20240416032777

Årsredovisning
Avaya Sweden Aktiebolag

Org.nr 556589-4093

Räkenskapsåret 2022-10-01 - 2023-09-30

Fastställelseintyg

Undertecknad styrelseledamot i Avaya Sweden Aktiebolag intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämman .

Årsstämman beslutade att godkänna styrelsens förslag till resultatdisposition 2024-03-28

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

Roland Arnoldus Cornelus van de Geer
Stockholm 2024- 03-28

20240416032 78

Årsredovisning
Avaya Sweden Aktiebolag

Org.nr 556589-4093

Räkenskapsåret 2022-10-01 - 2023-09-30

20240416103279

Årsredovisning för räkenskapsåret 2022-10-01 - 2023-09-30

Styrelsen för Avaya Sweden Aktiebolag avger härmed följande årsredovisning:

Innehåll Sida

Förvaltningsberättelse 4

Resultaträkning 8

Balansräkning 9

Noter 11

Styrelsens säte: Färögatan 33, 164 53 Kista, Sweden

Företagets redovisningsvaluta: Svenska kronor (SEK).
Alla belopp redovisas, om inget annat anges, i kronor (kr).

20240416032280

Förvaltningsberättelse

Information om verksamheten

Avaya Group är en global ledare inom framtida generationer av affärssamarbete och kommunikation lösningar. Företaget tillhandahåller enhetligt samarbete kring kommunikation, kontaktcenter, video i realtid och datorlösningar, samt relaterade tjänster till företag i alla storlekar över hela världen. Avaya arbetar främst inom statliga och kommunala sektorer för utbildning, finans, försäkring och sjukvård.
Avaya i Norden arbetar främst genom sina partners TDC (Netdesign), Origo, Jansson, Comized, TeliaSonera, Telia, Tele2, ATEA och Net-nordic.
Avaya Sweden Aktiebolag är ett moderbolag men Upprättar ingen koncernårsredovisning med hänsyn till reglerna i " Årsredovisningslagen 7:2". koncernårsredovisning Upprättas av Avaya Holding Corp för alla Avaya-enheter
Företaget har sitt säte i Stockholm.

Förväntad framtida utveckling samt risker och osäkerhetsfaktorer

Avaya fortsätter att verka i en mycket konkurrensutsatt affärsmiljö med pågående konsolidering av kommunikationsleverantörer och kunder. Företag fokuserar på att bygga ett effektivt och öppet stöd för kommunikationsinfrastruktur genom att förbättra kommunikationen och kundservicen samtidigt som de minskar kostnaderna. Avayas omedelbara fokus på tillväxt drivs av att sälja nya samarbetslösningar och en övergång till en moln- och SaaS-baserad affärsmodell. Avaya är positionerat för tillväxt med starka erbjudanden inom de snabbväxande affärsområdena mobilitet, samarbete och mellanstora företag. Det har varit begränsad operativ påverkan på företagets verksamhet under räkenskapsåret 2023 på grund av pågående krig i Ukraina
Avaya fortsätter att investera i innovation för att möta kundernas krav idag och i framtiden.
Vi arbetar nära våra kunder och partners för att forma framtidens samarbete.

20240416032281

Förvaltningsberättelse

Flerårsöversikt*

	2022/23	2021/22	2020/21	2019/20	2018/19
Nettoomsättning	13,399,102	16 597 225	20 385 029	23 011 890	28 236 850
Resultat efter finansiella poster	-2 941 856	-1 240 107	1 425 183	-385 030	-935 561
Avkast på sysselsatt kapital	(2,7) %	(1,3) %	5,4 %	2,3 %	1,3 %
Avkastning på eget kapital	(41.5) %	(12,8) %	12,6 %	(3,7) %	(8,6) %
Soliditet	14,2 %	19,5 %	21,9 %	20,3 %	20,7 %
Totala tillgångar	50 007 782	51 320 047	51 450 261	50 992 239	52 529 547

Förändringar av eget kapital

	Aktiekapital	Reservfond	Balanserat resultat	Årets resultat	Totalt
Ingående balans	100 000	20 000	11 147 857	- 1 240 107	10 027 750
Balanseras i ny räkning			-1 240 107	1 240 107	
Årets resultat	-	-	-	- 2 941 856	- 2 941 856
Utgående balans 2023-09-30	**100 000**	**20 000**	**9 906 377**	**- 2 940 483**	**7 085 894**

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Förvaltningsberättelse

Ägarförhållande

Bolaget är ett helägt dotterbolag till Avaya International Enterprise Ltd (Luxemburg).

20240416032283

Förvaltningsberättelse

Förslag till resultatdisposition

	September 30 **2023**
Styrelsen föreslår att till förfogande medel	
Balanserad vinst	9 907 751
årets förlust	-2 941 856
	6 965 895
Disponeras så att	
i ny räkning överförs	6 965 895

Företagets resultat och finansiella ställning i allmänhet anges i följande resultaträkning och balansräkning med noter.

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Resultaträkning

	Note	2022-10-01 -2023-09-30	2021-10-01 -2022-09-30
Nettoomsättning		13 399 102	16 597 225
Övriga rörelseintäkter		991 787	-88 289
		14 390 888	**16 508 936**
Rörelsens kostnader			
Råvaror och förnödenheter		-700 207	-2 659 200
Övriga externa kostnader	2	-1 908 934	-3 008 117
Personalkostnader	3	-11 965 868	-11 090 583
Av- och nedskrivningar av materiella och immateriella anläggningstillgångar	4	-65 520	-34 206
Övriga rörelsekostnader		-797 901	-236 326
		-15 438 430	**-17 028 432**
Rörelseresultat		**-1 047 542**	**-519 496**
Resultat från finansiella poster			
Räntekostnader	5	-1 894 314	-759 484
		-1 894 314	**-759 484**
Resultat efter finansiella poster		**-2 941 856**	**-1 278 980**
Resultat före skatt		**-2 941 856**	**-1 278 980**
Skatt på årets resultat		0	38 873
Årets resultat		**-2 941 856**	**-1 240 107**

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Balansräkning

	Not	2023-09-30	2022-09-30
TILLGÅNGAR			
Anläggningstillgångar			
Materiella anläggningstillgångar			
Inventarier, verktyg och installationer	6	239 271	34 495
		239 271	**34 495**
Finansiella anläggningstillgångar			
Andelar i koncernföretag	7	44 806 294	44 806 294
Andra långfristiga fodringar	8	343 970	343 970
		45 150 264	**45 150 264**
Summa anläggningstillgångar		**45 389 535**	**45 184 759**
Omsättningstillgångar			
Varulager m m			
Färdiga varor och varor för återförsäljning		5 146	10 640
Kortfristiga fordringar			
Kundfordringar		1 110 647	983 680
Fordringar på Koncernföretag		-	-
Skattefordringar		2 131 249	1 409 165
Förutbetalda kostnader och upplupna intäkter	9	1 153 578	3 250 152
		4 400 620	**5 653 637**
Kassa och bank		217 628	481 650
Summa omsättningstillgångar		**4 618 248**	**6 135 287**
SUMMA TILLGÅNGAR		**50 007 782**	**51 320 046**

20240416032286

Balansräkning (fortsättning)

	Not	2023-09-30	2022-09-30
EGET KAPITAL OCH SKULDER			
Eget kapital			
Bundet eget kapital			
Aktiekapital		100 000	100 000
Reservfond		20 000	20 000
		120 000	**120 000**
Fritt eget kapital			
Balanserad vinst eller förlust		9 907 751	11 147 857
Årets resultat		-2 941 856	-1 240 107
		6 965 895	**9 907 750**
Summa eget kapital		**7 085 895**	**10 027 750**
Långfristiga skulder			
Skulder till koncernföretag		30 891 709	30 891 709
Kortfristiga skulder			
Leverantörsskulder		177 058	335 068
Skulder till koncernföretag		1 411 784	111 185
Övriga kortfristiga skulder		1 640 458	2 274 768
Upplupna kostnader och förutbetalda intäkter	10	8 800 878	7 679 566
		12 030 178	**10 400 587**
SUMMA EGET KAPITAL OCH SKULDER		**50 007 782**	**51 320 046**

20240416032287

Not 1 - Redovisnings- och värderingsprinciper

Värderingsprinciper

Allmänna upplysningar
Årsredovisningen är upprättad i enlighet med årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).
Redovisningsprinciperna är oförändrade jämfört med föregående år.

Värderingsprinciper
Tillgångar, avsättningar och skulder har värderats utifrån anskaffningsvärden om inget annat anges nedan.

Materiella anläggningstillgångar

Materiella anläggningstillgångar redovisas till anskaffningsvärde minus ackumulerade avskrivningar och eventuella nedskrivningar.
Förutom köpeskillingen inkluderar anskaffningsvärdet även direkta kostnader hänförligt till förvärvet.
Avskrivningar görs linjärt över den uppskattade nyttjandeperioden för tillgången. Följande avskrivningsprocent tillämpas:

Materiella anläggningstillgångar
- Inventarier, verktyg och installationer År 4-5

Intäktsredovisning

Det inflöde av ekonomiska fördelar som företaget erhållit eller kommer att erhålla för egen räkning redovisas som intäkt. Intäkter värderas till verkliga värdet av det som erhållits eller kommer att erhållas, med avdrag för rabatter.

Utländsk valuta

Monetära poster i utländsk valuta räknas om till balansdagens kurs. Icke-monetära poster räknas inte om utan redovisas till kursen vid anskaffningstillfället.

20240416032888

Not 1 - Redovisnings- och värderingsprinciper (fortsättning)

Varulager

Varulagret är värderat till det lägsta av anskaffningsvärdet och nettoförsäljningsvärdet på balansdagen. Med nettoförsäljningsvärde avses varornas beräknade försäljningspris minskat med försäljningskostnader.
Den valda värderingsmetoden innebär att inkurans i varulagret har beaktats. I anskaffningsvärdet ingår förutom utgifter för inköp även utgifter för att bringa varorna till deras aktuella plats och skick.

Nyckeltalsdefinitioner

Nettoomsättning

Rörelsens huvudintäkter, fakturerade kostnader, sidointäkter samt intäktskorrigeringar.

Rörelsemarginal (%)

Rörelseresultat i procent av omsättningen.

Balansomslutning

Företagets samlade tillgångar.

Avkast. på sysselsatt kap. (%)

Rörelseresultat plus finansiella intäkter i procent av sysselsatt kapital.

Avkastning på eget kapital (%)

Resultat efter finansiella poster i procent av justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt).

Soliditet (%)

Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning.

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Not 2 - Arvode till revisorer

Med revisionsuppdrag avses granskning av årsredovisningen och bokföringen samt styrelsens och verkställande direktörens förvaltning, övriga arbetsuppgifter som det ankommer på bolagets revisor att utföra samt rådgivning eller annat biträde som föranleds av iakttagelser vid sådan granskning eller genomförandet av sådana övriga arbetsuppgifter.

	2023	2022
ersättning till revisorer	132 000	128 000
	132 000	**128 000**

Not 3 - Anställda och personalkostnader

Medelantalet anställda

	2023	2022
Totala anställda	5	5

Not 4 - Avskrivningar

	2023	2022
	65 520	34 206
	65 520	**34 206**

Not 5 - Räntekostnader och andra liknande resultatposter

	2023	2022
Övriga räntekostnader	**1 894 314**	**759 484**

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Not 6 - Inventarier, verktyg och installationer

	2023-09-30	2022-09-30
Ingående anskaffningsvärden	597 644	598 892
Inköp	249 222	-1 248
Utgående ackumulerade anskaffningsvärden	**846 866**	**597 644**
Ingående avskrivningar	-563 149	-528 943
Årets avskrivningar	-44 446	-34 206
Utgående ackumulerade avskrivningar	**-607 595**	**-563 149**
Bokfört värde, utgående balans	**239 271**	**34 495**

Not 7 - Andelar i dotterbolag

	2023-09-30	2022-09-30
Ingående anskaffningsvärden	44 806 294	44 806 294
Utgående ackumulerade anskaffningsvärden	**44 806 294**	**44 806 294**

Specifikation av andelar i intresseföretag och gemensamt styrda företag

Namn	Kapitalandel	Rösträttsandel	Antal Andelar	Bokfört värde 2023-09-30	Bokfört värde 2022-09-30
Konftel AB, 556651-0615, Umeå	100 %	100 %	1 322	44 806 294	44 806 294
				44 806 294	**44 806 294**

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Not 8 - Andra långfristiga fordringar

	2023-09-30	2022-09-30
Ingående anskaffningsvärden	343 970	343 970
Utgående ackumulerade anskaffningsvärden	**343 970**	**343 970**

Not 9 - Förutbetalda kostnader och upplupna intäkter

	2023-09-30	2022-09-30
Förutbetalda hyreskostnader	99 423	127 209
Kontraktsfordringar	436 398	1 822 249
Ovriga poster	35 487	64 296
Förutbetalda försäljningskommission	582 270	1 236 398
	1 153 578	**3 250 152**

Not 10 - Upplupna kostnader och förutbetalda intäkter

	2023-09-30	2022-09-30
Förutbetalda intäkter	37 277	25 713
Upplupen räntekostnader	7 663 073	5 765 924
Upplupna leverantörsskulder	293 577	182 489
Upplupna lönerelaterade kostnader	21 724	214 154
Semesterlöneskuld (inkl sociala avgifter)	785 227	1 491 286
	8 800 878	**7 679 566**

Not 11-Väsentliga Händelser efter Räkenskapsårets Slut

Per den 6 oktober 2023 fusionerades dotterbolag Konftel AB in i Avaya.
Det preliminära fusionsresultat uppgick till 16,862,029 kr

underskrifter

Stockholm 2024-25/3

Roland Arnoldus Cornelus van de Geer

Julien Pierre Henry Hannequart

25/3-2024

Vår revisionsberättelse har lämnats in 2024 -Öhrlings PricewaterhouseCoopers AB

2024-03-28

Karin Richardsson Auktoriserad revisor

20240416032293

Revisionsberättelse

Till bolagsstämman i Avaya Sweden AB, org.nr 556589-4093

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Avaya Sweden AB för räkenskapsåret 1 oktober 2022 till 30 september 2023.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Avaya Sweden ABs finansiella ställning per den 30 september 2023 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen för Avaya Sweden AB.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Avaya Sweden AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

En ytterligare beskrivning av vårt ansvar för revisionen av årsredovisningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning för Avaya Sweden AB för räkenskapsåret 1 oktober 2022 till 30 september 2023 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

20240416032294

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Avaya Sweden AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation, och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

En ytterligare beskrivning av vårt ansvar för revisionen av förvaltningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Stockholm den 28/3 2024

Öhrlings PricewaterhouseCoopers AB

Karin Richardsson
Auktoriserad revisor

Avaya Holdings Corp.
Annual Financial Statements
Fiscal Year 2023

Report of Independent Registered Public Accounting Firm

To the Board of Directors of Avaya Holdings Corp.

Opinion

We have audited the accompanying consolidated financial statements of Avaya Holdings Corp. and its subsidiaries (Predecessor) (the "Company"), which comprise the consolidated balance sheet as of September 30, 2022 and the related consolidated statements of operations, changes in stockholders' equity (deficit), comprehensive (loss) income and of cash flows for the period from October 1, 2022 to May 1, 2023, and for the year ended September 30, 2022, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2022 and the results of its operations and its cash flows for the period from October 1, 2022 to May 1, 2023, and for the year ended September 30, 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Company filed a petition on February 14, 2023 with the United States Bankruptcy Court for the Southern District of Texas for reorganization under the provisions of Chapter 11 of the Bankruptcy Code. The Company's Restructuring Support Agreement was substantially consummated on May 1, 2023 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh start accounting. Our opinion is not modified with respect to this matter.

As discussed in Note 3 to the consolidated financial statements, the Company changed the manner in which it accounts for convertible debt in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

/s/ PricewaterhouseCoopers LLP
New York, New York
March 29, 2023

Report of Independent Registered Public Accounting Firm

To the Board of Directors of Avaya Holdings Corp.

Opinion

We have audited the accompanying consolidated financial statements of Avaya Holdings Corp. and its subsidiaries (Successor) (the "Company"), which comprise the consolidated balance sheet as of September 30, 2023 and the related consolidated statements of operations, changes in stockholders' equity (deficit), comprehensive (loss) income and of cash flows for the period from May 2, 2023 to September 30, 2023, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2023 and the results of its operations and its cash flows for the period from May 2, 2023 to September 30, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the United States Bankruptcy Court for the Southern District of Texas confirmed the Company's Restructuring Support Agreement (the "Plan") on March 22, 2023. Confirmation of the Plan resulted in the discharge of all claims against the Company that arose before February 14, 2023 and terminated all rights and interests of equity security holders as provided for in the Plan. The Plan was substantially consummated on May 1, 2023 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh start accounting as of May 1, 2023. Our opinion is not modified with respect to this matter.

As discussed in Note 3 to the consolidated financial statements, the Company changed the manner in which it accounts for convertible debt in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ PricewaterhouseCoopers LLP
New York, New York
March 29, 2023

Avaya Holdings Corp.
Consolidated Statements of Operations

(In millions)	Successor	Predecessor	
	Period from May 2, 2023 through September 30, 2023	Period from October 1, 2022 through May 1, 2023	Fiscal year ended September 30, 2022
REVENUE	$ 708	$ 955	$ 2,490
COSTS			
Costs	389	549	1,173
Amortization of technology intangible assets	19	78	147
	408	627	1,320
GROSS PROFIT	300	328	1,170
OPERATING EXPENSES			
Selling, general and administrative	276	510	964
Research and development	78	115	222
Amortization of intangible assets	10	92	159
Impairment charges	—	45	1,640
Restructuring charges, net	47	76	65
	411	838	3,050
OPERATING LOSS	(111)	(510)	(1,880)
Interest (expense) income, net	(49)	2	(224)
Other income, net	12	1	55
Reorganization items, net	—	1,927	—
(LOSS) INCOME BEFORE INCOME TAXES	(148)	1,420	(2,049)
Benefit from (provision for) income taxes	3	27	(47)
NET (LOSS) INCOME	$ (145)	$ 1,447	$ (2,096)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Avaya Holdings Corp.
Consolidated Statements of Comprehensive (Loss) Income

(In millions)	Successor	Predecessor	
	Period from May 2, 2023 through September 30, 2023	Period from October 1, 2022 through May 1, 2023	Fiscal year ended September 30, 2022
Net (loss) income	$ (145)	$ 1,447	$ (2,096)
Other comprehensive income (loss):			
Pension, post-retirement and post-employment benefit-related items, net of income taxes of $0 for the period from May 2, 2023 through September 30, 2023; $0 for the period from October 1, 2022 through May 1, 2023; and $(2) for fiscal 2022	40	(27)	171
Cumulative translation adjustment	2	(15)	38
Change in interest rate swaps, net of income taxes of $0 for the period from May 2, 2023 through September 30, 2023; $(18) for the period from October 1, 2022 through May 1, 2023; and $(2) for fiscal 2022	—	(80)	114
Other comprehensive income (loss)	42	(122)	323
Total comprehensive (loss) income	$ (103)	$ 1,325	$ (1,773)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Avaya Holdings Corp.
Consolidated Balance Sheets

(In millions, except per share and share amounts)	Successor September 30, 2023	Predecessor September 30, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 619	$ 253
Restricted cash	—	222
Accounts receivable, net	291	322
Inventory	53	74
Contract assets, net	358	543
Contract costs	30	110
Other current assets	91	116
TOTAL CURRENT ASSETS	1,442	1,640
Property, plant and equipment, net	322	281
Intangible assets, net	815	1,776
Goodwill	218	—
Operating lease right-of-use assets	63	97
Other assets	161	279
TOTAL ASSETS	**$ 3,021**	**$ 4,073**
LIABILITIES		
Current liabilities:		
Debt maturing within one year	$ 8	$ 210
Accounts payable	211	263
Payroll and benefit obligations	97	108
Contract liabilities	270	245
Operating lease liabilities	31	40
Business restructuring reserves	45	26
Other current liabilities	95	137
TOTAL CURRENT LIABILITIES	757	1,029
Non-current liabilities:		
Long-term debt	823	3,032
Pension obligations	403	410
Other post-retirement obligations	97	109
Deferred income taxes, net	48	43
Contract liabilities	284	300
Operating lease liabilities	42	72
Business restructuring reserves	26	23
Other liabilities	171	224
TOTAL NON-CURRENT LIABILITIES	1,894	4,213
TOTAL LIABILITIES	2,651	5,242
Commitments and contingencies (Note 20)		
Predecessor preferred stock, $0.01 par value; 55,000,000 shares authorized at September 30, 2022		
Predecessor Convertible Series A Preferred Stock; 125,000 shares issued and outstanding at September 30, 2022	—	133
STOCKHOLDERS' EQUITY (DEFICIT)		
Successor preferred stock, $0.01 par value; 20,000,000 shares authorized; no shares issued and outstanding at September 30, 2023	—	—
Successor common stock, $0.01 par value; 80,000,000 shares authorized; 36,133,600 shares issued and 36,110,158 shares outstanding at September 30, 2023	—	—
Predecessor common stock, $0.01 par value; 550,000,000 shares authorized; 86,846,958 shares issued and outstanding at September 30, 2022	—	1
Additional paid-in capital	473	1,546
Accumulated deficit	(145)	(3,081)
Accumulated other comprehensive income	42	232
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	370	(1,302)
TOTAL LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)	**$ 3,021**	**$ 4,073**

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Avaya Holdings Corp.
Consolidated Statements of Changes in Stockholders' Equity (Deficit)

(In millions)	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
Balance as of September 30, 2021 (Predecessor)	**84.1**	**$ 1**	**$ 1,467**	**$ (985)**	**$ (91)**	**$ 392**
Issuance of common stock under the Equity Incentive Plan and the Stock Bonus Program	2.0		5			5
Issuance of common stock under the Employee Stock Purchase Plan	1.3		10			10
Shares repurchased and retired for tax withholding on vesting of restricted stock units and Stock Bonus Program shares	(0.6)		(11)			(11)
Write-down of conversion option for Convertible Notes due to repurchase			(10)			(10)
Conversion option for Exchangeable Notes transferred to equity, net of $4 million in issuance costs			62			62
Share-based compensation expense			27			27
Preferred stock dividends accrued, $3 million, and paid, $1 million			(4)			(4)
Net loss				(2,096)		(2,096)
Other comprehensive income					323	323
Balance as of September 30, 2022 (Predecessor)	**86.8**	**$ 1**	**$ 1,546**	**$ (3,081)**	**$ 232**	**$ (1,302)**
Adoption of ASU 2020-06 (Note 3)			(118)	47		(71)
Share-based compensation expense			25			25
Preferred stock dividends accrued			(3)			(3)
Net income				1,447		1,447
Other comprehensive loss					(122)	(122)
Cancellation of Predecessor Equity	(86.8)	(1)	(1,450)	1,587	(110)	26
Issuance of Successor Common Stock	36.0	—	468	—	—	468
Balance as of May 1, 2023 (Predecessor)	**36.0**	**$ —**	**$ 468**	**$ —**	**$ —**	**$ 468**
Balance as of May 2, 2023 (Successor)	**36.0**	**$ —**	**$ 468**	**$ —**	**$ —**	**$ 468**
Issuance of Successor Common Stock	0.1		2			2
Share-based compensation expense			3			3
Net loss				(145)		(145)
Other comprehensive income					42	42
Balance as of September 30, 2023 (Successor)	**36.1**	**$ —**	**$ 473**	**$ (145)**	**$ 42**	**$ 370**

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Avaya Holdings Corp.
Consolidated Statements of Cash Flows

(In millions)	Successor	Predecessor	
	Period from May 2, 2023 through September 30, 2023	Period from October 1, 2022 through May 1, 2023	Fiscal year ended September 30, 2022
OPERATING ACTIVITIES:			
Net (loss) income	$ (145)	$ 1,447	$ (2,096)
Adjustments to reconcile net (loss) income to net cash provided by (used for) operating activities:			
Depreciation and amortization	97	234	408
Share-based compensation	3	25	27
Amortization of debt discount and issuance costs	—	8	31
Gain on extinguishment of debt	—	—	(5)
Deferred income taxes, net	(1)	(12)	38
Impairment charges	—	45	1,640
Change in fair value of 2017 Emergence Date Warrants	—	—	(9)
Change in fair value of interest rate swap agreements	—	13	(42)
Change in fair value of debt-related embedded derivatives	—	(72)	38
Reclassification of AOCI associated with interest rate swaps	—	(62)	—
Unrealized loss (gain) on foreign currency transactions	27	14	(21)
Interest paid in kind	24	—	—
Other non-cash charges, net	10	(2)	10
Reorganization items:			
Net gain on settlement of liabilities subject to compromise	—	(2,627)	—
Fresh start adjustments, net	—	402	—
Non-cash reorganization items, net	—	233	—
Changes in operating assets and liabilities:			
Accounts receivable	(9)	40	(17)
Inventory	24	(15)	1
Operating lease right-of-use assets and liabilities	(3)	—	—
Contract assets	114	128	(86)
Contract costs	(42)	34	11
Accounts payable	(23)	(29)	(31)
Payroll and benefit obligations	—	(42)	(112)
Business restructuring reserves	16	5	11
Contract liabilities	(2)	1	(113)
Other assets and liabilities	(19)	7	5
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	71	(225)	(312)
INVESTING ACTIVITIES:			
Capital expenditures	(30)	(38)	(108)
Proceeds from sale of investment	1	—	—
NET CASH USED FOR INVESTING ACTIVITIES	(29)	(38)	(108)
FINANCING ACTIVITIES:			
Repayment of Term Loan Credit Agreement	—	(225)	—
Proceeds from issuance of DIP Term Loan Credit Agreement		469	—
Conversion of DIP to Exit Term Loan Credit Agreement	—	(500)	—
Proceeds from Exit Term Loan Credit Agreement	—	650	—
Settlement of Convertible Notes	—	(14)	—
Borrowings under ABL Credit Agreement	—	90	—
Repayments of ABL Credit Agreement	—	(90)	—
Proceeds from issuance of Tranche B-3 Term Loans	—	—	315
Repurchase of Convertible Notes, net of purchase price discount of $3	—	—	(126)
Proceeds from issuance of Exchangeable Notes	—	—	250
Debt issuance costs	—	(9)	(22)
Principal payments for financing leases	(4)	(5)	(8)
Payments for other financing arrangements	—	—	(1)
Proceeds from Employee Stock Purchase Plan	—	—	9
Proceeds from exercises of stock options	—	—	1
Proceeds from sale of Successor Common Stock	2	—	—
Preferred stock dividends paid	—	—	(1)
Shares repurchased for tax withholdings on vesting of RSUs and Stock Bonus Program shares	—	—	(11)
NET CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES	(2)	366	406
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(1)	2	(10)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	39	105	(24)
Cash, cash equivalents, and restricted cash at beginning of period	583	478	502
Cash, cash equivalents, and restricted cash at end of period	$ 622	$ 583	$ 478

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Avaya Holdings Corp.
Notes to Consolidated Financial Statements

1. Background and Basis of Presentation

Background

Avaya Holdings Corp. (the "Parent" or "Avaya Holdings"), together with its consolidated subsidiaries (collectively, the "Company" or "Avaya"), is a global leader in digital communications products, solutions and services for businesses of all sizes delivering its technology predominantly through software and services. Avaya builds innovative open, converged software solutions to enhance and simplify communications and collaboration in the cloud, on-premise or a hybrid of both. The Company's global team of professionals delivers services from initial planning and design, to implementation and integration, to ongoing managed operations, optimization, training and support. The Company sells directly to customers through its worldwide sales force and indirectly through its global network of channel partners, including distributors, service providers, dealers, value-added resellers, system integrators and business partners that provide sales and services support.

Basis of Presentation

Avaya Holdings has no material assets or standalone operations other than its ownership of its direct wholly-owned subsidiary Avaya LLC (formerly Avaya Inc.) and its subsidiaries. The accompanying Consolidated Financial Statements reflect the operating results of Avaya Holdings and its consolidated subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

In accordance with the application of fresh start accounting (as described below), the financial results for the period from October 1, 2022 through May 1, 2023 and for fiscal 2022 are referred to as those of the "Predecessor" or "Predecessor Company", and the financial results for the period from May 2, 2023 through September 30, 2023 are referred to as those of the "Successor" or "Successor Company".

Chapter 11 Bankruptcy Filing

On February 14, 2023 (the "Petition Date"), Avaya Holdings and certain of its direct and indirect subsidiaries (collectively, the "Debtors") commenced voluntary cases (the "Chapter 11 Cases") under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of Texas. The Chapter 11 Cases were jointly administered under the caption *In re Avaya Inc., et al.*, case number 23-90088.

On the Petition Date, the Predecessor Company entered into a Restructuring Support Agreement (the "RSA") with certain of its creditors (the "Consenting Stakeholders") and RingCentral, Inc. ("RingCentral"). The RSA contemplated a prepackaged joint plan of reorganization (the "Plan"). The Plan provided for (i) the commencement of the Chapter 11 Cases, (ii) debtor-in-possession financing facilities in the aggregate amount of approximately $628 million that were subsequently converted into exit financing facilities upon the Company's Emergence (as defined below), (iii) a fully backstopped $150 million rights offering, (iv) payment in full of all trade liabilities, (v) the repayment of approximately $225 million escrowed cash to certain senior lenders and (vi) entry into amended and restated agreements with RingCentral (the "Amended and Restated RingCentral Agreements") that collectively govern the Successor Company's commercial relationship with RingCentral upon Emergence (which agreements were entered into immediately prior to, and in connection with, the execution of the RSA).

The RSA and the Plan did not contemplate any recovery for holders of the Predecessor Company's existing common stock, par value $0.01 per share (the "Predecessor Common Stock") or Series A Convertible Preferred Stock, par value $0.01 per share (the "Predecessor Series A Preferred Stock").

On February 15, 2023, trading in the Company's Predecessor Common Stock on the New York Stock Exchange ("NYSE") was permanently suspended and the Predecessor Common Stock was delisted from the NYSE effective February 25, 2023.

The Debtors operated as debtors-in-possession in accordance with the applicable provisions of the Bankruptcy Code and entered into (a) a $500 million priming superpriority senior secured debtors-in-possession term loan facility (the "DIP Term Loan," and such facility, the "DIP Term Loan Facility") and (b) an approximately $128 million priming superpriority senior secured debtors-in-possession asset-based loan facility (the "DIP ABL Loan," and such facility, the "DIP ABL Facility"). The DIP Term Loan and DIP ABL Loan converted into exit financing on the Emergence Date (as defined below). See Note 11, "Financing Arrangements."

To ensure their ability to continue operating in the ordinary course of business, the Debtors filed a variety of motions seeking "first day" relief, including the authority to continue using their cash management system, pay employee wages and benefits and pay vendors in the ordinary course of business. As of March 22, 2023, all "first day" relief had been granted by the Bankruptcy Court on a final basis.

Subject to certain specific exceptions under the Bankruptcy Code, the Chapter 11 Cases automatically stayed most judicial or administrative actions against the Debtors and efforts by creditors to collect on or otherwise exercise rights or remedies with respect to pre-petition claims.

Emergence from Voluntary Reorganization under Chapter 11 of the Bankruptcy Code

The Bankruptcy Court confirmed the Plan on March 22, 2023, and the Debtors satisfied all conditions required for Plan effectiveness and emerged from the Chapter 11 Cases ("Emergence") on May 1, 2023 (the "Emergence Date").

On or following the Emergence Date and pursuant to the terms of the Plan, the following occurred or became effective:

- *Debtors' Equity and Indebtedness*. All of the Debtors' pre-petition equity and third-party debt facilities as well as the Debtors' securities were cancelled.
- *Reorganized Company Equity*. The Predecessor Company's certificate of incorporation was amended and restated to authorize the issuance of 80 million shares of Successor Company common stock, par value $0.01 per share (the "Successor Common Stock"), of which 36 million shares were issued on the Emergence Date. The Predecessor Company's certificate of incorporation was also amended and restated to authorize the issuance of 20 million shares of Successor Company preferred stock, par value $0.01 per share (the "Successor Preferred Stock"), of which no shares were issued on the Emergence Date.
- *Exit Financing*. The DIP Term Loan converted into an Exit Term Loan (as defined herein) and the Successor Company incurred an additional $310 million under the Exit Term Loan Facility (including amounts incurred pursuant to a rights offering and amounts deemed incurred pursuant to the Plan by creditors under the Pre-Petition Debt Instruments) for an aggregate principal amount of $810 million, and the DIP ABL Loan converted into an Exit ABL Loan (as defined herein) in the amount of $128 million. As contemplated in the bankruptcy court proceedings and approved by the court, the imputed enterprise value of the Successor Company upon Emergence was $1,426 million.
- *Contracts with Customers and Suppliers*. Suppliers and customers were paid in full in respect of pre-petition amounts owed by the Predecessor Company, and the Successor Company assumed the Amended and Restated RingCentral Agreements (as defined within Note 20, "Commitments and Contingencies") (which agreements were entered into immediately prior to, and in connection with, the execution of the RSA, and were further amended as described within Note 21, "Subsequent Events").
- *PBGC Settlement*. The Successor Company entered into a settlement with the Pension Benefit Guaranty Corporation (the "PBGC") providing for the assumption of the hourly pension plan and the consensual termination of the settlement with the PBGC entered into as part of the Predecessor Company's 2017 plan of reorganization, including the excess contribution obligations thereunder.
- *Settlements*. The Predecessor Company entered into a number of other settlements, including, *inter alia*, those with the Consenting Stakeholders and an ad hoc group of holders of the Convertible Notes, and all of these settlements became effective on the Emergence Date.

