

Investor Presentation

Q2 Fiscal Year 2018



This presentation reflects information
as of March 7, 2018



Forward-Looking Statements

Cautionary Statement Regarding Forward-Looking Statements

Certain information in this presentation contains forward-looking statements, including but not limited to, information relating to Comtech Telecommunications Corp.'s ("Comtech" or the "Company") future performance and financial condition, plans and objectives of Comtech's management and Comtech's assumptions regarding such future performance, financial condition, and plans and objectives that involve certain significant known and unknown risks and uncertainties and other factors not under Comtech's control which may cause its actual results, future performance and financial condition, and achievement of Comtech's plans and objectives to be materially different from the results, performance or other expectations implied by these forward-looking statements. These factors include, among other things: the risk that Comtech will be unsuccessful in implementing a tactical shift in its Government Solutions segment away from bidding on large commodity service contracts and toward pursuing contracts for its niche products with higher margins; the nature and timing of receipt of, and Comtech's performance on, new or existing orders that can cause significant fluctuations in net sales and operating results; the timing and funding of government contracts; adjustments to gross profits on long-term contracts; risks associated with international sales; rapid technological change; evolving industry standards; new product announcements and enhancements, including the risks associated with Comtech's recent launch of Heights™ Dynamic Network Access Technology ("HEIGHTS" or "HDNA"); changing customer demands; changes in prevailing economic and political conditions; changes in the price of oil in global markets; changes in foreign currency exchange rates; risks associated with Comtech's and TCS's legacy legal proceedings, customer claims for indemnification, and other similar matters; risks associated with Comtech's obligations under its Secured Credit Facility, as amended; risks associated with Comtech's large contracts; the impact of H.R.1, also known as the Tax Cuts and Jobs Act ("Tax Reform"), which was recently enacted in the U.S.; and other factors described in this presentation and Comtech's filings with the Securities and Exchange Commission ("SEC").



Use of Non-GAAP Financial Measures

In order to provide investors with additional information regarding its financial results, this presentation contains "Non-GAAP financial measures" under the rules of the SEC. The Company's Adjusted EBITDA is a Non-GAAP measure that represents earnings (loss) before income taxes, interest (income) and other expense, interest expense, amortization of stock-based compensation, amortization of intangibles, depreciation expense, settlement of intellectual property litigation, acquisition plan expenses or strategic alternatives analysis expenses and other. The Company's definition of Adjusted EBITDA may differ from the definition of EBITDA used by other companies and therefore may not be comparable to similarly titled measures used by other companies. Adjusted EBITDA is also a measure frequently requested by the Company's investors and analysts. The Company believes that investors and analysts may use Adjusted EBITDA, along with other information contained in its SEC filings, in assessing the Company's performance and comparability of its results with other companies. These Non-GAAP financial measures have limitations as an analytical tool as they exclude the financial impact of transactions necessary to conduct the Company's business, such as the granting of equity compensation awards, and are not intended to be an alternative to financial measures prepared in accordance with GAAP. These measures are adjusted as described in the reconciliation of GAAP to Non-GAAP in Appendix II, but these adjustments should not be construed as an inference that all of these adjustments or costs are unusual, infrequent or non-recurring. Non-GAAP financial measures should be considered in addition to, and not as a substitute for or superior to, financial measures determined in accordance with GAAP. Investors are advised to carefully review the GAAP financial results that are disclosed in the Company's SEC filings. The Company has not quantitatively reconciled its fiscal 2018 Adjusted EBITDA target to the most directly comparable GAAP measure because items such as stock-based compensation, adjustments to the provision for income taxes, amortization of intangibles and interest expense, which are specific items that impact these measures, have not yet occurred, are out of the Company's control, or cannot be predicted. For example, quantification of stock-based compensation expense requires inputs such as the number of shares granted and market price that are not currently ascertainable. Accordingly, reconciliations to the Non-GAAP forward looking metrics are not available without unreasonable effort and such unavailable reconciling items could significantly impact the Company's financial results.



Comtech - Connections that Matter®



Thought Leader in Secure Wireless Communications

Comtech is a world leader in the advanced communication solutions niche markets that it serves.

Innovative Solutions for Commercial and Government Customers

People around the world depend on the Company's innovations in satellite earth systems, enterprise technologies (such as mapping and location applications), public safety solutions and government command and control systems, including troposcatter technologies.

Legacy of Complex Problem Solving

Government agencies, mobile and telecom operators, and enterprises use our expertise, professional services, and highly secure wireless solutions to defend global security, improve public safety, and establish Connections that Matter®.

