



# Ciena Corporation

Earnings Presentation

Period ended April 29, 2023

June 6, 2023

# Forward-looking statements and non-GAAP measures

Information in this presentation and related comments of presenters contain a number of forward-looking statements. These statements are based on current expectations, forecasts, assumptions and other information available to the Company as of the date hereof. Forward-looking statements include Ciena's prospective financial results, return of capital plans, business strategies, expectations about its addressable markets and market share, and business outlook for future periods, as well as statements regarding Ciena's expectations, beliefs, intentions or strategies regarding the future. Often, these can be identified by forward-looking words such as "target" "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," "will," "plan," "predict," "potential," "project", "continue," and "would" or similar words.

Ciena's actual results, performance or events may differ materially from these forward-looking statements made or implied due to a number of risks and uncertainties relating to Ciena's business, including: the effect of broader economic and market conditions on our customers and their business; our ability to execute our business and growth strategies; the impact of supply chain constraints or disruptions; the duration and severity of the COVID-19 pandemic and the impact of countermeasures taken to mitigate its spread on macroeconomic conditions, economic activity, demand for our technology solutions, short- and long-term changes in customer or end user needs, continuity of supply chain, our business operations, liquidity and financial results; changes in network spending or network strategy by our customers; seasonality and the timing and size of customer orders, including our ability to recognize revenue relating to such sales; the level of competitive pressure we encounter; the product, customer and geographic mix of sales within the period; changes in foreign currency exchange rates; factors beyond our control such as natural disasters, climate change, acts of war or terrorism, geopolitical events, including but not limited to the ongoing conflict between Ukraine and Russia, and public health emergencies; changes in tax or trade regulations, including the imposition of tariffs, duties or efforts to withdraw from or materially modify international trade agreements; and the other risk factors disclosed in Ciena's periodic reports filed with the Securities and Exchange Commission (SEC) including Ciena's Annual Report on Form 10-K filed with the SEC on December 16, 2022 and Ciena's Quarterly Report on Form 10-Q to be filed with the SEC.

All information, statements, and projections in this presentation and the related earnings call speak only as of the date of this presentation and related earnings call. Ciena assumes no obligation to update any forward-looking or other information included in this presentation or related earnings calls, whether as a result of new information, future events or otherwise.

In addition, this presentation includes historical, and may include prospective, non-GAAP measures of Ciena's gross margin, operating expense, operating margin, EBITDA, and net income per share. These measures are not intended to be a substitute for financial information presented in accordance with GAAP. A reconciliation of non-GAAP measures used in this presentation to Ciena's GAAP results for the relevant period can be found in the Appendix to this presentation. Additional information can also be found in our press release filed this morning and in our reports on Form 10-Q and Form 10K filed with the Securities and Exchange Commission.

With respect to Ciena's expectations under "Business Outlook", Ciena is not able to provide a quantitative reconciliation of the adjusted (non-GAAP) gross margin, operating expense, operating margin and earnings per share guidance measures to the corresponding gross profit and gross profit percentage, and operating expense GAAP measures without unreasonable efforts. Ciena cannot provide meaningful estimates of the non-recurring charges and credits excluded from these non-GAAP measures due to the forward-looking nature of these estimates and their inherent variability and uncertainty. For the same reasons, Ciena is unable to address the probable significance of the unavailable information.

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# Overview & recent achievements



# Ciena is an industry-leading global networking systems, services, and software company .....



**Leading technology  
and innovation**



**Diversification and  
scale of business**



**Leader in Optical  
markets and disruptor  
in emerging  
opportunities**

**... with a strong track record of creating shareholder value**



**Demonstrated track  
record of financial  
performance**



**Flexibility with strong  
balance sheet**

# Recent key achievements

## We are driving the pace of innovation

- Announced WaveLogic™ 6, our next generation of coherent optics and the industry's first to support up to 1.6Tbps single-carrier wavelengths
- Delivering industry-leading coherent technology with WaveLogic 5 Extreme (WL5e), the most widely deployed 800G solution, and WaveLogic 5 Nano interoperable performance pluggables
- Launched WaveRouter, a purpose-built Coherent Router and industry-first platform architecture optimally designed for the converged metro
- Offering a fully integrated per port architecture for Broadband Access Solution encompassing Ciena, Benu, and Tibit products

