



# Jefferies Technology Investor Group Conference

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**MIAMI**

May 10, 2017

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 **Mitel**<sup>®</sup>  
Powering connections

# Safe Harbor Statement

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## Forward Looking Statements

Some of the statements in this communication are forward-looking statements (or forward-looking information) within the meaning of applicable U.S. and Canadian securities laws. These include statements using the words believe, target, outlook, may, will, should, could, estimate, continue, expect, intend, plan, predict, potential, project and anticipate, and similar statements which do not describe the present or provide information about the past. There is no guarantee that the expected events or expected results will actually occur. Such statements reflect the current views of management of Mitel and are subject to a number of risks and uncertainties. These statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, operational and other factors. Any changes in these assumptions or other factors could cause actual results to differ materially from current expectations. All forward-looking statements attributable to Mitel, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements set forth in this paragraph. Undue reliance should not be placed on such statements. In addition, material risks that could cause actual results to differ from forward-looking statements include: the inherent uncertainty associated with financial or other projections; the ability to recognize the anticipated benefits from the divestment of Mitel's mobile division; risks associated with the non-cash consideration received by Mitel in connection with the divestment of the Mobile division; the impact to Mitel's business that could result from the announcement of the divestment of the Mobile division; the anticipated size of the markets and continued demand for Mitel products and services; access to available financing on a timely basis and on reasonable terms; Mitel's ability to achieve or sustain profitability in the future; fluctuations in quarterly and annual revenues and operating results; fluctuations in foreign exchange rates; current and ongoing global economic instability, political unrest and related sanctions; intense competition; reliance on channel partners for a significant component of sales; dependence upon a small number of outside contract manufacturers to manufacture products; and, Mitel's ability to successfully implement and achieve its business strategies, including its growth of the company through acquisitions and the integration of recently acquired businesses and realization of synergies. Additional risks are described under the heading "Risk Factors" in Mitel's Annual Report on Form 10-K for the year ended December 31, 2016 filed with the U.S. Securities and Exchange Commission (the "SEC") and Canadian securities regulatory authorities on March 1, 2017. Forward-looking statements speak only as of the date they are made. Except as required by law, Mitel has no intention or obligation to update or to publicly announce the results of any revisions to any of the forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements.

# Non-GAAP Financial Measurements

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In an effort to provide investors with additional information regarding the company's results as determined by generally accepted accounting principles (GAAP), the company also discusses, in its earnings press release and earnings presentation materials, the following non-GAAP information which management believes provides useful information to investors. Mitel provides a reconciliation between GAAP and non-GAAP financial information in our quarterly results announcements and in the supplemental slides used in conjunction with the company's quarterly call. This information is available on our website at [www.mitel.com](http://www.mitel.com) under the "Investor Relations" section <http://investor.mitel.com/events.cfm>. In addition, see the reconciliations located in the tables at the end of this presentation.

## **Non-GAAP Financial Measures**

This presentation includes references to non-GAAP financial measures including Adjusted EBITDA, EBITDA, non-GAAP net income, and non-GAAP EPS (earnings per share). Non-GAAP financial measures do not have any standardized meaning and are therefore unlikely to be comparable to similar measures presented by other companies. We use these non-GAAP financial measures to assist management and investors in understanding our past financial performance and prospects for the future, including changes in our operating results, trends and marketplace performance, exclusive of unusual events or factors which do not directly affect what we consider to be our core operating performance. Non-GAAP measures are among the primary indicators management uses as a basis for our planning and forecasting of future periods. Investors are cautioned that non-GAAP financial measures should not be relied upon as a substitute for financial measures prepared in accordance with generally accepted accounting principles. Please see the reconciliation of non-GAAP financial measures to the most directly comparable U.S. GAAP measure attached to our quarterly results announcement and the reconciliation located in the tables at the end of this presentation.

See "Constant Currency Estimates" below, which are Non-GAAP measures.

## **Constant Currency Estimates**

Management refers to growth rates at constant currency or adjusting for currency so that certain financial results can be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons of the company's business performance. Financial results adjusted for currency are calculated by translating prior period activity in local currency using the current period currency conversion rate. This approach is used for countries where the functional currency is the local currency. Generally, when the US dollar either strengthens or weakens against other currencies, the growth at constant currency rates or adjusting for currency will be higher or lower than growth reported at actual exchange rates.