Adoption of Accounting Standards Codification ("ASC") Topic 852

On the Emergence Date, the Successor Company qualified for and applied fresh start accounting in accordance with Financial Accounting Standards Board ("FASB") Codification Topic 852, Reorganizations ("ASC 852") in preparing the Consolidated Financial Statements. ASC 852 specifies the accounting and financial reporting requirements for entities reorganizing through Chapter 11 bankruptcy proceedings. The application of fresh start accounting resulted in a new basis of accounting and the Successor Company became a new entity for financial reporting purposes.

Accordingly, the Consolidated Financial Statements after the Emergence Date are not comparable to the Consolidated Financial Statements before that date and the historical financial statements on or before the Emergence Date are not reliable indicators of the Successor Company's financial condition and results of operations for any period after the Successor Company's adoption of fresh start accounting. Please refer to Note 4, "Fresh Start Accounting," for additional information.

Liquidity and Going Concern

The accompanying Consolidated Financial Statements of the Successor Company have been prepared assuming the Successor Company will continue as a going concern. The going concern basis of presentation assumes that the Successor Company will continue in operation one year after the date these Consolidated Financial Statements are issued and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company's post-Emergence capital structure has provided the Successor Company with sufficient liquidity to meet its cash flow requirements for at least one year from the issuance of these financial statements.

2. Summary of Significant Accounting Policies

Accounting Policy Changes

The Company emerged from bankruptcy on May 1, 2023, and qualified for fresh start accounting. Fresh start accounting allows a company to set new accounting policies for the Successor Company independent of those followed by the Predecessor Company. The Successor Company did not adopt any accounting policy changes.

Use of Estimates

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the periods reported. The Company uses estimates to assess expected credit losses on its financial assets, sales returns and allowances, the use and recoverability of inventory, the realization of deferred tax assets, annual effective tax rate, the recoverability of long-lived assets, useful lives and impairment of tangible and intangible assets including goodwill, business restructuring reserves, pension and post-retirement benefit costs, fair value of the Company's common stock, fair value of equity compensation, the fair value of assets and liabilities in business combinations, the amount of exposure from potential loss contingencies, and the application of fresh start accounting, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the Consolidated Financial Statements in the period they are determined to be necessary. Actual results could differ from these estimates and could result in, among other things, impairment charges of the Successor Company's long-lived and intangible assets, including goodwill.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Avaya Holdings Corp. and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Revenue Recognition

The Company derives revenue primarily from the sale of products and services for communications systems and applications. The Company sells directly through its worldwide sales force and indirectly through its global network of channel partners, including distributors, service providers, dealers, value-added resellers, systems integrators and business partners that provide sales and services support.

The Company accounts for a customer contract when both parties have approved the contract and are committed to perform their respective obligations, each party's rights can be identified, payment terms can be identified, the contract has commercial substance and it is at least probable that the Company will collect the consideration to which it is entitled. The Company accrues a provision for estimated sales returns and other allowances, including certain promotional marketing programs and other incentives, as a reduction of revenue at the time of sale. When estimating returns, the Company considers customary inventory levels held by third-party distributors. Revenue is recognized upon the transfer of control of the promised products and services to customers. Judgment is required in instances where the Company's contracts include multiple products and services to determine whether each should be accounted for as a separate performance obligation. The Company enters into contracts that include various combinations of products and services, each of which is generally capable of being distinct as well as distinct within the context of the contracts.

Customer contracts are typically made pursuant to purchase orders and statements of work based on master purchase or partner agreements. Invoicing typically occurs upon customer acceptance or monthly for a series of services. Payment is due based on the Company's standard payment terms which are typically within 30 to 60 days of invoice issuance. The Company does not typically provide financing arrangements to customers. For certain services and customer types, customers will remit payment before the services are provided. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company assesses whether the contracts include a significant financing component. The primary purpose of the invoicing terms is to provide customers with simplified and predictable ways of purchasing products and services, not to receive financing from or to provide financing to customers. In limited instances in which the contract is determined to include a significant financing component, the consideration is adjusted in determining the transaction price. Certain contracts include performance obligations accounted for as a series which also include variable consideration (primarily usage-based fees). For these arrangements, variable consideration is not estimated and allocated to the entire performance obligation, rather the variable fees are recognized in the period in which the usage occurs in accordance with the "right to invoice" practical expedient.

The total transaction price for each contract is determined based on the total consideration specified in the contract, including variable consideration such as sales incentives and other discounts. The expected value method is generally used when estimating variable consideration, which typically reduces the total transaction price due to the nature of the elements to which the variable consideration relates. These estimates reflect the Company's historical experience, current contractual requirements, specific known market events and trends, industry data and forecasted customer buying patterns. The Company excludes from the transaction price all taxes assessed by governmental authorities that are both (i) imposed on and concurrent

with a specific revenue-producing transaction and (ii) collected from customers. Accordingly, such tax amounts are not included as a component of net sales or cost of sales. The expected value method requires judgment and considers multiple factors that may vary over time depending upon the unique facts and circumstances related to each performance obligation. Depending on the facts and circumstances, a change in variable consideration estimate will either be accounted for at the contract level or using the portfolio method. Reserves for contractual stock rotation rights to channel partners to support the management of inventory and certain other sales incentives are determined using the portfolio method. The Company also considers the customers' rights of return in determining the transaction price where applicable.

The Company allocates the transaction price to each performance obligation based on its relative standalone selling price and recognizes revenue as each performance obligation is satisfied. Judgment is required to determine the standalone selling price for each distinct performance obligation. The Company uses a range of selling prices to estimate standalone selling price when each of the products and services is sold separately. The Company typically has more than one standalone selling price for individual products and services due to the stratification of those products and services by customers and circumstances. In these instances, the Company may use information such as the size of the customer and geographic region in determining the standalone selling price. In instances where standalone selling price is not directly observable, such as when the Company does not sell the product or service separately, the Company determines the standalone selling price using information that may include market conditions and other observable inputs.

Amounts billed to customers for shipping and handling activities are considered contract fulfillment activities and not a separate performance obligation of the contract. Shipping and handling fees are recorded as revenue and the related cost is a cost to fulfill the contract.

Contract modifications are accounted for as separate contracts if the additional products and services are distinct and priced at standalone selling prices. If the additional products and services are distinct, but not priced at standalone selling prices, the modification is treated as a termination of the existing contract and the creation of a new contract. Lastly, if the additional products and services are not distinct within the context of the contract, the modification is combined with the original contract and either an increase or decrease in revenue is recognized on the modification date.

The Company records a contract asset when revenue is recognized in advance of the right to bill, pursuant to customer contract terms. The contract asset decreases when the Company has the right to bill the customer which is generally triggered by the satisfaction of additional performance obligations or contract milestones. The Company records a contract liability when payment is received from the customer in advance of the Company satisfying a performance obligation and the contract liability is reduced as performance obligations are satisfied and revenue is recognized. The Company records the net contract asset or liability position for each customer contract.

Software

The Company's software licenses provide users with access to capabilities such as voice, video, conferencing, messaging and collaboration. The Company's software licenses also add functionality to the Company's hardware. The Company's software licenses for on-premise customer software provide the customer with a right to use the software as it exists when it is made available to the customer and are accounted for as distinct performance obligations. The Company's software licenses are sold through both direct and indirect channels with terms that are either perpetual or time based, both of which provide the end-user with the same functionality. The main difference between perpetual and term licenses is the duration over which the customer benefits from the software. Revenue from on-premise customer software licenses is generally recognized at the point-in-time the software is made available to the customer, via direct sale to the end-user or indirect sale to a channel partner, based on the fixed minimum revenue commitment under the arrangement. However, revenue is not recognized before the beginning of the period during which the customer can use and benefit from the license. In instances where the Company's software licenses include a usage-based fee, revenue associated with the incremental usage is recognized at the point-in-time the incremental usage occurs.

The Company also sells its software under its subscription-based offerings which mainly consist of term software license arrangements and software as a service ("SaaS") arrangements. Subscription-based term software licenses include multiple performance obligations where the term licenses are recognized at the point-in-time of transfer of control of the software, with the associated software maintenance revenue recognized ratably over the contract term as the customer consumes the services. Subscription-based SaaS arrangements do not include the right for the customer to take possession of the software during the contractual term of the arrangement, and therefore have one distinct performance obligation which is satisfied over time with revenue recognized ratably over the contract term as the customer consumes the services. Subscription-based offerings typically have terms that range from one to five years.

Avaya Cloud Office

Avaya Cloud Office by RingCentral or "ACO" combines RingCentral's UCaaS platform with Avaya technology, services and migration capabilities to create a differentiated UCaaS offering. Avaya markets ACO in the roles of both a sales agent and a

reseller of RingCentral. Under the agency arrangement, these services are accounted for as two distinct performance obligations, one being a licensing component that is generally recognized at the point-in-time the software is made available to the customer, and the second being associated support services which represents a stand-ready obligation whereby the revenues are generally recognized ratably over the period during which the services are performed. Under the reseller arrangement, ACO would generally be accounted for on a gross basis as a subscription SaaS arrangement based on principal vs agent consideration. ACO can be sold through all customer channels with contracts terms up to five years.

Hardware

The Company's hardware, phones, gateways, and servers, each of which has a stand-alone functionality, are generally considered distinct performance obligations. Hardware is sold through both direct and indirect channels, and revenue is recognized at the point-in-time at which control of the product is transferred to the customer, via direct sale to the end-user or indirect sale to a channel partner, generally upon delivery, as defined in the contract.

Support Services

The Company's support services provide supplemental maintenance options to end-users in support of the Company's products and solutions, including when and if available upgrade rights and maintenance for hardware. These services are typically accounted for as distinct performance obligations. Given that support services consist of a series of distinct promises that are satisfied over time in the form of a single performance obligation comprised of a stand-ready obligation, these services are generally recognized ratably over the period during which the services are performed as customers simultaneously consume and receive benefits. Maintenance contracts typically have terms that range from one to five years.

Professional Services

The Company's professional services include the design, implementation and development of communication solutions. Professional services are sold through the Company's direct and indirect channels either on a stand-alone basis or with other hardware, software and services and are generally accounted for as distinct performance obligations. Revenue for professional services is generally recognized over time based on the cost of effort incurred to date relative to the total cost of effort expected to be incurred. Effort incurred generally represents work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer. Contracts for professional services typically have terms that range from four to six weeks for simple engagements and from six months to three years for more complex engagements.

Cloud and Managed Services

The Company's managed services provide additional support options to end-users on top of the Company's supplemental maintenance services, including hardware support, help-desk routing and system monitoring services. The Company's managed services are sold either on a stand-alone basis or together with the Company's hardware, software and other services, and are generally accounted for as distinct performance obligations. The Company's managed services are provided through both direct and indirect channels. Contracts for managed services typically have terms that range from less than one to three years.

The Company's cloud offerings enable customers to take advantage of its technology via the cloud, or as a hybrid with its on-premise solutions. The software that enables the core communications functionality is offered both as a sale of perpetual or time based licenses or through a SaaS arrangement. Cloud offerings can include supplemental maintenance and managed services and are sold through the Company's direct and indirect channels.

Cloud and managed services offerings often include multiple performance obligations. Each performance obligation can itself include a series of distinct promises that are satisfied over time. Total consideration for a project is allocated to each performance obligation, with revenue recognized ratably over the period during which the services are performed as customers simultaneously consume and receive benefits. Variable consideration from incremental usage above a fixed fee is recognized at the point-in-time at which the usage occurs. Cloud contracts typically have terms that range from less than one to three years.

Warranties

The Company offers standard limited warranties that provide the customer with assurance that its products will function in accordance with contract specifications. The Company's standard limited warranties are not sold separately but are included with each customer purchase. Warranties are not considered separate performance obligations, and therefore, warranty expense is accrued at the time the related revenue is recognized.

Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less at the date of purchase are classified as cash equivalents.

Restricted Cash

Cash that is legally restricted as to withdrawal or usage is classified as restricted cash. Restricted cash is classified as current or non-current depending on the nature of the restrictions and the expected timing of utilization. As of September 30, 2022 (Predecessor), the Company reported $222 million of restricted cash within current assets on the Consolidated Balance Sheets. The restricted cash, which was held in escrow, was fully utilized to repay certain senior lenders as mandated by the RSA and the Plan.

Concentrations of Risk

The Company's cash and cash equivalents are maintained with several financial institutions. Deposits held at banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk. The Company seeks to mitigate such risks by spreading its risk across multiple counterparties and monitoring the risk profiles of these counterparties.

The Company, from time to time, may enter into derivative financial instruments with high credit quality financial institutions to manage foreign exchange rate and interest rate risk and is exposed to losses in the event of non-performance by the counterparties to these contracts. To date, no counterparty has failed to meet its obligations to the Company.

The Company relies on a limited number of contract manufacturers and suppliers to provide manufacturing services for its products. The inability of a contract manufacturer or supplier to fulfill supply requirements of the Company could materially impact future operating results. The Company's largest distributor is also its largest customer and represented 6% of the Company's total consolidated revenue for both the period from May 2, 2023 through September 30, 2023 (Successor) and the period from October 1, 2022 through May 1, 2023 (Predecessor) and 8% of the Company's total annual consolidated revenue for fiscal 2022 (Predecessor). At September 30, 2023 (Successor) and September 30, 2022 (Predecessor), one distributor accounted for approximately 7% and 9% of accounts receivable, respectively.

Accounts Receivable, Contract Assets and Allowance for Credit Losses

The Company recognizes a contract asset when it transfers products and services to a customer in advance of scheduled billings. Contract assets decrease when the Company invoices the customer or the right to receive consideration is unconditional. Accounts receivable are recorded when the customer has been billed or the right to consideration is unconditional. Accounts receivable and contract assets are recorded net of provisions for credit losses. The Company performs ongoing credit evaluations of its customers and generally does not require collateral from its customers.

The Company estimates a provision for credit losses using relevant available information from internal and external sources that consider historical experience, current conditions and reasonable and supportable forecasts. A separate allowance is measured for the Company's accounts receivable, short-term contract asset and long-term contract asset balances. Each allowance is assessed on a collective basis by pooling assets with similar risk characteristics. The Company pools its accounts receivable and short-term contract assets based on aging status and its long-term contract assets by customer credit rating as published by third-party credit agencies. Historical loss experience provides the basis for the estimation of expected credit losses for accounts receivables and short-term contract assets. The Company uses probability of default rates to estimate expected credit losses for its long-term contract assets based on customer credit ratings. The Company also identifies customer specific credit risks and evaluates each based on the specific facts and circumstances as of the reporting date. The risk of loss is assessed over the contractual life of the assets and the expected loss amounts are adjusted for current and future conditions based on management's qualitative considerations. Financial assets are written off in whole, or in part, when no reasonable expectation of recovery exists, although collection efforts may continue. Subsequent recoveries of amounts previously written off are recognized as an adjustment to the provision for credit loss.

Contract Costs

The Company capitalizes direct and incremental costs incurred to obtain and to fulfill a contract in advance of revenue recognition, such as sales commissions, business partner incentives and certain labor, third party service and related product costs. These costs are recognized as an asset if the Company expects to recover them. Sales commissions incurred to obtain a contract are amortized using the portfolio approach over the average term of the customer contracts, which corresponds to the period of benefit. Business partner incentives incurred to obtain a contract are recognized consistent with the transfer to the customer of the underlying performance obligations based on the specific contracts to which they relate. Costs incurred to obtain a contract with an amortization period of one year or less are expensed as incurred in accordance with the prescribed practical expedient. Contract fulfillment costs are recognized consistent with the transfer to the customer of the underlying performance obligations based on the specific contracts to which they relate.

Inventory

Inventory includes goods awaiting sale (finished goods) and goods to be used in connection with providing maintenance services. Inventory is stated at the lower of cost or net realizable value, determined on a first-in, first-out method. Reserves to

reduce the inventory cost to net realizable value are based on current inventory levels, assumptions about future demand and product life cycles for the various inventory types.

The Company has outsourced the manufacturing of substantially all of its products and may be obligated to purchase certain excess inventory levels from its outsourced manufacturers if actual sales of product are lower than forecast, in which case additional inventory provisions may need to be recorded in the future.

Research and Development Costs

Research and development costs are charged to expense as incurred. The costs incurred for the development of communications software that will be sold, leased or otherwise marketed, however, are capitalized when technological feasibility has been established in accordance with Financial Accounting Standards Board ("FASB") ASC Topic 985, "Software." The Company has continued to leverage agile development methodologies, which are characterized by a more dynamic development process with more frequent revisions to a product release's features and functions as the software is being developed with technological feasibility being met shortly before the product revision is made generally available. As such, no amounts were capitalized for internally developed software that will be sold, leased or otherwise marketed in the Company's Consolidated Financial Statements for the period from May 2, 2023 through September 30, 2023 (Successor), the period from October 1, 2022 through May 1, 2023 (Predecessor) and for fiscal 2022 (Predecessor).

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful lives of the assets. Estimated lives range from 3 to 10 years for machinery and equipment and the remaining lease term for equipment acquired under a financing lease. Improvements that extend the useful life of assets are capitalized and maintenance and repairs are charged to expense as incurred. Capitalized improvements to facilities subject to operating leases are depreciated over the lesser of the estimated useful life of the asset or the duration of the lease. Upon retirement or disposal of assets, the cost and related accumulated depreciation are removed from the Consolidated Balance Sheets and any gain or loss is reflected in the Consolidated Statements of Operations.

The Company capitalizes costs associated with software developed or obtained for internal use when the preliminary project stage is completed and it is determined that the software will provide enhanced capabilities. Internal use software is amortized on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 10 years. Costs capitalized include payroll and related benefits, third party development fees and acquired software and licenses. General and administrative costs, overhead, maintenance and training, and the cost of the software that does not add functionality to existing systems, are expensed as incurred. The Company had unamortized internal use software costs included in Property, Plant and Equipment, net in the Consolidated Balance Sheets of $153 million and $126 million as of September 30, 2023 (Successor) and September 30, 2022 (Predecessor), respectively. Depreciation expense related to internal use software recognized in the Consolidated Statements of Operations for the period from May 2, 2023 through September 30, 2023 (Successor), the period from October 1, 2022 through May 1, 2023 (Predecessor) and for fiscal 2022 (Predecessor) was $29 million, $20 million, and $29 million, respectively.

Cloud Computing Arrangement Implementation Costs

The Company periodically enters into cloud computing arrangements to access and use third-party software in support of its operations. The Company assesses its cloud computing arrangements with vendors to determine whether the contract meets the definition of a service contract or conveys a software license. For cloud computing arrangements that meet the definition of a service contract, the Company capitalizes implementation costs incurred during the application development stage as a prepaid expense and amortizes the costs on a straight-line basis over the term of the contract. Costs related to data conversion, training and other maintenance activities are expensed as incurred. Implementation costs for cloud computing arrangements that convey a software license are accounted for consistent with software developed or obtained for internal use as detailed above.

Segment Change

During the period from October 1, 2022 through May 1, 2023, the Company's chief executive officer, who is its Chief Operating Decision Maker, began to implement changes to simplify the Company's reporting, operating, and offering structures. In addition, the Company initiated and finalized an overall restructuring of its business during this period. As a result of the reassessment of the business, the Company consolidated its operating segments into a single operating segment to align with the changes in its organizational structure. Consequently, the Company assessed whether there has been a change in its reporting units and determined that it has a single reporting unit which is the same as its operating segment. Prior period segment data within Note 5, "Contracts with Customers," and Note 7, "Goodwill," has been reclassified to conform with the current period presentation.

Goodwill

Goodwill is not amortized but is subject to periodic testing for impairment in accordance with FASB ASC Topic 350, "Intangibles-Goodwill and Other" ("ASC 350") at the reporting unit level. The Successor Company's reporting unit, which is the same as its operating segment, is subject to impairment testing annually, on July 1st, or more frequently if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. The Successor Company's goodwill was recorded upon Emergence as a result of the application of fresh start accounting. Refer to Note 4, "Fresh Start Accounting," for details.

ASC 350 provides the option to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. The Company has the unconditional option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing a quantitative goodwill impairment test. If the assessment of all relevant qualitative factors indicates that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, a quantitative goodwill impairment test is not necessary. If the assessment of all relevant qualitative factors indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company will perform a quantitative goodwill impairment test.

The quantitative goodwill impairment test is conducted by estimating and comparing the fair value of a reporting unit to its carrying amount. If the carrying amount of the reporting unit exceeds its fair value, the Company recognizes an impairment loss equal to the amount of the excess, limited to the amount of goodwill allocated to that reporting unit. Application of the impairment test requires judgment, including the identification of the reporting unit, assignment of assets and liabilities to the reporting unit and the determination of the fair value of the reporting unit. The Company's policy is to estimate the fair value of the reporting unit using a weighting of fair values derived from an income approach and a market approach.

Under the income approach, the fair value of a reporting unit is estimated using a discounted cash flows model. Future cash flows are based on forward-looking information regarding revenue and costs of each reporting unit and are discounted using an appropriate discount rate. The discounted cash flows model relies on assumptions regarding revenue growth rates, projected earnings (excluding interest and taxes), working capital needs, technology expenses, business restructuring costs and associated savings, capital expenditures, income tax rate, discount rate and terminal growth rate. The discount rate the Company uses represents the estimated weighted average cost of capital, which reflects the overall level of inherent risk involved in the reporting unit's operations and the rate of return an outside investor would expect to earn. To estimate cash flows beyond the final year of its model, the Company uses a terminal value approach. Under this approach, the Company applies a perpetuity growth assumption to determine the terminal value. The Company incorporates the present value of the resulting terminal value into its estimate of fair value. Forecasted cash flows consider current economic conditions and trends, estimated future operating results, the Company's view of growth rates and anticipated future economic conditions. Revenue growth rates inherent in the forecast are based on input from internal and external market intelligence research sources that compare factors such as growth in global economies, regional industry trends and product evolutions. Macroeconomic factors such as changes in local and/or global economic conditions, changes in interest rates, product evolutions, industry consolidations and other changes beyond the Company's control could have a positive or negative impact on achieving its targets.

The market approach estimates the fair value of the reporting unit by applying multiples of operating performance measures to the reporting unit's operating performance (the "Guideline Public Company Method"). These multiples are derived from comparable publicly-traded companies with similar investment characteristics to the reporting unit. The key estimates and assumptions that are used to determine the fair value under the market approach include current and projected 12-month operating performance results, as applicable, and the selection of the relevant multiples.

Intangible and Long-lived Assets

Intangible assets include technology and patents, customer relationships and trademarks and trade names. Intangible assets with finite lives are amortized using the straight-line method over the estimated economic lives of the assets, which range from 5 to 14 years.

Long-lived assets, including intangible assets with finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable in accordance with FASB ASC Topic 360, "Property, Plant, and Equipment." Intangible assets determined to have indefinite useful lives are not amortized but are subject to impairment testing annually, on July 1st, or more frequently if events occur or circumstances change that indicate an asset may be impaired.

The recoverability test of finite-lived assets is based on forecasts of undiscounted cash flows for each asset group. Similar to the goodwill impairment test, the recoverability test for finite-lived assets relies on cash flow models which include assumptions regarding revenue growth rates, projected earnings (excluding interest and taxes), working capital needs, technology expenses, business restructuring costs and associated savings, capital expenditures, and discount rates and terminal growth rates applied to the terminal year. The impairment test of the Company's indefinite-lived intangible asset, the Avaya Trade Name, consists of a

comparison of the estimated fair value of the asset to its carrying amount. If the carrying amount of the Avaya Trade Name exceeds its estimated fair value, the Company recognizes an impairment charge equal to the amount of the excess. The fair value of the Avaya Trade Name is estimated using the relief-from-royalty model, a form of the income approach. Under this methodology, the fair value of the trade name is estimated by applying a royalty rate to forecasted net revenues which is then discounted using a risk-adjusted rate of return on capital. The model relies on assumptions regarding revenue growth rates, royalty rate, discount rate and terminal growth rate. Revenue growth rates inherent in the forecast are based on input from internal and external market intelligence research sources that compare factors such as growth in global economies, regional industry trends and product evolutions. The royalty rate is determined using a set of observed market royalty rates. The discount rate the Company uses represents the estimated weighted average cost of capital, which reflects the overall level of inherent risk and the rate of return an outside investor would expect to earn. To estimate royalty cash flows beyond the final year of its model, the Company uses a terminal value approach. Under this approach, the Company applies a perpetuity growth assumption to determine the terminal value. The Company incorporates the present value of the resulting terminal value into its estimate of fair value.

The estimated useful lives of intangible and long-lived assets are based on many factors including assumptions regarding the effects of obsolescence, demand, competition and other economic factors, expectations regarding the future use of the asset, and the Company's historical experience with similar assets. The assumptions used to determine the estimated useful lives could change due to numerous factors including product demand, market conditions, technological developments, economic conditions and competition.

Amortizable technology and patents have useful lives that range between 5 and 9 years with a weighted average remaining useful life of 8.2 years. Customer relationships have useful lives of 14 years with a remaining useful life of 13.6 years. Amortizable product trade names have useful lives that range between 5 and 10 years with a weighted average remaining useful life of 8.8 years. The Avaya Trade Name is expected to generate cash flows indefinitely and, consequently, this asset is classified as an indefinite-lived intangible and is therefore not amortized. The Avaya Trade Name is expected to generate cash flows indefinitely and, consequently, this asset is classified as an indefinite-lived intangible and is therefore not amortized.

Derivative Financial Instruments

All derivatives are recognized as assets or liabilities and measured at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For derivative instruments designated as highly effective cash flow hedges under FASB ASC Topic 815, "Derivatives and Hedging" ("ASC 815"), the change in fair value of the derivative is initially recorded in Accumulated other comprehensive income (loss) in the Consolidated Balance Sheets and is subsequently recognized in earnings when the hedged exposure impacts earnings. For derivative instruments that are not designated as highly effective hedges, gains or losses from changes in fair values are recognized in earnings. The Company does not enter into derivatives for trading or speculative purposes.

Embedded Derivatives

The Company evaluated the terms and features of its Tranche B-3 Term Loan and Exchangeable Notes, as defined in Note 11, "Financing Arrangements," and identified embedded features that, in certain scenarios, could modify the cash flows of their respective debt instruments.

The Company evaluated the embedded features individually and determined that a subset of the features were not clearly and closely related to the underlying debt instrument and did not qualify for any scope exceptions set forth in the accounting standards. Accordingly, these embedded features (the "Debt-related embedded derivatives") are required to be bifurcated from their host instruments and accounted for separately as an embedded derivative liability. The Company recorded the fair value of the embedded derivatives as of the issuance date as a reduction of the initial carrying amount of the debt instruments (as part of the debt discount). The discount is amortized to interest expense using the effective interest method over the life of the debt instruments.

The Debt-related embedded derivatives is adjusted to fair value each reported period with changes in fair value subsequent to the issuance date recognized within Interest Expense in the Consolidated Statements of Operations. The aggregate fair value of the Debt-related embedded derivatives is reflected within Long-term debt in the Consolidated Balance Sheets.

See Note 12, "Derivative Instruments and Hedging Activities," of this report for a description of the Debt-related embedded derivatives and for information regarding the valuation of the Debt-related embedded derivatives. Changes in the inputs into the valuation model may have a significant impact on the estimated fair value of the Debt-related embedded derivatives. The Company wrote off the unamortized debt discount associated with the Debt-related embedded derivatives to Reorganization items, net on the Petition Date.

Leases

The Company enters into various arrangements for office, warehouse and data center facilities, network equipment and vehicles. In accordance with ASC 842, the Company assesses whether an arrangement contains a lease at contract inception. When an arrangement contains a lease, the Company records a right-of-use asset and lease liability. Right-of-use assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make payments for the right to use the asset.

Right-of-use assets and lease liabilities are recognized at the lease commencement date at the present value of future minimum lease payments over the lease term. The Company adopted the practical expedient permitting the non-lease components of an arrangement to be included in the right-of-use asset to which they relate. The present value of future payments is discounted using the rate implicit in the lease, when available. However, as most of the Company's leases do not provide an implicit interest rate, the present value is calculated using the Company's incremental borrowing rate, which represents the interest rate the Company would expect to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Options to extend or terminate a lease are included in the calculation of the lease term to the extent that the option is reasonably certain of exercise. For the majority of the Company's leases, the Company has concluded that it is not reasonably certain it would exercise such options, therefore the lease term is generally the non-cancellable period stated within the lease. The Company has elected to not record a right-of-use asset and lease liability for short term leases with an initial lease term of 12 months or less.

Restructuring Programs

A business restructuring is defined as an exit or disposal activity that includes, but is not limited to, a program that is planned and controlled by management and materially changes either the scope of a business or the manner in which that business is conducted. The Company's business restructuring charges include (i) one-time termination benefits related to employee separations, (ii) contract termination costs and (iii) other related costs associated with exit or disposal activities including, but not limited to, costs for consolidating or closing facilities and relocating employees.

The Company accounts for non-facility related exit or disposal activities in accordance with FASB ASC Topic 420, "Exit or Disposal Cost Obligations." A liability is recognized and measured at its fair value for one-time termination benefits once the plan of termination meets all of the following criteria: (i) management commits to a plan of termination, (ii) the plan identifies the number of employees to be terminated and their job classifications or functions, locations and the expected completion date, (iii) the plan establishes the terms of the benefit arrangement and (iv) it is unlikely that significant changes to the plan will be made or the plan will be withdrawn. Contract termination costs include costs to terminate a contract or costs that will continue to be incurred under the contract without benefit to the Company. A liability is recognized and measured at its fair value when the Company either terminates the contract or ceases to use the rights conveyed by the contract. A liability is recognized and measured at its fair value for other related costs in the period in which the liability is incurred.

The Company accounts for facility-related exit or disposal activities in accordance with ASC 842 and does not record facility-related restructuring charges within the Business restructuring reserves on the Consolidated Balance Sheets. Facility exit costs primarily consist of lease obligation charges for exited facilities, including the impact of accelerated lease expense for right-of-use assets and accelerated depreciation expense for leasehold improvements with reductions in their estimated useful lives due to exited facilities. The Company's accounting for such charges is dependent on whether it has the ability and intent to sublease an exited facility. In circumstances in which the Company has the ability and intent to sublease an exited facility, the Company performs an impairment test of the asset group by comparing its fair value to its carrying value on the earlier of the sublease inception date or cease use date. To the extent the carrying value of the asset group is greater than its fair value, an impairment charge is recorded within the Restructuring charges, net line item in the Company's Consolidated Statements of Operations. If the Company does not have the ability and intent to sublease an exited facility, the Company adjusts the estimated useful life of the facility related assets to end on the cease use date and recognizes accelerated depreciation and amortization within the Restructuring charges, net line item in the Consolidated Statements of Operations. The amortization of right-of-use assets for exited facilities is recorded within the Restructuring charges, net line item in the Consolidated Statements of Operations after the cease use date. Sublease income is recorded within Other income (expense), net in the Consolidated Statements of Operations.

Pension and Post-retirement Benefit Obligations

The Company sponsors non-contributory defined benefit pension plans covering a portion of its U.S. employees and retirees, and post-retirement benefit plans covering a portion of its U.S. employees and retirees that include healthcare benefits and life insurance coverage. Certain non-U.S. operations have various retirement benefit programs covering substantially all of their employees. Some of these programs are considered to be defined benefit pension plans for accounting purposes.

These pension and other post-retirement benefits are accounted for in accordance with FASB ASC Topic 715, "Compensation —Retirement Benefits" ("ASC 715"). ASC 715 requires that plan assets and obligations be measured as of the reporting date

and the over-funded, under-funded or unfunded status of plans be recognized as of the reporting date as an asset or liability in the Consolidated Balance Sheets. In addition, ASC 715 requires costs and related obligations and assets arising from pensions and other post-retirement benefit plans to be accounted for based on actuarially determined estimates.

The Company's pension and post-retirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions, including the discount rate, expected long-term rate of return on plan assets, and rate of compensation increase. Salary growth assumption is based on the Company's historical experience and future outlook. Material changes in pension and post-retirement benefit costs may occur in the future due to changes in these assumptions, in the number of plan participants, in the level of benefits provided, in asset levels and in legislation.