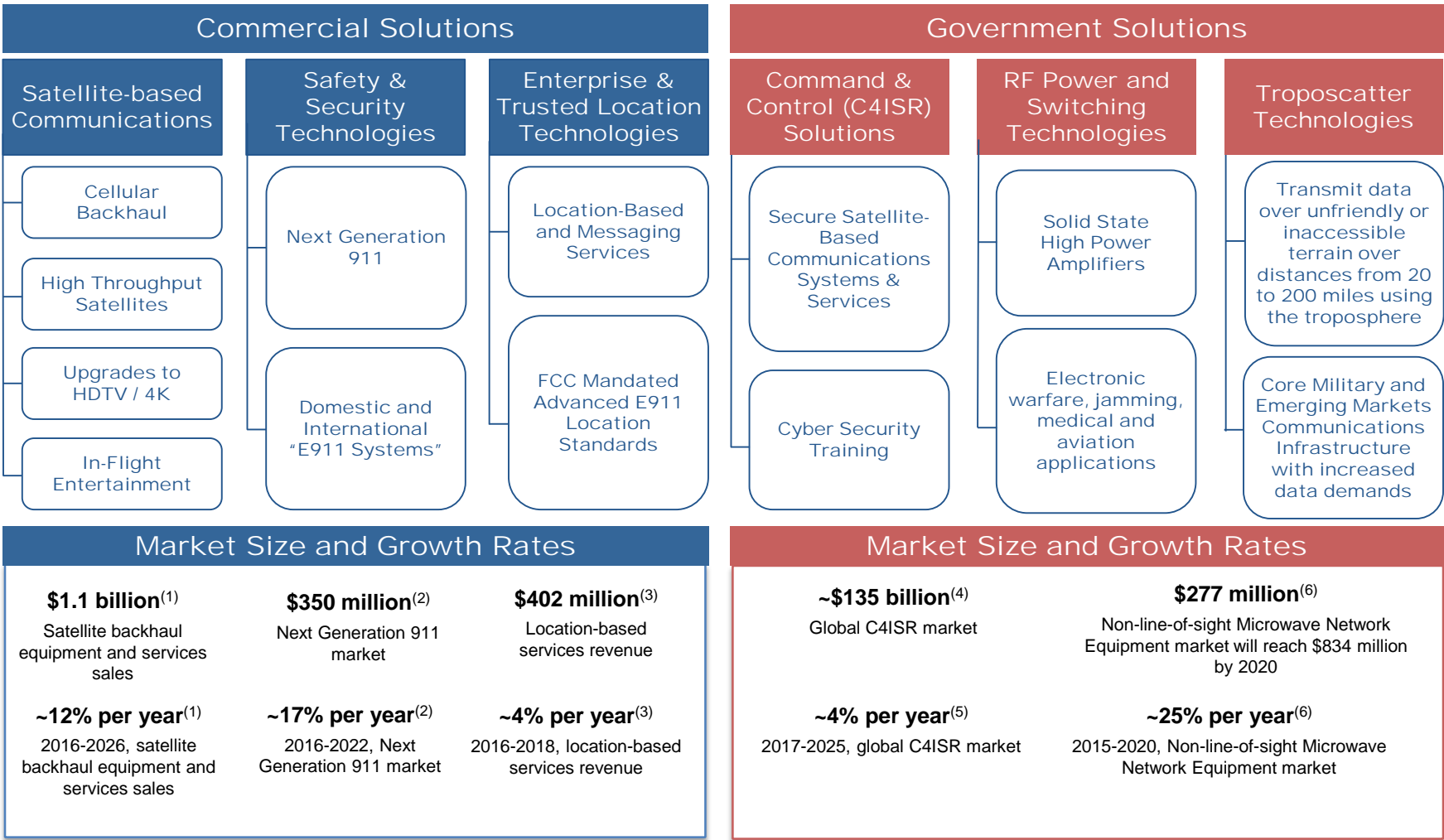
Focused on Profitable Growth

- Market leadership position in the growing secure wireless communications market
- We are profitable and generate significant cash flows from operating activities
- In February 2016, we closed on the single largest acquisition in our history – nearly doubling the size of our Company in almost every respect
- We have paid quarterly dividends since September 2010 and our current quarterly dividend is \$0.10 per common share
- Q2 exceeded our expectations
- Q2 book-to-bill ratio of 1.57 with funded backlog of \$567.3 million

Leadership in Growth Markets

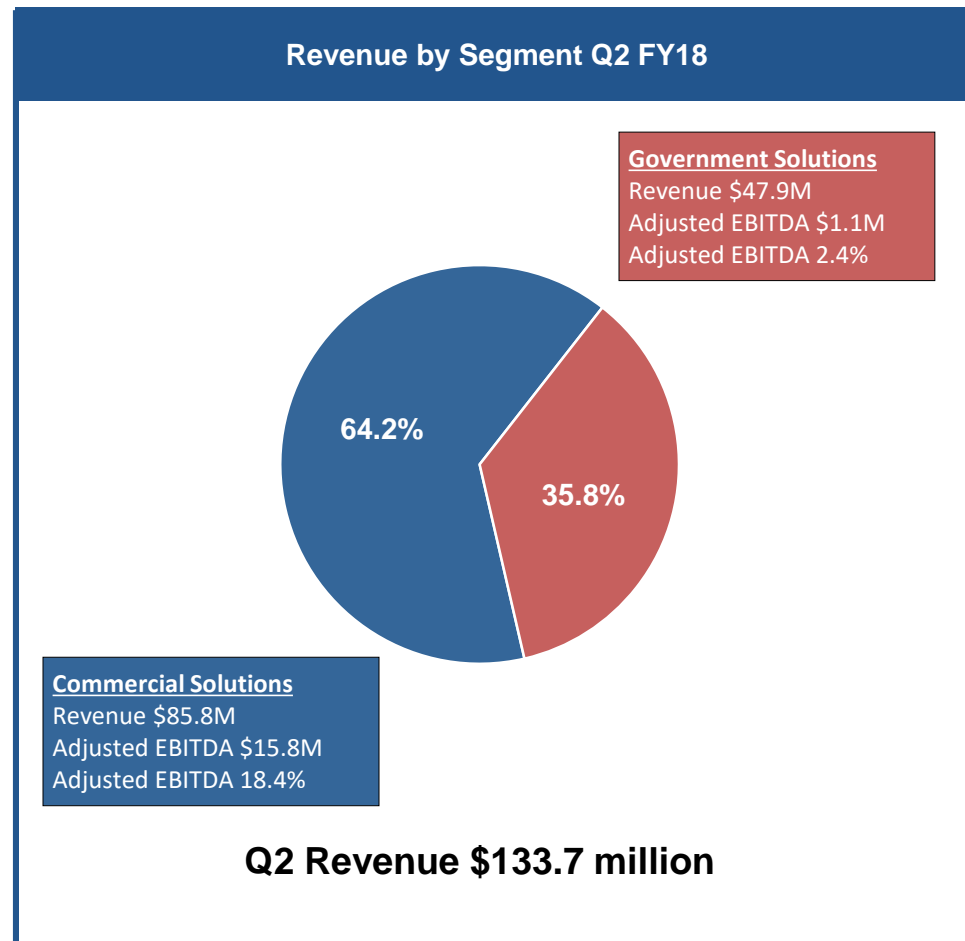
Our solutions provide secure wireless communications when it counts.