## We have a resilient business and financial model

- Our large backlog provides visibility as supply chain gradually improves
- In FY 2022, we repurchased approximately 8.4 million shares for \$500 million as part of our \$1 billion stock repurchase program and we committed to completing the program by FYE 2024
- Our balance sheet remains a competitive advantage
  - Ended the fiscal quarter with approximately \$1.3B in cash and investments

## We are committed to our people and communities

- Released our 2022 Sustainability Report, detailing our progress and performance across environmental, social, and governance programs
- Submitted new greenhouse gas reduction goals to the Science Based Target Initiative for approval to address the environmental impact of our operations and ensure that our technology innovation becomes an even greater enabler of our customers' environmental ambitions
- Awarded 20 schools with a Ciena Solutions Challenge Sustainability Award, helping them bring to life their innovative solutions to sustainability challenges affecting their local communities

# Market context and Ciena's portfolio

# Six mega trends and the innovations that will enable them

Cloud



Data Center



IoT and Connected Objects



AI, Digital Transformation & Automation



Mobility & 5G



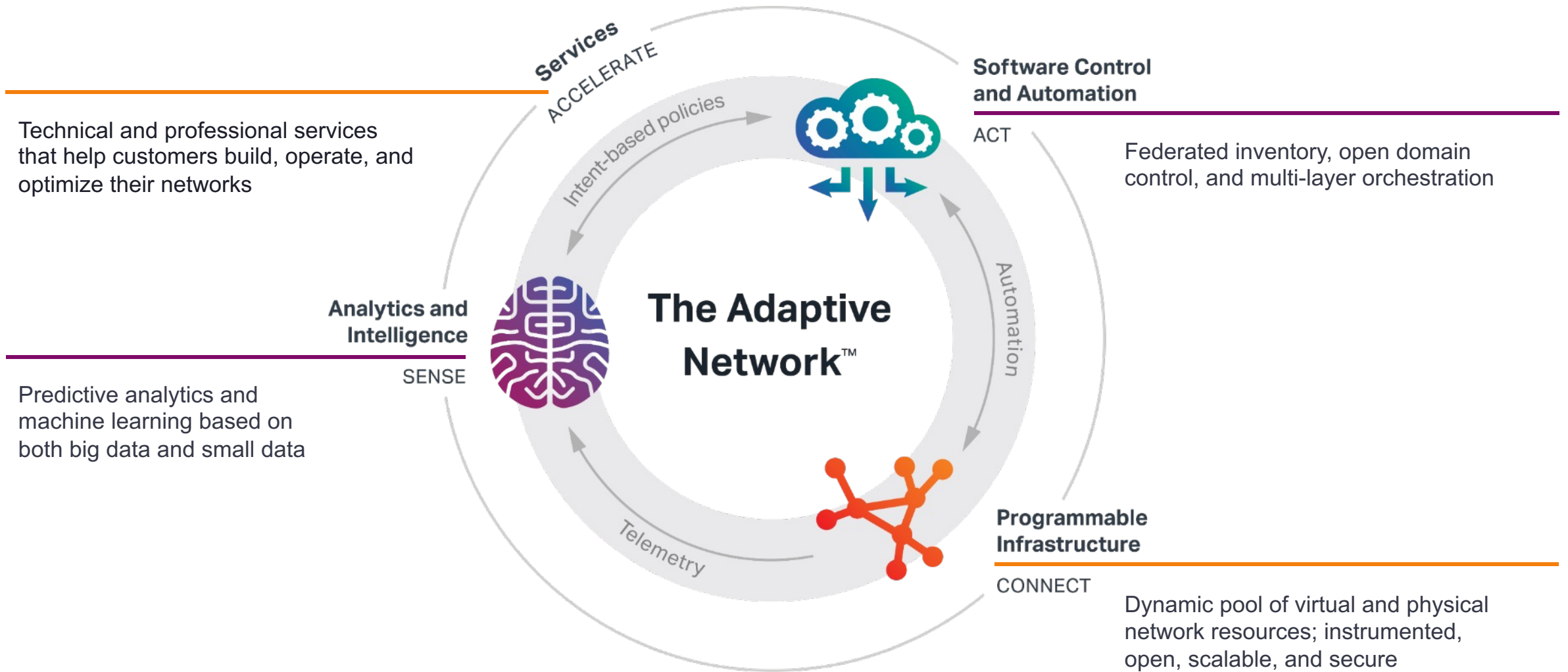
Virtual & Hybrid Lifestyles





# Our vision for a new network end-state

How it works



# Our market leadership



## #1 GLOBALLY

- SLTE WDM
- ACCESS SWITCHING

## #1 N. AMERICA

- TOTAL OPTICAL NETWORKING
- DATA CENTER INTERCONNECT
- ACCESS SWITCHING

## #2 GLOBALLY

- TOTAL WDM
- PURPOSE-BUILT/COMPACT MODULAR DCI

## #1 GLOBALLY

- PURPOSE-BUILT/COMPACT MODULAR DCI
- OPTICAL FOR CLOUD & COLO
- SLTE WDM

## #1 N. AMERICA

- TOTAL OPTICAL NETWORKING
- PURPOSE-BUILT/COMPACT MODULAR DCI
- OPTICAL FOR CLOUD & COLO
- PACKET ACCESS

## #2 GLOBALLY

- TOTAL OPTICAL NETWORKING
- OPTICAL FOR SERVICE PROVIDER
- OPTICAL FOR ENTERPRISE & GOVERNMENT
- PACKET ACCESS

## #1 GLOBALLY

- DATA CENTER INTERCONNECT
- PURPOSE-BUILT/COMPACT MODULAR DCI
- OPTICAL FOR INTERNET CONTENT PROVIDER CUSTOMERS