The market-related value of the Company's plan assets for the Company's U.S. and international pension plans and post-retirement medical plans is developed using a five-year smoothing technique as of the measurement date. First, a preliminary market-related value is calculated by adjusting the market-related value at the beginning of the year for payments to and from plan assets and the expected return on assets during the year. The expected return on assets represents the expected long-term rate of return on plan assets adjusted up to plus or minus 2% based on the actual ten-year average rate of return on plan assets. A final market-related value is determined as the preliminary market-related value, plus 20% of the difference between the actual return and expected return for each of the past five years. The market-related value of the Company's plan assets for its other post-retirement life insurance plan is determined using the fair market value technique.

The plans use different factors based on plan provisions and participant census data, including years of service, eligible compensation and age, to determine the benefit amount for eligible participants. The Company funds its U.S. pension plans in compliance with applicable laws.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising costs were $11 million, $12 million, and $48 million for the period from May 2, 2023 through September 30, 2023 (Successor), the period from October 1, 2022 through May 1, 2023 (Predecessor) and for fiscal 2022 (Predecessor), respectively.

Share-based Compensation

The Company accounts for share-based compensation in accordance with FASB Topic ASC 718, "Compensation-Stock Compensation," which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and non-employee directors including stock options, restricted stock, restricted stock units, performance awards and other forms of awards granted or denominated in shares of the Company's common stock, as well as certain cash-based awards based on estimated fair values of the awards as determined on the date of grant. The Company uses the Black-Scholes-Merton option pricing model ("Black-Scholes") to calculate the fair value of stock options and warrants to purchase common stock. The Company uses a Monte Carlo simulation model to calculate the fair value of share-based awards which include a market-based performance metric. The Company accounts for forfeitures as incurred.

In the absence of an active market for the Company's common stock, the Company estimates the fair value its common stock using the income approach.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statements of Operations in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized.

Additionally, the accounting for income taxes requires the Company to evaluate and make an assertion as to whether undistributed foreign earnings will be indefinitely reinvested or repatriated.

FASB ASC Subtopic 740-10, "Income Taxes—Overall" ("ASC 740-10"), prescribes a comprehensive model for the financial statement recognition, measurement, classification, and disclosure of uncertain tax positions. ASC 740-10 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, based on the technical merits of the position. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement.

Significant judgment is required in evaluating uncertain tax positions and determining the provision for income taxes. Although the Company believes its reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not

be different from that which is reflected in the historical income tax provision and accruals. The Company adjusts its estimated liability for uncertain tax positions periodically due to new information discovered from ongoing examinations by, and settlements with, various taxing authorities, as well as changes in tax laws, regulations and interpretations. The Company's policy is to recognize, when applicable, interest and penalties on uncertain tax positions as part of income tax expense.

As part of the Company's accounting for business combinations, some of the purchase price is allocated to goodwill and intangible assets. Impairment expenses associated with goodwill are generally not tax deductible and will result in an increased effective income tax rate in the fiscal period any impairment is recorded. The income tax benefit from future releases of the acquisition date valuation allowances or income tax contingencies, if any, are reflected in the income tax provision in the Consolidated Statements of Operations, rather than as an adjustment to the purchase price allocation.

The FASB has published guidance (Topic 740, No. 5) for the Global Intangible Low-Taxed Income ("GILTI") provisions included in the Tax Cuts and Jobs Act which states that a company may make a policy decision with respect to the accounting for taxes related to GILTI and whether deferred taxes should be established. The Company's accounting policy is to account for any taxes associated with GILTI as a period cost.

Deferred Financing Costs

Deferred financing costs are amortized using the effective interest method as interest expense over the contractual lives of the related credit facilities. Deferred financing costs related to a debt liability are presented on the Consolidated Balance Sheets as a reduction of the carrying amount of that debt liability, and deferred financing costs related to revolving credit facilities are included within other assets.

Foreign Currency Translation

Assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment, where the local currency is the functional currency, are translated from foreign currencies into U.S. dollars at period-end exchange rates.

The Company translates the income and expense of non-U.S. dollar functional currency subsidiaries into U.S. dollars using an average rate for the period.

Translation gains or losses related to net assets located outside the U.S. are shown as a component of Accumulated other comprehensive income (loss) in the Consolidated Balance Sheets. Gains and losses resulting from foreign currency transactions, which are denominated in currencies other than the functional currency, are included in Other income (expense), net in the Consolidated Statements of Operations.

3. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, Reference Rate Reform (Topic 848): "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." This standard, along with other guidance subsequently issued by the FASB, contains practical expedients for reference rate reform related activities that impact debt, derivatives and other contracts. The guidance in this standard is optional and may be elected at any time as reference rate reform activities occur. The standard may be applied prospectively to contract modifications made and hedging relationships entered or evaluated on or before December 31, 2024. The Predecessor Company adopted ASU 2020-04 and subsequent updates to the ASU on December 31, 2022 and will apply the standard prospectively as and when we enter into the transactions to which this guidance applies. The adoption of the ASU did not have a significant impact on the Predecessor Company's consolidated financial position or results of operations.

In August 2020, the FASB issued ASU 2020-06, "Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity." This standard simplifies the accounting for convertible instruments and the application of the derivatives scope exception for contracts in an entity's own equity. The standard also amends the accounting for convertible instruments in the diluted earnings per share calculation and requires enhanced disclosures of convertible instruments and contracts in an entity's own equity. The Predecessor Company adopted the standard on a modified retrospective basis effective October 1, 2022.

Upon adoption, the Predecessor Company recorded a cumulative effect adjustment which decreased the opening balance of Accumulated deficit on the Predecessor Company's Consolidated Balance Sheet by $47 million, decreased Additional paid-in-capital by $118 million and increased Debt maturing within one year and Long-term debt by $10 million and $61 million, respectively, to eliminate the historical separation of debt and equity components of the Predecessor Company's convertible or exchangeable debt instruments.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): "Accounting for Contract Assets and Contract Liabilities from Contracts with Customers." Under current accounting standards, contract assets and contract liabilities acquired in a business combination are to be recorded at fair value using the ASC 805 measurement principle. ASU 2021-08 requires contract assets and contract liabilities acquired in a business combination to be recognized and measured in accordance with Topic 606 as if the acquirer had originated the contracts rather than at fair value. This standard is effective for the Successor Company in the first quarter of fiscal 2025, with early adoption permitted. The Predecessor Company elected to adopt the standard effective May 1, 2023 and applied the standard retrospectively beginning October 1, 2022.

Upon adoption, the Predecessor Company did not revalue its contract assets or contract liabilities upon emergence from bankruptcy and continued to carry these balances at historical value. As a result, the implementation of this guidance did not have a material impact on the Consolidated Financial Statements.

Recent Standards Not Yet Adopted

In September 2022, the FASB issued ASU 2022-04, "Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations." This standard requires that a buyer in a supplier finance program disclose sufficient information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. The amendments in this standard do not affect the recognition, measurement, or financial statement presentation of obligations covered by supplier finance programs. The standard is effective for the Successor Company in the first quarter of fiscal 2024, with early adoption permitted. Certain disclosures required by the standard are effective in the first quarter of fiscal 2025. The Successor Company is currently assessing the impact the new guidance will have on its disclosures within its Consolidated Financial Statements.

4. Fresh Start Accounting

In accordance with ASC 852, the Predecessor Company applied the provisions of fresh start accounting to its Consolidated Financial Statements on the Emergence Date. The Predecessor Company applied fresh start accounting as (i) the reorganization value of the Predecessor Company's assets immediately prior to confirmation of the Plan was less than the post-petition liabilities and allowed claims and (ii) the holders of existing voting shares of the Predecessor Company received less than 50% of the voting shares of the Successor Company.

With the application of fresh start accounting, the Predecessor Company allocated its reorganization value to its individual assets based on their estimated fair values in conformity with ASC 805, "Business Combinations." The reorganization value approximates the fair value of the Successor Company's assets before considering liabilities. The excess reorganization value over the fair value of identified tangible and intangible assets is reported as goodwill. As a result of the application of fresh start accounting and the effects of the implementation of the Plan, the Consolidated Financial Statements after May 1, 2023 are not comparable with the Consolidated Financial Statements as of or prior to that date.

Reorganization Value

Under ASC 852, reorganization value generally approximates fair value of the entity before considering liabilities and is intended to approximate the amount a willing buyer would pay for the assets immediately after the effects of a restructuring. As set forth in the Plan approved by the Bankruptcy Court, the agreed upon enterprise value of the Predecessor Company was $1,426 million. The reorganization value was then determined by adding back excess cash, liabilities other than interest bearing debt, pension obligations and capital leases, which were included in the determination of enterprise value.

The following table reconciles the enterprise value to the reorganization value as of the Emergence Date:

(In millions)		
Enterprise value	$	1,426
Plus:		
Non-interest bearing current liabilities		718
Non-interest bearing non-current liabilities		652
Excess cash and cash equivalents		400
Reorganization value	$	3,196

The following table reconciles the enterprise value to the implied value of the Successor stockholders' equity as of the Emergence Date:

(In millions, except per share amount)		
Enterprise value	$	1,426
Plus:		
Excess cash and cash equivalents		400
Less:		
Fair value of Term Loan Credit Agreement[1]		(807)
Fair value of capitalized leases		(24)
Pension and other post-retirement obligations, net of tax[2]		(527)
Implied value of Successor equity	$	468
Shares issued upon Emergence		36
Successor common stock value per share	$	13.01

(1) The fair value of the Exit Term Loan was determined based on a yield analysis comparing the implied yield on the Exit Term Loan assuming a fair value at par to observed yields on comparable securities. Based on this analysis, the implied yield on the Exit Term Loan was similar to observed yields of comparable securities and therefore the Exit Term Loan fair value was carried at 100% of par less debt issuance cost.

(2) The following assumptions were used when measuring the fair value of the U.S. pension, non-U.S. pension and post-retirement benefit plans: weighted-average return on assets of 7.20%, 4.25% and 4.35%, and weighted-average discount rate to measure plan obligations of 4.73%, 3.76% and 4.72%, respectively.

Consolidated Balance Sheet

The adjustments set forth in the following Consolidated Balance Sheet as of May 1, 2023 reflect the effect of the consummation of the transactions contemplated by the Plan (reflected in the column "Reorganization Adjustments") as well as fair value adjustments resulting from the application of fresh start accounting (reflected in the column "Fresh Start Adjustments"). The explanatory notes provide further details on the adjustments, including the assumptions and methods used to determine fair value of the assets and liabilities.

(In millions)	Predecessor Company	Reorganization Adjustments		Fresh Start Adjustments		Successor Company
ASSETS						
Current assets:						
Cash and cash equivalents	$ 487	$ 88	(1)	$ —		$ 575
Accounts receivable	286	—		—		286
Inventory	85	—		19	(14)	104
Contract assets, net	428	—		—		428
Contract costs	97	—		(97)	(15)	—
Other current assets	115	(3)	(2)	—		112
TOTAL CURRENT ASSETS	1,498	85		(78)		1,505
Property, plant and equipment, net	263	—		86	(16)	349
Intangible assets, net	1,568	—		(723)	(17)	845
Goodwill	—	—		221	(18)	221
Operating lease right-of-use assets	77	—		(4)	(19)	73
Other assets	225	4	(3)	(26)	(15)	203
TOTAL ASSETS	**$ 3,631**	**$ 89**		**$ (524)**		**$ 3,196**
LIABILITIES						
Current liabilities:						
Debt maturing within one year	$ 500	$ (496)	(4)	$ —		$ 4
Accounts payable	275	(34)	(5)	—		241
Payroll and benefit obligations	95	—		—		95
Contract liabilities	266	—		—		266
Operating lease liabilities	—	36	(6)	(2)	(19)	34
Business restructuring reserves	28	—		—		28
Other current liabilities	108	(13)	(7)	(1)	(20)	94
TOTAL CURRENT LIABILITIES	1,272	(507)		(3)		762
Non-current liabilities:						
Long-term debt	—	803	(8)	—		803
Pension obligations	447	—		—		447
Other post-retirement obligations	107	—		—		107
Deferred income taxes, net	39	—		10	(21)	49
Contract liabilities	289	—		—		289
Operating lease liabilities	—	53	(6)	(4)	(19)	49
Business restructuring reserves	31	—		(2)	(22)	29
Other liabilities	165	31	(9)	(3)	(23)	193
TOTAL NON-CURRENT LIABILITIES	1,078	887		1		1,966
TOTAL LIABILITIES SUBJECT TO COMPROMISE	3,367	(3,367)	(10)	—		—
TOTAL LIABILITIES	5,717	(2,987)		(2)		2,728
Commitments and contingencies (Note 20)						
Predecessor preferred stock, $0.01 par value; 55,000,000 shares authorized at May 1, 2023						
Predecessor Convertible Series A Preferred Stock; 125,000 shares issued and outstanding at May 1, 2023	136	(136)	(11)	—		—
STOCKHOLDERS' (DEFICIT) EQUITY						
Successor preferred stock, $0.01 par value; 20,000,000 shares authorized; no shares issued and outstanding at the Emergence Date	—	—	(12)	—		—
Successor common stock, $0.01 par value; 80,000,000 shares authorized; 36,000,000 shares issued and 35,970,887 shares outstanding at the Emergence Date	—	—	(12)	—		—
Successor additional paid-in capital	—	468	(12)	—		468
Predecessor common stock, $0.01 par value; 550,000,000 shares authorized; 86,846,958 shares issued and outstanding at May 1, 2023	1	(1)	(11)	—		—
Predecessor additional paid-in capital	1,450	(1,450)	(11)	—		—
(Accumulated deficit) retained earnings	(3,783)	4,195	(13)	(412)	(25)	—
Accumulated other comprehensive income (loss)	110	—		(110)	(24)	—
TOTAL STOCKHOLDERS' (DEFICIT) EQUITY	(2,222)	3,212		(522)		468
STOCKHOLDERS' (DEFICIT) EQUITY	**$ 3,631**	**$ 89**		**$ (524)**		**$ 3,196**

Reorganization Adjustments

In accordance with the Plan, the following adjustments were made:

1. *Cash and Cash Equivalents* The following reflects the net cash proceeds recorded as of the Emergence Date as a result of implementing the Plan:

(In millions)	
SOURCES:	
Proceeds from the Exit Term Loan rights offering	$ 150
Total sources of cash	150
USES:	
Payment of DIP Credit Agreement accrued interest	(3)
Payment of finance cost on the Exit ABL Loan	(5)
Cash paid to prepetition Convertible Note holders	(14)
Payment of accrued professional and administrative fees	(35)
Settlement of DIP exit fee	(5)
Total uses of cash	(62)
Net sources of cash	$ 88

2. *Other Current Assets* The adjustment represents the reclassification of debt issuance costs incurred on the Exit Term Loan Facility to Long-term debt.

3. *Other Assets* The adjustment represents the capitalization of debt issuance costs incurred on the Exit ABL Loan Facility.

4. *Debt Maturing Within One Year* The adjustment represents the net effect of the Predecessor Company's repayment of $500 million for the DIP Credit Agreement and the recognition of the short-term portion of the Exit Term Loan Facility principal payments of $4 million due over the next year.

5. *Accounts Payable* The adjustment represents the payment of accrued professional fees in the predecessor period relating to the bankruptcy and reorganization.

6. *Operating Lease Liabilities* The reinstatement of operating lease liabilities from liabilities subject to compromise was $89 million, of which $36 million is current and $53 million is non-current.

7. *Other Current Liabilities* The adjustments to other current liabilities include:

(In millions)	
Reinstatement of Other current liabilities from Liabilities subject to compromise	$ 20
Settlement of DIP put premium[1]	(30)
Payment of accrued interest on the DIP Credit Agreement	(3)
Total Other current liabilities	$ (13)

[1] The DIP put premium was settled via the issuance of Successor common stock.

8. *Long-Term Debt* In accordance with the Plan, the Predecessor Company entered into the Exit Term Loan Credit Agreement with a principal amount of $810 million maturing on August 1, 2028. The current portion represents quarterly principal payments due over the next year.

(In millions)	
Issuance of the Exit Term Loan Credit Agreement	$ 810
Less:	
Debt issuance costs for the Exit Term Loan Credit Agreement	(3)
Net issuance of the Exit Term Loan Credit Agreement upon Emergence from bankruptcy	807
Current portion of Long-term debt	(4)
Long-term debt, net of current portion	$ 803

9. *Other Liabilities* The adjustment of $31 million relates to the reinstatement of capital lease obligations, asset retirement obligations, and litigation reserves from liabilities subject to compromise.

10. *Liabilities Subject to Compromise* Liabilities subject to compromise were reinstated or settled as follows in accordance with the Plan.

(In millions)		
Liabilities subject to compromise pre-emergence:		
Prepetition debt, including accrued interest		$ 3,227
Operating lease liabilities, current		36
Operating lease liabilities, non-current		53
Other current liabilities		20
Other non-current liabilities		31
Total liabilities subject to compromise pre-emergence		3,367
Amounts reinstated on the Effective Date:		
Operating lease liabilities, current	(36)	
Operating lease liabilities, non-current	(53)	
Other current liabilities	(20)	
Other non-current liabilities	(31)	
Total liabilities reinstated		(140)
Consideration provided to settle amounts per the Plan:		
Issuance of Successor common shares to First Lien Holders	(426)	
Cash paid to Convertible Note Holders	(14)	
Issuance of term loans to First Lien and Convertible Note Holders	(160)	
Total consideration provided to settle amounts per the Plan		(600)
Gain on settlement of liabilities subject to compromise		$ 2,627

11. *Cancellation of Predecessor Preferred and Common Stock* All Predecessor common stock, Convertible Series A Preferred Stock and all equity awards of the Predecessor Company were cancelled on the Emergence Date without any recovery on account thereof.

12. *Issuance of Successor Common Stock and Preferred Stock* The adjustment represents the cumulative impact of Successor additional paid-in capital from the issuance of 36 million shares of Successor common stock with a par value of $0.01 per share. Successor common stock of $468 million has been recognized upon emergence from bankruptcy and allocated between common stock and additional paid-in capital. No Successor preferred stock was issued or outstanding as of the Emergence Date.

(In millions)	
Issuance of Successor common stock to the First Lien Holders	$ 400
Issuance of Rights Offering Commitment Put Premium common stock	26
Issuance of DIP commitment common stock to settle the DIP put premium	42
Total change in Successor common stock and additional paid-in capital	468
Less: par value of Successor common stock	—
Change in Successor additional paid-in capital	$ 468

13. *(Accumulated Deficit) Retained Earnings* Reflects the cumulative net impact of the effects of the Plan on accumulated deficit as follows:

(In millions)		
Net gain on settlement of Liabilities subject to compromise	$	2,627
Additional expense on settlement of DIP put premium[(1)]		(12)
Settlement of success fees at emergence		(7)
Total reorganizations items, net		2,608
Cancellation of predecessor equity		1,587
Net impact on (Accumulated deficit) retained earnings	$	4,195

(1) Upon Emergence, the DIP put premium was settled in shares of the Successor common stock with a fair value of $12 million in excess of the amount accrued.

Fresh Start Adjustments

At the Emergence Date, the Predecessor Company met the requirements under ASC 852 for the adoption of fresh start accounting. These adjustments reflect actual amounts recorded as of the Emergence Date.

14. *Inventory* This adjustment relates to the write-up of inventory to fair value based on estimated selling prices, less costs of disposal. The write-up of inventory will be amortized based on the historical inventory turnover rate.

15. *Contract costs* Costs to acquire and fulfill a contract do not meet the definition of an asset in accordance with ASC 805. The long-term portion of contract costs is reflected within Other assets.

16. *Property, Plant and Equipment* An adjustment of $81 million was recorded to increase the net book value of property, plant and equipment to its estimated fair value based on estimated current acquisition price, plus costs to make the property fully operational. Additionally, an adjustment of $5 million was recorded to increase the Predecessor Company's asset retirement obligations to their estimated fair values based on a discounted cash flow model.

The following table reflects the components of property, plant and equipment, net as of May 1, 2023:

(In millions)		
Buildings and improvements	$	39
Machinery and equipment		65
Rental equipment		58
Assets under construction		31
Internal use software		156
Total Property, plant and equipment		349
Less: Accumulated depreciation and amortization		—
Property, plant and equipment, net	$	349

17. *Intangible Assets* The Predecessor Company recorded an adjustment to intangible assets for ($723) million as follows:

(In millions)	Successor	Predecessor	Difference
Customer relationships and other intangible assets	$ 300	$ 1,317	$ (1,017)
Technology and patents	386	89	297
Trademarks and trade names	159	162	(3)
Total	$ 845	$ 1,568	$ (723)

The fair value of customer relationships was determined using the excess earnings method, a derivation of the income approach that calculates residual profit attributable to an asset after proper returns are paid to complementary or contributory assets.

The fair value of technology and trademarks and trade names was determined using the royalty savings method, a derivation of the income approach that estimates the royalties saved through ownership of the assets.

The fair value of patents was determined using the market approach, a valuation technique that provides an estimation of fair value based on market prices in actual transactions and on asking prices for assets or businesses.

18. *Goodwill* The Predecessor Company's goodwill of $221 million was established based on the calculated reorganization value.

(In millions)		
Reorganization value of Successor Company	$	3,196
Less: Fair value of Successor Company assets		(2,975)
Reorganization value of Successor Company assets in excess of fair value - Goodwill	$	221

19. *Operating Lease Right-of-Use assets and Lease Liabilities* The Predecessor Company recorded an decrease of $4 million in the operating lease right-of-use assets, a decrease of $2 million in the current portion of operating lease liabilities, and a decrease of $4 million in the non-current portion of operating lease liabilities to reflect the present value of the remaining minimum lease payments at the Emergence Date.

20. *Other Current Liabilities* The adjustment in other current liabilities reflects a decrease in the current portion of capital lease liabilities to reflect the present value of the remaining minimum lease payments at the Emergence Date.

21. *Deferred Income Taxes* The adjustment represents the establishment of additional deferred tax liabilities for U.S. taxes and non-U.S. withholding taxes to be incurred upon the remittance of increased foreign earnings due to the fresh start accounting adjustments.

22. *Business Restructuring Reserves* The Predecessor Company recorded a decrease of $2 million to its non-current business restructuring reserves based on a discounted cash flow model.

23. *Other Liabilities* A decrease in other liabilities of $3 million relates to a decrease in asset retirement obligations of $2 million and a decrease of $1 million of capital lease liabilities. Both asset retirement obligations and capital lease liabilities were revalued based on a discounted cash flow model.

24. *Accumulated Other Comprehensive Income (Loss)* The remaining balance in Accumulated comprehensive income (loss) was reversed to Reorganization items, net.

25. *(Accumulated Deficit) Retained Earnings* Reflects the net cumulative impact of the fresh start adjustments on accumulated deficit (retained earnings):

(In millions)		
Eliminate Predecessor Intangible assets	$	(1,568)
Eliminate Contract Costs		(123)
Establish Successor Intangible assets		845
Establish Successor Goodwill		221
Fair value adjustment to Inventory		19
Fair value adjustment to Property, plant and equipment		86
Fair value adjustment to Operating lease right-of-use assets		(4)
Fair value adjustment to Operating lease liabilities, current		2
Fair value adjustment to Business restructuring reserves		2
Fair value adjustment to Operating lease liabilities, non-current		4
Fair value adjustment to Other current liabilities		1
Fair value adjustment to Other liabilities		3
Release Predecessor Accumulated other comprehensive income		110
Fresh start adjustments included in Reorganization items, net		(402)
Tax impact of fresh start adjustments		(10)
Net impact to (Accumulated deficit) retained earnings	$	(412)

Reorganization Items, Net

We have incurred significant expenses, gains and losses associated with the reorganization, primarily the gain on settlement of liabilities subject to compromise, the loss on fresh start adjustments, write-off of unamortized debt issuance costs and discounts, debt and equity financing fees, and legal and professional fees incurred subsequent to the Chapter 11 filings for the reorganization process. The amount of these items, which were incurred in Reorganization items, net within the accompanying Consolidated Statements of Operations, have significantly affected the operating results.

The following table summarizes the components in Reorganization items, net included in the Consolidated Statement of Operations:

(In millions)		
Gain on settlement of liabilities subject to compromise	$	2,627
Adjustment for allowed claims		(44)
Write off of unamortized debt issuance costs and discounts on Predecessor debt		(116)
Loss on fresh start adjustments		(402)
Debt issuance costs on DIP facilities		(32)
DIP put premium		(42)
Professional service provider fees		(59)
Other bankruptcy related expenses		(5)
Total Reorganization items, net	$	1,927

5. Contracts with Customers

Disaggregation of Revenue

The following table provides the Company's disaggregated revenue by primary geographical markets for the periods presented:

(In millions)	Successor	Predecessor	
	Period from May 2, 2023 through September 30, 2023	Period from October 1, 2022 through May 1, 2023	Fiscal year ended September 30, 2022
Revenue:			
U.S.	$ 373	$ 488	$ 1,380
International:			
Europe, Middle East and Africa	175	243	624
Asia Pacific	83	122	272
Americas International - Canada and Latin America	77	102	214
Total International	335	467	1,110
Total Revenue	$ 708	$ 955	$ 2,490

Transaction Price Allocated to the Remaining Performance Obligations

The transaction price allocated to remaining performance obligations that were wholly or partially unsatisfied as of September 30, 2023 (Successor) was $1,620 million, of which 55% and 25% is expected to be recognized within 12 months and 13-24 months, respectively, with the remaining balance expected to be recognized thereafter. This excludes amounts for remaining performance obligations that are (1) for contracts recognized over time using the "right to invoice" practical expedient, (2) related to sales or usage based royalties promised in exchange for a license of intellectual property and (3) related to variable consideration allocated entirely to a wholly unsatisfied performance obligation.

Contract Balances

The following table provides information about accounts receivable, contract assets, contract costs and contract liabilities for the periods presented:

(In millions)	Successor	Predecessor	
	September 30, 2023	September 30, 2022	Increase (Decrease)
Accounts receivable, net	$ 291	$ 322	$ (31)
Contract assets, net:			
Current	$ 358	$ 543	$ (185)
Non-current (Other assets)	82	134	(52)
	$ 440	$ 677	$ (237)
Cost of obtaining a contract:			
Current (Contract costs)	$ 20	$ 81	$ (61)
Non-current (Other assets)	12	46	(34)
	$ 32	$ 127	$ (95)
Cost to fulfill a contract:			
Current (Contract costs)	$ 10	$ 29	$ (19)
Contract liabilities:			
Current	$ 270	$ 245	$ 25
Non-current	284	300	(16)
	$ 554	$ 545	$ 9

The decrease in Contract assets was mainly driven by lower sales. The decrease in contract costs was driven by the implementation of fresh start accounting as discussed in Note 4, "Fresh Start Accounting". The increase in Contract liabilities was mainly driven by timing of customer payments partially offset by anticipated declines in hardware maintenance and software support services as customers continue to transition to the Company's subscription offerings. The Company did not record any asset impairment charges related to contract assets during the period from May 2, 2023 through September 30, 2023 (Successor), the period from October 1, 2022 through May 1, 2023 (Predecessor) and for fiscal 2022 (Predecessor).

During the period from May 2, 2023 through September 30, 2023 (Successor), the period from October 1, 2022 through May 1, 2023 (Predecessor) and for fiscal 2022 (Predecessor), the Company recognized revenue of $157 million, $183 million and $402 million that had been previously recorded as a Contract liability as of May 1, 2023, and October 1, 2022 and 2021, respectively.

During the period from May 2, 2023 through September 30, 2023 (Successor), the period from October 1, 2022 through May 1, 2023 (Predecessor), and fiscal 2022 (Predecessor), the Company recognized a net (decrease) increase to revenue of $(13) million, $(4) million and $9 million for performance obligations that were satisfied, or partially satisfied, in prior periods, respectively.

On February 20, 2024, the Successor Company and RingCentral amended the terms of the Amended and Restated RingCentral Agreements, impacting key terms including the minimum commitment volumes and pricing. Refer to Note 21, "Subsequent Events," for additional details. The amendment will be accounted for on a prospective basis.

Contract Costs

The following table provides information regarding the location and amount for amortization of costs to obtain and costs to fulfill customer contracts recognized in the Company's Consolidated Statements of Operations for the periods presented:

(In millions)	Successor	Predecessor	
	Period from May 2, 2023 through September 30, 2023	Period from October 1, 2022 through May 1, 2023	Fiscal year ended September 30, 2022
Costs to obtain customer contracts:			
Selling, general and administrative	$ 11	$ 73	$ 152
Revenue	—	4	18
Total Amortization	$ 11	$ 77	$ 170
Costs to fulfill customer contracts:			
Costs	$ —	$ 6	$ 24
Total Amortization	$ —	$ 6	$ 24

Allowance for Credit Losses

The following table presents the change in the allowance for credit losses by portfolio segment for the period indicated:

(In millions)	Accounts Receivable[1]	Short-term Contract Assets[2]	Long-term Contract Assets[3]	Total
Allowance for credit loss as of September 30, 2021 (Predecessor)	**$ 4**	**$ 1**	**$ 1**	**$ 6**
Adjustment to credit loss provision	3	—	1	4
Write-offs, net of recoveries	(2)	—	—	(2)
Allowance for credit loss as of September 30, 2022 (Predecessor)	**$ 5**	**$ 1**	**$ 2**	**$ 8**
Adjustment to credit loss provision	(1)	—	(1)	(2)
Write-offs, net of recoveries	1	—	—	1
Fresh start adjustments	(5)	(1)	(1)	(7)
Allowance for credit loss as of May 1, 2023 (Predecessor)	**$ —**	**$ —**	**$ —**	**$ —**
Allowance for credit loss as of May 2, 2023 (Successor)	**$ —**	**$ —**	**$ —**	**$ —**
Adjustment to credit loss provision	3	—	—	3
Allowance for credit loss as of September 30, 2023 (Successor)	**$ 3**	**$ —**	**$ —**	**$ 3**

(1) Recorded within Accounts receivable, net on the Consolidated Balance Sheets.

(2) Recorded within Contract assets, net on the Consolidated Balance Sheets.

(3) Recorded within Other assets on the Consolidated Balance Sheets.

6. Leases

The following table details the components of net lease expense for the periods indicated:

(In millions)	Successor	Predecessor	
	Period from May 2, 2023 through September 30, 2023	Period from October 1, 2022 through May 1, 2023	Fiscal year ended September 30, 2022
Operating lease cost[(1)]	$ 19	$ 28	$ 50
Short-term lease cost[(1)]	1	3	4
Variable lease cost[(1)(2)]	4	7	12
Finance lease amortization of right-of-use assets[(1)]	4	5	10
Finance lease interest cost[(3)]	1	1	1
Total lease cost	$ 29	$ 44	$ 77

(1) Allocated between Costs and Operating expenses.
(2) Includes real estate taxes and other charges for non-lease services payable to lessors and recognized in the period incurred.
(3) Included in Interest expense.

The Company's right-of-use assets and lease liabilities for financing leases are included in the Consolidated Balance Sheets as follows:

(In millions)	Successor	Predecessor
	September 30, 2023	September 30, 2022
ASSETS		
Property, plant and equipment, net	$ 20	$ 30
LIABILITIES		
Other current liabilities	$ 7	$ 9
Other liabilities	$ 14	$ 22

The following table summarizes the weighted average remaining lease term and weighted average interest rate for the Company's operating and financing leases for the periods indicated:

	Successor	Predecessor
	September 30, 2023	September 30, 2022
Weighted average remaining lease term		
Operating leases	2.9 years	3.6 years
Financing leases	3.0 years	3.9 years
Weighted average interest rate		
Operating leases	10.6 %	5.5 %
Financing leases	10.5 %	4.6 %

The following table presents the maturities of lease payments for the Successor Company's operating and financing leases as of September 30, 2023 (by fiscal year):

(In millions)	Operating Leases	Financing Leases
2024	$ 38	$ 9
2025	22	7
2026	12	6
2027	6	3
2028	4	—
2029 and thereafter	2	—
Total lease payments	84	25
Less: imputed interest	(11)	(4)
Total lease liability	$ 73	$ 21

7. Goodwill

The changes in the carrying amount of goodwill for the periods indicated were as follows:

(In millions)	Total
Balance as of September 30, 2021 (Predecessor)	
Cost	$ 2,761
Accumulated impairment charges	(1,281)
	1,480
Impairment charges	(1,471)
Foreign currency fluctuations	(7)
Other	(2)
Balance as of September 30, 2022 (Predecessor)	
Cost	2,752
Accumulated impairment charges	(2,752)
	—
Impact of fresh start accounting	221
Balance as of May 1, 2023 (Predecessor)	
Cost	221
Accumulated impairment charges	—
	$ 221
Balance as of May 2, 2023 (Successor)	
Cost	$ 221
Accumulated impairment charges	—
	221
Foreign currency fluctuations	(3)
Balance as of September 30, 2023 (Successor)	
Cost	218
Accumulated impairment charges	—
	$ 218

Period from May 2, 2023 to September 30, 2023 (Successor)

The Successor Company's goodwill was recorded upon emergence from bankruptcy as a result of applying fresh start accounting. See Note 4, "Fresh Start Accounting," for additional details.

