Engage The Power of We™

Avaya Q4 and Fiscal Year 2015 Earnings Call

November 11, 2015

Forward Looking Statements

Certain statements contained in this presentation are forward-looking statements, including statements regarding our future financial and operating performance, as well as statements regarding our future growth plans and drivers,. These statements may be identified by the use of forward-looking terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "should" or "will" or other similar terminology. We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe 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 our control. These and other important factors may cause our 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 list and description of such risks and uncertainties, please refer to our filings with the SEC that are available at www.sec.gov and in particular, our 2014 Form 10-K filed with the SEC on November 26, 2014. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This presentation should be read in conjunction with our Form 8-K filed with the SEC on November 12, 2015. 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 www.avaya.com/investors . None of the information included on the website is incorporated by reference in this presentation.

Historical amounts presented reflect the sale of ITPS.

Fiscal Q4 2015 Financial Highlights

(Amounts are non-GAAP, comparisons in constant currency)

- Revenue of $1,008 million, up $12 million from the prior quarter in constant currency
  - ***1% higher sequentially and 5% lower than Q4 FY'14 on a normalized basis****
  - ***Q4 '14 adjusted for recognition of aged backlog for professional services projects ****
  - Software and Services accounted for over 72% of total revenue
  - Cloud and managed services revenues accounted for ~8% of total revenue
- Year-over-year growth in:
  - Cloud & Managed Services up 11% – Contact Center up 6%* – Networking up 5%*
- Gross margin of 62%
  - Record levels for product gross margin and services gross margin
- Operating income of $202 million and 20.0% operating margin
- Adjusted EBITDA of $246 million and 24.4% of revenue
- Cash balance of $323 million
  - Fiscal year 2015 Free Cash Flow was $91 million
  - Fiscal year 2015 Cash From Operations was $215 million

* On a normalized basis; See slide 18 for Q4 FY'14 normalization calculation

Quarterly Income Statement

(All amounts non-GAAP and dollars in millions)

	As Reported		
Revenue:	**FQ4 2015**	**FQ3 2015**	**FQ4 2014**
Product	$499	$494	$579
Services	$509	$505	$547
Total Revenue	$1,008	$999	$1,126
Gross Margin:			
Product	65.3%	62.3%	61.8%
Services	58.7%	56.6%	57.4%
Total Gross Margin	62.0%	59.5%	59.7%
Operating Margin	20.0%	16.1%	18.8%
Adjusted EBITDA	$246	$207	$253
Adjusted EBITDA %	24.4%	20.7%	22.5%

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

NOTE: Historical amounts presented reflect the sale of ITPS

Quarterly Income Statement – Constant Currency Comparison

(All amounts non-GAAP and dollars in millions)

	As Reported	In Constant Currency	
Revenue:	**FQ4 2015**	**FQ3 2015**	**FQ4 2014**
Product	$499	$493	$566
Services	$509	$503	$525
Total Revenue	$1,008	$996	$1,091
Gross Margin:			
Product	65.3%	62.4%	61.9%
Services	58.7%	56.7%	58.5%
Total Gross Margin	62.0%	59.6%	60.3%
Operating Margin	20.0%	16.5%	20.5%
Adjusted EBITDA	$246	$209	$265
Adjusted EBITDA %	24.4%	21.0%	24.3%

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

NOTE: Historical amounts presented reflect the sale of ITPS

Quarterly Revenue by Geographic Region

(All amounts non-GAAP and dollars in millions)

	As Reported		
Revenue	**FQ4 2015**	**FQ3 2015**	**FQ4 2014**
U.S.	$562	$538	$588
EMEA	$243	$263	$321
APAC	$113	$107	$111
AI	$90	$91	$106
Total	$1,008	$999	$1,126
% of Total Revenue			
U.S.	56%	54%	52%
EMEA	24%	26%	29%
APAC	11%	11%	10%
AI	9%	9%	9%
Total	100%	100%	100%