- OPTICAL FOR CABLE MSO CUSTOMERS

## #1 N. AMERICA

- DATA CENTER INTERCONNECT
- TOTAL OPTICAL NETWORKING
- OPTICAL PACKET

## #2 GLOBALLY

- TOTAL OPTICAL NETWORKING
- OPTICAL PACKET
- COMMUNICATION SERVICE PROVIDER CUSTOMERS

Optical Networking Report, 4Q22  
Service Provider Switching & Routing Report, 4Q22

Transport Hardware and Markets Report, 1Q23  
Transport Applications Report, 1Q23

Optical Transport Report, 1Q23

# Q2 FY 2023 results

# Q2 FY 2023 key highlights

## Achieving balanced growth

- Non-telco represented 42% of total revenue in fiscal Q2 2023
  - Direct Cloud Provider revenue increased 20% YoY
- Service Provider revenue increased 22% YoY
- Routing and Switching revenue increased 19% YoY in fiscal Q2 2023, reflecting strong contribution across the routing portfolio
- APAC revenue increased 60% YoY and 19% QoQ driven by strength in India

## Driving the pace of innovation

- GAAP R&D investment was 17% of total revenue in fiscal Q2 2023
- Record quarter for 6500 RLS line systems driven by next gen, scalable C+L-band infrastructure build-outs
- Customer traction continues with 400G+ technologies, with 12 new wins on WL5n and 14 new wins on WaveLogic 5 Extreme
  - Record quarter for WL5e shipments with more than 75,000 modems shipped to date
- Expanded XGS-PON capabilities for residential and small office/home office applications with the 3806 XGS-PON weatherproof Optical Network Unit

## Prioritizing long term shareholder value

- Total shareholder return five-year CAGR of 11%<sup>1</sup>
- Made strategic investments to expand our addressable market, including the announcement of WaveRouter
- Under our authorized \$1 billion stock repurchase program, we are targeting the repurchase of \$250M in shares in FY2023

<sup>1</sup> Based on closing share price between 5/16//2018 to 5/16/2023

## Q2 FY 2023 comparative financial highlights

	Q2 FY 2023	Q2 FY 2022
<b>Revenue</b>	\$1,132.7M	\$949.2M
<b>Adjusted Gross Margin*</b>	43.7%	43.0%
<b>Adjusted Operating Expense*</b>	\$338.1M	\$301.1M
<b>Adjusted Operating Margin*</b>	13.8%	11.3%
<b>Adjusted EBITDA*</b>	\$180.6M	\$129.3M
<b>Adjusted EPS*</b>	\$0.74	\$0.50