The Successor Company performed its annual goodwill impairment test on July 1, 2023. As permitted under ASC 350, the Successor Company performed a qualitative goodwill impairment assessment to determine whether it was more likely than not that the fair value of the reporting unit was less than its carrying amount, including goodwill. After assessing all relevant qualitative factors, the Successor Company determined that it was more likely than not that the fair value of the reporting unit exceeded its carrying amount, and a quantitative goodwill impairment test was not necessary.

The Successor Company concluded that a triggering event occurred for its reporting unit as of September 30, 2023, due to a revision to the Company's long-term forecast to reflect current financial performance and ongoing strategic initiatives. As a result, the Company performed an interim quantitative goodwill impairment test as of September 30, 2023, to compare the fair value of the reporting unit to its carrying amount, including the goodwill.

As further described in Note 2, "Summary of Significant Accounting Policies," the Successor Company's policy is to estimate the fair value of the reporting unit using a weighting of fair values derived from an income approach and a market approach. For the interim goodwill impairment assessment as of September 30, 2023, the Successor Company did not assign a weighting to the market approach given the limited availability of publicly traded comparable companies that accurately reflect the same economic outlook and risk profile as Avaya and instead relied solely on the income approach to estimate the fair value of the reporting unit as of September 30, 2023. The result of the interim goodwill impairment test indicated that the estimated fair value of the reporting unit exceeded its carrying amount, and therefore, no impairment existed as of September 30, 2023.

To the extent that changes in business conditions occur or other management decisions are made that result in adjusted management projections, it may be necessary to record impairment charges in the future.

Period from October 1, 2022 to May 1, 2023 (Predecessor)

As further described in Note 2, "Summary of Significant Accounting Policies," the Predecessor Company consolidated the Products & Solutions and Services operating segments into a single operating segment to align with the changes in its organizational structure. Consequently, the Predecessor Company assessed whether there has been a change in its Products & Solutions and Services reporting units and determined that it has a single reporting unit which is the same as its operating segment.

Fiscal 2022 (Predecessor)

During the third quarter of fiscal 2022, the Predecessor Company concluded that a triggering event occurred primarily due to (i) a sustained decrease in the market value of the Predecessor Company's debt and common stock and (ii) a significant decline in revenues during the third quarter, which represented substantially lower revenues than the Predecessor Company's expectations. As a result, the Predecessor Company performed an interim quantitative goodwill impairment test as of June 30, 2022 to compare the fair value of the Services reporting unit to its carrying amount, including the goodwill. For the interim goodwill impairment assessment as of June 30, 2022, the Predecessor Company did not assign a weighting to the market approach given the limited availability of publicly traded comparable companies that accurately reflect the same economic outlook and risk profile as Avaya, and instead relied solely on the income approach to estimate the fair value of the Services reporting unit as of June 30, 2022.

The result of the Predecessor Company's interim goodwill impairment test as of June 30, 2022 indicated that the carrying amount of the Predecessor Company's Services reporting unit exceeded its estimated fair value primarily due to a reduction in the Predecessor Company's outlook to reflect the observed earnings shortfall which was caused primarily by a slowdown in the pace and trajectory of customer migration to the Predecessor Company's subscription hybrid offering and an increase in the discount rate to reflect increased risk from higher market uncertainty. As a result, the Predecessor Company recorded a goodwill impairment charge of $1,471 million to write down the full carrying amount of the Services goodwill within the Impairment charges line item in the Consolidated Statements of Operations.

8. Intangible Assets, net

The Company's intangible assets consist of the following for the periods indicated:

(In millions)	Technology and Patents	Customer Relationships and Other Intangibles	Trademarks and Trade Names	Total
Balance as of September 30, 2023 (Successor)				
Finite-lived intangible assets:				
Cost	$ 386	$ 299	$ 13	$ 698
Accumulated amortization	(19)	(10)	—	(29)
Finite-lived intangible assets, net	367	289	13	669
Indefinite-lived intangible assets:				
Cost	—	—	146	146
Accumulated impairment	—	—	—	—
Indefinite-lived intangible assets, net	—	—	146	146
Intangible assets, net	$ 367	$ 289	$ 159	$ 815
Balance as of September 30, 2022 (Predecessor)				
Finite-lived intangible assets:				
Cost	$ 964	$ 2,146	$ 42	$ 3,152
Accumulated amortization	(797)	(741)	(25)	(1,563)
Finite-lived intangible assets, net	167	1,405	17	1,589
Indefinite-lived intangible assets:				
Cost	—	—	333	333
Accumulated impairment	—	—	(146)	(146)
Indefinite-lived intangible assets, net	—	—	187	187
Intangible assets, net	$ 167	$ 1,405	$ 204	$ 1,776

Amortization expense for the period from May 2, 2023 through September 30, 2023 (Successor), the period from October 1, 2022 through May 1, 2023 (Predecessor) and for fiscal 2022 (Predecessor) was $29 million, $170 million and $306 million, respectively.

Future amortization expense of intangible assets as of September 30, 2023 (Successor) for the fiscal years ending September 30, is as follows:

(In millions)	
2024	$ 69
2025	69
2026	68
2027	68
2028 and thereafter	395
Total	$ 669

The Period from May 2, 2023 through September 30, 2023 (Successor)

At July 1, 2023, the Successor Company performed its annual impairment test using the qualitative approach for the Avaya Trade Name and determined that no additional impairment existed since the previous assessment as of April 30, 2023 described below.

As a result of the goodwill triggering event described in Note 7, "Goodwill," the Successor Company performed a recoverability test on all of its finite-lived asset groups as of September 30, 2023 before proceeding to the goodwill impairment assessment and concluded that no impairment charge was necessary. The recoverability test of finite-lived assets was based on forecasts of undiscounted cash flows for each asset group. The Successor Company also performed an interim quantitative impairment test for the Avaya Trade Name as of September 30, 2023 and determined that its estimated fair value exceeded its carrying amount and no impairment existed.

To the extent that there are changes in business conditions or if key assumptions and estimates differ significantly from management's expectations, it may be necessary to record additional impairment charges in the future.

The Period from October 1, 2022 through May 1, 2023 (Predecessor)

As announced in a Form 8-K dated December 13, 2022, the Predecessor Company was unable to reach an out-of-court resolution with certain holders of the Convertible Notes, Senior Notes, Exchangeable Notes, and the Term Loans outstanding under the Term Loan Credit Agreement, regarding one or more potential financings, refinancings, recapitalizations, reorganizations, restructurings or investment transactions involving the Predecessor Company. As a result, the Predecessor Company revised its outlook to reflect the increased likelihood of a solvency event. The Predecessor Company concluded that a triggering event had occurred and performed an interim quantitative impairment test for its indefinite-lived intangible asset, the Avaya Trade Name, as of December 31, 2022 to compare the fair value of the Avaya Trade Name to its carrying amount.

The fair value of the Avaya Trade Name was estimated using the relief-from-royalty model as described in Note 2, "Summary of Significant Accounting Policies." The result of the interim impairment test of the Avaya Trade Name as of December 31, 2022 indicated that the carrying amount of the Avaya Trade Name exceeded its estimated fair value primarily due to the updated outlook. As a result, the Predecessor Company recorded an indefinite-lived intangible asset impairment charge of $9 million within the Impairment charges line item in the Consolidated Statements of Operations, representing the amount by which the carrying amount of the Avaya Trade Name exceeded its fair value. As of December 31, 2022, the remaining carrying amount of the Avaya Trade Name was $178 million.

On February 14, 2023, the Company filed Form 8-K with the Securities and Exchange Commission ("SEC") which detailed its voluntary cases under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of Texas. The Company concluded that a triggering event had occurred due to an increase in the discount rate due to increased risk associated with the bankruptcy filing. As a result of the triggering event, the Predecessor Company performed an interim quantitative impairment test for the Avaya Trade Name as of April 30, 2023 to compare the fair value of the Avaya Trade Name to its carrying amount using the relief-from-royalty model. The result of the interim impairment test of the Avaya Trade Name as of April 30, 2023 indicated that the carrying amount of the Avaya Trade Name exceeded its estimated fair value. As a result, the Predecessor Company recorded an indefinite-lived intangible asset impairment charge of $32 million within the Impairment charges line item in the Consolidated Statements of Operations, representing the amount by which the carrying amount of the Avaya Trade Name exceeded its fair value. As of April 30, 2023, the remaining carrying amount of the Avaya Trade Name was $146 million.

The carrying value of the intangible assets was adjusted upon the application of fresh start accounting as follows:

(In millions)	Successor	Predecessor	Difference
Customer relationships and other intangible assets	$ 300	$ 1,317	$ (1,017)
Technology and patents	386	89	297
Trademarks and trade names	159	162	(3)
Total	$ 845	$ 1,568	$ (723)

See Note 4, "Fresh Start Accounting" for additional details.

Fiscal 2022 (Predecessor)

As a result of the goodwill triggering event described in Note 7, "Goodwill," the Predecessor Company performed a recoverability test on all of its finite-lived asset groups as of June 30, 2022 before proceeding to the goodwill impairment assessment and concluded that no impairment charge was necessary. The recoverability test of finite-lived assets was based on forecasts of undiscounted cash flows for each asset group.

The Predecessor Company also performed an interim quantitative impairment test for its indefinite-lived intangible asset, the Avaya Trade Name, as of June 30, 2022 to compare the fair value of the Avaya Trade Name to its carrying amount. The fair value of the Avaya Trade Name was estimated using the relief-from-royalty model. The result of the interim impairment test of the Avaya Trade Name as of June 30, 2022 indicated that the carrying amount of the Avaya Trade Name exceeded its estimated fair value primarily due to a reduction in the Predecessor Company's outlook to reflect the observed revenue decline which was caused primarily by a slowdown in the pace and trajectory of customer migration to the Predecessor Company's subscription hybrid offering and lower than anticipated on-premise license sales and an increase in the discount rate to reflect increased risk from higher market uncertainty. As a result, the Predecessor Company recorded an indefinite-lived intangible asset impairment charge of $114 million within the Impairment charges line item in the Consolidated Statements of Operations, representing the amount by which the carrying amount of the Avaya Trade Name exceeded its fair value.

At July 1, 2022, the Predecessor Company performed its annual impairment test using the qualitative approach for the Avaya Trade Name and determined that no additional impairment existed since the previous assessment as of June 30, 2022.

During the fourth quarter of fiscal 2022, the Predecessor Company concluded that a triggering event occurred in relation to the Avaya Trade Name primarily due to a revision in the Predecessor Company's long-term revenue forecast which reflects certain strategic initiatives implemented by the Predecessor Company's new CEO. As a result of the triggering event, the Predecessor Company performed an interim quantitative impairment test for the Avaya Trade Name as of September 30, 2022 to compare the fair value of the Avaya Trade Name to its carrying amount using the relief-from-royalty model. The result of the interim impairment test of the Avaya Trade Name as of September 30, 2022 indicated that the carrying amount of the Avaya Trade Name exceeded its estimated fair value primarily due to a reduction in the Predecessor Company's revenue outlook which reflects streamlining of the Predecessor Company's portfolio offerings as the Predecessor Company continues to right-size its internal and external cost structure. As a result, the Predecessor Company recorded an indefinite-lived intangible asset impairment charge of $32 million within the Impairment charges line item in the Consolidated Statements of Operations, representing the amount by which the carrying amount of the Avaya Trade Name exceeded its fair value. As of September 30, 2022, the remaining carrying amount of the Avaya Trade Name was $187 million.

9. Supplementary Financial Information

Consolidated Statements of Operations Information

The following table presents a summary of depreciation and amortization and Other income, net for the periods indicated:

(In millions)	Successor	Predecessor	
	Period from May 2, 2023 through September 30, 2023	Period from October 1, 2022 through May 1, 2023	Fiscal year ended September 30, 2022
DEPRECIATION AND AMORTIZATION			
Amortization of intangible assets (included in Costs and Operating expenses)	$ 29	170	$ 306
Depreciation and amortization of property, plant and equipment and internal use software (included in Costs and Operating expenses)	67	60	100
Other software amortization[1]	1	4	2
Total depreciation and amortization	$ 97	$ 234	$ 408
OTHER INCOME, NET			
Interest income	$ 10	$ 6	$ 4
Foreign currency gains (losses), net	3	(15)	17
Other pension and post-retirement benefit (costs) credits, net	(3)	7	25
Change in fair value of 2017 Emergence Date Warrants	—	—	9
Other, net	2	3	—
Total other income, net	$ 12	$ 1	$ 55

[1] Total capitalized other software costs of $31 million with accumulated amortization of $(7) million were reclassified from inventory to internal use software during the period from May 2, 2023 through September 30, 2023 (Successor).

Consolidated Balance Sheet Information

(In millions)	Successor	Predecessor	
	Period from May 2, 2023 through September 30, 2023	Period from October 1, 2022 through May 1, 2023	Fiscal year ended September 30, 2022
Deferred Tax Asset Valuation Allowance:			
Balance at beginning of period	$ 1,589	$ 1,026	$ 995
Increase in expense	8	229	251
(Reductions) additions	(43)	133	(220)
Impact of fresh start accounting	—	201	—
Balance at end of period	$ 1,554	$ 1,589	$ 1,026

(In millions)	Successor	Predecessor
	September 30, 2023	September 30, 2022
PROPERTY, PLANT AND EQUIPMENT, NET		
Leasehold improvements	$ 40	$ 75
Machinery and equipment	131	334
Assets under construction	39	24
Internal use software	181	261
Total property, plant and equipment	391	694
Less: Accumulated depreciation and amortization	(69)	(413)
Property, plant and equipment, net	**$ 322**	**$ 281**

As of September 30, 2023 (Successor), Machinery and equipment and Accumulated depreciation and amortization include $24 million and $(4) million, respectively, for assets acquired under financing leases. As of September 30, 2022 (Predecessor),

Machinery and equipment and Accumulated depreciation and amortization include $50 million and $(20) million, respectively, for assets acquired under financing leases. During the period from October 1, 2022 through May 1, 2023 (Predecessor) and for fiscal 2022 (Predecessor), the Company recorded fixed asset impairment charges of $4 million and $23 million, respectively, mainly associated with specific customer and internal projects that were discontinued. The Company did not record any fixed asset impairment charges during the period from May 2, 2023 through September 30, 2023 (Successor).

Supplemental Cash Flow Information

(In millions)	Successor	Predecessor	
	Period from May 2, 2023 through September 30, 2023	Period from October 1, 2022 through May 1, 2023	Fiscal year ended September 30, 2022
OTHER PAYMENTS			
Interest payments (excluding lease related interest)	$ 26	79	$ 196
Income tax payments	6	12	23
Payments for operating lease liabilities	20	30	59
Payments for finance lease liabilities	4	6	10
Payments for reorganization items[(1)]	3	62	—
NON-CASH INVESTING ACTIVITIES			
Acquisition of equipment under finance leases	$ —	—	$ 14
Acquisition of equipment under operating leases	6	1	18
(Decrease) increase in Accounts payable and Other current liabilities for Capital expenditures	(6)	2	1

(1) Costs directly attributable to the implementation of the Plan were reported as Reorganization items, net. The cash payments for reorganization items related to operating activities were $65 million for bankruptcy-related professional fees.

The following table presents a reconciliation of cash, cash equivalents, and restricted cash that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows for the periods presented:

(In millions)	Successor	Predecessor
	September 30, 2023	September 30, 2022
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Cash and cash equivalents	$ 619	$ 253
Restricted cash	—	222
Restricted cash included in other assets	3	3
Total cash, cash equivalents and restricted cash	$ 622	$ 478

10. Business Restructuring Reserves and Programs

The following table summarizes the restructuring charges by activity for the periods presented:

(In millions)	Successor	Predecessor	
	Period from May 2, 2023 through September 30, 2023	Period from October 1, 2022 through May 1, 2023	Fiscal year ended September 30, 2022
Employee separation costs	$ 45	$ 58	$ 48
Facility exit costs	2	6	17
Other[(1)]	—	12	—
Total restructuring charges	**$ 47**	**$ 76**	**$ 65**

(1) Other restructuring charges relate to expense incurred for abandoning a software contract in connection with the optimization of certain product offerings.

The Company's employee separation costs generally consist of severance charges which include, but are not limited to, termination payments, pension fund payments, health care and unemployment insurance costs to be paid to, or on behalf of, the affected employees and other associated costs. Facility exit costs primarily consist of lease obligation charges for exited facilities, including the impact of accelerated lease expense for right-of-use assets and accelerated depreciation expense for leasehold improvements with reductions in their estimated useful lives due to exited facilities. The restructuring charges include changes in estimates for increases and decreases in costs or changes in the timing of payments related to the restructuring programs of prior fiscal years.

Fiscal 2023 and Fiscal 2022 Restructuring Programs

The fiscal 2023 and fiscal 2022 restructuring programs consists of a series of employee separation and facility exit actions (as described above) in various jurisdictions, including workforce reduction with respect to the Company's global employees in connection with the Company's cost-reduction actions. The workforce reduction is aimed at aligning the size of the Company's workforce with its operational strategy and cost structure. In connection with this workforce reduction, the Company recognized $44 million in restructuring charges during the period from May 2, 2023 through September 30, 2023 (Successor), $58 million in restructuring charges during the period from October 1, 2022 through May 1, 2023 (Predecessor) and $26 million in restructuring charges during fiscal 2022, all of which are in the form of cash-based expenditures and substantially all of which were related to employee severance and other termination benefits.

The following table summarizes the activity for employee separation costs recognized under the Predecessor and Successor Company's restructuring programs, respectively, for the periods presented:

(In millions)	Fiscal 2023 Restructuring Program[2]	Fiscal 2022 Restructuring Program[2]	Fiscal 2021 Restructuring Program[3]	Fiscal 2020 and Prior Restructuring Programs[4]	Total
Accrual balance as of September 30, 2021 (Predecessor)	—	—	**14**	**30**	**44**
Restructuring charges	—	48	—	—	48
Cash payments	—	(21)	(4)	(12)	(37)
Impact of foreign currency fluctuations	—	(1)	(2)	(3)	(6)
Accrual balance as of September 30, 2022 (Predecessor)	**—**	**26**	**8**	**15**	**49**
Restructuring charges	58	—	—	—	58
Cash payments	(32)	(14)	(2)	(4)	(52)
Impact of foreign currency fluctuations	(1)	3	2	—	4
Adjustments - fresh start items	(1)	—	(1)	—	(2)
Accrual balance as of May 1, 2023 (Predecessor)	**$ 24**	**$ 15**	**$ 7**	**$ 11**	**$ 57**
Accrual balance as of May 2, 2023 (Successor)	**$ 24**	**$ 15**	**$ 7**	**$ 11**	**$ 57**
Restructuring charges	44	—	—	—	44
Cash payments	(23)	(2)	(1)	(3)	(29)
Adjustments[1]	—	1	—	—	1
Impact of foreign currency fluctuations	(1)	(1)	—	—	(2)
Accrual balance as of September 30, 2023 (Successor)	**$ 44**	**$ 13**	**$ 6**	**$ 8**	**$ 71**

(1) Includes changes in estimates for increases and decreases in costs related to the Successor Company's restructuring programs, which are recorded in Restructuring charges, net in the Consolidated Statements of Operations in the period of the adjustment.

(2) Payments related to the fiscal 2023 and 2022 Restructuring Programs are expected to be completed in fiscal 2030.

(3) Payments related to the fiscal 2021 Restructuring Program are expected to be completed in fiscal 2029.

(4) Payments related to the fiscal 2020 and Prior Restructuring Programs are expected to be completed in fiscal 2028.

11. Financing Arrangements

The following table reflects principal amounts of debt and debt net of discounts and issuance costs for the periods presented:

	Successor		Predecessor	
	September 30, 2023		September 30, 2022	
(In millions)	Principal amount	Net of discounts and issuance costs	Principal amount	Net of discounts and issuance costs
Exit Term Loans due August 1, 2028	$ 834	$ 831	$ —	$ —
Senior 6.125% Notes due September 15, 2028	—	—	1,000	988
Tranche B-1 Term Loans due December 15, 2027	—	—	800	783
Tranche B-2 Term Loans due December 15, 2027	—	—	743	738
Tranche B-3 Term Loans due December 15, 2027	—	—	350	282
Exchangeable 8.00% Senior Notes due December 15, 2027	—	—	250	169
Convertible 2.25% Senior Notes due June 15, 2023	—	—	221	210
Total debt	$ 834	$ 831	$ 3,364	$ 3,170
Embedded derivatives liabilities	—	—	72	72
Debt maturing within one year	(8)	(8)	(221)	(210)
Long-term debt, net of current portion and derivatives[1]	$ 826	$ 823	$ 3,215	$ 3,032

(1) Pre-Petition Debt instruments were included within Liabilities subject to compromise as of the Petition Date. Refer to Note 4, "Fresh Start Accounting," to the Consolidated Financial Statements for additional information.

Successor Financing

The Successor Company's post-emergence exit financing consists of the Exit Term Loan Credit Agreement and Exit ABL Agreement.

Exit Term Loan and ABL Credit Agreement

On the Emergence Date, the Successor Company entered into (i) the Exit Term Loan Credit Agreement among Avaya Holdings Corp., as Holdings, Avaya LLC, as Borrower, the lending institutions from time to time party thereto, and Wilmington Savings Fund Society, FSB, as administrative agent and collateral agent, which provided a $810 million term loan facility (the "Exit Term Loan", such facility, the "Exit Term Loan Facility", and the agreement providing for such facility, the "Exit Term Loan Credit Agreement") maturing on August 1, 2028 and (ii) the Exit ABL Credit Agreement maturing on May 1, 2026 among Avaya Holdings Corp., as holdings, Avaya LLC, as borrower, the lending institutions from time to time party thereto, and Citibank N.A, as administrative agent and collateral agent, which provided a revolving credit facility allowing for borrowings of up to an aggregate principal amount of $128 million subject to borrowing base availability (the "Exit ABL Loan", such facility, the "Exit ABL Loan Facility", and the agreement providing for such facility, the "Exit ABL Credit Agreement" and, together with the Exit Term Loan Credit Agreement, the "Credit Agreements").

The Exit Term Loan (a) in the case of Secured Overnight Financing Rate ("SOFR") loans, bears interest at a rate equal to one month SOFR plus (i) 7.50% to the extent interest is paid entirely in cash or (ii) 8.50% to the extent interest is paid with a combination of cash and payment in kind (consisting of 1.50% payable in cash and 7.00% paid in kind), subject to a 1.00% floor, and (b) in the case of alternative base rate ("ABR") loans, bears interest at a rate equal to (i) 6.50% to the extent interest is paid entirely in cash or (ii) 7.50% to the extent interest is paid with a combination of cash and payment in kind (consisting of 1.00% payable in cash and 6.50% paid in kind), plus the highest of (i) the Federal Funds Rate plus 0.50%, (ii) the U.S. prime rate as publicly announced in the Wall Street Journal and the highest of (iii) the SOFR Rate for an interest period of one month plus 1.00% and 2.00%. The Successor Company has the option to pay interest with a combination of cash and payment in kind for interest payment dates through and including June 30, 2024. For interest payments dates after June 30, 2024, interest is payable in cash. Beginning in the first quarter of fiscal 2024, the Successor Company is required to make quarterly principal payments equal to 0.25% of the aggregate principal amount outstanding as of the end of each quarter end.

The Exit ABL Loan (a) in the case of SOFR loans, bears interest at a rate equal to one month SOFR plus 3.00% and (b) in the case of ABR loans, bears interest at a rate equal to 2.00%, plus the highest of (i) the Federal Funds Rate plus 0.50%, (ii) the prime rate in effect as publicly announced by Citibank N.A and (iii) the SOFR Rate for an interest period of one month; plus 1.00%.

For the period from May 2, 2023 through September 30, 2023 (Successor), the Company recognized interest expense of $47 million related to the Exit Term Loan Credit Agreement, including $24 million of paid in kind interest and amortization of the

debt issuance costs. Interest paid in kind is recognized as an increase in the aggregate Exit Term Loan principal balance outstanding.

Under the terms of the Exit ABL Credit Agreement, the Successor Company can issue letters of credit up to $100 million. At September 30, 2023, the Successor Company had issued and outstanding letters of credit and guarantees of $38 million under the Exit ABL Credit Agreement. As of September 30, 2023, the Successor Company had no borrowings outstanding under the Exit ABL Credit Agreement. The aggregate additional principal amount that may be borrowed under the Exit ABL Credit Agreement, based on the borrowing base less $38 million of outstanding letters of credit and guarantees, was $31 million at September 30, 2023 (Successor). For the period from May 2, 2023 through September 30, 2023 (Successor), the Company recognized interest expense of $1 million related to the Exit ABL Credit Agreement, primarily resulting from the unused commitment fee.

The Exit Term Loan Credit Agreement and the Exit ABL Credit Agreement each include conditions precedent, representations and warranties, affirmative and negative covenants, and events of default customary for financings of this type and size. The Borrower's obligations under the Exit Term Loan Credit Agreement and the Exit ABL Credit Agreement are guaranteed by the Successor Company and are collectively secured by a security interest in, and a lien on, substantially all property (subject to certain exceptions) of the Successor Company. The Exit Term Loan Credit Agreement and the Exit ABL Credit Agreement also contain customary covenants that limit the ability of the Successor Company to, among other things, (1) incur additional indebtedness and permit liens to exist on their assets, (2) pay dividends or make certain other restricted payments, (3) sell assets or (4) make certain investments. These covenants are subject to exceptions and qualifications as set forth in each of the Exit Term Loan Credit Agreement and the Exit ABL Credit Agreement.

The Exit Term Loan Credit Agreement does not contain any financial covenants. The Exit ABL Credit Agreement does not contain any financial covenants other than a requirement to maintain a minimum fixed charge coverage ratio of 1:1 that becomes applicable only in the event that the net borrowing availability under the Exit ABL Credit Agreement is less than the greater of $10.25 million and 10% of the lesser of the total borrowing base and the Exit ABL commitments (commonly known as the "line cap").

As of September 30, 2023, the Successor Company was not in default under any of its debt agreements.

The contractual interest rate of the Successor Company's outstanding debt was 14.03% as of September 30, 2023. The effective interest rate for the Exit Term Loan Credit Agreement as of September 30, 2023 (Successor) was not materially different from its contractual rate.

Debt Maturity

The following table summarizes the maturities of long-term debt for the five years succeeding September 30:

(In millions)		
2024	$	8
2025		8
2026		8
2027		8
2028		802
Total	**$**	**834**

Predecessor Financing

Term Loan and ABL Credit Agreements

On December 15, 2017, the Predecessor Company entered into (i) the Term Loan Credit Agreement among Avaya Inc., as borrower, Avaya Holdings, the lending institutions from time to time party thereto, and Goldman Sachs Bank USA, as administrative agent, and collateral agent (the "Term Loans," and the agreement providing for such facility, the "Term Loan Credit Agreement") and (ii) the ABL Credit Agreement, among Avaya Inc., as borrower, Avaya Holdings, the several other borrowers party thereto, the several lenders from time to time party thereto, and Citibank, N.A., as administrative agent and collateral agent, which provided a revolving credit facility consisting of a U.S. tranche and a foreign tranche allowing for borrowings from time to time (the "ABL Credit Agreement"). The Predecessor Company subsequently executed various amendments to the Term Loan and ABL Credit Agreements, which, among other things, reduced interest rates, extended debt maturity, and reduced the maximum aggregate amount of commitments under the ABL Credit Agreement.

The Term Loan Credit Agreement matured in three tranches, with principal amounts of $800 million (the "Tranche B-1 Term Loans"), $743 million (the "Tranche B-2 Term Loans"), and $350 million (the "Tranche B-3 Term Loans") maturing on

December 15, 2027. On February 16, 2023, the Predecessor Company repaid approximately $225 million principal amount of the Tranche B-3 Term Loans.

The Term Loans bore interests at an alternative base rate (ABR), LIBOR, and SOFR at the Predecessor Company's election, plus an applicable margin ranging from 3.00%-9.00% per annum for ABR loans, 4.00%-4.25% per annum for LIBOR loans and 10.00% for SOFR Loans. Borrowings under the ABL Credit Agreements bore interest at an alternative base rate (ABR), or LIBOR, at the Predecessor Company's election, plus an applicable margin ranging from 0.75%-1.25% per annum for ABR loans and 1.75%-2.25% per annum for LIBOR loans, depending on the percentage of the borrowing base then being utilized.

Senior Notes

On September 25, 2020, the Predecessor Company issued its Senior 6.125% First Lien Notes ("Senior Notes") pursuant to an indenture, among the Predecessor Company, the Predecessor Company's subsidiaries that are guarantors of the Senior Notes and party thereto (the "Guarantors") and Wilmington Trust, National Association, as trustee and notes collateral agent. Prior to the filing of the Chapter 11 Cases, the Senior Notes bore interest at a rate of 6.125% per annum and were scheduled to mature on September 15, 2028. The Senior Notes were guaranteed on a senior secured basis by the Predecessor Company and each of the Predecessor Company's other wholly-owned domestic subsidiaries that guarantee the Predecessor Company's term loan credit facility (the "Term Loan Facility") under the Predecessor Company's Term Loan Credit Agreement and asset-based revolving credit facility (the "ABL Facility") under the Predecessor Company's ABL Credit Agreement. The Senior Notes and related guarantees were secured on a first lien basis by substantially all assets of the Predecessor Company and the Guarantors (other than any excluded collateral as defined in the indenture or ABL Priority Collateral (as defined below)) which assets also secure the Predecessor Company's and each Guarantor's obligations under the Term Loan Facility ratably on a pari passu basis.

Convertible Notes

On June 11, 2018, the Predecessor Company issued its 2.25% Convertible Notes with an aggregate principal amount of $350 million (the "Convertible Notes"). The Convertible Notes were issued under an indenture, by and between the Predecessor Company and the Bank of New York Mellon Trust Company N.A., as Trustee. Prior to the filing of the Chapter 11 Cases, the Convertible notes bore interest at a rate of 2.25% per annum and were scheduled to mature on June 15, 2023. The Convertible Notes were convertible at an initial rate of 36.0295 shares per $1,000 of principal (equivalent to an initial conversion price of $27.76 per share of the Predecessor Common Stock). The conversion rate was subject to customary adjustments for certain events as described in the indenture. Upon conversion, the Predecessor Company would have paid or delivered, as the case may be, cash, shares of its common stock, or a combination of cash and shares of its common stock, at its election. On July 12, 2022, the Predecessor Company repurchased approximately $129 million principal amount of the Convertible Notes.

Bond Hedge and Call Spread Warrants

In connection with the issuance of the Convertible Notes, the Predecessor Company also entered into privately negotiated transactions to purchase hedge instruments ("Bond Hedge"), covering 12.6 million shares of its common stock at a cost of $84 million. The Bond Hedge was subject to anti-dilution provisions substantially similar to those of the Convertible Notes, had a strike price of $27.76 per share, was exercisable by the Predecessor Company upon any conversion of the Convertible Notes, and had an expiration date of June 15, 2023. The Predecessor Company also sold warrants for the purchase of up to 12.6 million shares of its common stock for aggregate proceeds of $58 million ("Call Spread Warrants"). The Call Spread Warrants had a strike price of $37.3625 per share and were subject to customary anti-dilution provisions. The Call Spread Warrants were scheduled to expire in ratable portions on a series of expiration dates commencing on September 15, 2023.

The Bond Hedge and Call Spread Warrants were intended to reduce the potential dilution with respect to the Predecessor Company's common stock and/or reduce the Predecessor Company's exposure to potential cash payments that the Predecessor Company would have been required to make upon conversion of the Convertible Notes by, in effect, increasing the conversion price, from the Predecessor Company's economic standpoint, to $37.3625 per share. However, the Call Spread Warrants could have had a dilutive effect with respect to the Predecessor Common Stock or, if the Predecessor Company elected, obligated the Predecessor Company to make cash payments to the extent that the market price of its common stock exceeded $37.3625 per share on any date upon which the Call Spread Warrants were exercised.

In connection with the $129 million principal repurchase of the Convertible Notes described above, the Predecessor Company terminated a portion of the Bond Hedge and Call Spread Warrants, each representing 4.7 million of its common stock. The remaining Bond Hedge and Call Spread Warrants were terminated upon Emergence.

