

03-Sep-2020

Ciena Corp. (CIEN)

Q3 2020 Earnings Call

CORPORATE PARTICIPANTS

Gregg M. Lampf

Vice President-Investor Relations, Ciena Corp.

Gary B. Smith

President, Chief Executive Officer & Director, Ciena Corp.

James E. Moylan

Senior Vice President-Finance & Chief Financial Officer, Ciena Corp.

Scott A. McFeely

Senior Vice President-Global Products and Services, Ciena Corp.

OTHER PARTICIPANTS

Simon Leopold

Analyst, Raymond James & Associates, Inc.

George C. Notter

Analyst, Jefferies LLC

John Marchetti

Analyst, Stifel

Meta A. Marshall

Analyst, Morgan Stanley & Co. LLC

Rod Hall

Analyst, Goldman Sachs & Co. LLC

Paul Silverstein

Analyst, Cowen and Company

Tal Liani

Analyst, BofA Securities, Inc.

Amit Daryanani

Analyst, Evercore Group LLC

Michael E. Genovese

Analyst, MKM Partners LLC

Alex Henderson

Analyst, Needham & Co. LLC

Samik Chatterjee

Analyst, JPMorgan Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the Ciena Fiscal Q3 2020 Financial Results Conference Call. At this time, all participants' lines are in a listen-only mode. After the speakers' presentation, there'll be a question-and-answer session. [Operator Instructions]

I would now like to hand today's conference over to Gregg Lampf. Please go ahead.

Gregg M. Lampf

Vice President-Investor Relations, Ciena Corp.

Thank you, Carmen. Good morning and welcome to Ciena's 2020 fiscal third quarter review. We're conducting today's call from various remote locations. On the call today is Gary Smith, President and CEO; and Jim Moylan, CFO. Scott McFeely, our Senior Vice President of Global Products and Services is also with us for the Q&A.

In addition to this call and the press release, we have posted to the Investors section of our website an accompanying investor presentation that reflects this discussion as well as certain highlighted items from the quarter. Our comments today speak to our fiscal Q3 2020 performance, developments in our business, and our view on current market dynamics, including with respect to COVID-19 as well as our outlook.

Today's discussion includes certain adjusted or non-GAAP measures of Ciena's results of operations. A detailed reconciliation of these non-GAAP measures to our GAAP results is included in today's press release.

Before turning the call over to Gary, I'll remind you that during this call we'll be making certain forward-looking statements. Such statements including our guidance and long-term financial targets are based on current expectations, forecasts, and assumptions regarding the company and its markets, which include risks and uncertainties that could cause actual results to differ materially from the statements discussed today.

These statements should be viewed in the context of the risk factors detailed in our most recent Form 10-Q filing as well as in our upcoming Form 10-Q, which is required to be filed with the SEC by September 11. We expect to file by that date. Ciena assumes no obligation to update the information discussed in this conference call whether as a result of new information, future events or otherwise.

As always, we will allow for as much Q&A as possible today, though we ask that you limit yourselves to one question and one follow-up. With that, I'll turn the call over to Gary.

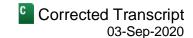
Gary B. Smith

President, Chief Executive Officer & Director, Ciena Corp.

Thanks, Gregg, and good morning, everyone. Today, we delivered outstanding third quarter results across the board. And similar to last quarter, our performance in Q3 demonstrates that our strategy focused on innovation leadership, diversification and global scale has enabled us to manage well through the challenges of the current environment.

The Ciena team has been a key element of our performance and businesses, as we know, are all about people. Their focus, resilience and drive to innovate and serve our customers is unrivaled in the industry. I remain

Q3 2020 Earnings Call



incredibly proud of our global workforce and their collective efforts, including their continued volunteerism and charitable activities.

Notwithstanding our strong quarterly performance and the resiliency of our business model, we are seeing negative effects of the pandemic, and greater economic uncertainty weigh on our near-term outlook. We believe that this is being driven by an impact on the velocity, and to some extent, de-prioritization of new business initiatives in general as well as an increasing customer caution on budget decisions and the timing of spend, namely with service providers as they are in turn beginning to feel the negative effects from large segments of their enterprise business.

As we said last quarter, despite the favorable increase in bandwidth requirements, we are not immune to these dynamics as they continue to play out in the market, and we will provide more color and perspectives on this momentarily.

Firstly, I'd like to discuss the key performance metrics in our third quarter and provide a few highlights from across the business that really emphasize the inherent resilience and competitive strength of our business. So far this year, we believe we've taken an additional one-plus percent of global market share, and I would stress that this is largely without the benefit of an increasing number of significant strategic design wins that we have yet been able to monetize given the current climate.

Accordingly, we delivered outstanding financial performance in Q3. We had a great revenue quarter, and our gross margin, OpEx management and operating margin were all very strong and, in fact, better than expected. Indeed, our adjusted operating margin exceeded 22%. And I think this really demonstrates the differentiated operating leverage in our business model that we've created. And we had excellent cash flow, finishing the quarter with approximately \$1.2 billion in cash.

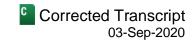
Our performance this quarter also reinforced our innovation leadership and strong competitive position in critical areas of the network. Our latest generation modem, WaveLogic 5, remains the only 800-gig solution available in the market and is in volume production today. We are not just sampling or trialing this leading technology. We're actually shipping it for commercial deployments with a range of customers, including service providers, webscalers, subsea operators, and research and education institutions.

In fact, we've already secured roughly 50 design wins for WaveLogic 5 Extreme, and this is a rate faster than previous generations as the networks today are more ready than before for a step function in capacity to support demand. In just over three months of commercial availability, we've shipped more than 1,000 WaveLogic 5 coherent modems to almost 40 customers around the globe, with several of those networks already carrying live traffic.

I think this is a strong testament to our innovation leadership and clear validation of our ability to execute and deliver against aggressive technology roadmaps supported by a very robust supply chain. In addition to our market-leading optical performance, we had several new wins in Q3 for our packet business. We now have more than a dozen customers for our Adaptive IP solutions, including Telefonica UK and SK Telink which we announced in Q3.