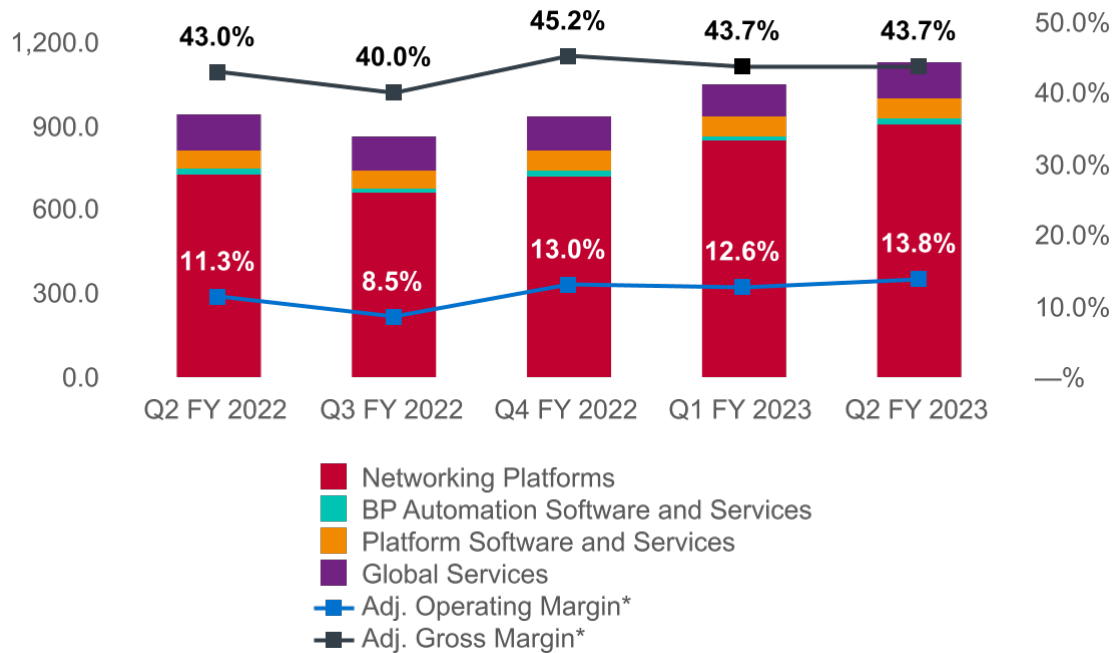
\* Reconciliations of these non-GAAP measures to our GAAP results are included in the Appendix and in the press release for the relative period.

## Q2 FY 2023 comparative operating metrics

	Q2 FY 2023	Q2 FY 2022
<b>Cash and investments</b>	\$1.34B	\$1.64B
<b>Cash from operations</b>	\$230M	\$106M
<b>DSO</b>	96.7	87.0
<b>Inventory Turns</b>	2.0	3.4
<b>Gross Leverage</b>	2.78x	1.71x
<b>Net Cash (Debt)</b>	\$(284)M	\$497M

# Revenue by segment

(Amounts in millions)