Exchangeable Notes

On July 12, 2022, the Predecessor Company issued its Exchangeable Senior Secured Notes with an aggregate principal amount of $250 million (the "Exchangeable Notes"). The Exchangeable Notes were issued pursuant to an indenture by and among Avaya Inc., ("the Issuer") the guarantors party thereto and Wilmington Trust, National Association, as trustee, exchange agent and notes collateral agent. The Exchangeable notes bore interest at a rate of 8.00% per annum and were scheduled to mature on

December 15, 2027. Prior to the filing of the Chapter 11 Cases, holders of the Exchangeable Note could have exchanged all or a portion of their Exchangeable Notes at their option (i) at any time prior to the close of business on the business day immediately preceding September 15, 2027, subject to the satisfaction of certain conditions, and (ii) on or after September 15, 2027, at any time prior to the close of business on the second scheduled trading day immediately preceding the Maturity Date. Upon exchange of the Exchangeable Notes, the Issuer would have paid and/or delivered cash, shares of the Predecessor's common stock, or a combination of both, at the Issuer's election. The exchange rate was initially 232.5581 shares of the Predecessor's common stock per $1,000 principal amount (equivalent to an initial exchange price of approximately $4.30 per share of the common stock), subject to adjustment if certain events occurred prior to the maturity date.

Filing of the Chapter 11 Cases constituted an event of default under the ABL Credit Agreement, the Term Loan Credit Agreement, the Senior Notes, the Convertible Notes and the Exchangeable Notes, that accelerated and, as applicable, increased certain payment obligations under each of the Term Loan and ABL Credit Agreements and the indentures governing the Senior Notes, the Convertible Notes and the Exchangeable Notes (collectively the "Pre-Petition Debt Instruments"). As a result of the Chapter 11 Cases, the principal and interest due under these debt instruments became due and payable. However, any efforts to enforce such payment obligations were automatically stayed as a result of the bankruptcy filing, and the creditors' rights of enforcement were subject to the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. Consequently, all debt outstanding was classified as Liabilities subject to compromise as of the Petition date and all unamortized debt issuance costs and unaccreted debt discounts were expensed. Refer to Note 4, "Fresh Start Accounting," to the Consolidated Financial Statements for additional information.

On the Petition Date, the Pre-Petition Debt Instruments were classified as Liabilities subject to compromise. Effective February 14, 2023, the Predecessor Company ceased recording interest expense on outstanding pre-petition debt classified as Liabilities subject to compromise. For the period from October 1, 2022 through February 13, 2023, the Predecessor Company recognized interest expense of $35 million related to the pre-petition debt, including the amortization of discounts and issuance costs, and the change in fair value of the Term Loan B-3 and Exchangeable Notes embedded derivatives. For the period from February 14, 2023 through May 1, 2023, contractual interest of $58 million was not recorded as interest expense.

Debtor in Possession Financing

On the Petition Date, the Debtors entered into the DIP Term Credit Agreement among Avaya Holdings Corp., as Holdings, Avaya Inc., as borrower, the several lenders from time to time party thereto, and Wilmington Savings Fund Society, FSB, as administrative agent and collateral agent, which provided a $500 million term loan facility (the "DIP Term Loan", such facility, the "DIP Term Loan Facility", and the agreement providing for such facility, the "DIP Term Loan Credit Agreement").

The DIP Term Loan (a) in the case of Secured Overnight Financing Rate ("SOFR") loans, bore interest at a rate equal to one month SOFR plus 8.00%, subject to a 1.00% floor, and (b) in the case of alternative base rate ("ABR") loans, bore interest at a rate equal to 7.00%, plus the highest of (i) the Federal Funds Rate plus 0.50%, (ii) the U.S. prime rate as publicly announced in the Wall Street Journal and the highest of (iii) the SOFR Rate for an interest period of one month plus 1.00% and (iv) 2.00%.

On February 24, 2023, the debtor entered into the DIP ABL Credit Agreement among Avaya Holdings Corp., as holdings, Avaya Inc., as borrower, the several lenders from time to time party thereto, and Citibank N.A, as administrative agent and collateral agent, which provided a revolving credit facility allowing for borrowings of up to an aggregate principal amount of $128 million subject to borrowing base availability (the "DIP ABL Loan", such facility, the "DIP ABL Loan Facility", and the agreement providing for such facility, the "DIP ABL Credit Agreement").

The DIP ABL Loan (a) in the case of SOFR loans, bore interest at a rate equal to one month SOFR plus 3.00% and (b) in the case of ABR loans, bore interest at a rate equal to 2.00%, plus the highest of (i) the Federal Funds Rate plus 0.50%, (ii) the U.S. prime rate as publicly announced by Citibank N.A and the SOFR Rate for an interest period of one month plus 1.00%, subject to a 0.00% floor.

On the Emergence Date, the DIP Term Loan and DIP ABL Loan converted into an Exit ABL Loan and Exit ABL Loan respectively.

For the period from February 14, 2023 through May 1, 2023, the Predecessor Company recognized interest expense of $12 million related to the DIP Term Loan and DIP ABL. Contractual interest expense represented amounts due under the contractual terms of outstanding debt, including debt subject to compromise.

The weighted average contractual interest rate of the Predecessor Company's outstanding debt was 7.4% as of September 30, 2022, including adjustments related to the Predecessor Company's interest rate swap agreements (see Note 12, "Derivative Instruments and Hedging Activities"). The effective interest rate for the Term Loan Credit Agreement as of September 30, 2022 (Predecessor), was 9.0%. The effective interest rate for the Senior Notes as of September 30, 2022 (Predecessor), was not materially different than its contractual interest rate. The effective interest rate for the Convertible Notes as of September 30, 2022 (Predecessor), was 9.2% reflecting the separation of the conversion feature in equity. The effective interest rate for the

Exchangeable Notes as of September 30, 2022 (Predecessor), was 17.7% reflecting the separation of the conversion feature in equity. The effective interest rates included interest on the debt and amortization of discounts and issuance costs.

12. Derivative Instruments and Hedging Activities

The Company accounts for derivative financial instruments in accordance with FASB ASC Topic 815, "Derivatives and Hedging," ("ASC 815") and does not enter into derivatives for trading or speculative purposes. The Company, from time to time, enters into interest rate swap contracts as a hedge against changes in interest rates on its outstanding variable rate loans.

Successor Company

The Successor Company did not enter into any derivative or hedging arrangements during the period from May 2, 2023 through September 30, 2023.

Predecessor Company

Interest Rate Contracts

On May 16, 2018, the Predecessor Company entered into interest rate swap agreements with six counterparties, which fixed a portion of the variable interest due under its Term Loan Credit Agreement (the "Original Swap Agreements"). Under the terms of the Original Swap Agreements, which matured on December 15, 2022, the Predecessor Company paid a fixed rate of 2.935% and received a variable rate of interest based on one-month LIBOR. Through September 23, 2020, the total $1,800 million notional amount of the Original Swap Agreements were designated as cash flow hedges and deemed highly effective as defined under ASC 815.

On September 23, 2020, the Predecessor Company entered into an interest rate swap agreement for a notional amount of $257 million (the "Offsetting Swap Agreement"). Under the terms of the Offsetting Swap Agreement, which matured on December 15, 2022, the Predecessor Company paid a variable rate of interest based on one-month LIBOR and received a fixed rate of 0.1745%. The Predecessor Company entered into the Offsetting Swap Agreement to maintain a net notional amount less than the amount of the Predecessor Company's variable rate loans outstanding. The Offsetting Swap Agreement was not designated for hedge accounting treatment. On September 23, 2020, Original Swap Agreements with a notional amount of $257 million were also de-designated from hedge accounting treatment. Through June 30, 2022, Original Swap Agreements with a notional amount of $1,543 million were designated as cash flow hedges and deemed highly effective as defined under ASC 815. On June 30, 2022, the Predecessor Company determined that the hedged transactions were no longer highly probable of occurring as forecasted, and as such, the Predecessor Company de-designated the remaining Original Swap Agreements from hedge accounting treatment.

On July 1, 2020, the Predecessor Company entered into interest rate swap agreements with four counterparties, which fixed a portion of the variable interest due under its Term Loan Credit Agreement (the "Forward Swap Agreements") from December 15, 2022 (the maturity date of the Original Swap Agreements) through December 15, 2024. Under the terms of the Forward Swap Agreements, the Predecessor Company would pay a fixed rate of 0.7047% and receive a variable rate of interest based on one-month LIBOR. The total notional amount of the Forward Swap Agreements was $1,400 million. Through March 23, 2022, the Forward Swap Agreements were designated as cash flow hedges and deemed highly effective as defined by ASC 815.

On March 23, 2022, the Predecessor Company terminated the Forward Swap Agreements and simultaneously entered into new interest rate swap agreements with four counterparties (the "New Forward Swap Agreements") which resulted in the receipt of $52 million cash proceeds. The New Forward Swap Agreements fixed a portion of the variable interest due under the Predecessor Company's Term Loan Credit Agreement from December 15, 2022 through June 15, 2027. Under the terms of the New Forward Swap Agreements, the Predecessor Company paid a fixed rate of 2.5480% and received a variable rate of interest based on one-month SOFR. The total notional amount of the New Forward Swap Agreements is $1,000 million. Through June 30, 2022, the New Forward Swap Agreements were designated as cash flow hedges and deemed highly effective as defined by ASC 815. On June 30, 2022, the Predecessor Company determined that the hedged transactions were no longer highly probable of occurring as forecasted, and as such, the Predecessor Company de-designated the New Forward Swap Agreements from hedge accounting treatment.

The Company records changes in the fair value of interest rate swap agreements designated as cash flow hedges initially within Accumulated other comprehensive income (loss) in the Consolidated Balance Sheets. As interest expense is recognized on the Term Loan Credit Agreement, the corresponding deferred gain or loss on the cash flow hedge is reclassified from Accumulated other comprehensive income (loss) to Interest expense in the Consolidated Statements of Operations. The Company records changes in the fair value of interest rate swap agreements not designated for hedge accounting within Interest expense. On September 23, 2020, the Predecessor Company froze a $15 million deferred loss within Accumulated other comprehensive income (loss) related to the de-designated Original Swap Agreements, which was reclassified to Interest expense over the term of the Original Swap Agreements. On March 23, 2022, the Predecessor Company froze a $52 million deferred gain within Accumulated other comprehensive income (loss) related to the termination of the Forward Swap Agreements, which was reclassified to Interest expense over the term of the original Forward Swap Agreements. On June 30, 2022, the Predecessor Company froze a $9 million deferred gain within Accumulated other comprehensive income (loss) related to the de-designation

of the Original Swap Agreements and New Forward Swap Agreements, which was reclassified to Interest expense over the term of the respective swap agreements.

In December 2022, the Predecessor Company concluded that the hedged forecasted transactions related to the Predecessor Company's interest rate swap agreements are probable of not occurring as a result of the Predecessor Company's inability to reach an out of court solution regarding potential financings, refinancings, recapitalizations, reorganizations, restructurings or investment transactions involving the Predecessor Company and certain debt holders. As a result, frozen deferred gains of $63 million related to the Predecessor Company's interest rate swap agreements were reclassified to Interest (expense) income, net during the period from October 1, 2022 through May 1, 2023. The Predecessor Company later terminated its New Forward Swap Agreements resulting in the receipt of $40 million of net cash proceeds which is reflected within cash used for operating activities in the Predecessor Company's Consolidated Statements of Cash Flows for the period from October 1, 2022 through May 1, 2023.

Debt-Related Embedded Derivatives

The Predecessor Company's Tranche B-3 Term Loans and Exchangeable Notes contained embedded features that, in certain scenarios, could modify the cash flows of their respective debt instruments. These embedded features (the "Debt-related embedded derivatives") were required to be bifurcated from their host contracts and accounted for as an embedded derivative. The Debt-related embedded derivatives were recorded at fair value with changes in fair value subsequent to the issuance date recorded in Interest expense in the Predecessor Company's Consolidated Statements of Operations.

On July 12, 2022, the issuance date, the aggregate fair value of the Debt-related embedded derivatives was $34 million, which was recorded as a debt discount (contra liability) and a derivative liability within Long-term debt on the Predecessor Company's Consolidated Balance Sheets. As of September 30, 2022, the aggregate fair value of the Debt-related embedded derivatives was $72 million. Prior to the Petition Date, the Predecessor Company wrote down the full fair value of the debt-related embedded derivatives to Interest expense based on active negotiations with the lenders and an expected recovery rate of zero. The Predecessor Company wrote off unamortized debt discount of $30 million associated with the Debt-related embedded derivatives to Reorganization items, net on the Petition Date.

The fair value of the derivatives was determined using the with-and-without model which compares the estimated fair value of the underlying debt instrument with the embedded features to the estimated fair value of the underlying debt instrument without the embedded features, with the difference representing the estimated fair value of the embedded derivative features. The with-and-without model includes significant unobservable estimates, including estimated market yield, an estimation of the Predecessor Company's probability of default and creditor recovery rates, and the probability of the occurrence of a change of control event or asset sale.

The fair value of the derivatives as of September 30, 2022 (Predecessor) was determined using the market assumptions summarized below:

	Predecessor
	September 30, 2022
Tranche B-3 Term Loans due December 15, 2027	
Credit Spread	17.56 %
Risk-free interest rates	4.05 %
Exchangeable 8.00% Senior Secured Notes due 2027	
Credit Spread	17.56 %
Risk-free interest rates	4.05 %
Implied volatility	153.89 %
Price per share of common stock	$1.59

Foreign Currency Forward Contracts

The Company, from time to time, utilizes foreign currency forward contracts primarily to hedge fluctuations associated with certain monetary assets and liabilities including receivables, payables and certain intercompany balances. These foreign currency forward contracts are not designated for hedge accounting treatment. As a result, changes in the fair value of these contracts are recorded as a component of Other income, net to offset the change in the value of the hedged assets and liabilities. As of September 30, 2022, the Predecessor Company maintained open foreign currency forward contracts with a total notional value of $12 million, hedging the Czech Koruna, which were terminated prior to the Petition Date. For the period from October 1, 2022 through May 1, 2023, the Predecessor Company's loss on foreign exchange contracts was not material. During fiscal 2022, the Predecessor Company's loss on foreign exchange contracts was $5 million, and was recorded within Other income, net in the Predecessor Company's Consolidated Statements of Operations.

2017 Emergence Date Warrants

In accordance with the bankruptcy plan of reorganization adopted in connection with the Predecessor Company's Emergence from bankruptcy on December 15, 2017 (the "2017 Plan of Reorganization"), the Predecessor Company issued warrants to purchase 5,645,200 shares of the Predecessor Company's common stock to the holders of the second lien obligations extinguished pursuant to the 2017 Plan of Reorganization (the "2017 Emergence Date Warrants"). Each 2017 Emergence Date Warrant had an exercise price of $25.55 per share and expired on December 15, 2022. The 2017 Emergence Date Warrants contained certain derivative features that required them to be classified as a liability and for changes in the fair value of the liability to be recognized in earnings each reporting period. On November 14, 2018, the Predecessor Company's Board approved a warrant repurchase program, authorizing the Predecessor Company to repurchase up to $15 million worth of the 2017 Emergence Date Warrants. None of the 2017 Emergence Date Warrants were exercised or repurchased.

The fair value of the 2017 Emergence Date Warrants was determined using a probability weighted Black-Scholes option pricing model. This model requires certain input assumptions including risk-free interest rates, volatility, expected life and dividend rates. Selection of these inputs involves significant judgment. The fair value of the 2017 Emergence Date Warrants as of September 30, 2022 (Predecessor) was determined using the input assumptions summarized below:

	Predecessor
	September 30, 2022[(1)]
Expected volatility	113.93 %
Risk-free interest rates	2.36 %
Contractual remaining life (in years)	0.46
Price per share of common stock	$2.24

(1) The Predecessor Company qualitatively determined the fair value of the 2017 Emergence Date Warrants as of September 30, 2022 to be negligible as a result of the decline in Predecessor Company's stock price since the most recent quantitative analysis (June 30, 2022) and the remaining contractual term of 0.21 years as of September 30, 2022. The amounts presented represent the input assumptions as of June 30, 2022.

In determining the fair value of the 2017 Emergence Date Warrants, the dividend yield was assumed to be zero as the Predecessor Company did not anticipate paying dividends on its common stock throughout the term of the warrants.

Financial Statement Information Related to Derivative Instruments

The following table summarizes the fair value of the Predecessor Company's derivatives on a gross basis, including accrued interest, segregated between those that are designated as hedging instruments and those that are not designated as hedging instruments:

		Predecessor	
		September 30, 2022	
(In millions)	Balance Sheet Caption	Asset	Liability
Derivatives Not Designated as Hedging Instruments:			
Interest rate contracts	Other current assets	15	—
Interest rate contracts	Other assets	40	—
Interest rate contracts	Other current liabilities	—	2
Debt-related embedded derivatives	Long-term debt	—	72
Total derivatives fair value		**$ 55**	**$ 74**

The following table provides information regarding the location and amount of pre-tax gains (losses) for interest rate contracts designated as cash flow hedges:

	Predecessor			
	Period from October 1, 2022 through May 1, 2023		Fiscal year ended September 30, 2022	
(In millions)	Interest (Expense) Income, net	Other Comprehensive Loss	Interest (Expense) Income, net	Other Comprehensive Income
Financial Statement Line Item in which Cash Flow Hedges are Recorded	$ 2	$ (122)	$ (224)	$ 323
Impact of cash flow hedging relationships:				
Gain recognized in AOCI on interest rate swaps	—	—	—	76
Interest expense reclassified from AOCI	62	(62)	(40)	40

The following table provides information regarding the pre-tax (losses) gains for derivatives not designated as hedging instruments on the Consolidated Statements of Operations:

		Predecessor	
(In millions)	Location of Derivative Pre-tax (Loss) Gain	Period from October 1, 2022 through May 1, 2023	Fiscal year ended September 30, 2022
Interest rate contracts	Interest (expense) income, net	$ (13)	$ 42
Debt-related embedded derivatives	Interest (expense) income, net	72	(38)
2017 Emergence Date Warrants	Other income, net	—	9
Foreign exchange contracts	Other income, net	—	(5)

The Company records its derivatives on a gross basis in the Consolidated Balance Sheets. The Predecessor Company had master netting agreements with several of its financial institution counterparties. The following table provides information on the Predecessor Company's derivative positions as if those subject to master netting arrangements were presented on a net basis, allowing for the right to offset by counterparty per the master netting agreements:

	Predecessor	
	September 30, 2022	
(In millions)	Asset	Liability
Gross amounts recognized in the Consolidated Balance Sheets	$ 55	$ 74
Gross amount subject to offset in master netting arrangements not offset in the Consolidated Balance Sheets	(2)	(2)
Net amounts	$ 53	$ 72

13. Fair Value Measurements

Pursuant to the accounting guidance for fair value measurements, fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability. Considerable judgment was required in developing certain of the estimates of fair value and accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

Fair Value Hierarchy

The accounting guidance for fair value measurements also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The inputs are prioritized into three levels that may be used to measure fair value:

Level 1: Inputs that reflect quoted prices for identical assets or liabilities in active markets that are observable.

Level 2: Inputs that reflect quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3: Inputs that are unobservable to the extent that observable inputs are not available for the asset or liability at the measurement date.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2022 (Predecessor) were as follows:

	Predecessor			
	September 30, 2022			
	Fair Value Measurements Using			
(In millions)	Total	Level 1	Level 2	Level 3
Assets:				
Interest rate contracts	$ 55	$ —	$ 55	$ —
Total assets	$ 55	$ —	$ 55	$ —
Liabilities:				
Interest rate contracts	$ 2	$ —	$ 2	$ —
Debt-related embedded derivatives	72	—	—	72
Total liabilities	$ 74	$ —	$ 2	$ 72

Interest rate contracts classified as Level 2 assets and liabilities are not actively traded and are valued using pricing models that use observable inputs.

Debt-related Embedded Derivatives classified as Level 3 liabilities are valued using the with-and-without model which is further described in Note 12, "Derivative Instruments and Hedging Activities."

In December 2022, the Predecessor Company terminated the outstanding interest rate contracts. The Successor Company did not enter into any interest rate contracts during the period from May 2, 2023 through September 30, 2023.

The following table provides changes to those fair value measurements using Level 3 inputs for the Predecessor:

(In millions)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Debt-Related Embedded Derivatives	2017 Emergence Date Warrants
Balance as of September 30, 2021 (Predecessor)	$ —	$ 9
Issuance of the Tranche B-3 Term Loans and Exchangeable Notes [2]	34	—
Change in fair value [1]	38	(9)
Balance as of September 30, 2022 (Predecessor)	$ 72	$ —
Change in fair value [1]	(72)	—
Balance as of May 1, 2023 (Predecessor)	$ —	$ —

(1) The change in fair value of the 2017 Emergence Date Warrants was recorded in Other income, net. The change in fair value of the debt-related embedded derivatives was recorded in Interest expense. Prior to the Petition Date, the Predecessor Company wrote down the full fair value of the debt-related embedded derivatives to Interest expense based on active negotiations with the lenders and an expected recovery rate of zero.

(2) The fair value of the embedded derivatives as of the issuance date was recorded as a reduction of the initial carrying amount of the Tranche B-3 Term Loans and Exchangeable Notes (as part of the debt discount).

During the period from October 1, 2022 through May 1, 2023 (Predecessor) and fiscal 2022 (Predecessor), there were no transfers into or out of Level 3.

14. Income Taxes

Under the Plan, a substantial amount of the Predecessor Company's debt was extinguished. Absent an exception, a debtor recognizes the cancellation of indebtedness income ("CODI") upon discharge of its outstanding indebtedness for an amount of consideration that is less than its adjusted issue price. The Internal Revenue Code of 1986, as amended, provides that a debtor in a bankruptcy case may exclude CODI from taxable income but must reduce certain of its tax attributes by the amount of any CODI recognized as a result of the consummation of the Plan. The amount of CODI recognized by a taxpayer is the adjusted issue price of any indebtedness discharged less the sum of (i) the amount of cash paid, (ii) the issue price of any new indebtedness issued and (iii) the fair market value of any other consideration, including equity issued. The Successor Company's U.S. federal net operating loss ("NOL"), tax credits and other tax attributes not utilized during the taxable year ended September 30, 2023 have been reduced due to the recognition of CODI as described above. As of September 30, 2022 (Predecessor), May 1, 2023 (Predecessor), and September 30, 2023 (Successor), a full valuation allowance was established in any jurisdiction that had a net deferred tax asset.

The Successor Company's U.S. and non-U.S. deferred taxes were adjusted as of May 1, 2023 as part of fresh start accounting. These deferred taxes adjustments are primarily related to differences arising from recording intangible and other assets at fair market value.

The provision for current and deferred income taxes is presented below:

	Successor	Predecessor	
(In millions)	Period from May 2, 2023 through September 30, 2023	Period from October 1, 2022 through May 1, 2023	Fiscal year ended September 30, 2022
Income (loss) before income taxes	$ (148)	$ 1,420	$ (2,049)
CURRENT	3	14	(9)
DEFERRED	—	13	(38)
Benefit from (provision for) income taxes	**$ 3**	**$ 27**	**$ (47)**

The Successor Company's effective income tax rate of 2.2% for the period from May 2, 2023 through September 30, 2023, differed from the U.S. federal tax rate of 21% principally related to deferred taxes (including losses) for which no benefit was recorded.

The Predecessor Company's effective income tax rate of (1.9)% for the period from October 1, 2022 through May 1, 2023, differed from the U.S. federal tax rate of 21% principally related to the cancellation of debt income excluded from taxable income, benefit from Predecessor tax losses carried back to prior periods, release of deferred taxes from Accumulated Other Comprehensive Income upon termination of interest rate swaps, and deferred taxes (including losses) for which no benefit was recorded.

The Predecessor Company's effective income tax rate of (2.3)% for fiscal 2022, differed from the U.S. federal tax rate of 21% principally related to non-deductible portion of goodwill, and deferred taxes (including losses) for which no benefit was recorded.

Deferred income taxes are provided for the effects of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax purposes.

Total deferred tax assets, liabilities and valuation allowance recognized are $1,544 million, $38 million and $1,554 million, respectively, for the period ended September 30, 2023 (Successor).

Total deferred tax assets, liabilities and valuation allowance recognized are $1,049 million, $66 million and $1,026 million, respectively, for the period ended September 30, 2022 (Predecessor).

Significant components of the Successor Company's deferred tax assets and liabilities as of the period ended September 30, 2023 (Successor), were primarily related to loss carryforwards, as well as benefit obligations and intangible assets.

Significant components of the Predecessor Company's deferred tax assets and liabilities as of the period ended September 30, 2022, were primarily related to loss carryforwards, as well as benefit obligations and intangible assets.

In assessing the realization of deferred tax assets, the Company considers whether it is more likely than not that a portion or all of the deferred tax assets will not be realized. The Company has considered a range of positive and negative evidence, including whether there has been a cumulative loss in the past three years, the scheduled reversal of deferred tax assets and liabilities, projected future taxable income and certain tax planning strategies in assessing the realization of its deferred tax assets. Based on this assessment, the Company determined that it is more likely than not that the deferred tax assets in significant

jurisdictions, including the U.S., Germany and Luxembourg, will not be realized to the extent they exceed the scheduled reversal of deferred tax liabilities.

During the period from May 2, 2023 through September 30, 2023 (Successor), the period from October 1, 2022 through May 1, 2023 (Predecessor) and fiscal 2022 (Predecessor), the Company's valuation allowance increased (decreased) by $(35) million, $563 million and $31 million, respectively, primarily driven by the changes in the deferred tax effects related to movements due to fresh start accounting, other comprehensive income (loss) and changes in NOLs. At September 30, 2023 (Successor), the valuation allowance of $1,554 million is comprised of $677 million, $269 million, $550 million and $58 million related to the U.S., Germany, Luxembourg and other foreign subsidiaries, respectively. The recognition of valuation allowances will continue to adversely affect the Successor Company's effective income tax rate.

As of September 30, 2023, the Successor Company had tax-effected operating and capital loss carryforwards of $1,220 million, comprised of $271 million for U.S. federal, state and local jurisdictions and $948 million in foreign jurisdictions, including $252 million and $655 million in Germany and Luxembourg, respectively. As of September 30, 2022, the Predecessor Company had tax-effected operating losses of $927 million, comprised of $61 million for U.S. federal, state and local jurisdictions and $866 million in foreign jurisdictions, including $224 million and $598 million in Germany and Luxembourg, respectively. The increase in the Foreign tax losses is primarily driven by foreign exchange rates used in translation of these foreign currency balances.

The majority of the operating tax losses can be carried forward indefinitely. The capital losses can be carried forward 5 years.

The Company has established a deferred tax liability for U.S. taxes and non-U.S. withholding taxes to be incurred upon the remittance of foreign earnings which was $40 million as of September 30, 2023 (Successor) and $28 million as of September 30, 2022 (Predecessor). As of September 30, 2023 (Successor) and September 30, 2022 (Predecessor), the Company had determined that the presumption of full repatriation of undistributed foreign earnings can no longer be overcome and have calculated the provision on this basis.

As of September 30, 2023 (Successor), there were $97 million of unrecognized tax benefits ("UTBs") associated with uncertain tax positions and an additional $22 million of accrued interest and penalties related to these amounts. The Successor Company estimates $48 million of UTBs would affect the effective tax rate if recognized. The Company's policy is to include interest and penalties related to its uncertain tax positions within the benefit from (provision for) income taxes. Included in the benefit from (provision for) income taxes for the period from May 2, 2023 through September 30, 2023 (Successor), the period from October 1, 2022 through May 1, 2023 (Predecessor) and for fiscal 2022 (Predecessor) was a net interest and penalties income (expense) of $(1) million, $(2) million and $3 million, respectively. The Company files corporate income tax returns with the federal government in the U.S. and with multiple U.S. state and local jurisdictions and foreign tax jurisdictions. In the ordinary course of business these income tax returns will be examined by the tax authorities. Various foreign income tax returns, such as Germany, India, Ireland, and the Netherlands are under examination by taxing authorities for tax years ranging from 2006 through 2022. It is reasonably possible that the total amount of UTB will decrease by an estimated $8 million in the next 12 months as a result of these examinations and by an estimated $10 million as a result of the expiration of the statute of limitations.

15. Benefit Obligations

Pension, Post-retirement and Post-employment Benefits

The Company sponsors non-contributory defined benefit pension plans covering a portion of its U.S. employees and retirees, and post-retirement benefit plans covering a portion of its U.S. employees and retirees that include healthcare benefits and life insurance coverage. Certain non-U.S. operations have various retirement benefit programs covering substantially all of their employees. Some of these programs are considered to be defined benefit pension plans for accounting purposes.

As of February 2021, the Company and the Communications Workers of America ("CWA") and the International Brotherhood of Electrical Workers ("IBEW"), agreed to extend the 2009 Collective Bargaining Agreement until June 24, 2023. On December 8, 2023, the Company and IBEW agreed on a new collective bargaining agreement that is in effect until December 8, 2026. On December 15, 2023, the Company imposed its last, best and final terms of the negotiated agreement with the CWA after reaching impasse. The contract extensions did not affect the Company's obligation for pension and post-retirement benefits available to U.S. employees of the Company who are represented by the CWA or IBEW ("represented employees").

Effective January 1, 2023, the Avaya Inc. Health & Welfare Benefits Plan for Retirees was amended to change the Avaya Traditional Indemnity Dental plan to a preferred provider organization plan. This amendment was incorporated into the actuarial measurement as of September 30, 2022 (Predecessor).

In connection with the Company's Emergence from bankruptcy, the Successor Company entered into a settlement with the Pension Benefit Guaranty Corporation (the "PBGC") providing for the assumption of the hourly pension plan and the consensual termination of the settlement with the PBGC entered into as part of the Predecessor Company's 2017 plan of reorganization, including the excess contribution obligations thereunder.

The Predecessor Company remeasured the plans' assets and obligations as of May 1, 2023 (Predecessor) prior to the adoption of fresh start accounting. The remeasurement resulted in a curtailment and settlement gain of $1 million each in the non-U.S. pension plan, which was recognized in the Consolidated Statement of Operations. The remeasurement of the plan's assets and obligations also resulted in an increase in the U.S. pension liability and non-U.S. pension liability of $8 million and $2 million, respectively, and a decrease in the other post-retirement benefit plan liability of $1 million.

Effective December 31, 2023, the Company terminated the salaried and represented health benefit plans under the Avaya Health & Welfare Benefits Plan for Retirees and the Avaya Health & Welfare Benefits Plan for Salaried Retirees. As a result of the termination, the Company will cease to provide medical and dental benefits to retirees effective December 31, 2023 and plan participants will have until June 30, 2024 to submit expenses for health care costs incurred through December 31, 2023 for reimbursement under the plan. The Company will continue to provide life insurance benefits to participants under the salaried and represented life insurance plans. See Note 21, "Subsequent Events" for further details.

