Docket #328 Date Filed: 3/21/2023

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	)	Chapter 11
AVAYA INC., *et al.*,[1]	)	Case No. 23-90088 (DRJ)
Debtors.	)	(Jointly Administered)

DECLARATION OF ROOPESH SHAH IN SUPPORT OF CONFIRMATION OF THE JOINT PREPACKAGED PLAN OF REORGANIZATION OF AVAYA INC. AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

I, Roopesh Shah hereby declare under penalty of perjury that:

1. I am a Senior Managing Director of Evercore Group L.L.C. ("Evercore"), an investment banking firm which has its principal office at 55 East 52nd Street New York, NY 10055. Evercore has expertise in domestic and cross-border restructurings, mergers and acquisitions, raising debt and equity capital, and other financial advisory services. Evercore has served as a financial advisor to debtors and creditors in a variety of industries. Evercore and its senior professionals have extensive experience with respect to the reorganization and restructuring of distressed companies, both out-of-court and in chapter 11 proceedings. Evercore is the proposed investment banker for the above-captioned debtors and debtors in possession (collectively, the "Debtors").

2. I submit this declaration (the "Declaration") in support of approval of the

[1] A complete list of each of the Debtors in these Chapter 11 Cases may be obtained on the website of the Debtors' proposed claims and noticing agent at http://www.kccllc.net/avaya. The location of Debtor Avaya Inc.'s principal place of business and the Debtors' service address in these Chapter 11 Cases is 350 Mount Kemble Avenue, Morristown, New Jersey 07960.

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Disclosure Statement Relating to the Joint Prepackaged Plan of Reorganization of Avaya Inc. and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code [Docket No. 51] (the "Disclosure Statement") and confirmation of the *Joint Prepackaged Plan of Reorganization of Avaya Inc. and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* [Docket No. 50] (as modified, amended, or supplemented from time to time, the "Plan"),[2] pursuant to section 1125, 1126, and 1129, respectively, of title 11 of the United States Code (the "Bankruptcy Code").

3. Except as otherwise indicated, all statements in this Declaration are based on (a) my personal knowledge of the Debtors' operations and finances, (b) my review of relevant documents, (c) information provided to me by Evercore employees working under my supervision, (d) information provided to me by, or discussions with, the members of the Debtors' management team or their other advisors, and (e) my opinion based upon my experience as a restructuring professional. If called to testify, I could and would testify to each of the facts set forth herein on foregoing bases.

4. I am not being specifically compensated for this testimony other than through payments received by Evercore as a professional retained by the Debtors.

Professional Background and Qualifications

5. I am a Senior Managing Director at Evercore. I have approximately 26 years of financial advisory experience, of which 23 years have involved advising debtors, creditors, and equity holders on a wide variety of recapitalization and restructuring transactions. I have been involved in numerous restructurings, including those of Arcapita, Claire's Stores, Catalina

[2] Capitalized terms used but not defined herein have the meanings ascribed to them in the Disclosure Statement or in the Plan.

Marketing, Edcon, Frontier Communications, Incora, LATAM Airlines, McDermott, New MACH Gen, Sea Island, Serta Simmons Bedding, Talen, Toys "R" Us, Tronox, Vanguard Natural Resources, Wastequip, Windstream Communications, and The Yellowstone Club. Prior to joining Evercore in May 2017, I held various positions, including as the Global Head of Goldman Sachs' Restructuring Finance and Advisory Group, where I served in various positions for 11 years. Prior to that, I was a Director in the Restructuring Group of Miller Buckfire & Co. and a Vice President in the Mergers & Acquisitions Group of Wasserstein Perella & Co. I received a B.S. in Economics from the Wharton School of the University of Pennsylvania, with concentrations in finance, marketing, and information technology. I am principally responsible for overseeing the day-to-day activities of the Evercore deal team in this engagement.

Valuation of Avaya

I. Disclosure Statement Valuation Analysis

6. At the Debtors' request, and as more fully set forth in the Valuation Analysis attached to the Disclosure Statement as Exhibit F, Evercore reviewed the RO Backstop Agreement executed by the RO Backstop Parties, who are sophisticated financial institutions that are familiar with the Debtors' operations and the technology and communications industries. The RO Backstop Agreement is the culmination of good faith, arm's length, extensive negotiations among the Debtors and the RO Backstop Parties and their respective financial and legal advisers based on in-depth due diligence in the months leading up to the Petition Date.

7. The Plan contemplates, among other things, the Debtors raising $150 million of capital through the Rights Offering at a 37.5% discount to an implied $538.8125 million equity value. Such capital raise would be difficult to consummate without the material deleveraging and equitization contemplated by the Plan.

8. As set forth in the Disclosure Statement, the Reorganized Debtors project having

approximately $179 million of tax-effected U.S. pension and other postemployment benefits ("OPEB") liabilities, $313 million of international pension liability (tax-effected where applicable), $31 million of capital lease liability, $800 million of funded debt, and $436 million of excess cash (net of minimum cash of $175 million) at emergence.[3]

9. Accordingly, the equity value implied by the Rights Offering (the "Equity Value") implies that the enterprise value (the "Enterprise Value") of the Reorganized Debtors upon emergence is approximately $1,426 million.