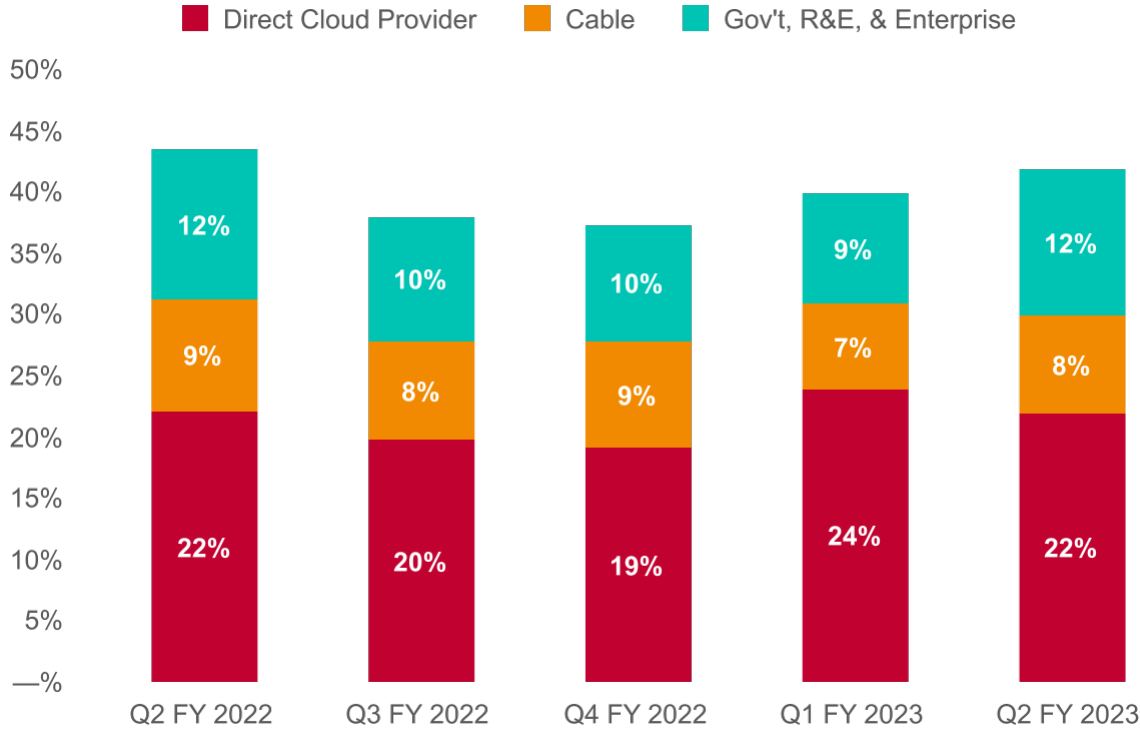
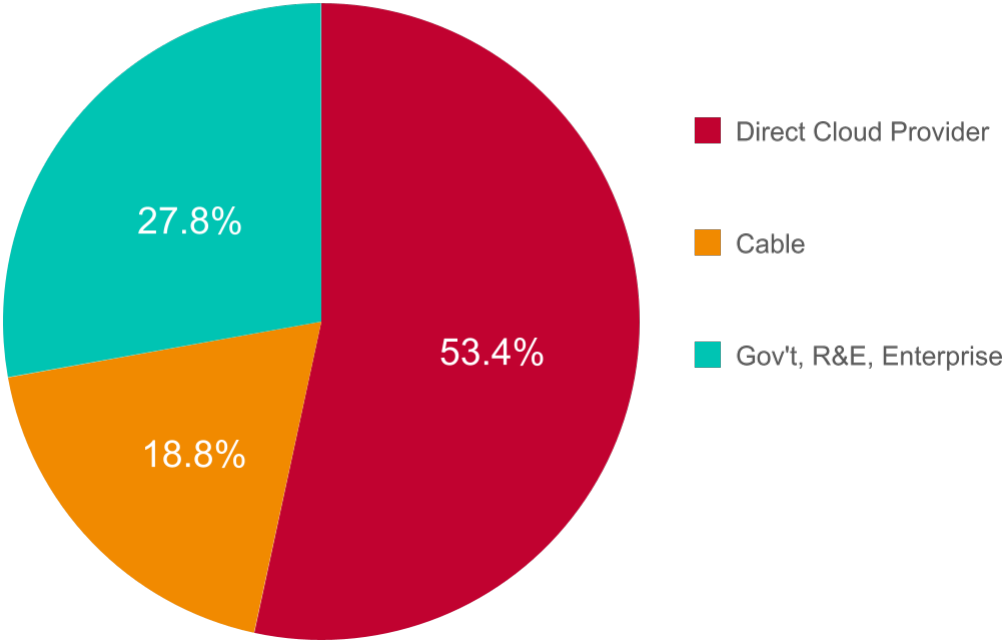
	Q2 FY 2023		Q2 FY 2022	
	Revenue	%**	Revenue	%**
<b>Networking Platforms</b>				
Converged Packet Optical	\$784.5	69.3	\$625.3	65.8
Routing and Switching	130.4	11.5	109.2	11.5
<b>Total Networking Platforms</b>	<b>914.9</b>	<b>80.8</b>	<b>734.5</b>	<b>77.3</b>
<b>Platform Software and Services</b>	<b>69.4</b>	<b>6.1</b>	<b>69.1</b>	<b>7.3</b>
<b>Blue Planet Automation Software and Services</b>	<b>20.6</b>	<b>1.8</b>	<b>16.9</b>	<b>1.8</b>
<b>Global Services</b>				
Maintenance Support and Training	73.2	6.5	74.0	7.8
Installation and Deployment	39.5	3.5	41.4	4.4
Consulting and Network Design	15.1	1.3	13.3	1.4
<b>Total Global Services</b>	<b>127.8</b>	<b>11.3</b>	<b>128.7</b>	<b>13.6</b>
<b>Total</b>	<b>\$1,132.7</b>	<b>100.0</b>	<b>\$949.2</b>	<b>100.0</b>

\* A reconciliation of these non-GAAP measures to GAAP results is included in the appendix to this presentation.