NOTE: Historical amounts presented reflect the sale of ITPS

Quarterly Revenue by Geographic Region
Constant Currency Comparison

(All amounts non-GAAP and dollars in millions)

	As Reported	In Constant Currency	
Revenue	**FQ4 2015**	**FQ3 2015**	**FQ4 2014**
U.S.	$562	$538	$588
EMEA	$243	$264	$303
APAC	$113	$106	$107
AI	$90	$88	$93
Total	$1,008	$996	$1,091
% of Total Revenue			
U.S.	56%	54%	54%
EMEA	24%	26%	28%
APAC	11%	11%	10%
AI	9%	9%	8%
Total	100%	100%	100%

NOTE: Historical amounts presented reflect the sale of ITPS

Q4 FY '15 Financial Summary

($M, as reported) Non-GAAP	4Q14 Actual	3Q15 Actual	4Q15 Actual
Revenue	$1,126	$999	$1,008
Gross Margin %	59.7%	59.5%	62.0%
Oper Expense %	40.9%	43.3%	42.0%
Oper Income %	18.8%	16.1%	20.0%
Adj EBITDA $	$253	$207	$246
Adj EBITDA %	22.5%	20.7%	24.4%

For a reconciliation of non-GAAP to GAAP financial information, please see www.avaya.com/investors
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Q4'15

- Grew revenue sequentially
- Record gross margins
- Strong EBITDA performance
- Executed against operational improvement objectives
- R&D investment over 16% of product revenue

Q1'16 Guidance

- Revenue $980M - $1,020M
- EBITDA 22% - 25%

Products & Services* (% of Total Avaya Revenue)

	FY 11	FY 12	FY 13	FY 14	FY 15	4QF14	3QF15	4QF15
Flagship	32%	35%	39%	43%	47%	44%	47%	49%
Core	48%	49%	47%	45%	44%	47%	44%	43%

*** Flagship includes Video, Avaya Aura®, IP Office, leading edge Contact Center, Wireless LAN, SBC, Ethernet/fabric switching, Avaya professional services, Avaya cloud and Avaya managed services**
Core includes phones, gateways, servers, core contact center, and other managed and maintenance support services
Legacy includes legacy Nortel and Tenovis, excluding Networking

NOTE: Historical amounts presented reflect the sale of ITPS

Fiscal 2015 Financial Highlights

(Amounts are non-GAAP, comparisons in constant currency)

- Revenue of $4,050 million, 4% lower year-over-year, in constant currency

  $4,081 million, on an as reported basis

  - Software and Services accounted for over 71% of total revenue
  - Professional services revenues were up 1% YoY
  - Contact center product revenues were up 2% YoY
  - Cloud and managed services revenue was up 8% Y.oY and accounted for ~8% of total revenue
    - Cloud and managed services revenue under contract was up 11% YoY
  - Revenues for maintenance were down 5% YoY, but stabilized at ~$350M for the past 3 quarters

- Gross margin of 60.6%
  - Record levels for both Product and Services
- Operating income of $728 million and 18.0% operating margin
- Adjusted EBITDA of $900 million and 22.1% of revenue on an as reported basis
- Cash balance of $323 million
  - Fiscal year 2015 Free Cash Flow was $91 million
  - Fiscal year 2015 Cash From Operations was $215 million

Annual Income Statement

(All amounts non-GAAP and dollars in millions)

	As Reported		
Revenue:	**FY 2015**	**FY 2014**	**FY 2013**
Product	$2,029	$2,196	$2,338
Services	$2,052	$2,175	$2,241
Total Revenue	$4,081	$4,371	$4,579
Gross Margin:			
Product	63.3%	61.2%	58.9%
Services	57.6%	56.5%	54.6%
Total Gross Margin	60.5%	58.9%	56.8%
Operating Margin	17.6%	16.6%	15.3%
Adjusted EBITDA	$900	$898	$922
Adjusted EBITDA %	22.1%	20.5%	20.1%

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

NOTE: Historical amounts presented reflect the sale of ITPS

Annual Income Statement – Constant Currency Comparison

(All amounts non-GAAP and dollars in millions)