And this amongst additional Tier 1 service providers who valued our automated, open and lean approach to IP architectures. And, of course, we also continue to see strength with existing customers of our packet portfolio like AT&T.

Q3 2020 Earnings Call



On the Blue Planet side, in Q3, we delivered on a strategic mobile transformation in the Asia Pacific region, secured significant upsell business with several large service provider customers domestically and internationally, and added a number of new enterprise logos as well.

Now, moving to the overall market, secular demand drivers for connectivity obviously remained very much intact as network traffic grows and the adoption of cloud architectures continues apace. So the fundamentals of our business are absolutely unchanged as we look to the future. Nevertheless, as I alluded to in my opening remarks, late in the fiscal third quarter we began to see some of the effects of COVID-19 manifest in our business to a greater degree than anticipated, as well as increased economic uncertainty.

Specifically, we began to experience a meaningful slowdown in orders and a softening of our outlook. I would stress that the decline is broad-based across our service providers customers globally whose spend now appears to have been somewhat front-end loaded in the calendar year, resulting in lower orders in our third quarter from a number of our large customers in this segment. We believe the softness in our order flow and our reduced visibility is the result of a couple of customer-related dynamics.

Firstly, COVID-19 continues to have an adverse impact on the velocity of business in general, and particularly new business initiatives. Limitation on physical access at ours and our technology partner sites continue to create challenges for executing on some network projects that we've already won. And generally, in this uncertain environment, customers' ability and willingness to move forward with new business initiatives is constrained.

In fact, the best evidence for this dynamic is evident in our recent gross margin performance, which reflects a larger percentage of revenue from existing businesses versus from new design wins and early [ph] life-in (00:09:19) projects which tend to carry somewhat lower margins.

The second dynamic is customers have grown more cautious about the near-term outlook for their businesses, and are beginning to exercise greater restraint in respect to their CapEx spend. This is particularly evident with our service provider and MSO customers as certain large segments of their enterprise businesses are being negatively impacted by the pandemic and economic uncertainties.

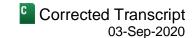
Overall, I would say that customers are running their networks hotter and they are carefully prioritizing where and when to add network capabilities. And they've proven their ability to do this for extended periods of time, as we've seen before with previous economic conditions that are challenging.

Conversely, with our webscale customers, the year has pretty much so far played out as we expected directionally with some COVID-related reduction in spending. Specifically, in fiscal 2020, as expected, one of our large webscale customers reduced its optical spend as it had some absorption and changes to its architecture. Well, I would stress that we've gained significant share with others, including a new significant architectural win with one of the major players that is new to Ciena.

We now believe that overall optical spend growth in this webscale segment will be flat to low-single digits for this year versus the 7% to 10% that was expected at the beginning of the year. And I would stress that our competitive position remains strong in this key vertical. And we remain confident that we have gained share in all of the other accounts, despite our one large customer absorbing during the year. Therefore, our overall market share continues to expand in this sector.

While the strong diversity in our businesses generally enables us to manage through ebbs and flows in any one customer segment or geography, the breadth and magnitude of COVID-19 challenges and economic

Q3 2020 Earnings Call



uncertainties are making it more difficult to do so. As a result of the broader economic conditions and related market dynamics, we now expect overall market optical growth, excluding China, will slow. In fact, we now believe that the market will be roughly flat to down for this year. And this dynamic has already been reflected in some of the latest industry analyst forecast, and we expect that sentiment to continue.

Accordingly, we expect our orders and revenue to be adversely impacted for the next few quarters. However, I would stress that we believe that these challenges will be short term in nature. With bandwidth demand increasing at approximately 25% to 30% year-on-year, we do not believe it will be possible for our customers to serve that level of demand for more than a few quarters without increasing capacity.

Importantly, our competitive position is incredibly strong, and we remain the clear market share leader. We believe that uncertain conditions will only reinforce and possibly accelerate a flight to quality in terms of vendor selection and the ability to maintain investment velocity. And we have the scale, focus and balance sheet to not only continue differentiating ourselves, but also manage through these conditions effectively. And we intend to press down on that advantage to ensure both our own and our customers' long-term success.

With that, I'll hand it over to Jim to talk you through our Q3 results and outlook.

James E. Moylan

Senior Vice President-Finance & Chief Financial Officer, Ciena Corp.

Thanks, Gary. Good morning, everyone. We're pleased to report another strong quarterly performance with our Q3 results today, driven by continued execution of our strategy. Total Q3 revenue was \$977 million, which, like last quarter, reflects strengths in our North America and EMEA regions. Q3 was also remarkable with respect to customer diversification with non-telco customers generating more than 43% of total revenue. This included direct webscale revenue, 25%; revenue R&E and enterprise, 9%; MSOs, 9%.

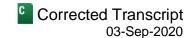
Adjusted gross margin was 48%. This was higher than our estimate of current run rate gross margin. I'll remind you that we said last quarter we believe our current run rate margin is between 43% and 45%. It's higher now because, as Gary mentioned, our revenue mix in the quarter included a larger percentage of revenue from existing business as opposed to revenue from new design wins and early-in-life projects, which tend to carry lower gross margins.

Adjusted operating expense in the quarter was \$251 million, lower than expected, mainly due to continued lower travel costs as a result of COVID-19. With respect to profitability measures, in Q3, we delivered adjusted operating margin of 22.4%, adjusted net income of \$166 million and adjusted EPS of \$1.06, above our expectations, largely due to the higher gross margin.

In addition, in Q3, cash from operations was very strong at \$175 million. Adjusted EBITDA in Q3 was \$241 million. And we generated free cash flow in the quarter of \$160 million. We ended the quarter with approximately \$1.2 billion in cash and investments. Our balance sheet remains a significant competitive differentiator, particularly in the current environment, where financial strength and resiliency are critical. And it affords us the flexibility to continue investing in our business for the long term.

Before I provide our guidance for the fourth quarter, I'll reiterate Gary's comments around long-term secular demand drivers, specifically that the underlying trend of growth in bandwidth demand remains intact and that our competitive position has never been stronger. However, the length and breadth of the COVID-19 pandemic and its effect on the global economy remains uncertain. And it is leading to more cautious customer spending

Q3 2020 Earnings Call



behaviors and ongoing difficulties with operationalizing projects. This resulted in Q3 orders coming in significantly below revenue, something we have not seen for some time and a softening of our near-term outlook.