\*\* Denotes % of total revenue

# Continued revenue strength derived from non-telco customers

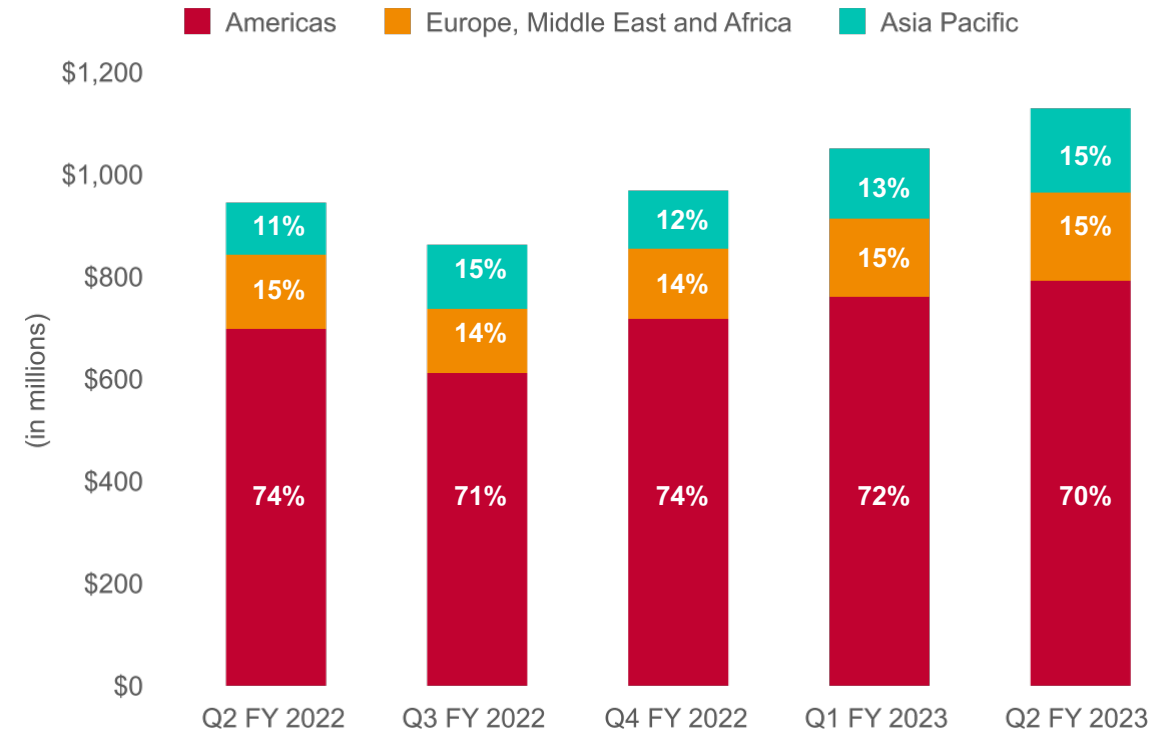
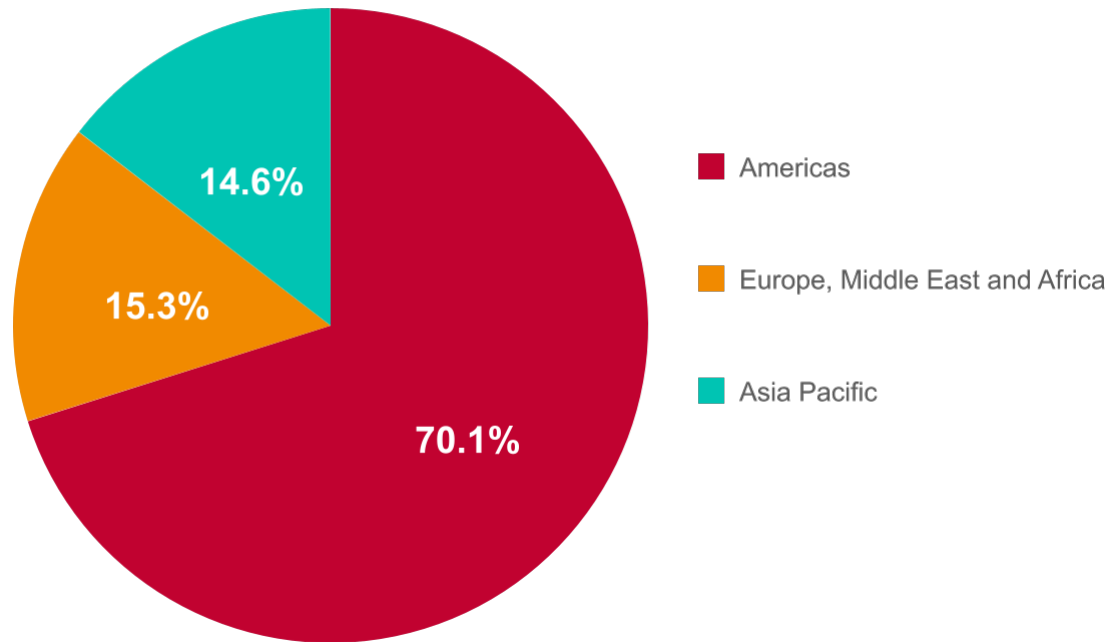
Q2 FY 2023  
Approx. 42% of total revenue