Key
Growth
Areas:



(1) Northern Sky Research, Wireless Backhaul, Trunking and Video Offload via Satellite, 11th Ed., 2017. Market size estimated for 2016.
(2) Frost & Sullivan, Next Generation 911 (NG911) Market Insight, 2017. Market size forecast by year 2022.
(3) ABI Research, Location Technologies, 2015. World market size forecast by year 2018.
(4) Research and Markets, The Global C4ISR Market 2017-2025 - Market Size and Drivers: Market Profile, 2017. Market size forecast by 2025.
(5) Technavio, Global C4ISR Market 2017-2025, 2017.
(6) IHS Technology "Microwave Network Equipment Quarterly Market Tracker: Regional, Q2 2016". Market size estimated for 2015.

Overview of Q2 FY2018 Performance



- GAAP Operating Income of \$4.9 million reflects amortization of \$5.3 million (principally related to our February 2016 acquisition of TCS), depreciation of \$3.3 million and stock-based compensation of \$1.1 million
- Adjusted EBITDA⁽¹⁾ of \$14.5 million or 10.9% of net sales
- GAAP diluted EPS of \$0.66, which includes \$0.59 per diluted share primarily due to the remeasurement of deferred tax assets and liabilities as a result of Tax Reform. Excluding the \$0.59 per diluted share, GAAP diluted EPS would have been \$0.07
- GAAP Cash Flow from Operations of \$2.7 million
- Sales by Customer YTD Q2:
 - U.S. Government 32.0%
 - U.S. Commercial 43.1%
 - International 24.9%
- YTD Q2 Revenue \$255.3 million

Note

(1) Adjusted EBITDA represents earnings before income taxes, interest (income) and other expense, interest expense, amortization of stock-based compensation, amortization of intangibles, depreciation expense, settlement of intellectual property litigation, acquisition plan expenses or strategic alternatives analysis expenses and other.

Commercial Solutions Segment - \$85.8M of Revenues in Q2 FY18 (64.2% of Total)

Our solutions provide secure wireless communications when it counts.

Satellite Modems



High Performance SCPC
Satellite Modems

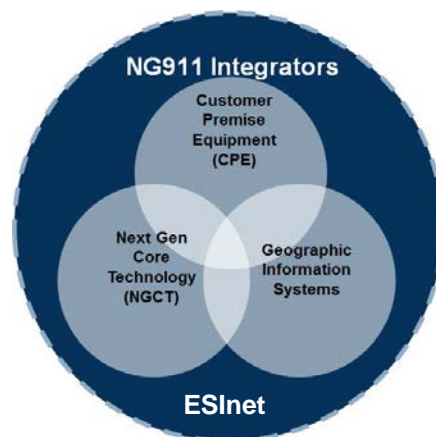


HEIGHTS™ IP-based Satellite Modems
for New High-Throughput Satellites (HTS)

Public Safety



Wireless Routing of 911 Calls



911 Text Message Routing
911 Video/Image Routing

Location and Enterprise



We Generate the Triangle & the Dot Used for
Public Safety and Enterprise



SMS Text Messaging Used for Public Safety
and Enterprise

We achieved 18.4% Adjusted EBITDA margins in Q2 FY18

Government Solutions Segment - \$47.9M of Revenues in Q2 FY18 (35.8% of Total)

Our solutions provide secure wireless communications when it counts.

Command and Control (C4ISR) Solutions



U.S. Army SNAP
850+ Systems Deployed

Satellite Communications & Space Components



U.S. Army BFT-1 Sustainment Support

RF Power and Switching and Troposcatter Equipment



Identification Friend or Foe (IFF), Electronic Warfare (EW) and Medical Oncology Treatment



Cyber Security Training Products and Services including PerformanceScore Tool



Satellite Ground Station Components



Over-the-Horizon Microwave Systems

We achieved 2.4% Adjusted EBITDA margins in Q2 FY18

Target Goals For Fiscal 2018

Non-GAAP Financial Measures Explained on Page 3 and Page 23

FY 2018 Updated Targets

\$ millions, except per share data

Revenue **\$570.0 - \$585.0**

Adjusted EBITDA⁽¹⁾ **\$72.0 - \$76.0**

GAAP EPS **\$1.08 - \$1.23**

Includes \$0.59 per diluted share primarily due to the remeasurement of deferred tax assets and liabilities as a result of Tax Reform

Comments on FY 2018 Targets

- Reflects anticipated higher Commercial Solutions segment sales due to anticipated orders for our Heights™ networking platform and strong sales of our SSPAs used in airborne, in-flight connectivity applications
- Reflects anticipated slightly higher Government Solutions segment sales despite the absence of BFT-1 intellectual property license fees
- Targeting Adjusted EBITDA to grow by approximately 5.0% over the \$70.7 million we achieved in fiscal 2017 and, as a % of net sales, comparable to the 12.8% we achieved in fiscal 2017
- Operating income in Q3 is expected to approximate 4.0% and Q4 is expected to be the peak quarter - by far - for net sales, operating income and Adjusted EBITDA
- Targeting GAAP operating income to be approximately 5.0% which compares favorably to 3.3% in fiscal 2017 (excluding \$18.8 million of favorable adjustments discussed in our last Form 10-K)
- Depreciation expense to range from ~\$14.0 million to \$15.0 million; amortization expense to approximate \$21.1 million; and amortization of stock-based compensation expected to be higher than fiscal 2017
- Effective interest rate of ~5.3% (cash borrowing rate of ~4.0%)
- Includes a Q2 net discrete tax benefit of \$14.0 million, resulting from the passage of Tax Reform which required us to remeasure our deferred tax assets and liabilities (including liabilities associated with the non-deductible amortization related to our intangible assets). Excluding this net discrete tax benefit, our effective tax rate in fiscal 2018 is estimated to be 27.75%
- Diluted shares of ~24.0 million