Taking all of that into account, including our revised view on market growth for this year of roughly flat to down, we expect our Q4 performance will be as follows: revenue in the range of \$800 million to \$840 million, adjusted gross margin in the range of 46% to 48% and adjusted operating expense of approximately \$255 million to \$260 million.

Importantly, based on our year-to-date performance and these projections, we now expect to achieve approximately 17% adjusted operating margin for fiscal year 2020, above the revised target that we provided last quarter. This level of expected performance for fiscal 2020 reflects a combination of current market dynamics as well as deliberate initiatives we've taken in several key areas of our company over the last few years to reduce expenses. It also demonstrates the long-term operating leverage potential of our business model.

I'll close by looking beyond Q4. Based on what we see today and with our limited visibility, we expect current market dynamics, in particular, the challenges around restrained customer spending as well as business velocity, will persist for a few quarters. As always, we remain focused on executing our strategy. We have experience and a consistent track record of successfully managing the business through difficult times.

Today, we are an even stronger and more diversified business than during this challenging macroeconomic environment. And as a result of our fundamental strength, we have the unique capability to continue investing in our business, in our people, in our products and in our customers with a focus on managing the business for the long term and continued market leadership. And we expect, even during this time of lower revenue, to generate strong gross margins and profitability.

Carmen, we will now take questions from the sell-side analysts.

QUESTION AND ANSWER SECTION

Operator: Thank you. And your first question will come from the line of Simon Leopold with Raymond James. Please go ahead with your question.

Simon Leopold

Analyst, Raymond James & Associates, Inc.

Great. Thank you very much. So, in terms of what's going on with these trends and what sounds like some absorption and weaker trends, is there a split in terms of what's going on US telcos versus international telcos and the webscale? It sounds to me – the impression I have is that the issue is more acute with US telco and cable. And are you seeing that behavior extending outside the US or into hyperscale? Thank you.

Gary B. Smith

President, Chief Executive Officer & Director, Ciena Corp.

Thanks, Simon. I would say that it's quite widespread, both domestically, North America, and internationally and it's service – it's largely service providers and MSOs. So, it's sort of across the board there. And I think the dynamic to that is the fact that they can run their networks a little hotter.

But I also think in terms of the economic caution they're beginning to see impact of large sections of their enterprise customers have challenges. And I think that's a consistent issue not just in North America, but in Europe and around the world. So, there's some logic as to why we'd see it in international carriers as well. Obviously, some carriers are more exposed than others and the sort of – to various extents. But it is quite widespread amongst the service providers.

On webscale, I think it's much less so because I think it's a different set of dynamics there. And I think they're largely performing as we thought. I think the growth rate this year is going to be lower than we'd anticipated. But I think that's to do with some challenges around building out data centers, et cetera. That has slowed, particularly internationally, their ability to do that. And you had one webscale player in particular had a large absorption and is running their network hotter as well. But we saw pretty good growth with all of the other webscale players. So, I think it's less webscale and more service provider, Simon, for sure.

Simon Leopold

Analyst, Raymond James & Associates, Inc.

Thank you.

James E. Moylan

Senior Vice President-Finance & Chief Financial Officer, Ciena Corp.

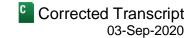
One other thing I'll mention, Simon, is that we've seen particular weakness in India. And remember, India started the year with a few secular factors. COVID has hit India, and India has been shut down basically for several months. So, India has been a clear effect on us.

Simon Leopold

Analyst, Raymond James & Associates, Inc.

Great. And as a follow-up, I wanted to see if you could maybe offer us an update on the prospect for winning business as a result of the Huawei backlash whether it's because operators choose to move away from Huawei or

Q3 2020 Earnings Call



Huawei simply can't build products. This is something we've been hearing more about. The US government has taken further actions. So, we'd love to hear your latest on that topic. Thank you.

Gary B. Smith

President, Chief Executive Officer & Director, Ciena Corp.

A

Yeah. I think that's generally a positive dynamic for us and a sort of tailwind that I think is going to stretch out over the next one to three years. I would say that that dynamic is going to take time. These are big strategic decisions by large carriers and predominantly in Europe is what we're talking about. We are engaged with those carriers. We have secured some of those design wins, and they will roll out.

But I think it is a one- to three-year dynamic. And the operational challenges around those kinds of decisions are nontrivial as well. They're very ensconced into those networks, the back-office. And it's not just an economic challenge for the carriers. It's a big operational challenge, too. So, yes, we think it's a very positive dynamic for us. I think it plays out over a longer period of time than perhaps the media might lead one to believe. But it is happening. And we are securing wins as a result of that dynamic. They are in our design wins, but they're not showing up in revenue yet.

Simon Leopold

Analyst, Raymond James & Associates, Inc.

()

Thank you very much.

Gary B. Smith

President, Chief Executive Officer & Director, Ciena Corp.

A

Thanks, Simon.

Operator: Okay. Your next question is from the line of George Notter with Jefferies. Please go ahead with your question.

George C. Notter

Analyst, Jefferies LLC

Hi, guys. Thanks very much. I appreciate it. The funny thing about this is we just came through an earnings season, of course, companies on a June quarter. And we didn't see this sort of guidance from companies like Infinera. Certainly, Juniper is a name that I tend to comp with you guys in terms of service provider exposure. Could you just talk about why your experience here seems to be quite a bit different relative to some of those other names?

James E. Moylan

Δ

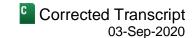
Senior Vice President-Finance & Chief Financial Officer, Ciena Corp.

Yeah. I'd say, George, that you will be hearing this from our competitors, peers and even customers, frankly. We have a quarter that's slightly off in terms of most of our peers, competitors and customers. And so, since this phenomenon really occurred late in our quarter and specifically in the last month of the quarter, it might not have been evident to them at the time they did their earnings. We believe this is very broad. And everyone will be talking about this over the next several quarters. We have the kind of global visibility that others don't quite have, particularly with global service providers, which is where this is focused. And so, I think that's why we're seeing it a bit earlier than others.