# Revenue by geographic region

Q2 FY 2023



# Business outlook



# Economic considerations and assumptions in our fiscal 2023 outlook

## Business Assumptions

- Macro environment does not significantly worsen and any adverse effects on our business, including with respect to our customers' capex priorities and their ability to take delivery of product during the year, remain immaterial
- Longer-term fundamental industry demand drivers – including increasing demand for bandwidth, adoption of cloud architectures and network automation requirements – will drive customers to prioritize network capex to address this demand
- Huawei displacement opportunities and government infrastructure spending provide growth tailwinds
- We continue to benefit from strong demand dynamics in our industry given our distinct competitive advantages

## Revenue Assumptions

- Supply chain conditions continue to improve throughout the year
- Component suppliers largely deliver on their supply commitments and we do not encounter any substantial decommits that we cannot successfully mitigate
- As lead times improve and customer place fewer advance orders, our reliance upon securing quarterly book to revenue orders grows and those orders represent a more typical composition of our quarterly revenue

## Profitability Assumptions

- Supply and logistics costs remain elevated but begin to ease throughout the year
- As new wins and early deployments accelerate with supply chain improvements, we expect our product mix to include a larger proportion of lower-margin common equipment
- Operating expense increases to fund strategic investments as we expand our addressable market and aim to capture opportunities that advance our position in key growth areas

# Business outlook<sup>1</sup>

## Q3 FY 2023

**Revenue** \$1.00B to \$1.08B

**Adjusted Gross Margin** Low 40s%

**Adjusted Operating Expense** Approximately \$335M

## FY 2023

**Revenue Growth** 18% to 22%

**Adjusted Gross Margin** 42% to 44%

**Adjusted Operating Expense** Approximately \$1.33B

<sup>1</sup> Projections or outlook with respect to future operating results are only as of June 6, 2023, the date presented on the related earnings call. Actual results may differ materially from these forward-looking statements. Ciena assumes no obligation to update this information, whether as a result of new information, future events or otherwise.

# Q2 FY 2023 appendix

## Gross Profit Reconciliation (Amounts in thousands)

	Q2 FY 2023	Q1 FY 2023	Q4 FY 2022	Q3 FY 2022	Q2 FY 2022
GAAP gross profit	\$487,683	\$455,946	\$433,597	\$340,779	\$401,781
Share-based compensation-products	1,155	1,051	907	1,002	1,058
Share-based compensation-services	2,659	2,297	2,066	1,940	1,943
Amortization of intangible assets	3,431	2,883	2,005	3,140	3,313
Total adjustments related to gross profit	7,245	6,231	4,978	6,082	6,314
<b>Adjusted (non-GAAP) gross profit</b>	<b>\$494,928</b>	<b>\$462,177</b>	<b>\$438,575</b>	<b>\$346,861</b>	<b>\$408,095</b>
<b>Adjusted (non-GAAP) gross profit percentage</b>	<b>43.7 %</b>	<b>43.7 %</b>	<b>45.2 %</b>	<b>40.0 %</b>	<b>43.0 %</b>

## Operating Expense Reconciliation (Amounts in thousands)

	Q2 FY 2023	Q1 FY 2023	Q4 FY 2022	Q3 FY 2022	Q2 FY 2022
GAAP operating expense	\$384,870	\$370,730	\$356,329	\$313,672	\$343,352
Share-based compensation-research and development	10,731	9,234	8,507	8,233	8,309
Share-based compensation-sales and marketing	8,755	8,424	8,084	8,075	8,061
Share-based compensation-general and administrative	8,468	9,468	7,610	7,579	7,334
Significant asset impairments and restructuring costs	8,153	4,298	13,621	7,692	9,102
Amortization of intangible assets	9,845	7,441	5,754	8,919	8,920
Acquisition and integration costs	857	2,558	—	35	495
Total adjustments related to operating expense	46,809	41,423	43,576	40,533	42,221
<b>Adjusted (non-GAAP) operating expense</b>	<b>\$338,061</b>	<b>\$329,307</b>	<b>\$312,753</b>	<b>\$273,139</b>	<b>\$301,131</b>