## **Annualized Exit Monthly Cloud Recurring Revenue**

Annualized Exit Monthly Cloud Recurring Revenue is a leading indicator of our anticipated cloud recurring revenues. We believe that trends in revenue are important to understanding the overall health of our cloud business. Our Annualized Exit Monthly Cloud Recurring Revenue equals our Monthly Cloud Recurring Revenue multiplied by 12. Our Monthly Cloud Recurring Revenue equals the monthly value of all customer subscriptions in effect at the end of a given month. For example, our Monthly Recurring Subscriptions at March 31, 2017 were \$10.59 million. As such, our Annualized Exit Monthly Cloud Recurring Revenues at March 31, 2017 were \$127.1 million.

# Mitel Today

Operating in



**100+**  
COUNTRIES

More than  
**3 MILLION**



Cloud  
seats

**60 MILLION**  
END-USER  
CUSTOMERS



**#1**  
MARKET  
SHARE

IN  
**5**  
CORE  
MARKETS



**2,000**   
Channel  
PARTNERS

**3,300**   
EMPLOYEES  
Worldwide

More than  
**1,600**  
Patents



**#1** MARKET  
SHARE IN  
**Business  
Cloud**  
COMMUNICATIONS



RECOGNIZED AS A  
**LEADER** **x3**  
BY **Gartner**

ONLY BRAND ACROSS **5** GARTNER MAGIC QUADRANTS

Industry's  
**BROADEST  
PORTFOLIO**

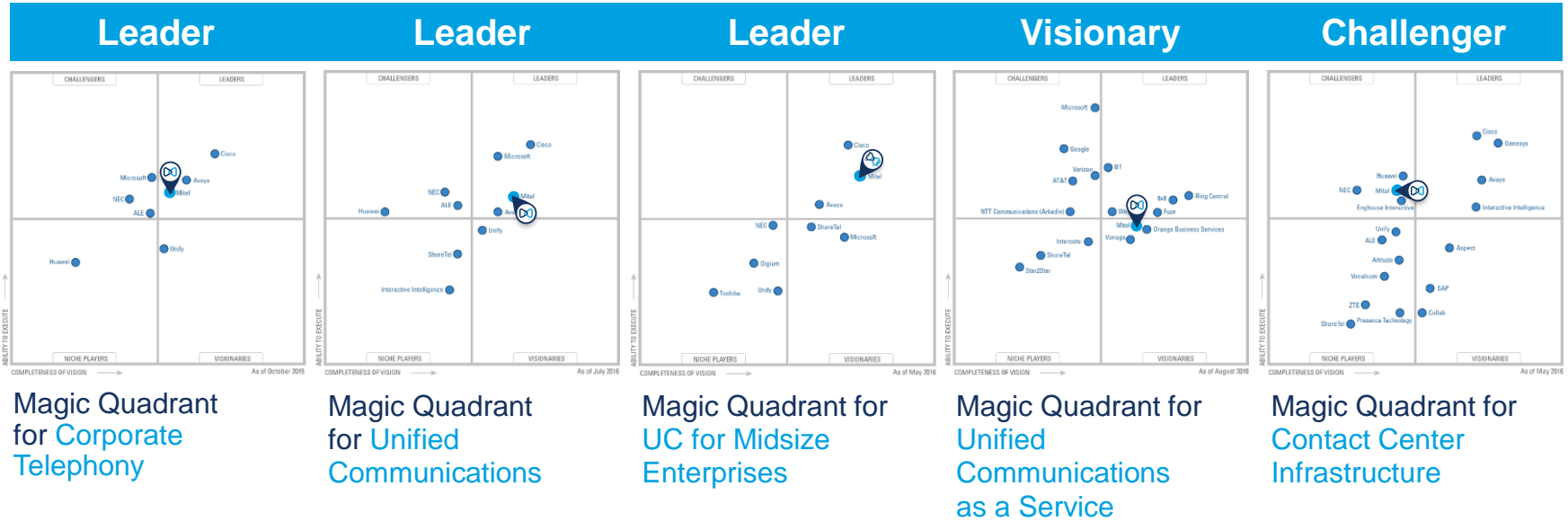


**\$1 BILLION**  
in **REVENUE**



# Recognized Technology Leadership

Only company in 5 Gartner Magic Quadrants for Business Communications

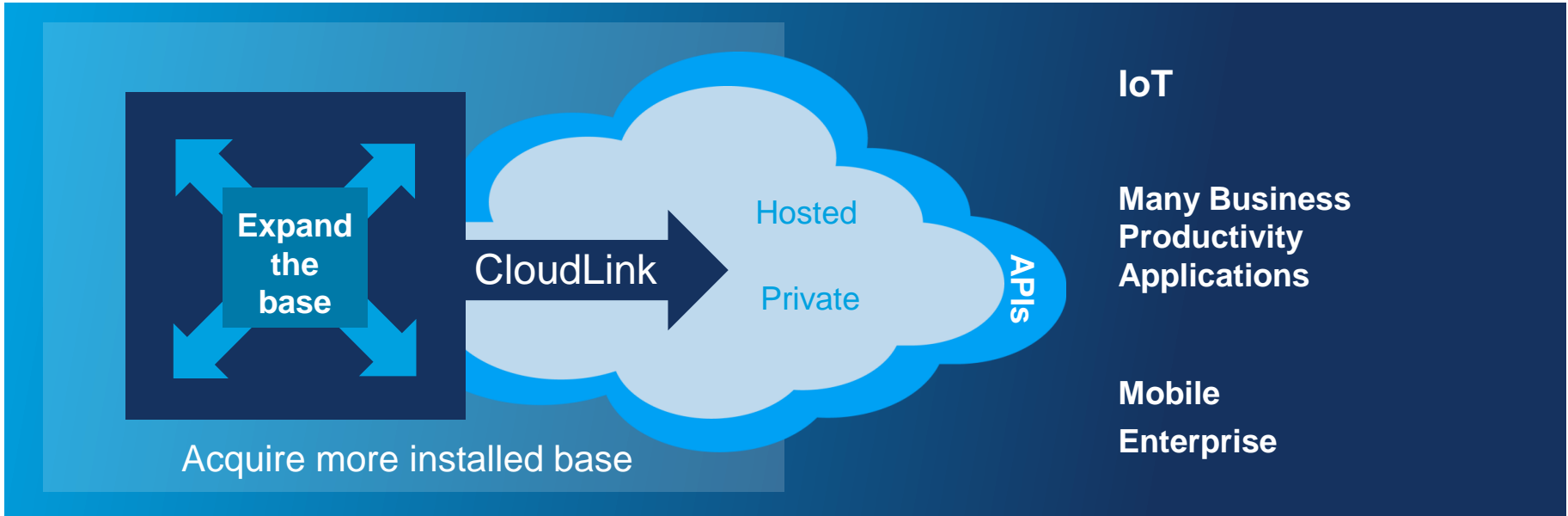


# Mitel Strategy: Provide a Path to the Future

Expand and enable the base

Provide a path to the future

Enable Digital Transformation



Silos

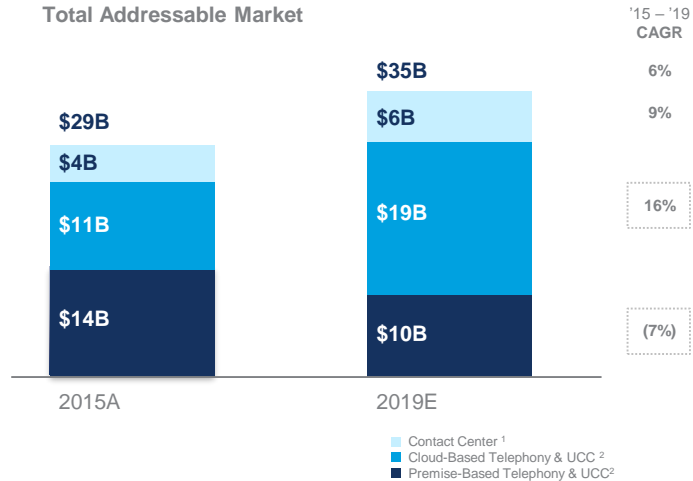


Seamless

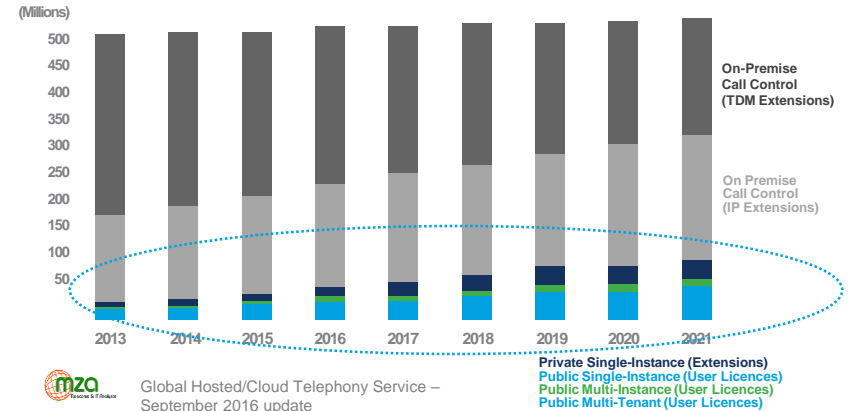
# Mitel's Market Opportunity

- Addressable market growing to \$35B
- Rapid growth in cloud
- Applications like Contact Center growing

Total Addressable Market



- Cloud still relatively small part of overall
- Large base available to convert
- Huge opportunity in accelerating the transformation to cloud-based services



# Growing Global Enterprise Market Share Leadership

	Mitel CY 2016	Rank
<b>World</b>	<b>8%</b>	<b>#4</b>
Europe, Middle East and Africa	14%	#1
Western Europe	19%	#1
UK	25%	#1
France	26%	#2
Germany	11%	#3
Netherlands	24%	#1
Sweden	50%	#1
Switzerland	38%	#1
Belgium	48%	#1
<b>North America</b>	<b>11%</b>	<b>#3</b>
US	10%	#3
Canada	16%	#2

Taking share in the largest markets in the world



Shares provisional based on total Call Control license volumes in 2016 includes on premise, single instance and multi-instance licenses but excludes cloud multi-tenant licenses