George C. Notter Analyst, Jefferies LLC	Q
So, is it fair to say that, sort of, the meat of the pressure on orders really came in, in the month of August?	
Gary B. Smith President, Chief Executive Officer & Director, Ciena Corp.	A
I would say that, from an outlook point of view, orders – I mean, Q3 – we delivere didn't impact Q3 much. But our outlook towards the end of Q3, I think it began to o	-
James E. Moylan Senior Vice President-Finance & Chief Financial Officer, Ciena Corp.	A
Yeah. Remember, we said that our orders in Q3 were meaningfully lower than out that's happened in a long, long time. So, we definitely saw the orders effect in Q3 in Q3.	
George C. Notter Analyst, Jefferies LLC	Q
Got it. Okay. And would you – is there a book-to-bill ratio you could share with us	?
James E. Moylan Senior Vice President-Finance & Chief Financial Officer, Ciena Corp.	A
We haven't given that. But I'd say our backlog did come down.	
George C. Notter Analyst, Jefferies LLC Okay.	Q
James E. Moylan Senior Vice President-Finance & Chief Financial Officer, Ciena Corp. Thanks, George.	A
George C. Notter Analyst, Jefferies LLC	Q
Thanks very much.	
Gary B. Smith President, Chief Executive Officer & Director, Ciena Corp.	A
Thank you.	
Operator: Your next question is from the line of John Marchetti with Stifel. Pleas	e go ahead with your question.
John Marchetti Analyst, Stifel	Q

Thanks very much. I'd just like to follow up a little bit on that timing question that George just asked. Gary, is it a situation as your customers are starting to get their own operations back to normal and, as you suggested, they're

Q3 2020 Earnings Call



starting to look at what their business prospects are that you think really drove the sort of sharp deceleration and what you're expecting for the second half of the year?

Gary B. Smith

President, Chief Executive Officer & Director, Ciena Corp.

I think it's a combination of these factors, John. I think there's a certain extent with pull-forwards. We had a number of carriers who were in a position to secure continuity of supply placed those orders on. We had a very strong Q2 orders, as we said. So, I think you've got that dynamic and a little bit of bleed-off and absorption. And I think you've got these other two elements that - whilst overall, the logistical issues around COVID have eased a little bit. I think that's fair.

I think they're looking at it and saying they're not prioritizing their new business initiatives, sort of, new route wins and new adoption of technology generally. They're focused on how do we keep the network going and run it a little bit hotter. And I think they're also bumping into – frankly, the reality is that some of their enterprise customers are really suffering significantly in whole sectors such as retail, transportation, hospitality, restaurants and that's beginning to impact their perspective on outlook. So, I think John, it's all sort of three of those elements coming together, if you will.

John Marchetti

Analyst, Stifel

And then, maybe as a follow-up there, Gary. How do I think about your expectation for the continued momentum in 800-gig adoption? Obviously, you've gotten off to a stronger-than-expected start or a very strong start with WaveLogic 5 and particularly Extreme. How do we – do you expect that to slow then as customers keep evaluating this? Or how should we think about that if they're sort of pulling back on some new project stuff? Thank you.

Garv B. Smith

President, Chief Executive Officer & Director, Ciena Corp.

Scott, do you want to take that?

Scott A. McFeely

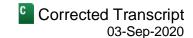
Senior Vice President-Global Products and Services, Ciena Corp.

Yeah, sure, Gary. Thanks, John. It's interesting because, as you pointed out, the pace of new design wins is actually is quite pleasing to us. And if I sort of compare it back to the previous generation, we've got over 50 design wins in our back pocket. Now, that's probably about twice the rate of design wins from the previous generation in the same time period. But interestingly enough, when I look at the volume shift against those, it's actually probably a little bit smaller than the first piece. And I think that's exactly a microcosm of the broader picture that we're talking about.

Obviously, monetizing new technology goes through a couple of phases. But if I simplify it, now there's a selection phase and then there is the operationalization phase. Selection phase is everything from the competitive RFP tenders to lab-based ops to trials, commercial negotiation contract, et cetera. We've gotten through that at a great rate. And the RFP pace hasn't slowed down at all.

What has slowed down is the operationalization of this stuff and you can see it sort of in a slightly lower set of volume units that are shipped against a bigger number of design wins. Those design wins don't go away, by the way. We will monetize those going forward in the future. It's just a little bit slower than we would like.

Q3 2020 Earnings Call



John Marchetti

Analyst, Stifel

Thanks, John.

Gary B. Smith

President, Chief Executive Officer & Director, Ciena Corp.

Thank you.

Operator: And your next question is from the line of Meta Marshall with Morgan Stanley. Please go ahead with your question.

Meta A. Marshall

Analyst, Morgan Stanley & Co. LLC

Great. Thanks. A couple of questions for me. One, one of your competitors is talking about one of the ways of Huawei opportunity to kind of come to fruition is a move to open line systems in Europe, in particular. I just wanted to kind of get your sense of how you – how the Huawei opportunity is kind of coming. And over the next couple of years, do you think that that could be the trigger that would cause a move to open line systems?

And then maybe second point, you noted earlier in the year that your visibility with webscale customers is pretty high. Just a sense of, clearly, there's been a slowdown in international goals. But just how do you view your visibility with webscale customers versus your service provider customers? Thanks.

Gary B. Smith

President, Chief Executive Officer & Director, Ciena Corp.

So, why don't I take the first one, Meta? And, Scott, feel free to add to this – or answer the second piece. I think it's unlikely to move to an open line system in Europe with the Huawei. The Huawei replacement is quite a complicated set of issues around back-office operational elements, et cetera. So, I think that's going to take a while to play out. As I said, it's probably a one- to three-year opportunity. We're already beginning to deploy on a couple of those that we've won. And architecturally, I don't think that's going to create any kind of shift to open line systems, frankly. I don't really see that.

Scott, I don't know if you have any additional color on that.

Scott A. McFeely

Senior Vice President-Global Products and Services, Ciena Corp.