A reconciliation of the changes in the benefit obligations and fair value of assets of the defined benefit pension and post-retirement plans, the funded status of the plans and the amounts recognized in the Consolidated Balance Sheets are provided in the tables below:

(In millions)	Successor	Predecessor	
	Period from May 2, 2023 through September 30, 2023	Period from October 1, 2022 through May 1, 2023	Fiscal year ended September 30, 2022
Pension Benefits - U.S.			
Change in benefit obligation			
Projected benefit obligation at beginning of period	$ 817	$ 798	$ 1,081
Service cost	1	1	3
Interest cost	15	23	21
Actuarial (gain) loss	(60)	41	(232)
Benefits paid	(30)	(46)	(75)
Projected benefit obligation at end of period	**$ 743**	**$ 817**	**$ 798**
Change in plan assets			
Fair value of plan assets at beginning of period	$ 702	$ 687	$ 932
Actual (loss) return on plan assets	(37)	61	(170)
Benefits paid	(30)	(46)	(75)
Fair value of plan assets at end of period	$ 635	$ 702	$ 687
Funded status at end of period	**$ (108)**	**$ (115)**	**$ (111)**
Amount recognized in the Consolidated Balance Sheets consists of:			
Accrued benefit liability, noncurrent	$ (108)	$ (115)	$ (111)
Net amount recognized	**$ (108)**	**$ (115)**	**$ (111)**
Amount recognized in Accumulated other comprehensive (income) loss (pre-tax) consists of:			
Net actuarial (gain) loss	$ (4)	$ —	$ 70
Net amount recognized	**$ (4)**	**$ —**	**$ 70**
Weighted average assumptions used to determine benefit obligations			
Discount rate	5.68 %	4.73 %	5.34 %
Rate of compensation increase	3.00 %	3.00 %	3.00 %

(In millions)	Successor	Predecessor	
	Period from May 2, 2023 through September 30, 2023	Period from October 1, 2022 through May 1, 2023	Fiscal year ended September 30, 2022
Pension Benefits - Non-U.S.			
Change in benefit obligation			
Projected benefit obligation at beginning of period	$ 366	$ 334	$ 541
Service cost	2	3	7
Interest cost	6	8	6
Actuarial (gain) loss	(24)	3	(117)
Benefits paid	(2)	(12)	(22)
Foreign currency exchange rate changes	(12)	39	(81)
Settlements	(1)	(8)	—
Curtailments	—	(1)	—
Projected benefit obligation at end of period	**$ 335**	**$ 366**	**$ 334**
Change in plan assets			
Fair value of plan assets at beginning of period	$ 15	$ 15	$ 20
Actual (loss) return on plan assets	—	—	(2)
Employer contributions	7	18	22
Benefits paid	(2)	(12)	(22)
Foreign currency exchange rate changes	(1)	2	(3)
Settlements	(1)	(8)	—
Fair value of plan assets at end of period	$ 18	$ 15	$ 15
Funded status at end of period	**$ (317)**	**$ (351)**	**$ (319)**
Amount recognized in the Consolidated Balance Sheets consists of:			
Noncurrent assets	$ 2	$ 2	$ 2
Accrued benefit liability, current	(24)	(21)	(22)
Accrued benefit liability, noncurrent	(295)	(332)	(299)
Net amount recognized	**$ (317)**	**$ (351)**	**$ (319)**
Amount recognized in Accumulated other comprehensive (income) loss (pre-tax) consists of:			
Net actuarial (gain)	$ (23)	$ —	$ (109)
Net amount recognized	**$ (23)**	**$ —**	**$ (109)**
Weighted average assumptions used to determine benefit obligations			
Discount rate	4.31 %	3.76 %	3.88 %
Rate of compensation increase	2.69 %	2.67 %	2.69 %

(In millions)	Successor	Predecessor	
	Period from May 2, 2023 through September 30, 2023	Period from October 1, 2022 through May 1, 2023	Fiscal year ended September 30, 2022
Post-retirement Benefits - U.S.			
Change in benefit obligation			
Benefit obligation at beginning of period	$ 130	$ 130	$ 179
Service cost	—	—	1
Interest cost	3	4	3
Actuarial (gain) loss	(10)	2	(38)
Benefits paid	(5)	(6)	(11)
Plan amendments	—	—	(4)
Benefit obligation at end of period	**$ 118**	**$ 130**	**$ 130**
Change in plan assets			
Fair value of plan assets at beginning of period	$ 17	$ 15	$ 21
Actual (loss) return on plan assets	(2)	2	(4)
Employer contributions	5	6	9
Benefits paid	(5)	(6)	(11)
Fair value of plan assets at end of period	$ 15	$ 17	$ 15
Funded status at end of period	**$ (103)**	**$ (113)**	**$ (115)**
Amount recognized in the Consolidated Balance Sheets consists of:			
Asset, noncurrent	$ 4	4	$ 5
Accrued benefit liability, current	(10)	(10)	(11)
Accrued benefit liability, noncurrent	(97)	(107)	(109)
Net amount recognized	**$ (103)**	**$ (113)**	**$ (115)**
Amount recognized in Accumulated other comprehensive (income) loss (pre-tax) consists of:			
Net prior service credit	$ —	$ —	$ (15)
Net actuarial loss (gain)	(8)	—	(43)
Net amount recognized	**$ (8)**	**$ —**	**$ (58)**
Weighted average assumptions used to determine benefit obligations			
Discount rate	5.67 %	4.72 %	5.33 %
Rate of compensation increase	3.00 %	3.00 %	3.00 %

As of September 30, 2023 (Successor), the change in the projected benefit obligation for U.S. pension, non-U.S. pension and other post-retirement benefit plans were mainly driven by higher discount rates.

As of May 1, 2023 (Predecessor), the change in the projected benefit obligation for U.S. pension and non-U.S. pension benefit plans were mainly driven by lower discount rates and a settlement and curtailment for the non-U.S. plans. The change in the other post-retirement benefit plans was not material.

As of September 30, 2022 (Predecessor), the change in the projected benefit obligation for U.S. pension and non-U.S. pension benefit plans were mainly driven by higher discount rates and a loss on assets for the U.S pension. The change in the other post-retirement benefit plans was driven by a higher discount rate as well as a plan amendment related to the dental plan.

The discount rate is subject to change each year, consistent with changes in rates of return on high-quality fixed-income investments currently available and expected to be available during the expected benefit payment period. The Company selects the assumed discount rate for its U.S. pension and post-retirement benefit plans by applying the rates from the Aon AA Above Median and Aon AA Only Bond Universe yield curves to the expected benefit payment streams and develops a rate at which it is believed the benefit obligations could be effectively settled. The Company follows a similar process for its non-U.S. pension plans by applying the Aon Euro AA corporate bond yield curve for the plans based in Europe and relevant country-specific bond indices for other locations.

Based on the published rates as of September 30, 2023, the Successor Company used a weighted average discount rate of 5.68% for the U.S. pension plans, 4.31% for the non-U.S. pension plans and 5.67% for the post-retirement plans, an increase of 34 basis points, 43 basis points and 34 basis points, respectively, from the prior year (Predecessor). As of September 30, 2023 (Successor), this had the effect of decreasing the projected U.S. pension, non-U.S. pension and post-retirement benefit obligations by $61 million, $19 million and $10 million, respectively. For fiscal 2024, this will reduce non-U.S. pension service costs by $1 million and have an immaterial effect on the U.S. pension and post-retirement service costs.

The Company uses the *White-Collar PRI-2012 Private Retirement Plans Mortality Tables* to reflect its estimate of future mortality for its salaried post-retirement benefit plans. For the U.S. pension and represented post-retirement benefit plans, the Company continued to use the *PRI-2012 Private Retirement Plans Mortality Tables*. The Company's mortality rate assumptions use the projected mortality improvement scale, *Mortality Projection-2021*, as published by the Society of Actuaries. As of September 30, 2023 (Successor), there was no change in the mortality rate assumptions that would have an effect on the projected U.S. pension obligations or post-retirement obligations.

The following table provides the accumulated benefit obligation for all defined benefit pension plans and information for pension plans with a projected benefit obligation and an accumulated benefit obligation in excess of plan assets:

	Pension Benefits - U.S.		Pension Benefits - Non-U.S.	
	Successor	Predecessor	Successor	Predecessor
(In millions)	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Accumulated benefit obligation for all plans	$ 743	$ 798	$ 324	$ 321
Plans with accumulated and projected benefit obligations in excess of plan assets				
Projected benefit obligation	$ 743	$ 798	$ 331	$ 330
Accumulated benefit obligation	$ 743	$ 798	$ 319	$ 317
Fair value of plan assets	$ 635	$ 687	$ 12	$ 9

The following table provides the accumulated benefit obligation for all post-retirement benefit plans and information for post-retirement benefit plans with an accumulated benefit obligation in excess of plan assets:

	Post-retirement Benefits - U.S.	
	Successor	Predecessor
(In millions)	September 30, 2023	September 30, 2022
Accumulated benefit obligation for all plans	$ 118	$ 130
Plans with accumulated benefit obligations in excess of plan assets		
Accumulated benefit obligation	$ 118	$ 120
Fair value of plan assets	$ 15	$ 15

Estimated future benefits expected to be paid in each of the next five fiscal years, and in aggregate for the five fiscal years thereafter, are presented below:

	Pension Benefits		Post-retirement Benefits
(In millions)	U.S.	Non-U.S.	
2024	$ 70	$ 25	$ 10
2025	69	22	11
2026	68	22	11
2027	67	23	11
2028	66	24	11
2029 - 2033	307	130	48
Total	$ 647	$ 246	$ 102

The components of the pension and post-retirement net periodic benefit (credit) cost for the periods indicated are provided in the table below:

(In millions)	Successor	Predecessor	
	Period from May 2, 2023 through September 30, 2023	Period from October 1, 2022 through May 1, 2023	Fiscal year ended September 30, 2022
Pension Benefits - U.S.			
Components of net periodic benefit credit			
Service cost	$ 1	$ 1	$ 3
Interest cost	15	23	21
Expected return on plan assets	(20)	(28)	(50)
Amortization of actuarial gain	—	(1)	—
Net periodic benefit credit	**$ (4)**	**$ (5)**	**$ (26)**
Weighted average assumptions used to determine net periodic benefit credit			
Discount rate	4.65 %	5.16 %	2.13 %
Expected return on plan assets	7.20 %	7.20 %	5.66 %
Rate of compensation increase	3.00 %	3.00 %	3.00 %
Pension Benefits - Non-U.S.			
Components of net periodic benefit cost			
Service cost	$ 2	$ 3	$ 7
Interest cost	6	8	6
Expected return on plan assets	(1)	—	(1)
Amortization of actuarial gain	—	(7)	—
Settlement gain	—	(1)	—
Curtailment gain	—	(1)	—
Net periodic benefit cost	**$ 7**	**$ 2**	**$ 12**
Weighted average assumptions used to determine net periodic benefit cost			
Discount rate	4.31 %	3.76 %	1.09 %
Expected return on plan assets	3.80 %	4.25 %	3.76 %
Rate of compensation increase	2.69 %	2.67 %	2.62 %
Post-retirement Benefits - U.S.			
Components of net periodic benefit cost			
Service cost	$ —	$ —	$ 1
Interest cost	3	4	3
Expected return on plan assets	—	—	(1)
Amortization of prior service credit	—	(3)	(5)
Amortization of actuarial (gain) loss	—	(1)	2
Net periodic benefit cost	**$ 3**	**$ —**	**$ —**
Weighted average assumptions used to determine net periodic benefit cost			
Discount rate	4.47 %	5.17 %	2.31 %
Expected return on plan assets	5.37 %	4.35 %	4.35 %
Rate of compensation increase	3.00 %	3.00 %	3.00 %

The service components of net periodic benefit (credit) cost were recorded similar to compensation expense, while all other components were recorded in Other income, net.

The Company's general funding policy with respect to its U.S. qualified pension plans is to contribute amounts at least sufficient to satisfy the minimum amount required by applicable law and regulations, or to directly pay benefits where appropriate. In March 2021, the American Rescue Plan Act was signed into law, providing limited interest-rate relief provisions and an extended shortfall amortization period for pension funding and retirement plan distributions. As a result, the Company did not make any contributions to the U.S. pension plans during the period from May 2, 2023 through September 30, 2023 (Successor), the period from October 1, 2022 through May 1, 2023 (Predecessor) or fiscal 2022 (Predecessor). The Company expects to make contributions totaling $10 million to the U.S. pension plans in fiscal 2024 (Successor).

Contributions to the non-U.S. pension plans were $7 million, $18 million and $22 million for the period from May 2, 2023 through September 30, 2023 (Successor), the period from October 1, 2022 through May 1, 2023 (Predecessor) and fiscal 2022 (Predecessor), respectively. In fiscal 2024 (Successor), the Company estimates that it will make contributions totaling $23 million for non-U.S. plans.

Most post-retirement medical benefits are not pre-funded. Consequently, the Company makes payments directly to the claims administrator as retiree medical benefit claims are disbursed. These payments are funded by the Company up to the maximum contribution amounts specified in the plan documents and contracts with the CWA and IBEW, as well as contributions from the participants, if required. The Company made payments for retiree medical and dental benefits of $5 million, $6 million and $9 million for the period from May 2, 2023 through September 30, 2023 (Successor), the period from October 1, 2022 through May 1, 2023 (Predecessor) and for fiscal 2022 (Predecessor), respectively, which were net of reimbursements received from the represented employees' post-retirement health trust of $2 million for each of the period from October 1, 2022 through May 1, 2023 (Predecessor) and fiscal 2022 (Predecessor), respectively, related to payments in prior periods. No reimbursement was received for the period from May 2, 2023 through September 30, 2023 (Successor). The Company estimates it will make payments for retiree medical and dental benefits totaling $10 million during fiscal 2024 (Successor).

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) are provided in the tables below:

(In millions)	Successor	Predecessor	
	Period from May 2, 2023 through September 30, 2023	Period from October 1, 2022 through May 1, 2023	Fiscal year ended September 30, 2022
Pension Benefits - U.S.			
Net gain (loss)	$ 4	$ (8)	$ 11
Amortization of actuarial gain (loss)	—	(1)	—
Reorganization adjustments	—	79	—
Total recognized in Other comprehensive income (loss)	$ 4	$ 70	$ 11
Total recognized in net periodic benefit credit and Other comprehensive income (loss)	**$ 8**	**$ 75**	**$ 37**
Pension Benefits - Non-U.S.			
Net gain (loss)	$ 23	$ (3)	$ 115
Amortization of actuarial gain (loss)	—	(9)	—
Foreign exchange rate gain	—	—	—
Reorganization adjustments	—	(97)	—
Total recognized in Other comprehensive income (loss)	$ 23	$ (109)	$ 115
Total recognized in net periodic benefit cost and Other comprehensive income (loss)	**$ 16**	**$ (107)**	**$ 103**
Post-retirement Benefits - U.S.			
Net gain (loss)	$ 8	$ —	$ 33
Prior service credit	—	—	3
Amortization of prior service credit	—	(3)	(5)
Amortization of actuarial (gain) loss	—	(1)	2
Reorganization adjustments	—	(54)	—
Total recognized in Other comprehensive income (loss)	$ 8	$ (58)	$ 33
Total recognized in net periodic benefit cost and Other comprehensive income (loss)	**$ 5**	**$ (58)**	**$ 33**

The expected long-term rate of return on U.S. pension and post-retirement benefit plan assets is selected by applying forward-looking capital market assumptions to the strategic asset allocation approved by the governing body for each plan. The forward-looking capital market assumptions are developed by an investment adviser and reviewed by the Company for reasonableness. The return and risk assumptions consider such factors as anticipated long-term performance of individual asset classes, risk premium for active management based on qualitative and quantitative analysis, and correlations of the asset classes that comprise the asset portfolio.

The weighted average asset allocation of the pension and post-retirement plans by asset category and target allocation is as follows:

Asset Category	Successor September 30, 2023	Predecessor September 30, 2022	Long-term Target
Pension Benefits - U.S.			
Debt Securities	52 %	53 %	57 %
Equity Securities	29 %	26 %	33 %
Hedge Funds	6 %	7 %	5 %
Real Estate	8 %	9 %	5 %
Other[1]	5 %	5 %	— %
Total	100 %	100 %	100 %
Pension Benefits - Non-U.S.			
Debt Securities	5 %	7 %	
Asset Allocation Fund	34 %	19 %	
Insurance Contracts	61 %	74 %	
Total	100 %	100 %	
Post-retirement Benefits - U.S.			
Equity Securities	15 %	15 %	15 %
Debt Securities	85 %	85 %	85 %
Total	100 %	100 %	100 %

(1) Other includes cash/cash equivalents, derivative financial instruments and payables/receivables for pending transactions.

The Company's asset management strategy focuses on the dual objectives of improving the funded status of the pension plans and reducing the impact of changes in interest rates on the funded status. To improve the funded status of the pension plans, assets are invested in a diversified mix of asset classes designed to generate higher returns over time than the pension benefit obligation discount rate assumption. To reduce the impact of interest rate changes on the funded status of the pension plans, assets are invested in a mix of fixed income investments (including long-term debt) that are selected based on the characteristics of the benefit obligation of the pension plans. Strategic asset allocation is the principal method for achieving the Company's investment objectives, which are determined in the course of periodic asset-liability studies. The most recent asset-liability study was completed in 2023 for the pension plans.

As part of the Company's asset management strategy, investments are professionally managed and diversified across multiple asset classes and investment styles to minimize exposure to any one specific investment. Derivative instruments (such as forwards, futures, swaptions and swaps) may be held as part of the Company's asset management strategy. However, the use of derivative financial instruments for speculative purposes is prohibited by the Company's investment policy. Also, as part of the Company's investment strategy, the U.S. pension plans invest in hedge funds, real estate funds, private equity and commodities to provide additional uncorrelated returns.

The fair value of plan assets is determined by the trustee and reviewed by the Company, in accordance with the accounting guidance for fair value measurements and the fair value hierarchy discussed in Note 13, "Fair Value Measurements." Due to the inherent uncertainty of valuation, estimated fair values may differ significantly from the fair values that would have been used had quoted prices in an active market existed.

The following table summarizes the fair value measurements of the U.S. pension plan assets by asset class:

	Successor				Predecessor			
	September 30, 2023				September 30, 2022			
(In millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
U.S. Government debt securities[a]	$ —	$ 74	$ —	$ 74	$ —	$ 83	$ —	$ 83
Derivative instruments [b]	2	—	—	2	1	—	—	1
Total assets in the fair value hierarchy	2	74	—	76	1	83	—	84
Investments measured at net asset value:[c]								
Real estate[d]				54				62
Multi-strategy hedge funds[f]				37				50
Investment funds:[g]								
Cash equivalents				31				35
Long duration fixed income				256				282
U.S. equity				110				106
Non-U.S. equity				52				49
Emerging market equity				20				20
Total investments measured at net asset value				560				604
Other plan assets, net				(1)				(1)
Total plan assets at fair value	**$ 2**	**$ 74**	**$ —**	**$ 635**	**$ 1**	**$ 83**	**$ —**	**$ 687**

[a] Includes U.S. Treasury STRIPS, which are generally valued using institutional bid evaluations from various contracted pricing vendors. Institutional bid evaluations are estimated prices that represent the price a dealer would pay for a security. Pricing inputs to the institutional bid evaluation vary by security and include benchmark yields, reported trades, unadjusted broker/dealer quotes, issuer spreads, bids, offers or other observable market data.

[b] Includes future contracts that are generally valued using the last trade price at which a specific contract/security was last traded on the primary exchange, which is provided by a contracted vendor. If pricing is not available from the contracted vendor, then pricing is obtained from other sources such as Bloomberg, broker bid, ask/offer quotes or the investment manager.

[c] These investments are measured at fair value using the net asset value per share or its equivalent ("NAV") and have therefore not been classified in the fair value hierarchy.

[d] Includes open ended real estate commingled funds, close ended real estate limited partnerships, and insurance company separate accounts that invest primarily in U.S. office, lodging, retail and residential real estate. The insurance company separate accounts and the commingled funds account for their portfolio of assets at fair value and calculate the NAV on either a monthly or quarterly basis. Shares can be redeemed at the NAV on a quarterly basis, provided a written redemption request is received in advance (generally 45-91 days) of the redemption date. Therefore, the undiscounted NAV is used as the fair value measurement. For limited partnerships, the fair value of the underlying assets and the capital account for each investor is determined by the General Partner ("GP"). The valuation techniques used by the GP generally consist of unobservable inputs such as discounted cash flow analysis, analysis of recent comparable sales transactions, actual sale negotiations and bona fide purchase offers received from third parties. The partnerships are typically funded over time as capital is needed to fund asset purchases, and distributions from the partnerships are received as the partnerships liquidate their underlying asset holdings. Therefore, the life cycle for a typical investment in a real estate limited partnership is expected to be approximately 10 years from initial funding.

[e] Includes limited partner interests in various limited partnerships ("LPs") that invest primarily in U.S. and non-U.S. investments either directly, or through other partnerships or funds with a focus on venture capital, buyouts, expansion capital, or companies undergoing financial distress or significant restructuring. The NAV of the LPs and of the capital account of each investor is determined by the GP of each LP. Marketable securities held by the LPs are valued based on the closing price on the valuation date on the exchange where they are principally traded and may be adjusted for legal restrictions, if any. Investments without a public market are valued based on assumptions made and valuation techniques used by the GP, which consist of unobservable inputs. Such valuation techniques may include discounted cash flow analysis, analysis of recent comparable sales transactions, actual sale negotiations and bona fide purchase offers received from third parties. The LPs are typically funded over time as capital is needed to fund purchases and distributions are received as the partnerships liquidate their underlying asset holdings.

[f] Includes hedge funds and funds of funds that pursue multiple strategies to diversify risks and reduce volatility. The funds account for their portfolio of assets at fair value and calculate the NAV of their fund on a monthly basis. The funds limit the frequency of redemptions to manage liquidity and protect the interests of the funds and its shareholders.

[g] Includes open-end funds and unit investment trusts that invest in various asset classes including: U.S. and non-U.S. corporate debt, U.S. government debt, municipal bonds, U.S. equity, non-U.S. developed and emerging markets equity, and commodities. The funds account for their portfolio of assets at fair value and calculate the NAV of the funds on a daily basis, and shares can be redeemed at the NAV. Therefore, the undiscounted NAV as reported by the funds is used as the fair value measurement.

The following table summarizes the fair value of the non-U.S. pension plan assets by asset class:

(In millions)	Successor September 30, 2023	Predecessor September 30, 2022
Investments measured at net asset value:[(a)]		
Investment funds:[(b)]		
Debt securities	$ 1	$ 1
Asset allocation	7	3
Insurance contracts[(c)]	11	11
Total plan assets at fair value	**$ 19**	**$ 15**

(a) These investments are measured at fair value using the NAV and have therefore not been classified in the fair value hierarchy.

(b) Includes collective investment funds that invest in various asset classes including U.S. and non-U.S. corporate debt and equity, and derivatives. The funds account for their portfolio of assets at fair value and calculate the NAV of the funds on a daily basis, and shares can be redeemed at the NAV. Therefore, the undiscounted NAV as reported by the funds is used as the fair value measurement.

(c) Most non-U.S. pension plans are funded through insurance contracts, which provide for a guaranteed interest credit and a profit-sharing adjustment based on the actual performance of the underlying investment assets of the insurer. The fair value of the contract is determined by the insurer based on the premiums paid by the Company plus interest credits plus the profit-sharing adjustment less benefit payments. The underlying assets of the insurer are invested in compliance with local rules or law, which tend to require a high allocation to fixed income securities.

The following table summarizes the fair value of the post-retirement plan assets by asset class:

(In millions)	Successor September 30, 2023	Predecessor September 30, 2022
Investments measured at net asset value:[(a)]		
Group life insurance contract measured at net asset value[(b)]	$ 15	$ 15
Total plan assets at fair value	**$ 15**	**$ 15**

(a) These investments are measured at fair value using the NAV and have therefore not been classified in the fair value hierarchy.

(b) The group life insurance contracts are held in a reserve of an insurance company that provides for investment of pre-funding amounts in a family of pooled separate accounts. The fair value of each group life insurance contract is primarily determined by the value of the units it owns in the pooled separate accounts that back the policy. Each of the pooled separate accounts provides a unit NAV on a daily basis, which is based on the fair value of the underlying assets owned by the account. The post-retirement benefit plans can transact daily at the unit NAV without restriction. As of September 30, 2023 (Successor), the asset allocation of the pooled separate accounts in which the contracts invest was approximately 85% fixed income securities, 9% U.S. equity securities and 6% non-U.S. equity securities.

Savings Plans

Substantially all of the Company's U.S. employees are eligible to participate in savings plans sponsored by the Company. The plans allow employees to contribute a portion of their compensation on a pre-tax and after-tax basis in accordance with specified guidelines. The Company matches a percentage of employee contributions up to certain limits. The Company's expense related to these savings plans was $9 million for fiscal 2022 (Predecessor). During the first quarter of fiscal 2023 (Predecessor), the Company suspended the employer match for salaried employees in the Avaya Savings Plan, and thus, no expenses were incurred for the period from May 2, 2023 through September 30, 2023 (Successor) and the period from October 1, 2022 through May 1, 2023 (Predecessor). The employer match was reinstated as of the beginning of the second quarter of fiscal 2024 (Successor).

16. Share-based Compensation

On the Emergence Date, the Predecessor Company's common and preferred stock were cancelled, and new Successor Company common stock was issued. Accordingly, the Predecessor Company's then existing share-based compensation awards were also cancelled, which resulted in the recognition of any previously unamortized expense on the date of cancellation.

Successor

2023 Equity Incentive Plan

Pursuant to the Plan, the Successor Company's Board of Directors (the "Successor Company's Board") adopted the Avaya Holdings Corp. 2023 Equity Incentive Plan (the "2023 Plan") which became effective on June 29, 2023.

Under the 2023 Plan, non-employee directors of the Successor Company's Board, certain affiliates of non-employee directors, employees of the Successor Company or any of its subsidiaries, and certain consultants and advisors may be granted stock options, restricted stock, restricted stock units ("RSUs), performance awards ("PRSUs") and other forms of awards granted or denominated in shares of the Successor Company's common stock, as well as certain cash-based awards. The Successor Company's Board, or any committee thereof, administers the 2023 Plan. The administrator has broad authority to, among other things: (i) select participants; (ii) determine the types of awards that participants are to receive and number of shares that are to be granted under such awards; and (iii) establish the terms and conditions of awards, including the price to be paid for the shares or awards.

The 2023 Plan provides for a total of 4,000,000 shares that may be issued or granted (the "Share Reserve"). As of September 30, 2023 (Successor), there were 1,048,880 shares available to be granted under the Share Reserve. The Share Reserve is reduced according to the number of shares of common stock eligible to be earned for awards granted under the 2023 Plan. Shares of common stock tendered by award recipients or withheld by the Successor Company as payment to the Successor Company for the exercise of stock options granted under the 2023 Plan are counted as a reduction to the Share Reserve. Shares of common stock withheld by the Successor Company in satisfaction of the applicable exercise price or withholding taxes upon the issuance, vesting, or settlement of awards, in each case, are counted as a reduction to the Share Reserve. To the extent that awards granted under the 2023 Plan are terminated, expired, cancelled, forfeited, exchanged, surrendered without having been exercised, vested or settled, the shares of common stock associated with the awards will again be available for issuance under the Share Reserve. Any award under the 2023 Plan settled in cash will not be counted against the Share Reserve.

Pre-tax share-based compensation expense for the period from May 2, 2023 through September 30, 2023 was $3 million, and the income tax benefit recognized in the Consolidated Statements of Operations for share-based compensation arrangements was $1 million.

Restricted Stock Units

During the period from May 2, 2023 through September 30, 2023, the Successor Company granted RSUs to executives, non-employee directors, and other employees. RSUs granted to executives and employees vest ratably over four years and RSUs granted to non-employee directors vest ratably over one year. Compensation cost for RSUs was measured using the fair value of the Successor Company's common stock on the Emergence Date and was recognized utilizing graded attribution over the requisite service period.

A summary of RSU activity under the 2023 Plan for the period from May 2, 2023 through September 30, 2023 is presented below:

	Restricted Stock Units (In thousands)	Weighted Average Grant-Date Fair Value
Granted	1,221	$ 13.01
Forfeited	4	13.01
Non-vested at September 30, 2023 (Successor)	1,217	$ 13.01

As of September 30, 2023 (Successor), there was $14 million of unrecognized share-based compensation expense related to RSUs, which is expected to be recognized over a period of 3.9 years, or 3.5 years on a weighted average basis. No RSUs vested during the period from May 2, 2023 through September 30, 2023.

Performance Restricted Stock Units

During the period from May 2, 2023 through September 30, 2023, the Successor Company granted PRSUs that vest upon the satisfaction of both a time-based vesting condition ("Service Condition") and a performance-based vesting condition ("Performance Condition"). The Service Condition for these awards generally is satisfied over four years. The Performance

Condition will be satisfied when (i) the 45-day volume weighted average price of the Successor Company's common stock after the end of a lock-up period following an initial public offering and ending on the 10th anniversary of the Emergence Date (the "IPO Scenario"), or (ii) the value of a share of the Successor Company's common stock based on a change in control transaction (the "CIC Scenario"), or (iii) the value of a share of the Successor Company's common stock as determined by the value implied by a hypothetical change in control transaction occurring on the 10th anniversary of the Emergence Date (the "Wind-Up Date Scenario"), equals or exceeds $37.43, $67.37, or $89.82 ("Share Price Hurdles") with linear interpolation between the Share Price Hurdles.

A grant date fair value was calculated separately for each scenario described above, and compensation cost was recognized based on the value associated with the probable outcome. Accordingly, no compensation cost was recognized based on the grant fair value associated with the IPO Scenario or the CIC Scenario as these constitute liquidity events that are not considered probable until the date of the consummation of the liquidity event. As a result, share-based compensation expense for the PRSUs was recognized based on the grant date fair value and requisite service period associated with the Wind-Up Date Scenario as this was determined to be the most probable outcome as of September 30, 2023 (Successor).

The grant date fair value of the PRSUs in the Wind-Up Date Scenario is recognized as expense ratably from the award grant date through the 10th anniversary of the Emergence Date ("Wind-Up Date") and will not be adjusted in future periods based upon the success or failure of the award to meet or exceed the Share Price Hurdles on the Wind-Up Date. If a liquidity event occurs prior to the Wind-Up Date, the Successor Company will recognize a cumulative catch-up adjustment to earnings in the period of revision for such changes in its probability assessment, using the grant date fair value that reflects the updated probable performance condition.

The grant date fair value of the PRSUs was determined using the Monte Carlo simulation model. The Monte Carlo simulation model requires certain subjective inputs and assumptions, including the fair value of the Company's common stock, as discussed above, risk-free interest rates, expected stock price volatility, and expected dividend yield of the common stock. The weighted average grant date assumptions used to estimate the fair value of the PRSUs under the Wind-Up Date Scenario is as follows:

	Successor
	Period from May 1, 2023 through September 30, 2023
Expected volatility[1]	55.00 %
Risk-free interest rate[2]	3.89 %
Dividend yield[3]	— %

(1) Expected volatility based on peer group companies adjusted for the Successor Company's leverage.

(2) Risk-free interest rate based on U.S. Treasury yields with a term equal to the length of time between the award grant date and the Wind-Up Date.

(3) Dividend yield was assumed to be zero as the Successor Company does not anticipate paying dividends on its common stock.

A summary of PRSU activity under the 2023 Plan for the period from May 2, 2023 through September 30, 2023 is presented below:

	Performance Restricted Stock Units (In thousands)	Weighted Average Grant-Date Fair Value
Granted	1,741	$ 7.68
Forfeited	6	7.68
Non-vested at September 30, 2023 (Successor)	1,735	$ 7.68

As of September 30, 2023 (Successor), there was $13 million of unrecognized share-based compensation expense related to PRSUs, which is expected to be recognized over a period of 9.6 years, or 9.6 years on a weighted average basis. No PRSUs vested during the period from May 2, 2023 through September 30, 2023 (Successor).

Predecessor

Prior to Emergence, the Predecessor Company had granted share-based awards that were cancelled upon Emergence. In conjunction with the cancellation, the Predecessor Company accelerated the unrecognized share-based compensation expense associated with these awards and recorded $25 million of expense in the period from October 1, 2022 through May 1, 2023 in the Consolidated Statements of Operations. Pre-tax share-based compensation expense for fiscal 2022 (Predecessor) was $27 million. The income tax (expense) benefit recognized in the Consolidated Statements of Operations for share-based

compensation arrangements in the period from October 1, 2022 through May 1, 2023 (Predecessor) and fiscal 2022 (Predecessor) was $(4) million and $4 million, respectively.

2019 Equity Incentive Plan

The Avaya Holdings Corp. 2019 Equity Incentive Plan approved on March 4, 2020, and the amendment approved to such plan on March 2, 2022 (as amended, the "2019 Plan") governed the issuance of equity awards, including stock options, restricted stock, restricted stock units, performance awards and other forms of awards granted or denominated in shares of Predecessor Common Stock, as well as certain cash-based awards, to eligible plan participants. Non-employee directors, employees of the Predecessor Company or any of its affiliates, and certain consultants and advisors were eligible to receive awards under the 2019 Plan. The 2019 Plan was administered by the Predecessor Company's Board of Directors (the "Predecessor Company's Board") or any other committee duly authorized. The administrator had broad authority to, among other things: (i) select participants; (ii) determine the types of awards that participants were to receive and the number of shares that were to be granted under such awards; and (iii) establish the terms and conditions of awards, including the price to be paid for the shares or the awards.

The 2019 Plan provided for a total of 25,300,000 shares of common stock that could have been issued or granted, which could be adjusted for shares that become available from existing awards issued under the Predecessor Company's prior equity incentive plans in accordance with the terms of the 2019 Plan. Awards granted under the 2019 Plan reduced the aggregate number of shares of the Predecessor Company's common stock that could have been granted or issued under the 2019 Plan as follows:

2019 Plan Award	**Reduction to the 2019 Plan Capacity**
Restricted stock units granted prior to March 2, 2022	1.7 shares
Restricted stock units granted on or after March 2, 2022	1.5 shares
Stock options and stock appreciation rights (regardless of grant date)	1 share

As of September 30, 2022 (Predecessor), there were 12,404,618 shares available to be granted under the 2019 Plan. If any awards expired, terminated or were cancelled or forfeited for any reason without having been exercised or vested in full, the number of shares of common stock underlying any such award (as described above) would again have been available for issuance under the 2019 Plan. Any awards under the 2019 Plan settled in cash were not counted against the foregoing maximum share limitations. Shares withheld by the Predecessor Company in satisfaction of the applicable exercise price or withholding taxes upon the issuance, vesting or settlement of awards, shares reacquired by the Predecessor Company on the open market or otherwise using cash proceeds from the exercise of options, in each case, were available for future issuance under the 2019 Plan. All awards and the shares reserved under the 2019 Plan were cancelled upon Emergence.

2022 Omnibus Inducement Plan

On July 28, 2022, the Predecessor Company's Board adopted the 2022 Omnibus Inducement Equity Plan (the "2022 Inducement Plan") pursuant to which the Predecessor Company reserved 4,812,500 shares of the Predecessor Company's common stock for issuance. An award under the 2022 Inducement Plan could only be granted to the extent the award was intended to qualify as an "employment inducement award" under the NYSE Listing Rules. Alan B. Masarek, who was appointed as the Predecessor Company's President and Chief Executive Officer effective August 1, 2022, was the only participant in the 2022 Inducement Plan. As of September 30, 2022 (Predecessor), there were no shares available to be granted under the 2022 Inducement Plan. All awards under the 2022 Inducement Plan were cancelled upon Emergence.