# Growing Global Cloud Leadership

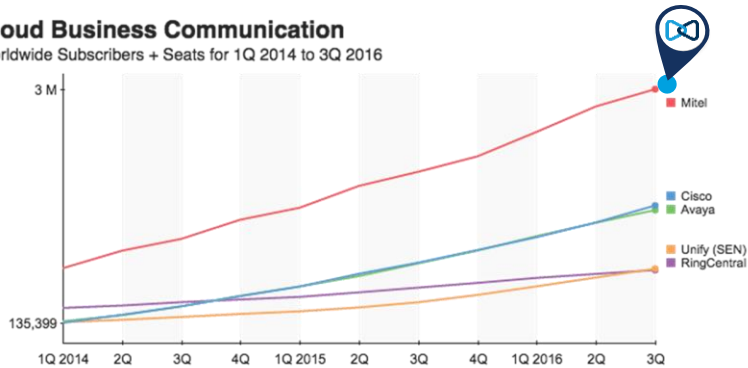
#1 in cloud seats

Recurring: 588,000 seats

Total: 3.26 million seats

## Cloud Business Communication

Worldwide Subscribers + Seats for 1Q 2014 to 3Q 2016

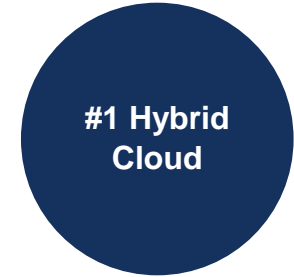


Source: Synergy Research Group, 3Q 2016

Industry-leading technology

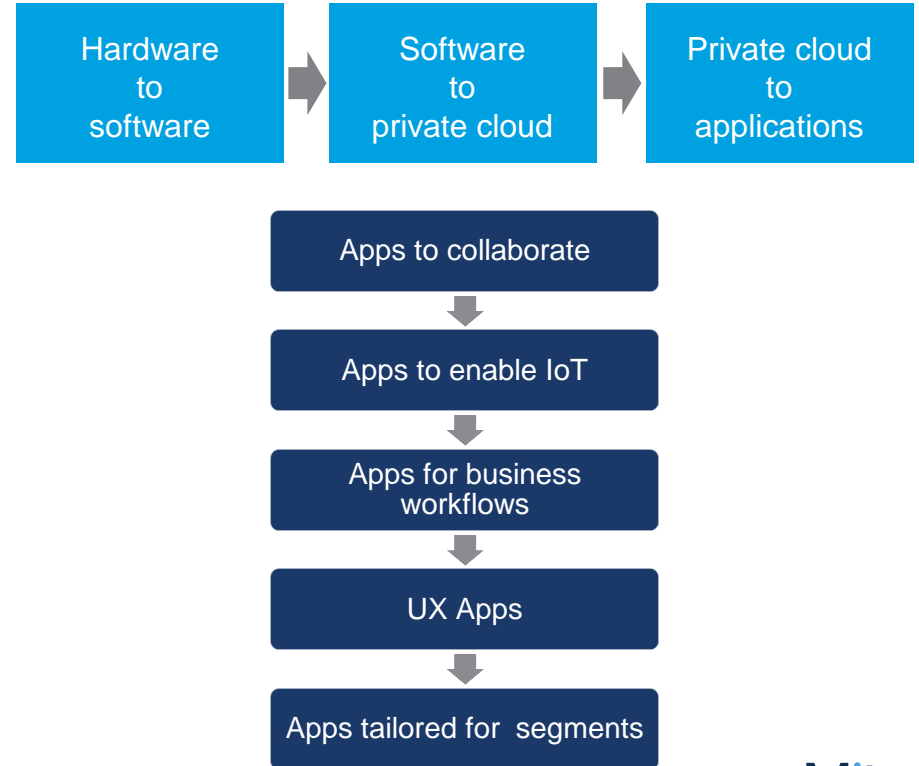
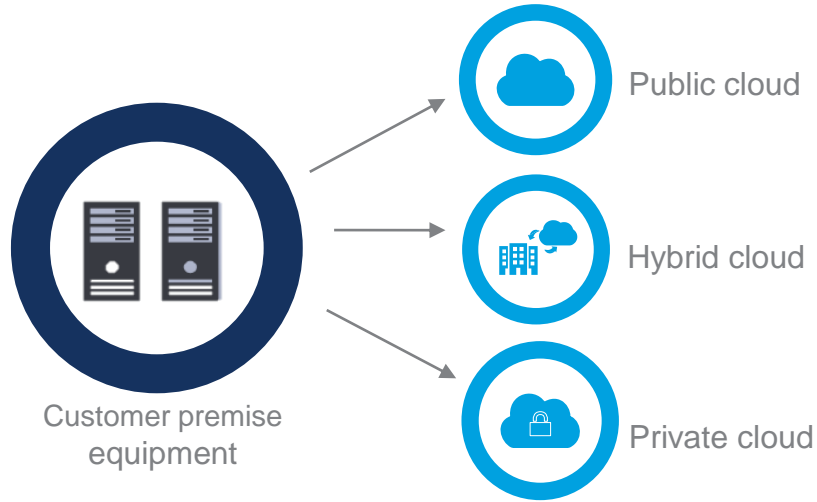