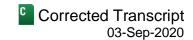
I would agree with that totally, Gary. I mean, open line systems is not a new phenomenon. From a technology perspective or even from a deployment perspective, if you look at [ph] how we are (00:31:06) and some of the webscalers are consuming the technology, the issue for the large European or any global carriers as all the operational challenges of a new vendor, whether that's just the transponder systems or a closed-loop system, it doesn't really change that dynamic and that's the gating factor for actually switching off of Huawei.

Gary B. Smith

President, Chief Executive Officer & Director, Ciena Corp.

On the second part of your question, Meta, on the webscale piece, we have very good visibility with the webscale folks. Obviously, you've got less customers there, a more concentrated set of players. And that's largely played out as we thought. We do have a significant new design win with a new webscale player, which is new to Ciena.

Ciena Corp. (CIEN) Q3 2020 Earnings Call



We were always missing one of the large webscale players, which we've now added to our design wins. And that will start to roll out as we go through next year. We have pretty good visibility to their demand dynamics. The only dynamic we're really seeing there is a slight slowdown in the build-out of data centers, which again is largely a logistical issue and largely outside of the US to do with their submarine cable provisioning, et cetera, which is to be expected.

Meta A. Marshall

Analyst, Morgan Stanley & Co. LLC

Good. Thanks.

Operator: Your next question is from the line of Rod Hall with Goldman Sachs. Please go ahead with your question.

Rod Hall

Analyst, Goldman Sachs & Co. LLC

Yeah. Hi, guys. Thanks for the question. I just wanted to focus in on the margins a little bit. And I know, Gary – I'm trying to piece together your commentary that the gross margins are so much better because of the move towards existing projects. That all makes sense to me.

But then the fact that you're talking about the weakness developing late in the quarter and then you guys are guiding margins down a little bit for next quarter. I'm just curious, are we – would you then say we're at a new normal for gross margins here due to that mix shift? Or does that mix shift continue to play out over the next few quarters as the new business maybe is a little bit weaker? So, I'm just kind of curious what the trajectory of gross margins should be here.

And then my second question is around the OpEx. I get that you're getting a natural benefit in OpEx from the lack of travel. But could you just talk maybe, Jim, a little bit about, are you going to take any proactive OpEx control measures here? Or do you really not need to take measures because you're getting this natural OpEx impact from the lockdowns and so on? Thanks.

James E. Moylan

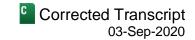
Senior Vice President-Finance & Chief Financial Officer, Ciena Corp.

Thanks, Rod. On the gross margin point, we are and we expect to be in a range higher than our, sort of, run rate margin of 43% to 45% as long as our revenue remains at a slower pace. And that's because our revenue is going to be at a slower pace because our mix of revenue consists mostly of existing business.

And not a lot of the new wins that we've not yet monetized are the new wins that we're going to get once the coronavirus effects on the business ameliorate. So, yes, our gross margin is likely to be above our run rate margin for the next several quarters. We do think that, once we get past this as again we said it's a few quarters, we will be back in the business of monetizing new wins and winning new business. And we think that our margin will trend towards that 43% to 45%. That's our view today.

On OpEx, what I would say is that we're actually quite a bit below our OpEx expectation for this year, mainly due to travel and some other things that COVID has affected in our ability to get things done. Actually, when we go into next year, we intend to invest in our business significantly. We think that it's the right thing to do strategically.

Q3 2020 Earnings Call



We believe that we can attack a number of new markets and architectures with the things that we are bringing to market in our innovation machine. And so, we don't intend to reduce our OpEx by any significant amount. Of course, we're going to be trimming around the edges, sure, but not in any meaningful way.

Gary B. Smith

А

President, Chief Executive Officer & Director, Ciena Corp.

The other thing that I'd add, Rod, around that is that, during the course of the last two to three years – the course of the last two to three years, we have significantly improved our operating efficiencies from an expense point of view. And we've done that during a very deliberate move to optimize our operating expenses, which we basically have reduced consistently during the last two to three years, which has helped produce the bottom line performance that we've got.

And I think – I'll just emphasize what Jim said earlier around profitability. And I think it talks to the strength of our overall business model and what we've done and to our competitive position that even during this reduced outlook period we will still be profitable as a business and we will still generate cash. So, I think that says a lot for the strength of both the business model and our competitive position that.

Rod Hall

Analyst, Goldman Sachs & Co. LLC

Okay. Thanks. I guess I was just assuming that – on the gross margins, I was assuming that there ought to be some trajectory – continued trajectory upward or it seems like there might be a mix shift continuing because these things don't always happen overnight so – but it sounds like you're saying that the gross margins have kind of peaked here due to that mix shift and now will stay at this level for the foreseeable future. I guess, is that the right way to see it, Jim? Or am I right to think that [indiscernible] (00:37:10) some sort of trajectory?

James E. Movlan

Δ

Senior Vice President-Finance & Chief Financial Officer, Ciena Corp.

I think that what you just said is correct. Our margins are very high, 48%. And we don't expect them to go up from here. We think that they will be in the 46% to 48% range in Q4. Remember – your comment about not happening overnight. Remember, we've enjoyed pretty good gross margins so far this year. And part of that is – and in fact, the most – the largest part of it was in Q2 because the Q2 was affected by the lack of new wins. So, this hasn't happened overnight. It's been a function of moving through this year.

Scott A. McFeely

А

Senior Vice President-Global Products and Services, Ciena Corp.

Thanks, Rod.

Rod Hall

Okay. All right. Thanks a lot, guys.

Analyst, Goldman Sachs & Co. LLC

Garv B. Smith

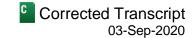
А

President, Chief Executive Officer & Director, Ciena Corp.

Thanks, Rod.

FACTSET: callstreet

Q3 2020 Earnings Call



Operator: Your next question is from the line of Paul Silverstein with Cowen and Company. Please go ahead with your question.

Paul Silverstein

Analyst, Cowen and Company

Yeah. Some clarifications, if I may. First off, Jim, have you backed away from your previous statement regarding holding OpEx growth to low-single digits next year and beyond? I think – I know you've made that comment previously.

James E. Moylan

Senior Vice President-Finance & Chief Financial Officer, Ciena Corp.