Stock options and RSUs granted to employees generally vested ratably over a period of three years. PRSUs granted to certain senior executive employees generally vested at the end of a three-year service period. Awards granted to non-employee directors vested immediately. The aggregate grant date fair value of all awards granted to any non-employee director during any fiscal year (excluding awards made pursuant to deferred compensation arrangements made in lieu of all or a portion of cash retainers and any dividends payable in respect of outstanding awards) could not exceed $750,000.

During the fourth quarter of fiscal 2022, the Predecessor Company suspended distribution of shares under the 2019 Equity Incentive Plan and suspended purchases of shares under the Employee Stock Purchase Plan until the Predecessor Company's registration statements were reinstated. Existing awards issued under the 2019 Plan continued to vest in accordance with the terms of the respective award agreements. As of September 30, 2022 (Predecessor), there were 219,406 RSUs that vested but were unissued under the 2019 Plan.

Restricted Stock Units

Under the 2019 Plan, compensation cost for RSUs granted to employees and non-employee directors was generally measured by using the closing market price of the Predecessor Company's common stock at the date of grant. No RSUs were granted during the period from October 1, 2022 through May 1, 2023 (Predecessor).

A summary of RSU activity for the period from October 1, 2022 through May 1, 2023 (Predecessor) is presented below:

	Restricted Stock Units (In thousands)	Weighted Average Grant-Date Fair Value
Non-vested at September 30, 2022 (Predecessor)	4,244	$ 13.94
Vested	(1,081)	16.28
Forfeited	(888)	17.53
Non-vested at May 1, 2023 (Predecessor)	2,275	$ 11.43

All RSUs that were unvested, as well as all RSUs that were vested but unissued, as of May 1, 2023 (Predecessor), were cancelled upon Emergence. The weighted average grant date fair value for RSUs granted during fiscal 2022 (Predecessor) was $14.03. The total grant date fair value for RSUs vested during the period from October 1, 2022 through May 1, 2023 (Predecessor) and fiscal 2022 (Predecessor) was $18 million and $32 million, respectively.

Performance Restricted Stock Units

Under the 2019 Plan, the Predecessor Company granted PRSUs which vested based on the attainment of specified performance metrics for each of the next three separate fiscal years (collectively the "Performance Period"), as well as the achievement of total shareholder return over the Performance Period for the Predecessor Company as compared to the total shareholder return for a specified index of companies over the same period (the "Performance PRSUs"). During the Performance Period, the Predecessor Company adjusted compensation expense for the Performance PRSUs based on its best estimate of attainment of the specified annual performance metrics. The cumulative effect on current and prior periods of a change in the estimated number of Performance PRSUs that was expected to be earned during the Performance Period was recognized as an adjustment to earnings in the period of the revision.

No performance PRSUs were granted during the period from October 1, 2022 through May 1, 2023 (Predecessor). The weighted average grant date fair value for Performance PRSUs granted in fiscal 2022 (Predecessor) was $21.89. The grant date fair value of the Performance PRSUs was determined using a Monte Carlo simulation model that incorporated multiple valuation assumptions, including the probability of achieving the total shareholder return market condition and the following assumptions presented on a weighted-average basis:

	Predecessor
	Fiscal year ended September 30, 2022
Expected volatility[1]	67.59 %
Risk-free interest rate[2]	0.76 %
Dividend yield[3]	— %

(1) Expected volatility was based on the Predecessor Company's historical data for awards granted.

(2) Risk-free interest was rate based on U.S. Treasury yields with a term equal to the remaining Performance Period as of the grant date.

(3) Dividend yield was assumed to be zero as the Predecessor Company did not anticipate paying dividends on its common stock.

During fiscal 2022, the Predecessor Company granted 2,625,000 PRSUs under the 2022 Inducement Plan with a grant date fair value of $0.37 per PRSU, at the target level of attainment (the "Market PRSUs"). The Market PRSUs could become eligible to vest at varying levels of attainment, subject to a maximum of 150%, if the 90-day volume-weighted average price of one share of the Predecessor Company's common stock equaled or exceeded $5.00, $10.00, and $15.00 on or before the four-year anniversary of the grant date. Any Market PRSUs that became eligible to vest within two years from the grant date would vest on the two-year anniversary of the grant date. Any Market PRSUs that became eligible to vest after the two-year anniversary would vest immediately. The grant date fair value of the Market PRSUs at the maximum level of attainment was recognized as expense ratably over the derived service period and would not have been adjusted in future periods for the success or failure to achieve the various specified market conditions. The average derived service period for the Market PRSUs granted during fiscal 2022 (Predecessor) was 2.6 years.

No Market PRSUs were granted during the period from October 1, 2022 through May 1, 2023 (Predecessor). The weighted average grant date fair value for PRSUs granted during fiscal 2022 (Predecessor) was $4.74. The grant date fair value of Market PRSUs granted during fiscal 2022 (Predecessor) was determined using a Monte Carlo simulation model that incorporated multiple valuation assumptions, including the probability of achieving the specified market conditions and the following assumptions:

	Predecessor
	Fiscal year ended September 30, 2022
Expected volatility[1]	84.91 %
Risk-free interest rate[2]	2.72 %
Dividend yield[3]	— %

(1) Expected volatility was based on the Predecessor Company's historical data.

(2) Risk-free interest rate was based on U.S. Treasury yields with a term equal to the eligible vesting period of the award.

(3) Dividend yield was assumed to be zero as the Predecessor Company did not anticipate paying dividends on its common stock.

A summary of total PRSU activity during the period from October 1, 2022 through May 1, 2023 (Predecessor) is presented below:

	Performance Restricted Stock Units (In thousands)	Weighted Average Grant-Date Fair Value[1]
Non-vested at September 30, 2022 (Predecessor)	3,254	$ 3.80
Change in shares due to performance	(2,625)	0.37
Forfeited	(482)	18.49
Non-vested at May 1, 2023 (Predecessor)	147	$ 16.97

(1) The grant date fair value of the Performance PRSUs was calculated using the grant date fair value of each award at the target level of attainment which could differ from the grant date fair value associated with the probable outcome of each award at the reporting date.

All PRSUs that were unvested as of May 1, 2023 (Predecessor) were cancelled upon Emergence. There were no PRSUs that vested during the period from October 1, 2022 through May 1, 2023 (Predecessor). The total grant date fair value for PRSUs vested during fiscal 2022 (Predecessor) was $3 million.

Stock Bonus Program

In fiscal 2021, the Predecessor Company adopted the Avaya Holdings Corp. Stock Bonus Program ("Stock Bonus Program") under which certain employees could elect to receive a specified percentage of their annual incentive bonus in the form of fully vested shares of the Predecessor Company's common stock in lieu of cash. Annually, the Predecessor Company's Board approved the maximum number of shares that could be issued under the Stock Bonus Program. For fiscal 2022, a maximum of 250,000 shares were approved for issuance under the Stock Bonus Program. The number of shares to be issued under the Stock Bonus Program would have been determined based on the attainment of specified annual performance targets and the average closing price of the Predecessor Company's common stock over a specified 5-trading day period. The Stock Bonus Program was classified as a liability. The Predecessor Company recorded compensation cost for the expected dollar value of the award and adjusted compensation expense for the awards based on its best estimate of attainment of its performance conditions. The cumulative effect of a change in the estimated value of the award was recognized as an adjustment to earnings in the period of the revision. During fiscal 2022, the Predecessor Company issued 249,985 shares of common stock in settlement of the 2021 Stock Bonus Program. The Predecessor Company's Board did not approve any shares for issuance under the Stock Bonus Program for fiscal 2023. The Stock Bonus Program was cancelled upon Emergence.

Stock Options

There were no options granted during the period from October 1, 2022 through May 1, 2023 (Predecessor) and fiscal 2022 (Predecessor).

A summary of option activity for the period from October 1, 2022 through May 1, 2023 (Predecessor) is presented below:

	Options (In thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (In thousands)
Outstanding at September 30, 2022 (Predecessor)	335	$ 19.46		
Cancelled	(4)	19.46		
Outstanding at May 1, 2023 (Predecessor)	331	$ 19.46	2.0	$ —
Exercisable at May 1, 2023 (Predecessor)	331	$ 19.46	2.0	$ —

During the period from October 1, 2022 through May 1, 2023 (Predecessor), there were no stock options exercised. During fiscal 2022 (Predecessor), there were 81,832 stock options exercised with a weighted average exercise price of $11.38. The intrinsic value of a stock option is the difference between a company's common stock price and the option exercise price. The total pre-tax intrinsic value of stock options exercised during fiscal 2022 (Predecessor) was $1 million. No stock options vested during the period from October 1, 2022 through May 1, 2023 (Predecessor) and fiscal 2022 (Predecessor). All stock options that were outstanding and exercisable as of May 1, 2023 (Predecessor) were cancelled upon Emergence.

Employee Stock Purchase Plan

On January 8, 2020, the Predecessor Company's Board approved the Avaya Holdings Corp. 2020 Employee Stock Purchase Plan, and on July 13, 2022 approved an amendment to such plan (as amended, the "ESPP"). A maximum of 5,500,000 shares of the Predecessor Company's common stock were reserved for issuance under the ESPP. Under the ESPP, eligible employees could purchase the Predecessor Company's common stock through payroll deductions at a discount not to exceed 15% of the lower of the fair market values of the Predecessor Company's common stock as of the beginning or end of each offering period. Beginning on September 1, 2022, each offering under the plan was for a six-month period. Prior to September 1, 2022, each offering was for a three-month period. Payroll deductions were limited to 10% of the employee's eligible compensation, and a maximum of 12,500 shares of the Predecessor Company's common stock could be purchased by an employee for each offering period. During the fourth quarter of fiscal 2022, the Predecessor Company suspended certain share issuances and other actions under the ESPP. Previous amounts withheld but not used to purchase shares of common stock were refunded to employees.

During fiscal 2022, the Predecessor Company withheld $9 million of eligible employee compensation for purchases of common stock and issued 1,291,901 shares of common stock under the ESPP. As of September 30, 2022 (Predecessor), 3,242,953 shares of common stock were available for future issuance under the ESPP which were cancelled upon Emergence.

The grant date fair value for shares issued under the ESPP was measured on the date that each offering period commenced. The average grant date fair value for the offering periods that commenced during fiscal 2022 (Predecessor) was $3.60 per share. The grant date fair value was determined using a Black-Scholes option pricing model with the following average grant date assumptions:

	Predecessor
	Fiscal year ended September 30, 2022
Expected volatility[1]	81.36 %
Risk-free interest rate[2]	0.51 %
Dividend yield[3]	— %

(1) Expected volatility was based on the Predecessor Company's historical data.

(2) Risk-free interest rate was based on U.S. Treasury yields with a term equal to the length of the offering period.

(3) Dividend yield was assumed to be zero as the Predecessor Company did not anticipate paying dividends on its common stock.

17. Capital Stock

Successor

Preferred Stock

The Successor Company's certificate of incorporation authorizes it to issue up to 20,000,000 shares of preferred stock with a par value of $0.01 per share. The Successor Board has the authority to establish from time to time the number of shares to be issued and to fix the voting rights, if any, designations, powers, preferences and relative, participating, optional, special and other rights, if any, of each issuance and any qualifications, limitations and restrictions thereof. As of September 30, 2023 (Successor), there were no preferred shares issued or outstanding.

Common Stock

The Successor Company's certificate of incorporation authorizes it to issue up to 80,000,000 shares of common stock with a par value of $0.01 per share. As of September 30, 2023 (Successor), there were 36,133,600 shares issued and 36,110,158 shares outstanding with the remaining 23,442 shares distributable in accordance with the Plan.

Predecessor

In connection with the Plan and the Company's emergence from bankruptcy, all equity interests in the Predecessor Company were cancelled, including the Series A Preferred Stock, common stock, and equity-based awards, and the attendant board designation rights described below associated with the Series A Preferred Stock were eliminated.

Preferred Stock

The Predecessor Company's certificate of incorporation authorized it to issue up to 55,000,000 shares of preferred stock with a par value of $0.01 per share. As of September 30, 2022 (Predecessor), there were 125,000 shares of preferred stock outstanding.

On October 31, 2019, the Predecessor Company issued 125,000 shares of its 3% Series A Convertible Preferred Stock, par value $0.01 per share ("Series A Preferred Stock"), to RingCentral for an aggregate purchase price of $125 million. The Series A Preferred Stock was convertible into shares of the Predecessor Company's common stock at an initial conversion price of $16.00 per share, which represented an approximately 9% interest in the Predecessor Company's common stock on an as-converted basis as of September 30, 2022 (Predecessor), assuming no holders of options, warrants, convertible notes or similar instruments exercised their exercise or conversion rights. The holders of the Series A Preferred Stock were entitled to vote, on an as-converted basis, together with holders of the Predecessor Company's common stock on all matters submitted to a vote of the holders of the common stock. Holders of the Series A Preferred Stock were entitled to receive dividends, in preference and priority to holders of the Predecessor Company's common stock, which accrued on a daily basis at the rate of 3% per annum of the stated value of the Series A Preferred Stock. The stated value of the Series A Preferred Stock was initially $1,000 per share and was increased by the sum of any dividends on such shares not paid in cash. These dividends were cumulative and compounded quarterly. The holders of the Series A Preferred Stock participated in any dividends the Predecessor Company paid on its common stock, equal to the dividend which holders would have received if their Series A Preferred Stock had been converted into common stock on the date such common stock dividend was determined. In the event the Predecessor Company was liquidated or dissolved, the holders of the Series A Preferred Stock were entitled to receive an amount equal to the liquidation preference (which equaled the then stated value plus any accrued and unpaid dividends) for each share of Series A Preferred Stock before any distribution was made to holders of the Predecessor Company's common stock.

The Series A Preferred Stock was redeemable at the Predecessor Company's election upon the termination of the agreement governing the terms of the commercial arrangement between the Predecessor Company and RingCentral (the "Framework Agreement"). In addition, the holders of the Series A Preferred Stock had certain rights to require the Predecessor Company to redeem or put rights to require the Predecessor Company to repurchase all or any portion of the Series A Preferred Stock. The holders could have exercised such redemption rights, upon at least 21 days' notice, after the termination of the Framework Agreement or upon the occurrence of certain events. If and to the extent the redemption right was exercised, the Predecessor Company would have been required to purchase each share of Series A Preferred Stock at the per share price equal to the stated value of the Series A Preferred Stock which would be increased by the sum of any dividends on such shares that had accrued and had been paid in kind, plus all accrued but unpaid dividends. Given that the holders of the Series A Preferred Stock could have required the Predecessor Company to redeem all or a portion of its shares, the Series A Preferred Stock was classified in the mezzanine section of the Predecessor's Consolidated Balance Sheets between Total liabilities and Stockholders' equity.

During both the period from October 1, 2022 through May 1, 2023 (Predecessor) and fiscal 2022 (Predecessor), the carrying value of the Series A Preferred Stock increased by $3 million due to accreted dividends paid in kind. As of September 30, 2022 (Predecessor), the carrying value of the Series A Preferred Stock was $133 million, which included $8 million of accreted dividends paid in kind.

In connection with the issuance of the Series A Preferred Stock, the Predecessor Company granted RingCentral certain customary consent rights with respect to certain actions by the Predecessor Company, including amending the Predecessor Company's organizational documents in a manner that would have an adverse effect on the Series A Preferred Stock and issuing securities that are senior to, or equal in priority with, the Series A Preferred Stock. In addition, pursuant to an investor rights agreement, until such time when RingCentral and its affiliates held or beneficially owned less than 4,759,339 shares of the Predecessor Company's common stock (on an as-converted basis), RingCentral had the right to nominate one person for election to the Predecessor Company's Board. The director designated by RingCentral had the option (i) to serve on the Predecessor Company's Audit and Nominating and Corporate Governance Committees or (ii) to attend (but not vote at) all of the Predecessor Company's Board's committee meetings. On November 6, 2020, Robert Theis was elected to join the Predecessor Company's Board as RingCentral's designee. On October 20, 2022, Robert Theis provided notice of his intent to resign from the Predecessor Company's Board effective October 31, 2022, in order to focus on his other commitments as General Partner of World Innovation Lab and Lead Independent Director of RingCentral. Mr. Theis's resignation was not due to any disagreement between Mr. Theis and the Predecessor Company on any matter relating to the Predecessor Company's operations, policies or practices. Subsequent to Mr. Theis's departure, RingCentral nominated Jill K. Frizzley for election to the Predecessor Company's Board. On December 13, 2022, Ms. Frizzley was elected to join the Predecessor Company's Board. On the Emergence Date, all members of the Predecessor Company's Board resigned and the Successor Company's Board was appointed pursuant to the Plan.

Common Stock

The Predecessor Company's certificate of incorporation authorized it to issue up to 550,000,000 shares of common stock with a par value of $0.01 per share. As of September 30, 2022 (Predecessor), there were 86,846,958 shares issued and outstanding. The Predecessor Company had 219,406 shares of common stock that were vested but not yet issued as of September 30, 2022. See Note 16, "Share-based Compensation," for further details.

The Predecessor Company maintained a warrant repurchase program which authorized the Predecessor Company to repurchase the 2017 Emergence Date Warrants for an aggregate expenditure of up to $15 million. The repurchases were to be made from time to time in the open market, through block trades or in privately negotiated transactions. As of September 30, 2022 (Predecessor), there were no warrant repurchases under the program. The Predecessor Company's 2017 Emergence Date Warrants expired on December 15, 2022, and none of the 2017 Emergence Date Warrants were repurchased.

The Predecessor Company maintained a share repurchase program which authorized the Predecessor Company to repurchase the Predecessor Company's common stock for an aggregate expenditure of up to $500 million. The repurchases were to be made from time to time in the open market, through block trades or in privately negotiated transactions. The Predecessor Company adopted purchase plans pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, to implement the share repurchase program. All shares that were repurchased under the program were retired by the Predecessor Company. During the period from October 1, 2022 through May 1, 2023 and fiscal 2022, the Predecessor Company did not repurchase any shares of its common stock. As of September 30, 2022 (Predecessor), the remaining authorized amount for share repurchases under this program was $132 million.

18. Accumulated Other Comprehensive Income (Loss)

The components of Accumulated other comprehensive income (loss) for the periods indicated were as follows:

(In millions)	Pension, Post-retirement and Post-employment Benefit-related Items	Foreign Currency Translation	Unrealized Gain (Loss) on Interest Rate Swaps	Accumulated Other Comprehensive Income (Loss)
Balance as of September 30, 2021 (Predecessor)	**$ (20)**	**$ (37)**	**$ (34)**	**$ (91)**
Other comprehensive income before reclassifications	179	38	76	293
Amounts reclassified to earnings	(6)	—	40	34
Provision for income taxes	(2)	—	(2)	(4)
Balance as of September 30, 2022 (Predecessor)	**$ 151**	**$ 1**	**$ 80**	**$ 232**
Other comprehensive loss before reclassifications	(10)	(15)	—	(25)
Amounts reclassified to earnings	(17)	—	(62)	(79)
Provision for income taxes	—	—	(18)	(18)
Balance as of May 1, 2023 (Predecessor)	**$ 124**	**$ (14)**	**$ —**	**$ 110**
Elimination of Predecessor Company Accumulated Other Comprehensive Income	(124)	14	—	(110)
Balance as May 1, 2023 (Predecessor)	**$ —**	**$ —**	**$ —**	**$ —**
Balance as of May 2, 2023 (Successor)	**$ —**	**$ —**	**$ —**	**$ —**
Other comprehensive income before reclassifications	40	2	—	42
Balance as of September 30, 2023 (Successor)	**$ 40**	**$ 2**	**$ —**	**$ 42**

Reclassifications from Accumulated other comprehensive income (loss) related to changes in unamortized pension, post-retirement and post-employment benefit-related items are recorded in Other income, net. Reclassifications from Accumulated other comprehensive income (loss) related to the unrealized gain (loss) on interest rate swap agreements are recorded in Interest expense.

The elimination of Predecessor Company Accumulated Other Comprehensive Income was recorded within Reorganization items, net.

19. Related Party Transactions

Successor

Specific Arrangements Involving the Successor Company's Directors, Executive Officers and Beneficial Owners

Mr. Kalsow-Ramos is a Director of the Successor Company and serves in this capacity as a director designated by Apollo. He holds the position of Partner of Apollo and serves on the board of directors of TD Synnex Corporation ("TD Synnex"), an information technology services company and an affiliate of Apollo. During the period from May 2, 2023 through September 30, 2023, the Successor Company purchased goods and services from subsidiaries of TD Synnex of $3 million. As of September 30, 2023 (Successor), outstanding accounts payable due to TD Synnex was not material.

ADT Inc. ("ADT"), a security services company, is an affiliate of Apollo. During the period from May 2, 2023 through September 30, 2023, the Successor Company sold goods and services to ADT of $1 million. As of September 30, 2023 (Successor), outstanding accounts receivable due from ADT was not material.

Predecessor

Specific Arrangements Involving the Predecessor Company's Directors and Executive Officers

Stephan Scholl, a Director of the Predecessor Company, is the Chief Executive Officer of Alight Solutions LLC ("Alight"), a provider of integrated benefits, payroll and cloud solutions, and he also serves on Alight's board of directors. During the period from October 1, 2022 through May 1, 2023 and fiscal 2022, the Predecessor Company purchased goods and services from subsidiaries of Alight of $2 million and $3 million, respectively. As of May 1, 2023 (Predecessor), outstanding accounts payable due to Alight was not material. Outstanding accounts payable due to Alight as of September 30, 2022 (Predecessor) was $1 million.

20. Commitments and Contingencies

Legal Proceedings

In the ordinary course of business, the Company is involved in litigation, claims, government inquiries, investigations and proceedings including, but not limited to, those relating to intellectual property, commercial, employment, environmental indemnity and regulatory matters. The Company records accruals for legal contingencies to the extent that it has concluded that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. When a material loss contingency is reasonably possible but not probable, the Company does not record a liability, but instead discloses the nature and the amount of the claim, and an estimate of the loss or range of loss, if such an estimate can be made.

Other than as described below, in the opinion of the Company's management, the likely results of these matters are not expected, either individually or in the aggregate, to have a material adverse effect on the Company's financial position, results of operations or cash flows. However, an unfavorable resolution could have a material adverse effect on the Company's financial position, results of operations or cash flows in the periods in which the matters are ultimately resolved, or in the periods in which more information is obtained that changes management's opinion of the ultimate disposition.

On January 14, 2020, Solaborate Inc. and Solaborate LLC (collectively, "Solaborate") filed suit against the Company in California Superior Court in San Bernardino County. The dispute concerned activities related to the Company's development of the CU360 collaboration unit. Solaborate alleged breach of contract, trade secret misappropriation and unfair business practices, among other causes of action. During the third quarter of fiscal 2022 (Predecessor), the Company accrued an expense representing its best estimate of the probable loss which was not material.

On February 3, 2023, the Company reached an agreement to settle the lawsuit with Solaborate for an amount consistent with the expense accrued in fiscal 2022 (Predecessor) and payment was remitted during the period from May 2, 2023 through September 30, 2023 (Successor).

In August 2022, the Company announced the commencement of an investigation by the audit committee (the "Audit Committee", and such investigation, the "Financial Results Investigation") of the Predecessor Company's Board related to the circumstances surrounding the Company's financial results for the third quarter of fiscal 2022, which were significantly lower than the Company's expectations and previously issued guidance. This Financial Results Investigation also addressed the information provided by the Company to the lenders of the Tranche B-3 Term Loans and the 8.00% Exchangeable Senior Secured Notes due 2027 which was funded in July 2022. The Company engaged outside counsel, which reported to the Audit Committee, to assist in the Financial Results Investigation and notified the SEC and the Company's external auditor, PricewaterhouseCoopers LLP, about the Financial Results Investigation at that time. The Audit Committee has completed its planned procedures with respect to its investigation and continues to cooperate with the SEC's on-going investigation (as described below), which could require additional procedures to be performed.

The SEC initiated an investigation to review, among other things, the circumstances surrounding Avaya's financial results for the quarter ended June 30, 2022 (the "SEC's investigation", and together with the Financial Results Investigation, the "Investigations"). Avaya has been cooperating with the SEC's investigation, which is on-going. At this time, the Company is not able to predict the outcome or consequences of the SEC's investigation, however, an adverse outcome could have a material adverse effect on the Company's financial position, results of operations or cash flows.

On January 3, 2023, Jeffrey A. Fletcher, et al., filed a putative securities class action complaint (Civil Action No. 1:23-cv-00003) in the United States District Court Middle District of North Carolina, naming Avaya Holdings Corp. and certain of our current and former officers as defendants. The complaint alleged violations of the Exchange Act, based on allegedly false or misleading statements related to the Company's internal control over financial reporting, the effectiveness of our internal controls over our whistleblower policies and ethics and compliance program and our financial condition. The plaintiffs sought awards of compensatory damages, among other relief and their costs and attorneys' and experts' fees. On February 28, 2023, the plaintiff voluntarily filed for dismissal of the action without prejudice, as to all defendants.

On February 1, 2023, A6 Capital Management LP, et al., filed a summons with notice (Index No. 650626/2023) in the Supreme Court of the State of New York, New York County, naming certain of our former directors and officers as defendants. The plaintiffs were current or former investors in certain unsecured convertible notes issued by the Company in 2018 and due 2023 (the "Convertible Notes") and certain plaintiffs invested in the Company's secured term loan issued in July 2022. The complaint alleged fraud as a result of allegedly false statements regarding the Company's finances and management, which the plaintiffs relied upon in holding or purchasing the Company's Convertible Notes. The plaintiffs sought awards of compensatory damages, among other relief. On May 3, 2023, the plaintiffs voluntarily filed an amended notice of discontinuance with prejudice, as to all parties.

On February 14, 2023, Oliver Jiang, et al., filed a putative class action complaint (Civil Action No. 1:23-cv-1258) in the United States District Court for the Southern District of New York against Avaya Holdings Corp., and certain of our former officers as defendants (collectively, "Jiang Suit Defendants"). The complaint alleged the purported inclusion of false statements and

material omissions in securities filings, and press releases filed with the SEC or issued, as applicable, between October 3, 2019 and November 29, 2022, regarding Avaya's Q3 2022 earnings guidance and results and the Company's relationship with RingCentral (the "Jiang Securities Lawsuit"). The lawsuit alleges that the Jiang Suit Defendants exploited Avaya's insufficient reporting controls and procedures, which resulted in inaccurate budgeting and reporting, to inflate Avaya's stock price, at which point the Jiang Suit Defendants sold shares and secured financing on improper terms, all in violation of Section 10(b) of the Exchange Act and Rule 10b-5, as well as for derivative "control person" liability, which was pled against Mr. Chirico, our former CEO, and Mr. McGrath, our former Chief Financial Officer, for Avaya's actions, and, vice versa, against the Company —pursuant to Section 20(a). This case was filed after the Company filed its petition for Chapter 11 proceedings and therefore the plaintiff voluntarily dismissed the case against the Company. The Plaintiff's claims against Mr. Chirico and Mr. McGrath remain and are subject to the indemnification agreements described below.

The Company enters into indemnification agreements with each of the Company's directors and officers. These agreements require the Company to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to the Company, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. Subject in all respects to applicable law, these agreements generally survive a director's or officer's resignation and/or termination and generally require the Company to indemnify such individuals unless the conduct that is the subject of a claim constitutes a breach of their duty of loyalty to the Company or to the Company's stockholders, or is an act or omission not taken in good faith, or which involves intentional misconduct or a knowing violation of the law. In connection with the Investigations, the Company has received requests under such indemnification agreements to provide funds for legal fees and other expenses and expects additional requests in connection with the Investigations and related litigation. The Company has not recorded a liability for expected future expenses as of September 30, 2023 (Successor) for these matters as it cannot estimate the ultimate outcome at this time but has recognized expenses incurred during the period from May 2, 2023 through September 30, 2023 (Successor) and the period from October 1, 2022 through May 1, 2023 (Predecessor). The Company maintains a directors and officers insurance policy under which a portion of the indemnification expenses may be recoverable to mitigate its exposure to potential indemnification obligations. As of September 30, 2023 (Successor) and May 1, 2023 (Predecessor), the Company has not recorded a receivable related to the indemnification claims. In connection with the matters that were the subject of the previously disclosed internal investigation, and SEC's investigations and the related litigation, the Company has received and expects to continue to receive requests under such indemnification agreements and its bylaws to provide funds for legal fees and other expenses. We are unable to make a reliable estimate of the eventual cash flows by period related to the indemnification agreements and related insurance recoveries.

Product Warranties

The Company recognizes a liability for the estimated costs that may be incurred to remedy certain deficiencies of quality or performance of the Company's products. These product warranties extend over a specified period of time, generally ranging up to two from the date of sale depending upon the product subject to the warranty. The Company accrues a provision for estimated future warranty costs based upon the historical relationship of warranty claims to sales. The Company periodically reviews the adequacy of its product warranties and adjusts, if necessary, the warranty percentage and accrued warranty reserve, which is included in other current and non-current liabilities in the Consolidated Balance Sheets, for actual experience. As of both September 30, 2023 (Successor) and September 30, 2022 (Predecessor), the amount reserved for product warranties was $1 million. For the period from May 2, 2023 through September 30, 2023 (Successor), the period from October 1, 2022 through May 1, 2023 (Predecessor) and for fiscal 2022 (Predecessor), product warranty expense recorded in the Consolidated Statements of Operations was $2 million, $1 million and $3 million, respectively.

Guarantees of Indebtedness and Other Off-Balance Sheet Arrangements

Letters of Credit and Guarantees

The Company provides guarantees, letters of credit and surety bonds to various parties as required for certain transactions initiated during the ordinary course of business to guarantee the Company's performance in accordance with contractual or legal obligations. As of September 30, 2023 (Successor), the maximum potential payment obligation with regards to letters of credit, guarantees and surety bonds was $69 million. The outstanding letters of credit were issued under the Exit ABL Facility or are cash collateralized. The cash collateral of $3 million is characterized as restricted cash and is included in Other assets on the Consolidated Balance Sheets as of September 30, 2023 (Successor).

Purchase Commitments and Termination Fees

The Company purchases components from a variety of suppliers and uses several contract manufacturers to provide manufacturing services for its products. During the normal course of business, to manage manufacturing lead times and to help assure adequate component supply, the Company enters into agreements with contract manufacturers and suppliers that allow them to produce and procure inventory based upon forecasted requirements provided by the Company. If the Company does not meet these specified purchase commitments, it could be required to purchase the inventory, or in the case of certain agreements, pay an early termination fee. Historically, the Company has not been required to pay a charge for not meeting its designated purchase commitments with these suppliers, but it has been obligated to purchase certain excess inventory levels from its outsourced manufacturers due to actual sales of product varying from forecast and due to transition of manufacturing from one vendor to another.

The Company's outsourcing agreements with its most significant contract manufacturers automatically renew in July and September for successive periods of twelve months each, subject to specific termination rights for the Company and the contract manufacturers. All manufacturing of the Company's products is performed in accordance with either detailed requirements or specifications and product designs furnished by the Company and is subject to quality control standards.

The Company maintains a reseller agreement with an equipment vendor to procure, build and store IT equipment on behalf of the Company based upon letters of intent or other order forms provided by the Company. The Company either purchases the equipment or leases the equipment through a third-party vendor for use in its data centers, predominantly to support its cloud customers. Under the agreement, the Company's right to use the equipment commences upon delivery of the equipment. The Company is entitled to return the equipment subject to certain conditions. As of September 30, 2023 (Successor), the Company has no obligation under this agreement as there is no equipment presently held by the vendor on behalf of the Company.

From time to time, the Company also enters into cloud services agreements to support the delivery of the Company's Avaya cloud solutions to its customers. These contracts range from three to six years and typically contain minimum consumption commitments over the life of the agreements. As of September 30, 2023 (Successor), the Company's remaining commitments under its cloud services agreements and hosting agreements were $165 million, of which $1 million, $15 million and $16 million is required to be utilized by fiscal 2024, 2025 and 2026, respectively, with the remaining balance required to be utilized by fiscal 2027.

During fiscal 2022, the Company entered into an agreement to acquire third-party software licenses to enhance its product portfolio serving large and complex contact center environments. The consideration for the licenses is sales-based and includes a minimum commitment which is payable to the extent that the sales-based consideration does not meet specified thresholds within the agreement. As of September 30, 2023 (Successor), the Company's remaining minimum commitment under the agreement is $8 million for each of fiscal 2024 and 2025.