Note

(1) Adjusted EBITDA represents earnings before income taxes, interest (income) and other expense, interest expense, amortization of stock-based compensation, amortization of intangibles, depreciation expense, settlement of intellectual property litigation, acquisition plan expenses or strategic alternatives analysis expenses and other.

Balance Sheet is Flexible and Can Support Growth

- As of January 31, 2018, we had \$40.5 million of cash and cash equivalents.
- We have a \$400.0 million Secured Credit Facility, including a \$150.0 million Revolver and at Q2 we had outstanding:

	1/31/2018
Revolving Loan	\$ 66.8
Term Loan	128.7
Capital Leases	2.7
Total Indebtedness ⁽²⁾	<u>\$ 198.3</u>

Remaining fiscal 2018 mandatory payments

- \$8.6M principal payments and ~\$2.4M of interest for the Term Loan
- Interest on Revolving Loan
- Capital Lease obligations of \$1.1M

	Consolidated EBITDA (as defined)
<u>Q2 Gross Leverage Covenant Calculation</u>	
Q3 2017	\$ 18.1
Q4 2017	29.1
Q1 2018	9.6
Q2 2018	14.5
TTM Consolidated EBITDA	<u>\$ 71.3</u>
Total Indebtedness	\$ 198.3
Leverage Ratio Financial Covenant	2.78x
vs. Maximum Allowable as of Q2 2018	3.35x
<u>Q2 Fixed Charge Coverage Ratio (as defined)</u>	
Our current ratio is 2.09x vs. a minimum of 1.25x. The minimum of 1.25x will not change for the remaining term of the Secured Credit Facility, as amended.	

The maximum allowable Leverage Ratio for Q2 FY 2018 is 3.35x. During fiscal 2018 this will decrease further each quarter until decreasing to 3.00x in Q4 FY 2018 with no further reductions thereafter

Given our expected future business performance, we anticipate maintaining compliance with the terms and financial covenants in our Secured Credit Facility, as amended, for the foreseeable future

Flexibility to do acquisitions that can accelerate our growth plans

(1) Totals may not foot due to rounding.
 (2) As defined by the Secured Credit Facility, as amended.

Summary – Comtech is Positioned for Growth

Market Leadership Positions

- #1 provider of Single Channel Per Carrier (“SCPC”) satellite earth station and troposcatter products and systems
- 50% market share of wireless 911 calls and sole provider of Verizon Navigator
- Backbone for SMS text messaging
- Leading provider of Command and Control Solutions (C4ISR)

Leading Technology Positions and Commitment to Innovation

- Employs approximately 400 engineering professionals
- Invested \$27.2 million or 10.7% of YTD Q2 Fiscal 2018 revenues in Research and Development

Strong Backlog with Contracted Revenue

- At 1/31/2018, Comtech had total backlog of \$567.3 million

Achieving Growth with a History of Strong Capital Return to Stockholders


- Dividend of \$0.10 per share declared on March 7, 2018, payable on May 18, 2018 to stockholders of record at the close of business on April 18, 2018 (31st consecutive dividend)⁽¹⁾
- Returned \$587.0 million of capital to stockholders – September 2010 – March 2018 (cash dividends of \$145.2 million and total share repurchases of \$441.8 million)

Experienced Management Team

- Operating segment executives have over 25 years of experience within the industry
- Fred Kornberg (President and CEO of Comtech) resumed the roles in September 2016
- Michael Porcelain has been CFO of Comtech since FY2006 and has top secret security clearance
- Both have experience in executing and capitalizing on strategic acquisition opportunities

Note

- (1) Future dividends remain subject to compliance with financial covenants under the Company’s Secured Credit Facility, as amended, and Board approval.



Appendix I

Historical Data and Trends

Market Data

General Market Information

NASDAQ Symbol: CMTL

Institutional Holders⁽²⁾: 221

52 Week Range⁽¹⁾: \$10.68 - \$23.15

Analyst Coverage: 6

Source: NASDAQ

Analysts

Institution	Analyst Name
BMO Capital Markets Corp.	Tim Long
Citibank	Stanley Kovler
Jefferies Group LLC	George Notter
Ladenburg Thalmann and Co. Inc	Glen Mattson
Noble Capital Markets	Mark Jordan
Northland Capital Markets	Michael Latimore

Notes

- (1) 52 week range indicates the high and low closing prices during the period of February 1, 2017 through January 31, 2018.
- (2) As of March 5, 2018.
- (3) Dollar amounts in thousands, except per share data.
- (4) See Appendix II of this presentation for the reconciliation of reported net income to Adjusted EBITDA.
- (5) Comtech's fiscal year end is July 31.