No, no. I did not make any comment – I did not make the comment that we're going to hold our OpEx growth to – I made no comment about that. I will say that our OpEx this year is artificially low as a result of the lack of travel. And so, we're going to see an increase in OpEx next year as we return to travel. And we intend to continue investing. But, no, it's definitely our intent that we continue to drive operating leverage by [ph] growing revenue (00:38:50) and OpEx.

Paul Silverstein

Analyst, Cowen and Company

And, Jim, the direct question in terms of keeping it to low-single digit, do you already have a plan in place or you have a number in mind? Or you're just thinking that you'll keep it below revenue growth?

James E. Moylan

Senior Vice President-Finance & Chief Financial Officer, Ciena Corp.

Well, I don't have a number in place for 2021. But I – just to clarify, I'm going to state this again for the modelers among you. Our OpEx this year is artificially low. And so, the comparison between 2020 and 2021 OpEx is going to be affected by the fact that 2020 OpEx is artificially low. If you go back and compare over longer periods, absolutely, we're committed to that trend.

Paul Silverstein

Analyst, Cowen and Company

And then going back to the demand issue, the softness you all are referencing, I recognize it's fairly [ph] a vintage (00:39:40). But is it – when it hit, are you – has it stabilized? Are you still seeing erosion as you've gone week-by-week over the course of the last month? And have – over and above demand issues, have you had any meaningful competitive losses?

Gary B. Smith

President, Chief Executive Officer & Director, Ciena Corp.

I think – let me take the last one first. I think the answer to that is no, absolutely not. Scott alluded to it and I want to be clear around this, the – you've seen operational challenges around the COVID thing and the accumulated issues around that, but the RFP activity has continued and we are winning more than our fair share on that.

If you look at the market growth that we've had in the first half of the year, we think we took over 1 percentage point of global market share in the first half of the year and that we're just beginning to rollout WaveLogic 5. We've got a number of significant design wins that we've not monetized yet, and we keep adding to those every quarter. So we are winning more than our fair share of it.

Q3 2020 Earnings Call



So we're growing marketing share and we're growing, importantly, the design wins for the future, some significant design wins against some inherent competitive accounts. So we're in a very strong position from a competitive point of view. Jim, do you want to take the first part of...

James E. Moylan

Senior Vice President-Finance & Chief Financial Officer, Ciena Corp.

Yeah. What I've said here, Paul, as we've said a lot in the past, we do a lot of forecasting and we do weekly look at what we're seeing in the quarter. And what I would say is over the past few weeks, as we rolled up our view for Q4, it's been in the range of the number that we're talking about.

Paul Silverstein

Analyst, Cowen and Company

[indiscernible] (00:41:29). Can it – guys, can I just ask for one...

Gregg M. Lampf

Vice President-Investor Relations, Ciena Corp.

Paul, we've got to move on to others, sorry.

Gary B. Smith

President, Chief Executive Officer & Director, Ciena Corp.

Thanks, Paul.

Operator: Your next question is from the line of Tal Liani with Bank of America. Please go ahead.

Tal Liani

Analyst, BofA Securities, Inc.

Hi. Two questions. First is, I'm trying to understand the kind of weakness you're seeing. How do you describe it? Is it projects that ended and you just don't see follow-on orders or new projects, or are there any projects that are in the middle and basically corporate carriers or customers are putting a hold on them and say, you know what, don't continue with the original plan? I'm trying to understand how severe and what's leading to this brake – the foot on the brake.

Gary B. Smith

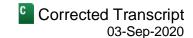
President, Chief Executive Officer & Director, Ciena Corp.

I think what's leading to it, as I said, is these dynamics, mainly, Tal, focused on new business inititavies. So where service providers have to either put stuff through their lab and go through all of that kind of process and integrate into their back office, or do large deployments where they need to get out to multiple sites, et cetera, we've seen a slowdown in those new business initiatives.

We have not seen, to your point, which you would see in other – certainly, I've seen in other economic recessions where things get canceled and projects get completely put on ice, we haven't seen any of that. It's more about just the velocity of new business initiatives in general slowing down.

And then I think what we've seen more recently, and that something we've pointed out in Q2, that we were seeing, and the cumulative effect of that is certainly accelerated. So it's more about new business, nothing –

Q3 2020 Earnings Call



because really – and folks aren't saying, hey, we're not going to continue with this project. Absolutely none of that. And as I said, we've seen plenty of RFP activity and planning has continued apace.

I think what we've seen in the last couple of months or so is just increased scrutiny about budget spend, Tal. And really, I think that's related to just caution on behalf of the service providers as they are being hit by issues with certain segments of their enterprise customers. So that's very much what we're seeing. And they're running the networks hotter. The secular demand and the RFP activity and their general planning has continued to play through, which is why we think this is a relatively short-term issue.

Tal Liani

Analyst, BofA Securities, Inc.

Got it.

James E. Moylan

Senior Vice President-Finance & Chief Financial Officer, Ciena Corp.

Δ

I'd also come back to India, Tal, because we've had several wins in India this year, but India has been shut down and the spend in India is very, very low. We've gained share. Huawei is being pushed out of India but we're not seeing the activity to roll those projects out. So that's a significant piece of what's going on here.

Tal Liani

Analyst, BofA Securities, Inc.

Got it. My second question is about gross margin. So I heard what you said about gross margin, that it's going to be 46% to 48%, and I want to take you back a little bit into the history of the company. In prior down cycles, gross margin fluctuated in a great way. I'm talking about 45% to 37% kind of percent. This time, you're talking about a slowdown but not much impact on gross margin. Why? Why don't we see – with lower volumes and maybe less project starts, why don't we see greater impact on gross margin?

Garv B. Smith

President, Chief Executive Officer & Director, Ciena Corp.



Well, first of all, we're a lot bigger than we were during that time period and we have a much broader set of customers. But secondly, this is an interesting situation, Tal, in that the effect of this pandemic is to slow down the rollout of new projects, which typically carry lower gross margins.

You know we always have this chassis versus line card effect, and we always or very often have the fact that to win new projects, we have to make concessions to customers. And we're not seeing those kinds of early in life projects roll through our revenue right now, so it's just interesting. We're seeing improved gross margin in this period of lower revenue.