Frost and Sullivan, 2016



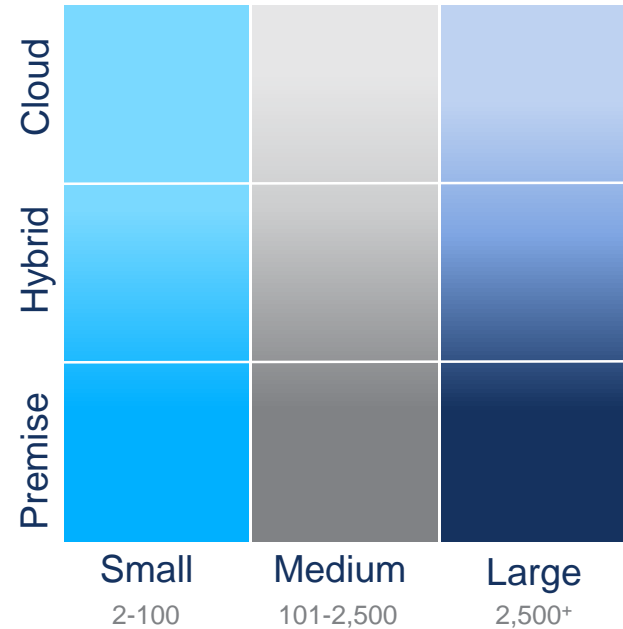
Gartner, 2016

# Mitel is Making Everything Cloud Capable









# Diverse Customer Segments

- Small businesses will move much faster than other segments
- Mid-market businesses will drive innovation and will need hybrid solutions as they get bigger
- Large enterprises will require hybrid capabilities and private cloud
- Mitel covers all segments



# Best Positioned Among its Peers to Succeed in the Cloud Environment

	 Mitel <sup>®</sup>	 RingCentral <sup>®</sup>	 8x8, Inc.	 ShoreTel <sup>®</sup>	 AVAYA	 CISCO
<b>Description</b>	~80% of businesses currently on-premise, leaving room for significant conversion	Lower switching costs / barriers to entry Outsourced equipment offering	Lower switching costs / barriers to entry Outsourced equipment offering	Significant decline in traditional product revenue (~21% YoY) driven by forced cloud migration	Nascent cloud product compared to competition Currently in Chapter 11 Bankruptcy	Very large company – not focused on smaller customers or Unified Communications
<b>Architecture</b>	Multi-Instance & Multi-Tenant	Multi-Tenant	Multi-Tenant	Multi-Tenant	Multi-Instance & Multi-Tenant	Multi-Instance & Multi-Tenant
<b>Contact Center</b>	Optional but key strength	OEM Partnership	Optional	Optional	Separate	Separate
<b>Delivery</b>	Public / Private or Hybrid; SP & Direct	Public Internet	Public Internet	Public / Private or Hybrid	Private or Hybrid	Public / Private or Hybrid; SP & Direct
<b>Avg. Revenue Per Retail Hosted Customer</b>	\$1,739	Undisclosed	\$414	\$1,998	Undisclosed	Undisclosed
<b>Churn (Monthly)</b>	0.7%	0.9% <sup>(1)</sup>	1.0%	0.4%	Undisclosed	Undisclosed
<b>Target Market</b>	SMB – Enterprise	VSB – SMB	VSB – Mid Enterprise	SMB – Mid Enterprise	Large – Very Large Enterprise	Large Enterprise
<b>Avg. Hosted Customer Size</b>	37 seats	Undisclosed	Undisclosed	43 seats	Undisclosed	Undisclosed
<b>Strengths</b>	Leading PBX and cloud offering Success migrating legacy customers to cloud	OTT, pure-play cloud offering	OTT, pure-play cloud offering	Offers both PBX and cloud offering	Relationships with top enterprises	Embedded relationships with top enterprises Broad product portfolio

(1) Based on reported 2016 annualized churn of 11%

# 2017 – Mitel Well Positioned in Rapidly Changing Landscape

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- Focused on UCC as core market of opportunity
- Broad geographic diversity
- Broad product offering
- Solutions for all segments
- Differentiated for vertical application
- Large installed enterprise base
- Growing installed cloud base
- Growing and diversified channel

## Strong financial foundation



# Financial Overview

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# Recent Events

- Reported solid March Qtr results
- Streamlined global cost structure
- Substantially de-leveraged balance sheet
- Initiated a 7.8 million share buyback program
- Simplified the Mitel Story and updated the Target Model at Analyst Day event in NY on March 7, 2017



\*expected to close March 2017

# Quarterly Income Statement Information – from continuing operations

(All amounts dollars in millions except for earnings per share)

	Q1 2017	YoY Historical Currency Fav / (Unfav)	YoY Constant Currency Fav / (Unfav)	
Revenue	\$223.1	(4%)	(2%)	Stabilizing top line
Gross Margin %	53.4%	30 bps	60 bps	Expanding margins
Net Income (Loss)	(\$19.7)	(67%)	(53%)	
EPS – Basic	(\$0.16)	(\$0.06)	(\$0.05)	
Non-GAAP EPS	\$0.09	\$0.01	\$0.02	29% growth
Adjusted EBITDA \$	\$21.0	(7%)	(3%)	
Adjusted EBITDA %	9.4%	(30 bps)	(10 bps)	Announced actions to put company on path to target model