Recent Quarterly Operating Results

\$ in 000s

	<u>Q2</u> <u>2017</u>	<u>Q3</u> <u>2017</u>	<u>Q4</u> <u>2017</u>	<u>Q1</u> <u>2018</u>	<u>Q2</u> <u>2018</u>
<u>Revenue</u>					
Commercial Solutions	\$ 82,103	\$ 79,409	\$ 93,177	\$ 76,114	\$ 85,824
Government Solutions	56,925	48,383	54,585	45,455	47,907
Total Revenue	\$ 139,028	\$ 127,792	\$ 147,762	\$ 121,569	\$ 133,731
Net Income (Loss)	\$ 6,585	\$ 4,417	\$ 7,314	\$ (1,660)	\$ 15,761
Adjusted EBITDA	\$ 13,489	\$ 18,100	\$ 29,070	\$ 9,584	\$ 14,548
<u>% of Revenue</u>					
GAAP Gross Profit	38.3%	41.1%	40.9%	39.3%	38.0%
GAAP R&D Expenses	9.6%	10.2%	9.4%	11.3%	10.0%
GAAP SG&A Expenses	22.3%	20.3%	17.9%	23.4%	20.3%
GAAP Operating Income	9.2%	8.0%	10.0%	0.2%	3.7%
Net Income (Loss)	4.7%	3.5%	4.9%	(1.4)%	11.8%
Adjusted EBITDA ⁽¹⁾	9.7%	14.2%	19.7%	7.9%	10.9%

Notes

(1) See Appendix II of this presentation for the reconciliation of reported net income to Adjusted EBITDA.

(2) Comtech's fiscal year end is July 31.

Recent Annual Operating Results

\$ in 000s

Revenue

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Commercial Solutions	\$ 228,745	\$ 203,674	\$ 248,955	\$ 330,867
Government Solutions	118,405	103,615	162,049	219,501
Total Revenue	\$ 347,150	\$ 307,289	\$ 411,004	\$ 550,368
Net Income (Loss)	\$ 25,151	\$ 23,245	\$ (7,738)	\$ 15,827
Adjusted EBITDA	\$ 61,336	\$ 51,761	\$ 48,062	\$ 70,705

% of Revenue

GAAP Gross Profit	43.6%	45.2%	41.7%	39.6%
GAAP R&D Expenses	9.8%	11.7%	10.3%	9.9%
GAAP SG&A Expenses ⁽¹⁾	19.3%	20.4%	23.1%	21.1%
GAAP Operating Income (Loss)	12.6%	11.1%	(0.1)%	6.7%
Net Income (Loss)	7.3%	7.5%	(1.9)%	2.9%
Adjusted EBITDA ⁽²⁾	17.7%	16.8%	11.7%	12.8%
GAAP EPS	\$ 1.37	\$ 1.42	\$ (0.46)	\$ 0.67

Excluding \$18.8 million of favorable adjustments (described in our Form 10-K), GAAP operating income would have been 3.3% of net sales

Fiscal 2016 impacted by TCS acquisition

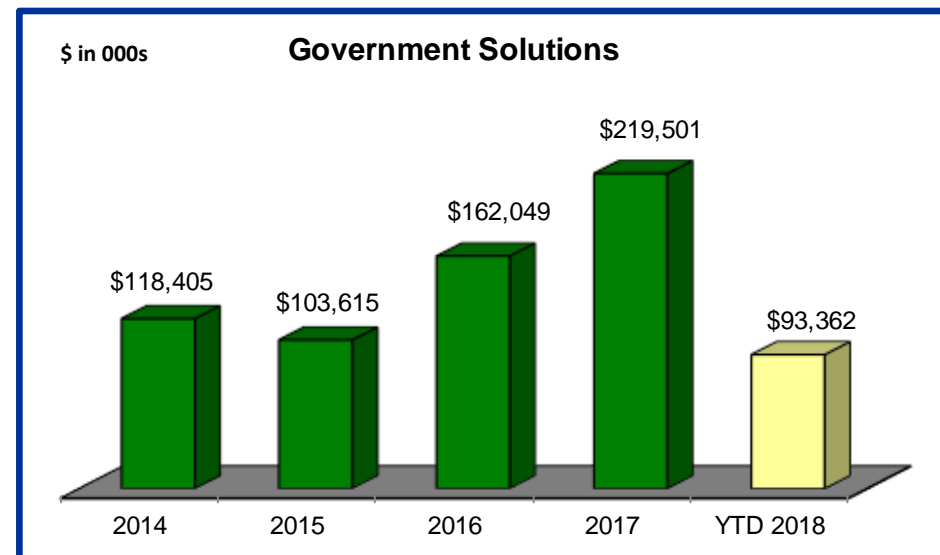
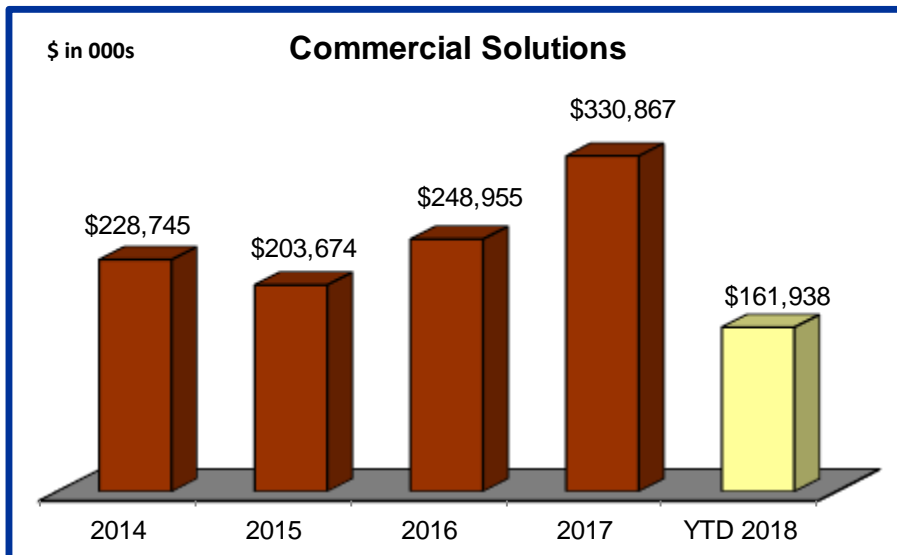
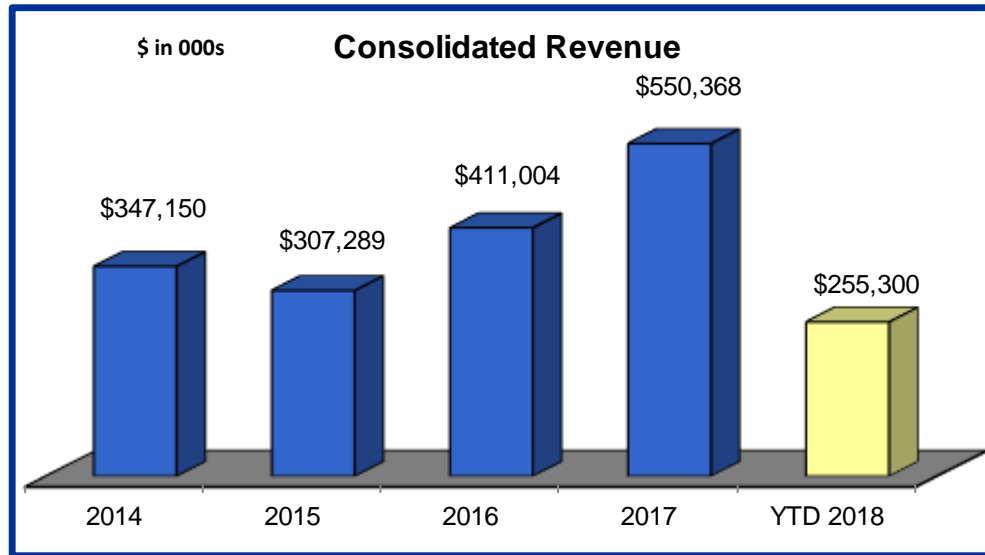
Notes