## Income from Operations Reconciliation (Amounts in thousands)

	Q2 FY 2023	Q1 FY 2023	Q4 FY 2022	Q3 FY 2022	Q2 FY 2022
GAAP income from operations	\$102,813	\$85,216	\$77,268	\$27,107	\$58,429
Total adjustments related to gross profit	7,245	6,231	4,978	6,082	6,314
Total adjustments related to operating expense	46,809	41,423	43,576	40,533	42,221
Total adjustments related to income from operations	54,054	47,654	48,554	46,615	48,535
<b>Adjusted (non-GAAP) income from operations</b>	<b>\$156,867</b>	<b>\$132,870</b>	<b>\$125,822</b>	<b>\$73,722</b>	<b>\$106,964</b>
<b>Adjusted (non-GAAP) operating margin percentage</b>	<b>13.8 %</b>	<b>12.6 %</b>	<b>13.0 %</b>	<b>8.5 %</b>	<b>11.3 %</b>

## Net Income Reconciliation (Amounts in thousands)

	Q2 FY 2023	Q1 FY 2023	Q4 FY 2022	Q3 FY 2022	Q2 FY 2022
GAAP net income	\$57,654	\$76,241	\$57,645	\$10,512	\$38,922
Exclude GAAP provision for income taxes	29,821	25,078	7,735	4,319	8,330
Income before income taxes	87,475	101,319	65,380	14,831	47,252
Total adjustments related to income from operations	54,054	47,654	48,554	46,615	48,535
Gain on cost method equity investment	—	(26,455)	—	—	—
Adjusted income before income taxes	141,529	122,518	113,934	61,446	95,787
Non-GAAP tax provision on adjusted income before income taxes	31,136	26,954	23,015	12,412	19,349
<b>Adjusted (non-GAAP) net income</b>	<b>\$110,393</b>	<b>\$95,564</b>	<b>\$90,919</b>	<b>\$49,034</b>	<b>\$76,438</b>
Weighted average basic common shares outstanding	149,616	149,081	148,548	149,862	152,197
Weighted average diluted potential common shares outstanding <sup>(1)</sup>	150,147	149,551	149,111	150,463	153,344

## Net Income per Common Share

	Q2 FY 2023	Q1 FY 2023	Q4 FY 2022	Q3 FY 2022	Q2 FY 2022
GAAP diluted net income per potential common share	\$ 0.38	\$ 0.51	\$ 0.39	\$ 0.07	\$ 0.25
<b>Adjusted (non-GAAP) diluted net income per potential common share</b>	<b>\$ 0.74</b>	<b>\$ 0.64</b>	<b>\$ 0.61</b>	<b>\$ 0.33</b>	<b>\$ 0.50</b>

1. Weighted average dilutive potential common shares outstanding used in calculating Adjusted (non-GAAP) diluted net income per potential common share for the second quarter of fiscal 2023 includes 0.5 million shares underlying certain stock option and stock unit awards.



## Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) (Amounts in thousands)

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)	Q2 FY 2023	Q1 FY 2023	Q4 FY 2022	Q3 FY 2022	Q2 FY 2022
Net income (GAAP)	\$57,654	\$76,241	\$57,645	\$10,512	\$38,922
Add: Interest expense	23,889	15,870	13,775	12,642	11,985
Less: Interest and other income, net	8,551	31,973	1,887	366	808
Add: Provision for income taxes	29,821	25,078	7,735	4,319	8,330
Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	23,695	22,208	27,642	22,250	22,377
Add: Amortization of intangible assets	13,275	10,325	7,759	12,059	12,233
<b>EBITDA</b>	<b>\$139,783</b>	<b>\$117,749</b>	<b>\$112,669</b>	<b>\$61,416</b>	<b>\$93,039</b>
Add: Share-based compensation cost	31,768	30,474	27,174	26,857	26,673
Add: Significant asset impairments and restructuring costs	8,153	4,298	13,621	7,692	9,102
Add: Acquisition and integration costs	857	2,558	—	35	495
<b>Adjusted EBITDA</b>	<b>\$180,561</b>	<b>\$155,079</b>	<b>\$153,464</b>	<b>\$96,000</b>	<b>\$129,309</b>



**Thank You**