# Employee Cost Reductions

	Headcount	Estimated Annualized Savings	Estimated In-Year Impact <sup>(1)</sup>			
			Q2	Q3	Q4	2017
Headcount Reduction	~10%	\$30M	\$3M	\$6M	\$8M	\$17M
COGS		\$6M	\$0.5M	\$1M	\$1.5M	\$3M
OPEX		\$24M	\$2.5M	\$5M	\$6.5M	\$14M
Estimated one-time charge <sup>(1)</sup>			\$6M to \$8M	\$19M to \$27M		\$25M to \$35M

(1) Based on management's current estimated timing. The exact timing and amount of in-year savings, and related one-time P&L charges, will depend on country labor regulations and other local requirements

# Select Balance Sheet Metrics

(All amounts dollars in millions)

	Mar 2017	Dec 2016
Cash and cash equivalents	\$56.5	\$97.3
Total Liquidity <sup>(1)</sup>	\$328.5	\$147.3
Accounts Receivable	\$173.0	\$186.3
Inventory	\$78.2	\$74.9

Debt Leverage	Actual Leverage Ratio	Permitted Leverage Ratio
Mar 2017	1.17	3.50

(1) Total Liquidity equals Cash and cash equivalents at the end of the March 2017 period plus the Company's undrawn revolving credit facility of \$272M.

# Analyst Day March 7/17 -New Target Model

Target Model	CY16	CY17	CY18	CY19
Enterprise Revenue Growth*	-4%	-4% to -2%	-3% to -1%	-2% to 0%
Recurring Cloud Revenue Growth*	13%	16% to 18%	18% to 20%	19% to 21%
Total Revenue Growth*	-2%	-1% to 1%	0% to 2%	1% to 3%
GM%	54%	55% to 57%	56% to 58%	57% to 59%
Adjusted EBITDA %	13%	15% to 17%	18% to 20%	20% to 22%

\*constant currency

Stabilizing top line & GM expansion powering attractive EBITDA and cash flow growth, while lower leverage drives ~30M expected run rate annual interest cost savings

# Analyst Day March 7/17 - Attractive Cash Returns Potential<sup>#</sup>

Target model	CY16 Actual*	CY17	CY18	CY19
Cash Flow from Operations	\$70M	\$92M	\$129M	\$159M
Run rate CAPEX	\$25M	\$16M	\$15M	\$15M
Free cash flow potential**	\$45M	\$76M	\$114M	\$144M
FCF % Adjusted EBITDA	28%	49%	62%	69%
FCF % of current equity value (~\$800M)	5%	10%	14%	18%

<sup>#</sup>For illustrative purposes only (i.e. not part of target models nor quarterly guidance)

\*CY16 includes combined company (continuing and discontinued operations). CY16 cash flow from operations excludes income from Polycom termination fee of \$60M and approximately \$30M of special charges related to the transaction

\*\*Free Cash Flow (FCF) defined as Cash Flow from Operations less capital expenditures (cash and leased capex)

Improved cash flow driven by:

- Increased Adjusted EBITDA (CY17 to CY19 at midpoint of target model)
- Lower restructuring charges (\$54M in 2016\*, \$25M in 2017 and \$nil thereafter) in the absence of new M&A
- Lower interest charges from the expected new credit facility (\$37M in CY16, \$9M in CY17, \$5M and \$3M in CY18 and CY19)
- Partially offset by expected higher cash taxes

# What Does This Mean For Investors?

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- **Reset and simplified business model**
  - 2 core businesses: Stabilizing Enterprise business and fast-growing Recurring Cloud business
- **Operational scale and margin/OpEx initiatives lead to 200bps+ annual Adjusted EBITDA margin expansion next 3 years**
  - Stable top line + Margin expansion => Growing bottom line
- **Highly profitable business with improving FCF conversion rates**
  - Restructuring charges largely over for past M&A
  - Expected interest cost savings of \$30M (run rate over 2016)
  - Double-digit FCF yield
- **Singular focus on enhancing shareholder value**
  - Delevered balance sheet
  - Reduced interest costs
  - Stock buyback program



# Q&A