(1) FY 2016 excludes acquisition plan expenses.

(2) See Appendix II of this presentation for the reconciliation of reported net income to Adjusted EBITDA.

(3) Comtech's fiscal year end is July 31.

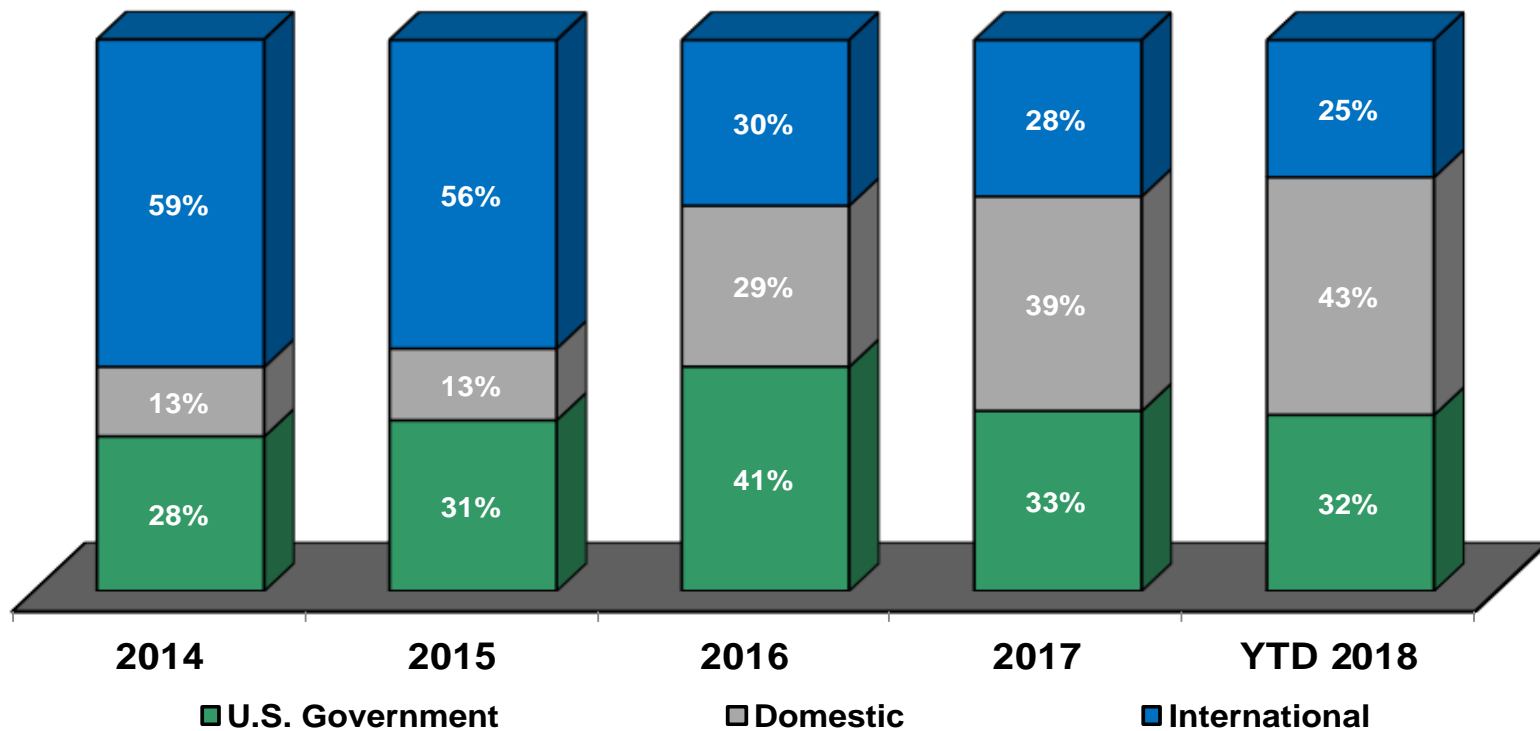
Historical Revenue Results



Note

(1) Comtech's fiscal year end is July 31.