	In Constant Currency	
Revenue:	**FY 2015**	**FY 2014**
Product	$2,018	$2,141
Services	$2,032	$2,077
Total Revenue	$4,050	$4,218
Gross Margin:		
Product	63.3%	61.4%
Services	57.8%	57.8%
Total Gross Margin	60.6%	59.6%
Operating Margin	18.0%	18.6%
Adjusted EBITDA	$909	$952
Adjusted EBITDA %	22.4%	22.6%

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

NOTE: Historical amounts presented reflect the sale of ITPS

Annual Revenue by Geographic Region

(All amounts non-GAAP and dollars in millions)

	As Reported		
Revenue	**FY 2015**	**FY 2014**	**FY 2013**
U.S.	$2,203	$2,267	$2,431
EMEA	$1,073	$1,234	$1,239
APAC	$425	$445	$457
AI	$380	$425	$452
Total	$4,081	$4,371	$4,579
% of Total Revenue			
U.S.	54%	52%	53%
EMEA	26%	28%	27%
APAC	10%	10%	10%
AI	10%	10%	10%
Total	100%	100%	100%

NOTE: Historical amounts presented reflect the sale of ITPS

Annual Revenue by Geographic Region
Constant Currency Comparison

(All amounts non-GAAP and dollars in millions)

In Constant Currency

Revenue	FY 2015	FY 2014	FY 2013
U.S.	$2,202	$2,265	$2,430
EMEA	$1,066	$1,154	$1,179
APAC	$419	$429	$433
AI	$363	$370	$375
Total	$4,050	$4,218	$4,417
% of Total Revenue			
U.S.	55%	54%	55%
EMEA	26%	27%	27%
APAC	10%	10%	10%
AI	9%	9%	8%
Total	100%	100%	100%

NOTE: Historical amounts presented reflect the sale of ITPS

Balance Sheet and Operating Metrics

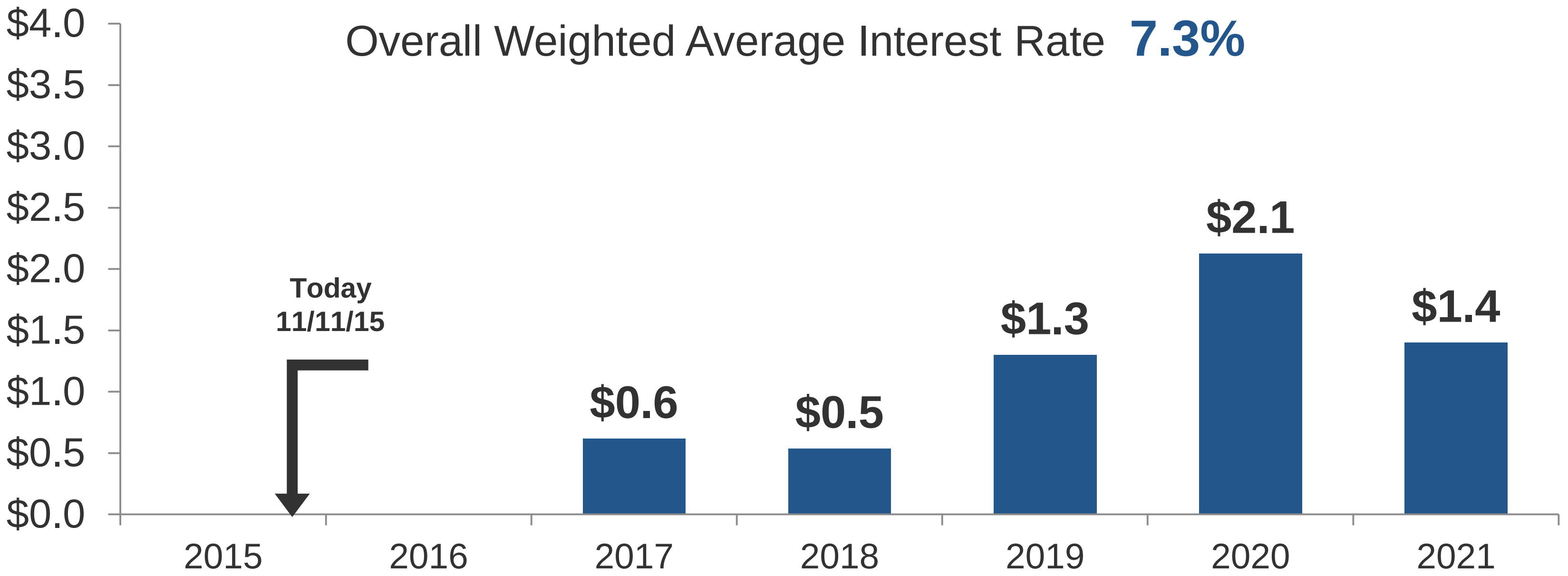
(Dollars in millions, Balance sheet items as of the end of the period indicated)

