

Avaya Emerges from Ch 11

February 2018, Dave Michels

1. Overview

1. Avaya is one of the oldest vendors in UC, with a lineage that goes back to Bell's Western Electric. It has gone through many major transitions over its 100-year history, and 2017 was a big one.
2. Avaya started 2017 by voluntarily entering Chapter 11, which it exited in December 2017.
3. Avaya was cash-flow positive and profitable before Chapter 11, and now has more than \$200 million in annual cash interest savings compared to FY 2016.
4. After exiting Chapter 11, Avaya becomes somewhat of a new company with new leadership, new shareholders, and a new board of directors. It reduced its debt by half, and starts 2018 profitable and (without its networking business) more focused. Its previous owners, SilverLake and TPG, are no longer owners or advisors.
5. Avaya reduced its debt in three ways: Converted many debtholders to shareholders (debt to equity swaps), refinanced remaining debt, and sold off significant pension liabilities.

2. Leadership Changes

1. Almost the entire leadership team at Avaya has changed in the past several months. Only three executives (Jim Chirico, Laurent Philonenko, and Jerry Glembocki) remain on the leadership team from last summer.
2. Current Leadership Team
 - a) Jim Chirico, CEO
 - b) Mercer Rowe, SVP and GM Cloud
 - c) Nidal Abou-Ltaif, President, Avaya International.
 - d) Laurent Philonenko, SVP and GM of Solutions and Technology
 - e) James Geary, GM, Americas Sales and Services
 - f) Jerry Glembocki, SVP, Quality Program Office
 - g) Nikos Nikolopoulos, SVP, Strategy and Corporate Development
 - h) Patrick O'Malley, SVP and CFO
 - i) Shefali Shah, SVP, Chief Administrative Officer and General Counsel
3. Jim Chirico joined Avaya in 2008. Prior to becoming CEO, he was the COO and Global Sales Leader, and was responsible for Operations, Global Sales, Sales Operations, Human Resources and Quality. Prior to Avaya, he was EVP, Global Operations, Development and Manufacturing at Seagate Technology. Before joining Seagate, Chirico spent 17 years as an executive with IBM, including leadership of the Networking Division.

3. The New Board of Directors

As a result of the Chapter 11 process, the ownership of the company dramatically changed. A new seven-member Board of Directors became active in December 2017.

1. Jim Chirico: Current President and CEO and former COO.
2. William Watkins: Most recently Chairman and CEO of Imergy Power Systems. Also a board member of Bridgelux, FLEX LTD, and Maxim Integrated Products. He served as Seagate Technology's CEO from 2004 through January 2009, and as Seagate's President and COO from 2000 until 2004.
3. Ronald Rittenmeyer: Executive Chairman and CEO at Tenet Healthcare. Prior leadership experience with EDS, and board member of American International Group, QuintilesIMS and Tenet Healthcare.
4. Stephan Scholl: President at Infor with leadership experience from Lawson and Oracle.
5. Susan Spradley: Partner in the Tap Growth Group, a senior executive consulting firm. Prior management experience with Viavi Solutions. Also a board member of Qorvo.
6. Stanley Sutula III: EVP and CFO of Pitney Bowes. Prior management experience with IBM.
7. Scott Vogel: Managing Member of Vogel Partners. Also a board member of Arch Coal, Key Energy Services, and Bonanza Creek Energy. Previously a Managing Director at Davidson-Kempner-Kempner Capital Management.

4. Announcements at Engage

1. with user group), and analysts. This year, Engage took place less than two months after Avaya's emergence from bankruptcy. This created an awkward challenge as most of the leadership team was new in their roles.
2. Avaya has committed to more agile development cycles with ongoing announcements and releases throughout the year. The company is aiming for a regular cadence of announcements or releases every 6-8 weeks.
3. Several themes are emerging from announcements and presentations. The priority appears to be on cloud and mobile technologies. The company is also working to simplify migration paths to newer technologies.
4. The major announcements at Avaya Engage were:
 - a) Acquisition of Spoken Communications. This gives Avaya a significant jumpstart to a more modern cloud infrastructure.
 - b) CS1000 Upgrade Incentives. Avaya acquired a large base of CS1000 users when it acquired the assets of Nortel enterprise in 2009. Avaya estimates there are 10's of million of lines still in service. Avaya intends to retain and upgrade these customers by creating an easier migration path. Avaya is adding CS1000 features to its Aura platform coupled with aggressive financial incentives.

The full 8-page report is available at TalkingPointz [here](#). Included with Quipz Subscription