Our Customer Base



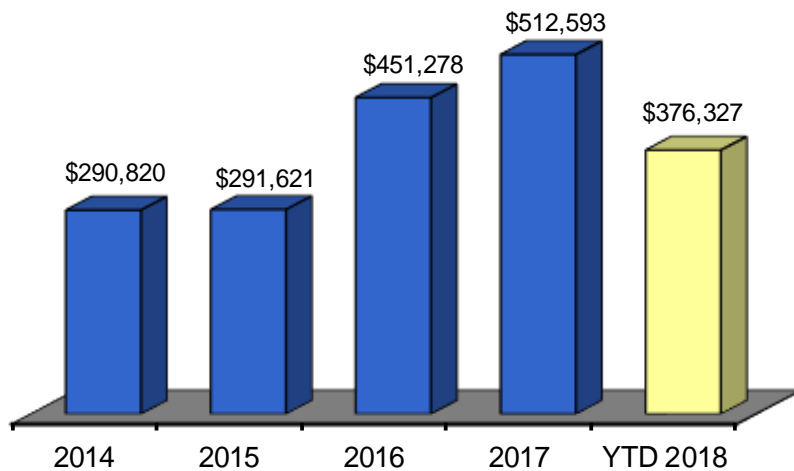
Note

- (1) Comtech's fiscal year end is July 31.
- (2) Totals may not foot due to rounding.