On February 14, 2023, the Company and RingCentral amended the terms of the First Amended and Restated Framework Agreement, dated February 10, 2020, and the related partnership documents executed in connection therewith, by entering into the Second Amended and Restated Framework Agreement and the related partnership documents executed in connection therewith (the "Amended and Restated RingCentral Agreements"). Among other things, the Amended and Restated RingCentral Agreements, contemplate (i) the Company continuing to serve as the exclusive sales agent for Avaya Cloud Office by RingCentral ("Avaya Cloud Office" or "ACO"); (ii) expanded go-to-market constructs that will enable the Company to directly sell ACO seats into its installed base; (iii) cash compensation to the Company as ACO seats are sold along with the elimination or modification of certain other financial obligations of the Company under the original agreements, including the waiver of the remaining balance of the consideration advance paid by RingCentral to the Company; and (iv) the Company's agreement to purchase seats of ACO in the event certain volumes of ACO sales, which increase over the time period, are not met. The Company's volume commitments are based on cumulative ACO sales that are measured quarterly during the term of the Amended and Restated RingCentral Agreements, subject to the terms and conditions of such agreements. In the event that the cumulative number of ACO seats sold as of the end of each calendar quarter is lower than the agreed upon threshold established for such quarter, the Company will be required to purchase a number of ACO seats equal to such shortfall from RingCentral. Any such ACO seats are subject to certain limitations and must be purchased for a two-year paid term with payments made monthly and pricing that is variable based on sales volumes by jurisdiction, contract size and product tier. The Company may resell such ACO seats to end customers or maintain them for internal use.

The Company considers any estimated shortfall of the minimum ACO seat volume commitment under the Amended and Restated RingCentral Framework Agreement, as described above, as a reduction in overall transaction price which such consideration would be paid in cash to RingCentral. As of September 30, 2023 (Successor), the total estimated consideration payable to RingCentral for this purchase commitment was $62 million. This amount will be recorded over the contractual period as contra revenue on a variable consideration basis at the rate of qualified sales against the Company's future demand forecast for ACO seats.

On February 20, 2024, the Successor Company and RingCentral agreed to amend the Amended and Restated RingCentral Agreements, impacting key terms including the minimum commitment volumes and pricing. Refer to Note 21, "Subsequent Events," for additional details. The amendment will be accounted for on a prospective basis.

Transactions with Nokia

Pursuant to the Contribution and Distribution Agreement effective October 1, 2000 (the "Contribution and Distribution Agreement"), Nokia Corporation ("Nokia", formerly known as Lucent Technologies, Inc. ("Lucent")) contributed to the Company substantially all of the assets, liabilities and operations associated with its enterprise networking businesses (the "Contributed Businesses") and distributed the Company's stock pro-rata to the shareholders of Lucent ("distribution"). The Contribution and Distribution Agreement, among other things, provides that, in general, the Company will indemnify Nokia for all liabilities including certain pre-distribution tax obligations of Nokia relating to the Contributed Businesses and all contingent liabilities primarily relating to the Contributed Businesses or otherwise assigned to the Company. In addition, the Contribution and Distribution Agreement provides that certain contingent liabilities not allocated to one of the parties will be shared by Nokia and the Company in prescribed percentages. The Contribution and Distribution Agreement also provides that each party will share specified portions of contingent liabilities based upon agreed percentages related to the business of the other party that exceed $50 million. The Company is unable to determine the maximum potential amount of other future payments, if any, that it could be required to make under this agreement.

In addition, in connection with the distribution, the Company and Lucent entered into a Tax Sharing Agreement effective October 1, 2000 (the "Tax Sharing Agreement") that governs Nokia's and the Company's respective rights, responsibilities and obligations after the distribution with respect to taxes for the periods ending on or before the distribution. Generally, pre-distribution taxes or benefits that are clearly attributable to the business of one party will be borne solely by that party and other pre-distribution taxes or benefits will be shared by the parties based on a formula set forth in the Tax Sharing Agreement. The Company may be subject to additional taxes or benefits pursuant to the Tax Sharing Agreement related to future settlements of audits by state and local and foreign taxing authorities for the periods prior to the Company's separation from Nokia.

21. Subsequent Events

Termination of Benefit Plans

On November 1, 2023, the Successor Company notified participants receiving benefits under the Avaya Health & Welfare Benefits Plan for Retirees and the Avaya Health & Welfare Benefits Plan for Salaried Retirees of the termination of the health-related benefits provided under the plans effective December 31, 2023. As a result of the termination, the Successor Company remeasured the plan's assets and obligations as of the notification date. The Successor Company recognized a gain of $100 million within other comprehensive income on the Successor's Consolidated Statement of Comprehensive Income during the fiscal 2024, and reduced the post-retirement obligation on the Successor Company's Consolidated Balance Sheet as of the termination date.

Amended RingCentral Agreement

On February 20, 2024, the Successor Company and RingCentral executed an amendment to the Amended and Restated RingCentral Agreements (as defined above), ("Amendment No. 1"). Among other things, Amendment No. 1 restructures the pricing and minimum ACO seat volume commitment over an extended term. The amendment will be accounted for on a prospective basis.

Sale of Patents

On March 7, 2024, the Successor Company executed the sale of a group of patents for approximately $18 million and a percentage of future downstream proceeds.

AVAYA

Avaya Holdings Corp.
Narrative Report
Fiscal Year 2023

Narrative Report

This Narrative Report should be read in conjunction with the Consolidated Financial Statements and related notes thereto included in this Annual Report. The matters discussed in this Narrative Report contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements.

Overview

Avaya is a global leader in communications products, solutions and services for businesses of all sizes, delivering technology predominantly through software and services. We enable organizations worldwide to succeed by creating intelligent communications experiences for our clients, their employees and their customers. Avaya is building innovative open, converged contact center ("CC") and unified communications and collaboration ("UCC") software solutions to enhance and simplify communications and collaboration in the cloud, on-premises or as a hybrid of both. We offer hardware and gateway solutions, including devices that enhance collaboration and productivity, and position organizations to incorporate future technological advancements.

Our global, experienced team of professionals delivers award-winning services from initial planning and design, to seamless implementation and integration, to ongoing managed operations, optimization and support. We also help clients customize and personalize our software solutions to address their specific needs.

Businesses are built by the experiences they provide, and Avaya solutions deliver millions of those experiences globally every day. With a global install base including many of the largest enterprise customers with the most complex needs, Avaya is shaping the future of businesses and workplaces, with innovation and partnerships that power tangible business results. Our communications solutions power tailored, effortless customer and employee experiences that enable our clients to effectively engage and interact with each other and with their customers.

In serving both our existing and new customers across verticals, Avaya is uniquely positioned to meet customers where they are in their digital transformation and journeys to cloud communications, so they can innovate without disruption to gain the benefit of high-value cloud capabilities. We offer a full range of software sales and licensing models that can be deployed on-premises or via a public/multi-tenant cloud, private/dedicated instance cloud or as a hybrid cloud solution. With our open, extensible development platform, customers and third parties can create custom applications and automated workflows for their unique needs and integrate Avaya's capabilities into the customer's existing infrastructure and business applications. Our solutions enable a seamless communications experience that adapts to how employees work, instead of changing how they work.

Recent Developments

As previously disclosed, on February 14, 2023 (the "Petition Date"), Avaya Holdings and certain of its direct and indirect subsidiaries (the "Debtors") entered into a Restructuring Support Agreement (the "RSA") with certain of its creditors and RingCentral which contemplated the Plan.

On the Petition Date, the Debtors commenced the Chapter 11 Cases in the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court"). The Chapter 11 Cases were jointly administered under the caption *In re Avaya Inc., et al.*, case number 23-90088.

The Bankruptcy Court confirmed the Plan on March 22, 2023 and the Debtors satisfied all conditions required for Plan effectiveness and emerged from the Chapter 11 Cases on May 1, 2023.

Upon Emergence, the Debtors reduced their total debt by more than 75% and increased their liquidity position to over $650 million.

See Note 1, "Background and Basis of Presentation," and Note 11, "Financing Arrangements," to the Consolidated Financial Statements for additional information on the Chapter 11 Cases as well as:

- the Chapter 11 Filing;
- the Restructuring Support Agreement;
- the Automatic Stay;
- the Plan;
- the Debtor in Possession Financing and Exit Financing;
- the NYSE Delisting; and

- the Emergence from Voluntary Reorganization under Chapter 11 of the Bankruptcy Code.

Cost Optimization Initiatives

Since July 2022, the Company has initiated a number of cost optimization measures that are expected to primarily impact the Company's overall selling, general and administrative expenses, as well as discretionary spending, including but not limited to reductions in force with respect to employees globally aimed at aligning the size of the Company's workforce with the Company's operational strategy and cost structure. The Company has commenced these actions which are ongoing and began to yield quantifiable savings in the first quarter of fiscal 2023.

OneCloud Business Updates

During the first quarter of fiscal 2022, the Company executed a OneCloud arrangement for a large global financial institution with an estimated total contract value at that time in excess of $400 million over a term of up to 7 years. The contract was subsequently cancelled during the fourth quarter of fiscal 2022. As a result, in the fourth quarter of fiscal 2022 the Company recognized revenue of $14 million and expenses of $22 million, which includes impairment of fixed assets, acceleration of previously deferred costs and other third party costs, associated with this arrangement.

Russia/Ukraine Conflict

The military operation launched by Russia against Ukraine created economic and security concerns that have had and will likely continue to have an impact on regional and global economies and, in turn, our business. Sanctions and other retaliatory measures against Russia have been taken, and could be taken in the future, by the U.S., EU and other jurisdictions which severely limit our ability to conduct commercial activities with Russian companies, organizations and individuals on the U.S.'s List of Specially Designated Nationals, some of which are Avaya customers. Under current restrictions we cannot provide certain services to customers in Russia, and as a result, as we comply with all applicable sanctions, we are unable to fulfill certain of our existing contractual obligations to customers in Russia, nor can we commence new maintenance and support arrangements in Russia. The conflict and related retaliatory measures have had, and will continue to have, a negative effect on revenue in Russia for the foreseeable future. Revenue from Russia during the period from May 2, 2023 through September 30, 2023 was not material. Revenue from Russia during the period from October 1, 2022 through May 1, 2023 was $3 million, compared to revenue of $38 million during fiscal 2022. Prolonged hostilities could exacerbate the overall effects of the conflict on our Company, both in Russia and in other markets where we do business.

Effects of Inflation

The Company's operations expose it to the effects of inflation. Inflation has become a significant factor in the world economy post-pandemic and has led to an increased interest rate environment as well as inflationary pressures on the Company's operations, including but not limited to increased labor and finance costs.

Financial Results Summary

The financial results for the period from October 1, 2022 through May 1, 2023 are referred to as those of the "Predecessor" period. The financial results for the period from May 2, 2023 through September 30, 2023 are referred to as those of the "Successor" period. The results of operations as reported in the Consolidated Financial Statements for these periods are prepared in accordance with GAAP. Although GAAP requires that we report on the results for the period from October 1, 2022 through May 1, 2023 and the period from May 2, 2023 through September 30, 2023 separately, management views the Company's operating results for the fiscal year ended September 30, 2023 by combining the results of the applicable Predecessor and Successor periods because such presentation provides the most meaningful comparison of the results to prior periods.

Accordingly, in addition to presenting the results of operations as reported in the Consolidated Financial Statements in accordance with GAAP, the table and discussion below also presents the combined results for the fiscal year ended September 30, 2023.

The combined results for the fiscal year ended September 30, 2023, which we refer to herein as results for "fiscal 2023," represent the sum of the reported amounts for the Predecessor period from October 1, 2022 through May 1, 2023 and the Successor period from May 2, 2023 through September 30, 2023. These combined results are not considered to be prepared in accordance with GAAP and have not been prepared as pro forma results under applicable regulations. The combined operating results may not reflect the actual results we would have achieved absent the Emergence from bankruptcy and may not be indicative of future results.

The following table displays the consolidated net (loss) income for the periods indicated:

(In millions)	Successor Period from May 2, 2023 through September 30, 2023	Predecessor Period from October 1, 2022 through May 1, 2023	Non-GAAP Combined Fiscal years ended September 30, 2023	Predecessor Fiscal years ended September 30, 2022
REVENUE	$ 708	$ 955	$ 1,663	$ 2,490
COSTS				
Costs	389	549	938	1,173
Amortization of technology intangible assets	19	78	97	147
	408	627	1,035	1,320
GROSS PROFIT	300	328	628	1,170
OPERATING EXPENSES				
Selling, general and administrative	276	510	786	964
Research and development	78	115	193	222
Amortization of intangible assets	10	92	102	159
Impairment charges	—	45	45	1,640
Restructuring charges, net	47	76	123	65
	411	838	1,249	3,050
OPERATING LOSS	(111)	(510)	(621)	(1,880)
Interest (expense) income, net	(49)	2	(47)	(224)
Other income, net	12	1	13	55
Reorganization items, net	—	1,927	1,927	—
(LOSS) INCOME BEFORE INCOME TAXES	(148)	1,420	1,272	(2,049)
Benefit from (provision for) income taxes	3	27	30	(47)
NET (LOSS) INCOME	$ (145)	$ 1,447	$ 1,302	$ (2,096)

Fiscal Year Ended September 30, 2023 Combined Results Compared with Fiscal Year Ended September 30, 2022

Revenue

Revenue for fiscal 2023 was $1,663 million compared to $2,490 million for fiscal 2022. The decrease was primarily driven by the cumulative effect of the continuing shift away from on-premise product solutions, and the associated maintenance, software support services and professional services to subscription and cloud-based solutions. Revenue was also lower due to a significant perpetual license sale with a government agency in the prior period; lower public cloud revenue as a result of a significant contract cancellation in the prior period; lower revenue from hardware products; the negative impact from various sanctions and other retaliatory measures against Russia resulting from the Russia/Ukraine conflict; and the unfavorable impact of foreign currency exchange rates; partially offset by an increase in private cloud revenues. In addition, the Company's subscription revenue declined due to lower rates of migration as the Company has migrated a substantial portion of its existing customer base. The decline in the Company's subscription revenue was also driven by heightened customer uncertainty which drove weakened purchasing trends, including lower subscription renewal rates.

Gross Profit

The following table sets forth gross profit and gross margin for the periods indicated:

			Gross Margin		Change	
(In millions)	Fiscal year ended September 30, 2023 (Combined)	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023 (Combined)	Fiscal year ended September 30, 2022	Amount	Percent
Gross profit	$ 738	$ 1,317	44.4 %	52.9 %	$ (579)	(44.0)%
Unallocated amounts	(110)	(147)	(6.6)%	(5.9)%	37	(25.2)%
Total	$ 628	$ 1,170	37.8 %	47.0 %	$ (542)	(46.3)%

Gross profit for fiscal 2023 was $628 million compared to $1,170 million for fiscal 2022. The decrease was mainly attributable to the decline in revenue described above. Gross margin decreased from 47.0% for fiscal 2022 to 37.8% for fiscal 2023. The decrease in gross margin was mainly driven by lower subscription revenues; the cumulative effect of the decline in higher margin software support services; higher mix of lower margin cloud and partner offerings; and less favorable product mix including a higher proportion of revenue from hardware; a write-off of capitalized software costs to reflect its net realizable value in the current period; and amortization of fair value adjustments to inventory resulting from the application of fresh start accounting.

Unallocated amounts for fiscal 2023 and 2022 include the amortization of technology intangible assets which are excluded from segment gross profit. The change is due to fair value adjustments recognized upon Emergence from bankruptcy.

Operating Expenses

The following table sets forth operating expenses and the percentage of operating expenses to total revenue for the periods indicated:

			Percentage of Total Revenue		Change	
(In millions)	Fiscal year ended September 30, 2023 (Combined)	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023 (Combined)	Fiscal year ended September 30, 2022	Amount	Percent
Selling, general and administrative	$ 786	$ 964	47.3 %	38.7 %	$ (178)	(18)%
Research and development	193	222	11.6 %	8.9 %	(29)	(13)%
Amortization of intangible assets	102	159	6.1 %	6.4 %	(57)	(36)%
Impairment charges	45	1,640	2.7 %	65.9 %	(1,595)	(97)%
Restructuring charges, net	123	65	7.4 %	2.6 %	58	89 %
Total operating expenses	$ 1,249	$ 3,050	75.1 %	122.5 %	$ (1,801)	(59)%

Selling, general and administrative expenses for fiscal 2023 were $786 million compared to $964 million for fiscal 2022. The decrease was primarily attributable to lower employee related expenses; lower third party related expenses; lower marketing and advertisement costs mainly driven by the ongoing cost optimization initiatives undertaken beginning in fiscal 2022; and the favorable impact of foreign currency exchange rates. The decrease was partially offset by higher advisory fees in the current period to assist in the assessment of strategic and financial alternatives to improve the Company's capital structure and higher depreciation expense as a result of the impact of fresh start accounting.

Research and development expenses for fiscal 2023 were $193 million compared to $222 million for fiscal 2022. The decrease was primarily attributable to lower third party and employee related expenses mainly driven by the ongoing cost optimization initiatives undertaken beginning in fiscal 2022.

Amortization of intangible assets for fiscal 2023 was $102 million compared to $159 million for fiscal 2022. The carrying value of intangible assets was adjusted upon the application of fresh start accounting.

Impairment charges for fiscal 2023 were $45 million compared to $1,640 million for fiscal 2022.

Impairment charges for fiscal 2023 consist of indefinite-lived intangible asset impairment charges of $41 million and fixed asset impairment charges of $4 million associated with certain projects that were discontinued. The Company concluded that a triggering event occurred during the three months ended December 31, 2022 as the Company was unable to reach an out-of-court resolution with certain holders of the Convertible Notes, Senior Notes, Exchangeable Notes and the Term Loans outstanding under the Term Loan Credit Agreement regarding one or more potential financings, refinancing, recapitalizations, reorganizations, restructurings or investment transactions involving the Company. As a result, the Company performed an interim quantitative indefinite-lived intangible asset impairment test as of December 31, 2022. The results of the Company's impairment test indicated that the carrying amount of the Company's indefinite-lived intangible asset, the Avaya Trade Name, exceeded its estimated fair value by $9 million, primarily due to a reduction in the Company's revenue in its updated outlook.

On February 14, 2023, the Company filed Form 8-K with the Securities and Exchange Commission ("SEC") which detailed its voluntary cases under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of Texas. The Company concluded that a triggering event had occurred due to an increase in the discount rate due to increased risk associated with the bankruptcy filing. As a result, the Company performed an interim quantitative indefinite-lived intangible asset impairment test as of April 30, 2023. The results of the Company's impairment test indicated that the carrying amount of the Company's indefinite-lived intangible asset, the Avaya Trade Name, exceeded its estimated fair value by $32 million, primarily due to an increase in the discount rate.

During fiscal 2022, the Company recorded a goodwill impairment charge of $1,471 million which represented the full carrying amount of the Company's goodwill, and an indefinite-lived intangible asset impairment charge of $146 million primarily due to (i) a reduction in the Company's outlook to reflect the observed earnings shortfall in the third quarter of fiscal 2022 which was caused primarily by a slowdown in the pace and trajectory of customer migration to the Company's subscription hybrid offering, (ii) a reduction in the Company's revenue outlook which reflects streamlining of the Company's portfolio offerings as the Company continues to right-size its internal and external cost structure in the fourth quarter of fiscal 2022 and (iii) an increase in the discount rate to reflect increased risk from higher market uncertainty. In addition, the Company recorded $23 million of fixed assets impairment charges associated with projects that were discontinued.

Restructuring charges, net were $123 million for fiscal 2023 compared to $65 million for fiscal 2022. Restructuring charges during fiscal 2023 consist of $103 million for employee separation actions, primarily resulting from a reduction in force with respect to the Company's global employee base as part of the Company's cost optimization initiatives, $12 million for exiting a software contract in connection with the optimization of certain product offerings and $8 million for facility exit costs as the Company continues to optimize its real-estate footprint. Restructuring charges during fiscal 2022 consist of $48 million for employee separation actions primarily in the U.S. and EMEA and $17 million for facility exit costs.

Operating Loss

Operating loss for fiscal 2023 was $621 million compared to $1,880 million for fiscal 2022. Operating results for fiscal 2023 as compared to fiscal 2022 reflect, among other things, the following items which are described in more detail above:

- lower revenue and gross profit for fiscal 2023;
- lower impairment charges for fiscal 2023 mainly related to the Company's indefinite-lived intangible asset, the Avaya Trade name;
- lower selling, general and administrative expenses and research and development costs in fiscal 2023.

Interest Expense, Net

Interest expense, net for fiscal 2023 was $47 million compared to $224 million for fiscal 2022. The decrease was primarily attributable to a gain resulting from the change in fair value of the debt-related embedded derivatives, a gain on the termination of the interest rate swaps in the current period, and lower amortization of debt discounts resulting from the adoption of ASU 2020-06 on October 1, 2022. In addition, the Company ceased recognition of interest expense on its pre-petition debt subsequent to the Petition Date. The decrease was also attributable to the extinguishment of the pre-petition debt and the establishment of the Exit Term Loan upon Emergence, which reduced the Company's outstanding debt by more than $2,000 million as of September 30, 2023 compared to September 30, 2022. The decrease was partially offset by an increase in the average daily borrowings under the ABL Credit Agreement, interest expense recorded from Petition Date to Emergence related

to the DIP Term Loan and DIP ABL Loan, and interest expense recorded subsequent to Emergence related to the Exit Term Loan and Exit ABL Loan.

Other Income, Net

Other income, net for fiscal 2023 was $13 million as compared to $55 million for fiscal 2022. The decrease was mainly driven by the net impact of foreign currency gains (losses) and a decrease in other pension and post-retirement benefit credits, partially offset by an increase in interest income during the period.

Reorganization Items, Net

Reorganization items, net for fiscal 2023 were $1,927 million and primarily consists of the net gain from the settlement of liabilities related to the implementation of the Plan. Reorganization items, net also includes the write-off of unamortized debt issuance costs and discounts on pre-petition debt, the loss on fresh start accounting adjustments and bankruptcy related expenses incurred subsequent to the Petition Date. See Note 4, "Fresh Start Accounting," for additional information.

Benefit from (Provision for) Income Taxes

The benefit from income taxes was $30 million for fiscal 2023 compared to a provision for income taxes of $47 million for fiscal 2022.

The Company's effective income tax rate for fiscal 2023 differed from the U.S. federal tax rate by (23)% or $297 million principally related to the cancellation of debt income excluded from taxable income, benefit from Predecessor tax losses carried back to prior periods, release of deferred taxes from Accumulated Other Comprehensive Income upon termination of interest rate swaps, and deferred taxes (including losses) generated for which no benefit was recorded because it is more likely than not that the tax benefits would not be realized.

The Company's effective income tax rate for fiscal 2022 differed from the U.S. federal tax rate by 23% or $477 million principally related to the nondeductible goodwill impairment charge recorded in the third quarter of fiscal 2022 and deferred taxes (including losses) generated for which no benefit was recorded because it is more likely than not that the tax benefits would not be realized.

Net Income

Net income was $1,302 million for fiscal 2023 compared to a net loss of $2,096 million for fiscal 2022. Net income in fiscal 2023 was driven by the reorganization gain of $1,927 million as a result of the Emergence from bankruptcy. The remaining difference is due to the items discussed above.

Liquidity and Capital Resources

The accompanying Consolidated Financial Statements of the Company have been prepared assuming the Company will continue as a going concern and in accordance with GAAP. The going concern basis of presentation assumes that the Company will continue in operation one year after the date these Consolidated Financial Statements are issued and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As of September 30, 2023, the Company's debt profile was significantly improved (an aggregate principal amount of $834 million compared to $3,364 million at September 30, 2022), with the earliest maturity of its non-revolving long-term debt in 2028. This post-Emergence capital structure, coupled with restructuring actions that the Company executed to reduce its on-going operating expenses, have provided the Company with sufficient working capital to meet its operating cash flow requirements for at least one year from the issuance of these financial statements.

Cash Flow Activity

The following table provides a summary of the statements of cash flows for the periods indicated:

(In millions)	Fiscal year ended September 30, 2023 (Combined)	Fiscal year ended September 30, 2022
Net cash (used for) provided by:		
Operating activities	$ (154)	$ (312)
Investing activities	(67)	(108)
Financing activities	364	406
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1	(10)
Net increase (decrease) in cash, cash equivalents, and restricted cash	144	(24)
Cash, cash equivalents, and restricted cash at beginning of period	478	502
Cash, cash equivalents, and restricted cash at end of period [1]	$ 622	$ 478

[1] Includes $3 million and $225 million of restricted cash for fiscal 2023 and 2022, respectively.

Operating Activities

Cash used for operating activities for fiscal 2023 was $154 million compared to $312 million for fiscal 2022. The change was primarily due to lower incentive compensation payments; lower interest payments primarily due to the Chapter 11 Cases; and the timing of customer and vendor cash payments, partially offset by lower cash earnings as well as higher advisory fees incurred related to the implementation of the Plan in the current period and restructuring payments made in connection with the Company's cost optimization initiatives.

Investing Activities

Cash used for investing activities for fiscal 2023 was $67 million compared to $108 million for fiscal 2022. The change was primarily driven by lower capital expenditures.

Financing Activities

Cash provided by financing activities for fiscal 2023 was $364 million compared to $406 million for fiscal 2022. The change was primarily due to $610 million of net proceeds from the DIP and Exit Term Loan Credit Agreements, partially offset by a $225 million repayment of the Company's Tranche B-3 Term Loans and a $14 million payment to the Company's Convertible Noteholders during fiscal 2023 compared to $543 million of net proceeds from the respective issuances of the Tranche B-3 Term Loans and Exchangeable Notes, partially offset by the $126 million repurchase of a portion of the Company's Convertible Notes, during fiscal 2022. In addition, the Company repurchased $11 million of shares for tax withholdings on the vesting of restricted stock units and Stock Bonus Program shares and received $9 million of proceeds from the Employee Stock Purchase Plan during fiscal 2022 with no comparable transactions in the current period.

Financing Arrangements

See Note 1, "Background and Basis of Presentation," and Note 11, "Financing Arrangements," to the Consolidated Financial Statements for additional information regarding the Company's Pre-Petition and Post-Petition Debt Instruments.

Future Cash Requirements

Our primary future cash requirements will be to fund operations, debt service, capital expenditures, benefit obligations and restructuring payments. We may also use cash in the future to make strategic acquisitions or investments.

In addition, the Company agreed to purchase seats of Avaya Cloud Office ("ACO") in the event certain volumes of ACO sales are not met over the term of its agreement with RingCentral, Inc. ("RingCentral"), which is described further in Note 20,

"Commitments and Contingencies" and Note 21, "Subsequent Events." In the event that the cumulative number of ACO seats sold as of the end of each calendar quarter is lower than the agreed upon threshold for such quarter, the Company will be required to purchase a number of ACO seats equal to such shortfall from RingCentral. Any such ACO seats purchased are subject to certain limitations and must be purchased for a multi-year paid term with payments made monthly. The Company may resell such ACO seats to end customers or maintain them for internal use. In the event of any such requirement to purchase ACO seats in excess of current projections, the required cash payments to RingCentral could have a significant adverse impact on the Company's financial position, results of operations and operating cash flows.

In the ordinary course of business, the Company is involved in litigation, claims, government inquiries, investigations and proceedings relating to intellectual property, commercial, employment, environmental and regulatory matters, which may require us to make cash payments. These and other legal matters could have a material adverse effect on the manner in which the Company does business and the Company's financial position, results of operations, cash flows and liquidity.

Future Sources of Liquidity

Our existing cash balance is our primary source of future liquidity. As a result of the extinguishment of a significant amount of our debt in the Chapter 11 Cases, our cash interest expense was significantly reduced upon Emergence when compared to our pre-petition capital structure.

As of September 30, 2023 and 2022, cash and cash equivalent balances held outside the U.S. were $151 million and $117 million, respectively. As of September 30, 2023, the Company's cash and cash equivalents held outside the U.S. may need to be repatriated to fund the Company's operations in the U.S. based on expected future sources of liquidity.

At September 30, 2023, the Company had issued and outstanding letters of credit and guarantees of $38 million under the ABL Credit Agreement and had no borrowings outstanding under its ABL Credit Agreement.

EBITDA and Adjusted EBITDA

We present below the Company's EBITDA and Adjusted EBITDA, each of which is a non-GAAP measure.

EBITDA is defined as net income (loss) before income taxes, interest expense, interest income and depreciation and amortization and excludes the results of discontinued operations. EBITDA provides us with a measure of operating performance that excludes certain non-operating and/or non-cash expenses, which can differ significantly from company to company depending on capital structure, the tax jurisdictions in which companies operate and capital investments.

Adjusted EBITDA is EBITDA as further adjusted by the items noted in the reconciliation table below. We believe Adjusted EBITDA provides a measure of our financial performance based on operational factors that management can impact in the short-term, such as our pricing strategies, volume, costs and expenses of the organization, and therefore presents our financial performance in a way that can be more easily compared to prior quarters or fiscal years. In addition, Adjusted EBITDA serves as a basis for determining certain management and employee compensation. We also present EBITDA and Adjusted EBITDA because we believe analysts and investors utilize these measures in analyzing our results. Under the Company's debt agreements, the ability to engage in activities such as incurring additional indebtedness, making investments and paying dividends is tied in part to ratios based on a measure of Adjusted EBITDA.

EBITDA and Adjusted EBITDA have limitations as analytical tools. EBITDA measures do not represent net income (loss) or cash flow from operations as those terms are defined by GAAP and do not necessarily indicate whether cash flows will be sufficient to fund cash needs. While EBITDA measures are frequently used as measures of operations and the ability to meet debt service requirements, these terms are not necessarily comparable to other similarly titled captions of other companies due to the potential inconsistencies in the method of calculation. Further, Adjusted EBITDA excludes the impact of earnings or charges resulting from matters that we consider not to be indicative of our ongoing operations that still affect our net income (loss). In particular, our formulation of Adjusted EBITDA adjusts for certain amounts that are included in calculating net income (loss) as set forth in the following table including, but not limited to, restructuring charges, impairment charges, resolution of certain legal matters, certain non-recurring costs, and a portion of our pension costs and post-retirement benefits costs, which represents the amortization of prior service costs (credits) and actuarial (gains) losses associated with these benefits. However, these are expenses that may recur, may vary and/or may be difficult to predict.

The reconciliation of net income (loss), which is a GAAP measure, to EBITDA and Adjusted EBITDA, which are non-GAAP measures, is presented below for the periods indicated:

(In millions)	Fiscal year ended September 30, 2023 (Combined)	Fiscal year ended September 30, 2022
Net income (loss)	1,302	$ (2,096)
Interest expense	47	224
Interest income	(16)	(4)
(Benefit from) provision for income taxes	(30)	47
Depreciation and amortization	331	408
EBITDA	1,634	(1,421)
Impact of fresh start accounting adjustments[(a)]	(26)	1
Restructuring charges[(b)]	123	64
Advisory fees[(c)]	83	19
Share-based compensation	28	27
Reorganization items, net[(d)]	(1,927)	—
Impairment charges[(e)]	45	1,640
Pension curtailment and settlement gain	(2)	—
Pension and post-retirement benefit costs	(12)	(3)
Change in fair value of the 2017 Emergence Date Warrants	—	(9)
Legal matters[(f)]	15	11
Loss (gain) on foreign currency transactions	12	(17)
Retention and sign-on bonuses	21	—
Other non-recurring items, net	(2)	—
Adjusted EBITDA	$ (8)	$ 312

(a) The impact of fresh start accounting adjustments in connection with the Company's Emergence from bankruptcy.

(b) Restructuring charges represent employee separation costs and facility exit costs (excluding the impact of accelerated depreciation expense) related to the Company's restructuring programs, net of sublease income.

(c) Advisory fees represent costs incurred to assist in the assessment of strategic and financial alternatives to improve the Company's capital structure.

(d) Reorganization items, net is mainly comprised of the gain on the extinguishment of the pre-petition debt and Predecessor equity resulting from the adoption of ASC 852 and the Emergence from bankruptcy; offset by bankruptcy related expenses, including debt issuance costs for the DIP financing; and certain advisory fees subsequent to the Petition Date.

(e) Impairment charges for fiscal 2023 include an indefinite-lived intangible asset impairment charge of $41 million and fixed asset impairment charges of $4 million. Impairment charges for fiscal 2022 include an indefinite-lived intangible asset impairment charge of $146 million, a goodwill impairment charge of $1,471 million and fixed asset impairment charges of $23 million mainly associated with specific customer and internal projects that were discontinued. See Note 7, "Goodwill," and Note 8, "Intangible Assets, net," for additional information.

(f) Legal matters includes settlements related to certain non-recurring legal matters and direct, third-party costs related to investigations performed at the direction of the Audit Committee or the Securities and Exchange Commission. Investigation related expenses were not excluded from Adjusted EBITDA in the fiscal 2022 financial statements as filed with the SEC on September 8, 2023. However, investigation related expenses have been excluded from fiscal 2023 Adjusted EBITDA. To enhance comparability, the Company has included $3 million of investigation costs as an addback to fiscal 2022 Adjusted EBITDA.