	FQ4 2015	FQ3 2015	FQ4 2014
Total Cash and Cash Equivalents	$323	$328	$322
Cash from Operations	$30	$40	$15
Capital Expenditures and Capitalized Software	$32	$25	$40
Days Sales Outstanding	61	61	61
Inventory Turns	9.0	9.3	9.6
Headcount *(as of the end of the period indicated)*	11,776	12,116	13,036
Annualized Quarterly Revenue ($K) / Headcount *(as of the end of the period indicated)*	$342	$330	$346

NOTE: Historical amounts presented reflect the sale of ITPS

Debt Profile

($ in Billions, by calendar year)



- $323M Cash Balance as of 9/30/15
- Over $500M in liquidity (including cash & revolver capacity) as of 9/30/15
- FY ‘15 free cash flow of $91M
- FY ‘15 operating cash flow of $215M
- FY ‘16 cash requirements* expected to be approximately $870 million or less

* For Interest, Pension, Restructuring, Capital Spending, and Cash Taxes

NOTE: Amount shown for 2020 includes principal payments expected to be made prior to maturity, which total approximately $6.3M quarterly

Fiscal Q1 2016 Financial Outlook

(As Delivered 11/11/15)

Revenue Adjusted for Constant Currency

As of 11/10/15

($M)	As Reported	In Constant Currency
Q1 FY ’15	$1,079	$1,029*
Q4 FY ’15	$1,008	$1,002

- Given beginning backlog levels, the impact of currency fluctuations on demand, economic volatility in certain countries and taking into account our current visibility, fiscal first quarter revenue is expected to be in the range of $980 million to $1 billion, 20 million dollars
- Compared to Q4 FY ‘15, this is down 2% to up 2%, which is better than the historical sequential range. When compared to the normalized Q1 FY ‘15 revenue of $1,029M, this range implies a decline of 1% - 5%, with a midpoint of 3%, again, better than the historical range.
- Adjusted EBITDA for Q1 FY ‘16 should benefit from our progress-to-date on operational improvements and the incremental benefits expected from actions already implemented in fiscal 2015. These will be partially offset by the effect of annual sales conference expenses and the seasonal increased in marketing spend. Taking these into account, and given the forecasted revenue range, we expect Adjusted EBITDA for Q1 FY ‘16 should be in the range of 22% to 25% of revenue.
- Total cash requirements for restructuring, pension, interest, cash taxes and capital spending in fiscal 2016 are expected to be $870 million or less with restructuring cash between $90 and $100 million and pension contributions in the range of $150 to $160 million. Fiscal first quarter cash requirements for these items are expected to be $200 million or less.
- * On a normalized basis; See slide 18 for Q4 FY’14 normalization calculation

NOTE: Avaya does not reiterate guidance or provide any form of mid-quarter update

Upcoming Events

(See www.avaya.com/investors for additional details)

