters	64	-	64	106
Foreign currency gains, net	(1)	-	(2)	(10)
Pension/OPEB/nonretirement postemployment benefits and long-term disability costs	20	18	90	63
Other	-	-	1	-
Adjusted EBITDA	\$ 225	\$ 284	\$ 866	\$ 940

NON-GAAP RECONCILIATION

GROSS MARGIN AND OPERATING INCOME

Avaya Holdings Corp.
(Debtor-in-possession)
Supplemental Schedules of Non-GAAP Reconciliations
(Unaudited; in millions)

	Three Months Ended				
	Sept. 30, 2016	Dec. 31, 2016	Mar. 31 2017	June 30 2017	Sept. 30 2017
Reconciliation of Non-GAAP Gross Profit and Non-GAAP Gross Margin					
Gross Profit	\$ 583	\$ 533	\$ 481	\$ 490	\$ 495
Gross Margin	60.9%	60.9%	59.8%	61.0%	62.7%
Items excluded:					
Amortization of acquired technology intangible assets	8	5	6	5	4
Share-based compensation	1	-	-	-	-
Non-GAAP Gross Profit	<u>\$ 592</u>	<u>\$ 538</u>	<u>\$ 487</u>	<u>\$ 495</u>	<u>\$ 499</u>
Non-GAAP Gross Margin	<u>61.8%</u>	<u>61.5%</u>	<u>60.6%</u>	<u>61.6%</u>	<u>63.2%</u>
Reconciliation of Non-GAAP Operating Income					
Operating (Loss) Income	\$ (425)	\$ 64	\$ 64	\$ (55)	\$ 64
Percentage of Revenue	-44.4%	7.3%	8.0%	-6.8%	8.1%
Items excluded:					
Amortization of acquired intangible assets	64	62	62	62	38
Restructuring charges, net	17	10	4	8	8
Impairment charges	542	-	-	120	-
Advisory fees	27	48	14	18	3
Share-based compensation	7	2	4	4	1
Costs in connection with certain legal matters	-	-	-	-	64
Non-GAAP Operating Income	<u>\$ 232</u>	<u>\$ 186</u>	<u>\$ 148</u>	<u>\$ 157</u>	<u>\$ 178</u>
Non-GAAP Operating Margin	<u>24.2%</u>	<u>21.3%</u>	<u>18.4%</u>	<u>19.6%</u>	<u>22.5%</u>

NON-GAAP RECONCILIATION

PRODUCT AND SERVICES GROSS MARGINS

Avaya Holdings Corp.
(Debtor-in-possession)

Supplemental Schedules of Non-GAAP Reconciliation of Gross Profit and Gross Margin by Portfolio
(Unaudited; in millions)

	Three Months Ended				
	Sept. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	June 30, 2017	Sept. 30, 2017
Reconciliation of Non-GAAP Gross Profit and Non-GAAP Gross Margin - Products					
Revenue	\$ 469	\$ 401	\$ 348	\$ 345	\$ 343
Costs	169	146	127	122	105
Amortization of acquired technology intangible assets	8	5	6	5	4
GAAP Gross Profit	292	250	215	218	234
GAAP Gross Margin	62.3%	62.3%	61.8%	63.2%	68.2%
Items excluded:					
Amortization of acquired technology intangible assets	8	5	6	5	4
Non-GAAP Gross Profit	\$ 300	\$ 255	\$ 221	\$ 223	\$ 238
Non-GAAP Gross Margin	64.0%	63.6%	63.5%	64.6%	69.4%
Reconciliation of Non-GAAP Gross Profit and Non-GAAP Gross Margin - Services					
Revenue	\$ 489	\$ 474	\$ 456	\$ 458	\$ 447
Costs	198	191	190	186	186
GAAP Gross Profit	291	283	266	272	261
GAAP Gross Margin	59.5%	59.7%	58.3%	59.4%	58.4%
Items excluded:					
Share-based and other compensation	1	-	-	-	-
Non-GAAP Gross Profit	\$ 292	\$ 283	\$ 266	\$ 272	\$ 261
Non-GAAP Gross Margin	59.7%	59.7%	58.3%	59.4%	58.4%

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