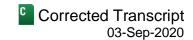
Now – and I think this persists for a while because we have expectations of a bit lower revenue. However, once we get back to normal and we're winning, we think our gross margin is going to come in a little bit. And as we've said, our run rate margin is 43% to 45%, we believe, once we get back to this – fully incorporating new wins and – to business.

Gregg M. Lampf

Vice President-Investor Relations, Ciena Corp.

Thank you, Tal.





Operator: Your next question is from the line of Amit Daryanani with Evercore. Please go ahead.

Amit Daryanani

Analyst, Evercore Group LLC

Thanks for taking my question, guys. I guess I have two as well. First off, when I think about the softness you guys have been talking about on the service provider side, could you perhaps just maybe reflect and tell us when you've seen this happen historically, how long did these soft patches typically last for you?

And I guess when I think about service providers wanting to run that network hotter without adding more bandwidth, I don't imagine they have a lot of flexible capacity lying around. So when you talk to these service providers, are they essentially holding off these projects for a quarter or two, or do you think they will defer for much longer than that?

Gary B. Smith

President, Chief Executive Officer & Director, Ciena Corp.

Amit, I – having lived through a number of these downturns personally through it, I think – a couple of things I would say. Generally, the carriers can run their networks hotter for longer than we all would expect. I would say that. But I would also say that each of these downturns have their own particular dynamics. And this one, obviously, is driven by the sort of pandemic and where you've also got this rather unusual dynamic where capacity increases have happened as we're all working online.

So it's a bit sort of counterintuitive in many ways or paradox to it. So I think you look at all of those things, you look at the planning activity as I talked about, and that's why we're inclined to a view that depending on what happens with the global economy, all things being equal and we see an amelioration of the impacts of COVID, it's probably a few quarters given those dynamics. So that's the sort of perspective around it.

Amit Daryanani

Analyst, Evercore Group LLC

Perfect. That's helpful. And then if I could follow-up quickly, you had extremely impressive free cash flow generation this quarter. It sounds like it should be sustainable, didn't seem like a one-off thing. How does your capital allocation process change given the strong free cash flow generation, given what you in see in the end market right now? Thank you.

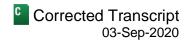
James E. Moylan

Senior Vice President-Finance & Chief Financial Officer, Ciena Corp.

Yeah. As I've said, that we've had strong cash flow really for a couple of years, three years now, going back to 2016 or something like that. So that has continued and I believe that it will continue. Now with respect to capital allocation, essentially, our first and most important capital allocation is to fund our business and invest in our business in a way that will drive continued leadership and, in fact, expanded leadership.

That means spending on R&D for the projects that we need to, spending to put enough people in the field that we can address customer needs, and finally, in the support function so that we can make all that happen. That's our top priority. Other than that, in terms of capital, we do spend a little bit on servers and lab equipment and that sort of thing.

Q3 2020 Earnings Call



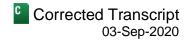
But even during this period of time of lower revenue, we are likely to generate excess cash, that's our expectation, and we have had a share repurchase program in place. We did suspend it in the middle of Q2 just out of an abundance of caution. If things continue, I would expect we would do something like that going forward. Now, by the way, we're also interested in doing acquisitions, but we haven't done anything big in a while.

Gregg M. Lampf Vice President-Investor Relations, Ciena Corp.	A
Thanks, Amit.	
Amit Daryanani Analyst, Evercore Group LLC	Q
Thank you.	
Operator : All right. Your next question is from the line of Michael Genovese with MKM Partners. Please go ahead.	
Michael E. Genovese Analyst, MKM Partners LLC	Q
Thanks very much. First, just a clarification. Can you give us any color on how big WaveLogic 5 and where Waveserver were in the quarter?	
Gary B. Smith President, Chief Executive Officer & Director, Ciena Corp.	A
Yes. Scott has some good statistics on that and I'll fill in when he talks. Scott, do you want to take that?	
Scott A. McFeely Senior Vice President-Global Products and Services, Ciena Corp.	A
Yeah. On the WaveLogic 5 piece, Mike, we said we shipped over 1,000 units in the quarter. If you extend bey the quarter to today and from the beginning of general availability, it's probably pushing more towards the 2,0 mark today on a port shipment perspective. Those are split roughly equally between the 6500 family and the Waveserver family.	•
Gregg M. Lampf Vice President-Investor Relations, Ciena Corp.	A
Did that answer your question, Mike?	
Michael E. Genovese Analyst, MKM Partners LLC	Q

Yeah. That's great. So my main question is really, I want to ask the competition question on a more detailed basis. You had such a strong experience in 400G leadership, but now some of the suppliers in the industry are talking about other vendors finally, years late, coming to market with 400G.

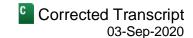
And then also, given your 400G experience and how large it is, it does seem like one competitor has a pretty compelling 800G offering in trials right now. Can you just talk about the competitive environment going forward and how vigilant you are? I understand up until now it's been great, but looking forward, could it change, and what are your thoughts on that?

Q3 2020 Earnings Call



Scott A. McFeely Senior Vice President-Global Products and Services, Ciena Corp.	A
Well, I'd say it's	
Gary B. Smith President, Chief Executive Officer & Director, Ciena Corp.	A
Scott, do you want to take that?	
Scott A. McFeely Senior Vice President-Global Products and Services, Ciena Corp.	A
Yeah, I'd say that, Mike, as I said earlier, we have actually had a greater rate of design cycle than we did at the WaveLogic Ai cycle, and I think that speaks to the competitive	
Optical performance is one thing, and we're very comfortable with the optical performance capabilities that go along with that, everything from the client mix that we support, the support, the protection schemes or the control plane schemes, the back office, APIs, on number of product variants. All of those dimensions, we feel very comfortable that we all of them are important in terms of customer selection criteria.	muxing structures we et cetera, et cetera, the
Michael E. Genovese Analyst, MKM Partners LLC	Q
And	
Gary B. Smith President, Chief Executive Officer & Director, Ciena Corp.	A
And, Michael, I would add that the best way of measuring that is obviously customer rethe design wins that we've had, going forward, they're pretty significant. And that take competitive incumbency. So we're [ph] doing (00:53:16) new business against the ince the best way of measuring that. And those design wins will translate into money as we	s away a lot of them from umbent suppliers and that's
James E. Moylan Senior Vice President-Finance & Chief Financial Officer, Ciena Corp.	А
And just to emphasize, by the way, there is no other 800-gig in market right now and will be a competitive 800-gig in market.	we don't know when there
Michael E. Genovese Analyst, MKM Partners LLC	Q
I appreciate that. Thank you.	
Gary B. Smith President, Chief Executive Officer & Director, Ciena Corp. Thomas Michael	А
Thanks, Michael.	