- **Thursday, November 12, 2015**
  - Avaya 2015 Analyst & Investor Meeting
  - Santa Clara, CA
  - Presenters:
    - Kevin Kennedy, CEO
    - Dave Vellequette, CFO
    - Gary Barnett, SVP & GM, Engagement Solutions
    - Jim Chirico, EVP, Business Operations
    - Pierre-Paul Allard, SVP Worldwide Sales
  - Presentation Time: 1:00 PM PST
  - Webcast Access:

    http://www.avaya.com/investors/events/avaya-2015-analyst-and-investor-meeting/
- **Wednesday, December 2, 2015**
  - Bank of America Merrill Lynch 2015 Leveraged Finance Conference
  - Boca Raton, FL
  - Presenter:
    - Kevin Kennedy, CEO
    - Dave Vellequette, CFO
  - Presentation Time: TBD (see www.avaya.com/investors to confirm)

Webcast links and details with supporting slides will be on the investor pages of our website

www.avaya.com/investors

Normalization for PS Aged Backlog

- H2 FY‘14: professional services management identified $48M of aged professional services projects in backlog
- Q4 FY‘14: $31M aged projects recognized for revenue; Q1 FY‘15: $17M aged projects recognized for revenue

($M)	Q4 FY ’14	Q1 FY ’15
Reported Revenue	$1,126	$1,079
Currency Adjustment	($35)	($33)
Revenue @Q4 FY ‘15 Currency	$1,091	$1,046
Normalization for Aged Backlog	($31)	($17)
Normalized Revenue	$1,060	$1,029
Q4 ’15 Reported Revenue	$1,008	
YoY % Change	(5%)	
Midpoint of Q1 FY ’16 Guidance		$1,000
YoY % Change		(3%)

Pension & Other Post-Retirement Benefits Trend *($M)*

Cash Effect [1]	FY'13	Q1'14	Q2'14	Q3'14	Q4'14	FY'14	Q1'15	Q2'15	Q3'15	Q4'15
US Pension	108	23	24	59	54	160	15	25	26	29
Non-US Pension	25	5	15	4	3	27	4	13	4	4
OPEB	52	10	11	12	12	45	9	3	4	12
Total Cash Contributions	185	38	50	75	69	232	28	41	34	45

P&L Effect [1]	FY'13	Q1'14	Q2'14	Q3'14	Q4'14	FY'14	Q1'15	Q2'15	Q3'15	Q4'15
US Pension	104	16	16	17	16	65	15	15	15	15
Non-US Pension	31	8	8	7	7	30	7	7	6	7
OPEB	(5)	1	1	1	1	4	1	1	1	-
Total P&L Expenses	130	25	25	25	24	99	23	23	22	22

- Cash payments are made either in compliance with applicable law and regulations where required, or to directly pay benefits where appropriate.
- P&L Expense is recognized as retirement benefits are earned during the participants' years of employment.

(1) Data source: Refer to "Benefit Obligations" section of Avaya's 10-Q and 10-K for the applicable periods

See slide 13 for amounts used in Adjusted EBITDA calculation (to reflect amortization of prior service costs and associated gains/losses)

Non-GAAP Reconciliation
Adjusted EBITDA

Avaya Inc.
Supplemental Schedule of Non-GAAP Adjusted EBITDA
(Unaudited; in millions)

	Three months ended September 30,		Fiscal year ended September 30,	
	2015	**2014**	**2015**	**2014**
Loss from continuing operations	$ (73)	$ (49)	$ (141)	$ (293)
Interest expense	117	112	452	459
Interest income	-	(1)	(1)	(2)
Provision for income taxes	67	32	67	51
Depreciation and amortization	92	98	371	434
EBITDA	203	192	748	649
Restructuring charges, net	30	71	62	165
Sponsors' fees	2	1	7	7
Acquisition-related costs	-	-	1	-
Integration-related costs	2	2	3	7
Divestiture-related costs	-	-	-	2
Loss on extinguishment of debt	-	-	6	5
Third-party fees expensed in connection with the debt modification	-	-	8	2
Non-cash share-based compensation	4	5	19	25
Gain on investments and sale of long-lived assets, net	-	-	(1)	-
Gain on sale of TBU business	-	(14)	-	(14)
Change in certain tax indemnifications	-	(1)	(9)	4
Venezuela hyperinflationary and devaluation charges	-	-	-	2
Resolution of certain legal matters	-	-	-	8
Gain on foreign currency transactions	(12)	(17)	(14)	(18)
Pension/OPEB/nonretirement postemployment benefits and long-term disability costs	17	13	69	51
Other	-	1	1	3
Adjusted EBITDA	$ 246	$ 253	$ 900	$ 898