Historical Bookings & Backlog

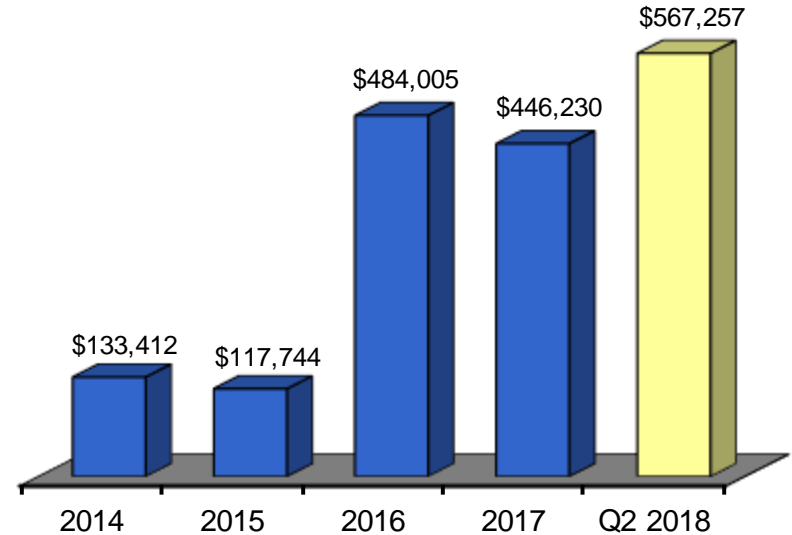
Bookings

\$ in 000s



Total Backlog

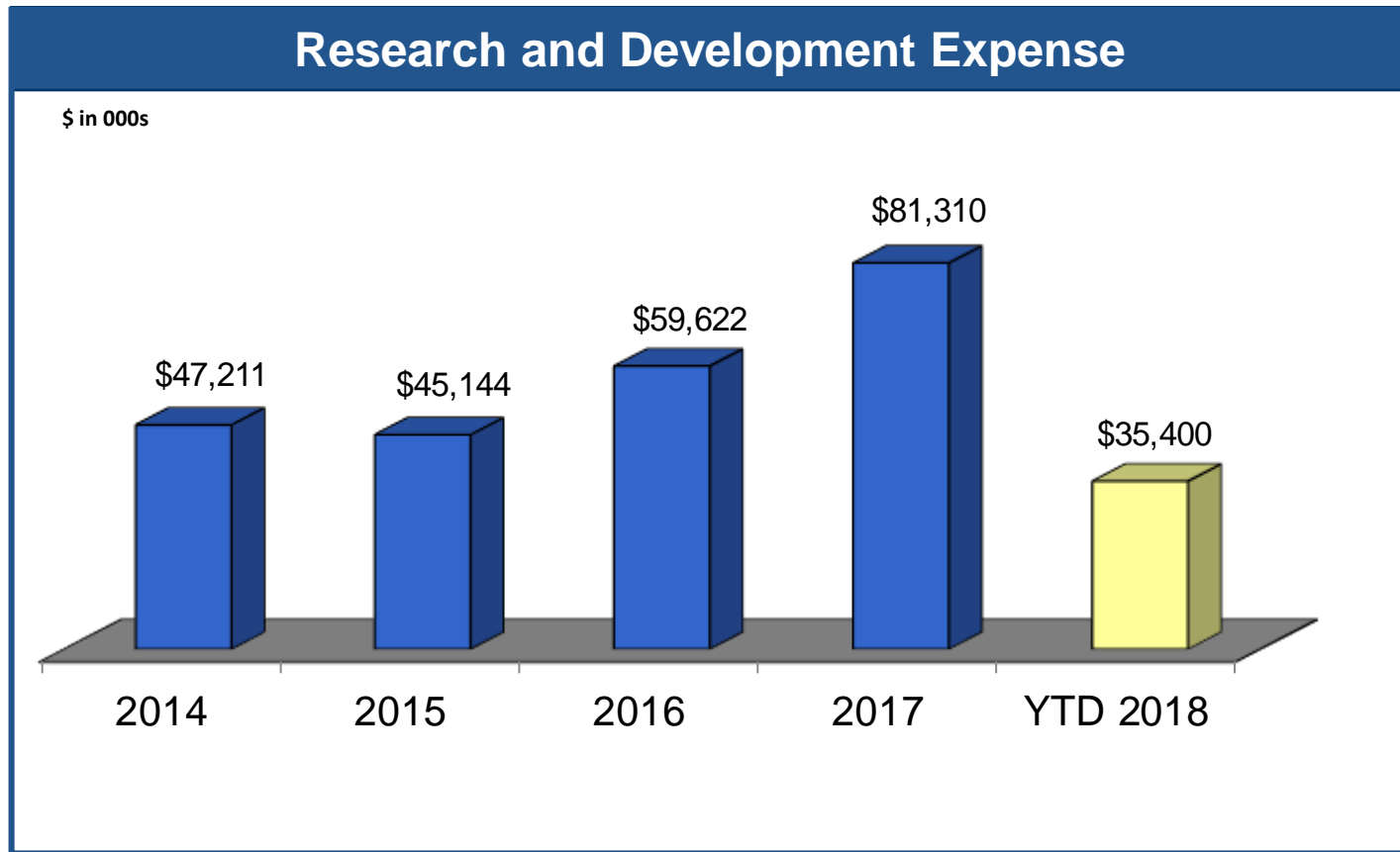
\$ in 000s



Note

(1) Comtech's fiscal year end is July 31.

Total Research and Development Expense



Note

(1) Research and development expense includes company-funded plus customer-funded.

(2) Comtech's fiscal year end is July 31.

Recent Balance Sheet Trends

Balance Sheet

\$ in 000s

	Jan. 31, <u>2017</u>	Apr. 30, <u>2017</u>	Jul. 31, <u>2017</u>	Oct. 31, <u>2017</u>	Jan. 31, <u>2018</u>
Cash and Cash Equivalents	\$ 63,144	\$ 58,817	\$ 41,844	\$ 42,507	\$ 40,472
Working Capital	121,641	114,292	96,833	105,041	110,469
Total Assets	883,508	863,758	832,063	826,232	822,651
Current and Long-Term Debt ⁽¹⁾	\$ 248,875	\$ 230,770	\$ 195,802	\$ 194,685	\$ 194,179
Stockholders' Equity	466,459	469,655	480,150	476,019	490,621
Total Capitalization	<u>\$ 715,334</u>	<u>\$ 700,425</u>	<u>\$ 675,952</u>	<u>\$ 670,704</u>	<u>\$ 684,800</u>

Note

(1) Current and long-term debt includes capital lease obligations.

(2) Comtech's fiscal year end is July 31.



Appendix II

Reconciliation of CMTL GAAP to Non-GAAP Financial Measures

Quarterly Adjusted EBITDA

Reported net income (loss)
Stock-based compensation expense
Net interest expense & other
Depreciation and amortization
Income tax expense (benefit)
Settlement of intellectual property litigation
Adjusted EBITDA

<u>Q2 2017</u>	<u>Q3 2017</u>	<u>Q4 2017</u>	<u>Q1 2018</u>	<u>Q2 2018</u>
\$ 6,585	\$ 4,417	\$ 7,314	\$ (1,660)	\$ 15,761
1,019	991	5,526	747	1,080
2,778	2,849	2,611	2,627	2,471
9,600	9,000	8,773	8,615	8,585
3,486	2,884	4,846	(745)	(13,349)
(9,979)	(2,041)	-	-	-
<u>\$ 13,489</u>	<u>\$ 18,100</u>	<u>\$ 29,070</u>	<u>\$ 9,584</u>	<u>\$ 14,548</u>

Quarterly Operating Income

Operating income
Settlement of intellectual property litigation
Adjusted operating income

<u>Q2 2017</u>	<u>Q3 2017</u>	<u>Q4 2017</u>	<u>Q1 2018</u>	<u>Q2 2018</u>
\$ 12,849	\$ 10,150	\$ 14,771	\$ 222	\$ 4,883
(9,979)	(2,041)	-	-	-
<u>\$ 2,870</u>	<u>\$ 8,109</u>	<u>\$ 14,771</u>	<u>\$ 222</u>	<u>\$ 4,883</u>

Annual Adjusted EBITDA

Reported net income (loss)
Stock-based compensation expense
Net interest expense & other
Depreciation and amortization
Income tax expense (benefit)
Strategic alternatives analysis expenses
Acquisition plan expenses (primarily TCS)
Settlement of intellectual property litigation
Adjusted EBITDA

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>YTD 2018</u>
\$ 23,245	\$ (7,738)	\$ 15,827	\$ 14,101
4,363	4,117	8,506	1,827
74	7,616	11,561	5,098
12,736	23,245	37,177	17,200
10,758	(454)	9,654	(14,094)
585	-	-	-
-	21,276	-	-
-	-	(12,020)	-
<u>\$ 51,761</u>	<u>\$ 48,062</u>	<u>\$ 70,705</u>	<u>\$ 24,132</u>

Annual Diluted Earnings (Loss) per Share

GAAP diluted earnings (loss) per share
Strategic alternatives analysis expenses
Acquisition plan expenses (primarily TCS)
Settlement of intellectual property litigation
Tax Reform
Non-GAAP diluted earnings per share

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>YTD 2018</u>
\$ 1.42	\$ (0.46)	\$ 0.67	\$ 0.59
0.02	-	-	-
-	1.03	-	-
-	-	(0.33)	-
-	-	-	(0.59)
<u>\$ 1.44</u>	<u>\$ 0.57</u>	<u>\$ 0.34</u>	<u>\$ -</u>

(1) See statement regarding the use of Non-GAAP financial measures on slide 3 of this presentation.

(2) Dollar amounts in thousands, except per share information. Comtech's fiscal year end is July 31.