10. Additionally, Evercore, working at my direction, estimated the total enterprise value for the Reorganized Debtors using a discounted cash flow methodology (such methodology, a "DCF Analysis" and such value, the "DCF Enterprise Value"). Based on Evercore's analysis, using a DCF Analysis described further below, and consistent with the Enterprise Value set forth in the valuation analysis included in the Disclosure Statement, the DCF Enterprise Value of the Reorganized Debtors is less than the aggregate First Lien Claims of $3.0 billion and HoldCo Convertible Notes Claims of $221 million. Given that First Lien Claims and HoldCo Convertible Notes Claims are senior to equity, the DCF Enterprise Value and the Enterprise Value set forth in the valuation analysis included in the Disclosure Statement imply that there is no value in the Debtors for equity holders.

A. Projections and Supporting Materials

11. In preparing the DCF Enterprise Value range for the Reorganized Debtors, Evercore, among other things: (a) reviewed certain historical financial and operating information of the Debtors for recent years and interim periods; (b) met with certain members of the Debtors'

[3] As of the date of this Declaration, the Debtors estimate $810 million of funded debt and $419 million of excess cash (net of minimum cash of $175 million) at emergence, driven by the HoldCo Convertible Notes Settlement Consideration and the regular-course operations of the business.

senior management to discuss the Debtors' finances, operations and future prospects; (c) reviewed publicly available financial data and considered certain economic and industry information relevant to the Debtors' operating businesses; (d) reviewed the Debtors' projected consolidated balance sheet, income statement, and statement of cash flows for the fiscal period Q3 2023 through FY 2027 (the "Financial Projections") filed with the Disclosure Statement; (e) prepared discounted cash flow analyses based on the Financial Projections, utilizing a range of discount rates, derived using the capital asset pricing model, above and below the Debtors' weighted average cost of capital (the "Discount Rate"); (f) conducted such other analyses as Evercore deemed appropriate; and (g) considered a range of potential risk factors. In preparing the DCF Analysis, Evercore assumed the accuracy and completeness of the financial and other information furnished to Evercore by the Debtors' management and advisors as well as publicly available information. In connection with Evercore's work providing investment banking and valuation services to companies, Evercore frequently relies on the types of information provided and prepared by company management or other advisors, and it is common for experts in its field to rely on such information.

12. Although Evercore conducted a review and analysis of the Debtors' businesses, operating assets and liabilities, and business plans, Evercore relied on the accuracy and completeness of all financial and other information provided by the Debtors and other firms retained by the Debtors in addition to certain publicly available information as to which Evercore does not have independent knowledge.

13. Evercore has relied on the Debtors' representation and warranty that the Financial Projections (a) were prepared in good faith, (b) were based on fully disclosed assumptions that are reasonable in light of the circumstances under which they were made,

(c) reflect the Debtors' best currently available estimates, and (d) reflect the good faith judgments of the Debtors. Evercore does not offer an opinion as to the attainability of the Financial Projections. The future results of the Reorganized Debtors are dependent upon various factors, many of which are beyond the control or knowledge of the Debtors, and consequently are inherently difficult to project. The Reorganized Debtors' actual future results may differ materially (positively or negatively) from the Financial Projections and, as a result, the actual Enterprise Value or DCF Enterprise Value of the Reorganized Debtors may be significantly higher or lower than the estimated ranges considered herein.

B. Methodologies

14. The Valuation Analysis attached to the Disclosure Statement contains the estimated Enterprise Value and Equity Value of the Reorganized Debtors. The DCF Enterprise Value is based on the results of Evercore's DCF Analysis, as described herein.

15. While two other standard valuation methodologies are frequently used (selected comparable companies analysis and precedent transaction analysis), Evercore determined, in an exercise of its professional judgment and based on its experience, to not use these methodologies to derive estimated enterprise value ranges of the Reorganized Debtors due to, among other reasons, a lack of appropriately comparable companies and precedent transactions for the purposes of estimating the enterprise value of the Reorganized Debtors.

C. Discounted Cash Flow Analysis

16. The DCF Analysis is a forward-looking enterprise valuation methodology that estimates the value of an asset or business by calculating the present value of expected future cash flows to be generated by that asset or business. Evercore's application of the DCF Analysis involved deriving the unlevered free cash flows that the Debtors' operations would generate assuming their Financial Projections are realized. Evercore excluded pension, OPEB, and capital

lease payments from the unlevered cash flows in order to determine estimated DCF Enterprise Value before the impact of underfunded pension, OPEB, and capital lease liabilities. These future unlevered cash flows are discounted by the Discount Rate, as estimated by Evercore based on the capital asset pricing model. To determine the estimated DCF Enterprise Value range, these cash flows and an estimated perpetuity cash flow at the end of the fiscal period Q3 2023 through FY 2027 (the "Projection Period") were discounted using the Discount Rate to derive their present value as of the assumed Effective Date.

17. The application of methods used to derive key estimates for the DCF methodology involve complex considerations and judgements concerning the projected financial and operating characteristics of the Reorganized Debtors, which in turn affect its cost of capital and terminal value. As such, Evercore believes that its analysis and views must be considered as a whole and that selecting portions of its analysis and factors could create a misleading or incomplete view of the processes underlying the preparation of the valuation.

Dated: March 21, 2023

By:
/s/ Roopesh Shah
Roopesh Shah
Senior Managing Director
Evercore Group L.L.C.