Operator: Your next question is from the line of Alex Henderson with Needham. Please go ahead.



Alex Henderson

Analyst, Needham & Co. LLC

Thank you very much. I was hoping you could talk a little bit about the split between the degree to which this is a pure macro event associated with the weakness in outlook at the service providers versus the ability to do new installs, the ability to do new systems deployments. Clearly, you've had a lot of design wins, but those design wins are stuck in the pipeline as a result of inability to do deployments.

Conversely, one could argue that the service provider weakness is somewhat independent of that ability to do installations. So can you split between those two? And I think the primary question everybody is dancing around here in terms of the question, and I know you don't give guidance beyond one quarter, but should we expect that you're hitting the low mark in the October quarter or is there risk that the January quarter, which is normally seasonally weaker quarter, would actually be down as well?

Gary B. Smith

President, Chief Executive Officer & Director, Ciena Corp.

Alex, let me take the first part of that. And I want to be clear around this whole new business – first of all, to answer your question, it's very difficult to discern. This stuff's happening in real time and it's really difficult to discern the precise delineation between how much of it is COVID, logistics, et cetera, and how much is economic caution.

I would say this, in the velocity of new business, yes, when we started out in this, it was largely logistics, getting people to site and just the speed of all of that stuff. And that's still there. I would say that's eased a little bit. The second element to it though is the prioritization within these carriers of these new business things. That also - I think they're de-prioritizing that to focus on running their networks hotter and various operational challenges that they've got.

So, there's two nuance, but important elements going on there. So it's not all just about sheer logistics. It's about their prioritization of those new business initiatives as well. And the second piece is, which is I would say more current, more of a recent phenomenon, is just the hesitancy to release budget. And I think that's really largely by – in talking with the executives of the service providers, they're beginning to feel the impact of exposure to certain enterprise elements, particularly things like hospitality, retail, transport, all the things that we know have been dramatically impacted.

That's beginning to show up to the service providers around the world, and that's I think encouraging caution on their part. So I can't give you a 50%, 50% answer, Alex, but it's a blend of those.

James E. Moylan

Senior Vice President-Finance & Chief Financial Officer, Ciena Corp.

And with respect to your – the second part of the question, Alex, I know we're not making it any easier on folks out there who have to do numbers and consensus and all that sort of thing, but we're not in a position right now to talk about 2021. We – we're as – in as low a visibility point as we've been in some time. We're just now working up our 2021 plan and we'll give you as much information as we can, frankly, when it's appropriate. But for now, we really can't talk about 2021.

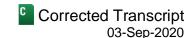
Gregg M. Lampf

Vice President-Investor Relations, Ciena Corp.

Thanks, Alex.

FACTSET: callstreet
1-877-FACTSET www.callstreet.com

Q3 2020 Earnings Call



Alex Henderson

Analyst, Needham & Co. LLC

Well, if I could just follow-up, one last point on that same question, could you just talk about – would the book-to-bill might be below 1 again in the October quarter because you might have some visibility to that?

James E. Moylan

Senior Vice President-Finance & Chief Financial Officer, Ciena Corp.

Well, it'll be – because our revenue is lower, we're definitely going to have a much better book-to-bill in Q4 than we had in Q3. I'll say that.

Gregg M. Lampf

Vice President-Investor Relations, Ciena Corp.

Hey, Alex, we do have to move on.

Alex Henderson

Analyst, Needham & Co. LLC

All right. Thank you.

Gary B. Smith

President, Chief Executive Officer & Director, Ciena Corp.

Thanks, Alex.

Operator: All right. Your next question is from the line of Samik Chatterjee with JPMorgan. Please go ahead.

Samik Chatterjee

Analyst, JPMorgan Securities LLC

Hey, thanks for taking my question. I guess, if I can just start with how should I be thinking about the impact of the order slowdown here on your ability to meet the longer-term revenue model that you have, 6% to 8% in fiscal 2021, primarily because it sounds like you will be falling short of that?

I'm a bit surprised if you like take two years, both fiscal 2020 and 2021, you'll be below that long-term model, but anyway we've had COVID which has accelerated bandwidth needs. So maybe any color on that, how you're thinking about fiscal 2021 and what are we missing here?

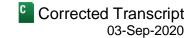
Gary B. Smith

President, Chief Executive Officer & Director, Ciena Corp.

Well, Samik, I think obviously we're not talking about longer-term stuff here right now given what we're seeing. But just a reminder, 2019, we grew over 15% if you're talking about revenues. This year I think has been sort of unprecedented in terms of the COVID piece. I think – and I think, as you say, there's a paradox here, and bandwidth demands have gone up and that's why we think this will be a more short-term phenomenon.

But obviously, we're not in a position to talk about future forecasts at this stage. As I'm sure you'd appreciate, we're only just finishing our Q3 anyway. We're one of the few companies that has continued to provide guidance, both for full year and we have three-year targets out there as well, and obviously at some point we'll – as we get to probably towards the end of the year, we will look to advise on those.

Q3 2020 Earnings Call



James E. Moylan

Senior Vice President-Finance & Chief Financial Officer, Ciena Corp.

But one thing we are confident about is given our fundamental strengths, our market position, our technology and our people, that we're going to continue to gain market share as we go through the next couple of years or several years because we think that we have the strategy and we have the package to do that, and we intend to.

Gregg M. Lampf

Vice President-Investor Relations, Ciena Corp.

Thank you, Samik. That will be the last question of the day. We look forward to speaking with everyone during the course of the day and the next several. We hope you enjoy the holiday season coming up, and thanks for joining us today.

Operator: Thank you. Thank you, again, everyone, for joining today's conference call. This concludes the conference. You may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet Calistreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2020 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.