** For reconciliation of adjusted EBITDA for the third quarter of fiscal 2015, see our Form 10-Q filed with the SEC on August 4, 2015 at www.sec.gov.*

Non-GAAP Reconciliation

Gross Margin and Operating Income

Avaya Inc.
Supplemental Schedules of Non-GAAP Reconciliations
(Unaudited; in millions)

	Three Months Ended				
	Sept. 30, 2014	**Dec. 31, 2014**	**Mar. 31, 2015**	**June 30, 2015**	**Sept. 30, 2015**
Reconciliation of Non-GAAP Gross Profit and Non-GAAP Gross Margin					
Gross Profit	$ 655	$ 638	$ 592	$ 584	$ 616
Gross Margin	58.2%	59.1%	59.5%	58.5%	61.1%
Items excluded:					
Amortization of acquired technology intangible assets	14	9	7	10	9
Share-based compensation	3	2	-	-	-
Non-GAAP Gross Profit	$ 672	$ 649	$ 599	$ 594	$ 625
Non-GAAP Gross Margin	59.7%	60.1%	60.2%	59.5%	62.0%
Reconciliation of Non-GAAP Operating Income					
Operating Income	$ 62	$ 104	$ 83	$ 84	$ 100
Percentage of Revenue	5.5%	9.6%	8.3%	8.4%	9.9%
Items excluded:					
Amortization of acquired intangible assets	70	66	64	65	66
Restructuring charges, net	71	15	10	7	30
Integration-related costs	3	1	-	-	2
Acquisition-related costs	-	-	-	1	-
Share-based compensation	5	7	4	4	4
Other	1	-	1	-	-
Non-GAAP Operating Income	$ 212	$ 193	$ 162	$ 161	$ 202
Non-GAAP Operating Margin	18.8%	17.9%	16.3%	16.1%	20.0%

Non-GAAP Reconciliation

Product and Services Gross Margins

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

	Three Months Ended				
	Sept. 30, 2014	**Dec. 31, 2014**	**Mar. 31, 2015**	**June 30, 2015**	**Sept. 30, 2015**
Reconciliation of Non-GAAP Gross Profit and Non-GAAP Gross Margin - Products					
Revenue	$ 579	$ 549	$ 487	$ 494	$ 499
Costs (exclusive of amortization of acquired technology intangible assets)	221	203	182	186	173
Amortization of acquired technology intangible assets	14	9	7	10	9
GAAP Gross Profit	344	337	298	298	317
GAAP Gross Margin	59.4%	61.4%	61.2%	60.3%	63.5%
Items excluded:					
Amortization of acquired technology intangible assets	14	9	7	10	9
Non-GAAP Gross Profit	$ 358	$ 346	$ 305	$ 308	$ 326
Non-GAAP Gross Margin	61.8%	63.0%	62.6%	62.3%	65.3%
Reconciliation of Non-GAAP Gross Profit and Non-GAAP Gross Margin - Services					
Revenue	$ 547	$ 530	$ 508	$ 505	$ 509
Costs	236	229	214	219	210
GAAP Gross Profit	311	301	294	286	299
GAAP Gross Margin	56.9%	56.8%	57.9%	56.6%	58.7%
Items excluded:					
Share-based compensation	3	2	-	-	-
Non-GAAP Gross Profit	$ 314	$ 303	$ 294	$ 286	$ 299
Non-GAAP Gross Margin	57.4%	57.2%	57.9%	56.6%	58.7%

AVAYA

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