



**ciena**

# Ciena Corporation

## Lender Presentation (Public)

April 12, 2016

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# Forward-looking statements and non-GAAP measures

Information presented and related comments of presenters may contain forward-looking statements. Forward-looking statements include Ciena's business outlook for future periods as well as statements regarding Ciena's expectations, beliefs, intentions or strategies regarding the future and can be identified by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," "will," and "would" or similar words.

These forward looking statements, based on information, expectations, prospects, forecasts and assumptions available to Ciena as of the date of this event, involve inherent risk. Ciena's actual results could differ materially from those stated, forecasted or implied, due to a number of risks and uncertainties associated with Ciena's business, operations and markets, including those risk factors disclosed in Ciena's Form 10-Q filed with the SEC on March 9, 2016.

All information, statements, and projections in this presentation speak only as of the date of this presentation. Ciena assumes no obligation to update the information presented today, 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 profit, net income, 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 the corresponding earnings release for such period.

# Ciena Attendees

James Moylan, SVP Finance & CFO

Elizabeth Dolce, VP & Treasurer

David Rothenstein, SVP & General Counsel

A nighttime city skyline with illuminated skyscrapers and light trails from traffic on a road. The foreground is dominated by a large, semi-transparent orange geometric pattern.

# Transaction Overview Bank of America Merrill Lynch

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# Transaction Overview

## **Ciena Corporation (“Ciena”) is seeking to issue an incremental \$200M Term Loan B with a new 5 year maturity**

- Proceeds will initially supplement cash on the balance sheet and are expected to be used to repay a portion of Ciena’s 0.875% Convertible Notes due June 2017
- Ciena is raising the new Term Loan B under the incremental provision of its existing Credit Agreement, with terms expected to be substantially similar to the existing Agreement

**Resulting pro forma secured and net leverage will be 1.4x and 4.3x<sup>(1)</sup>, respectively**

**Lender commitments are requested by 12:00pm EST on April 19, 2016**

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*(1) Reflects cap of \$50 million of cash offset as per covenant definitions*

# Sources & Uses and Pro Forma Capitalization

## Sources & Uses

(\$ in millions)

Sources	Amount
New Term Loan B	\$200.0

**Total Sources \$200.0**

Uses	Amount
Cash to Balance Sheet	\$196.0
Fees, Expenses, and OID	4.0

**Total Uses \$200.0**

## Pro Forma Capitalization

(\$ in millions)

Capitalization	Maturity	Actual 1/31/16	Adj.	Pro Forma 1/31/16
Cash and Investments		\$995.4 <sup>(1)</sup>	196.0	\$1,191.4
ABL Revolving Facility (\$250)	12/31/2020	-		-
Existing Term Loan B	7/15/2019	246.3		246.3
<b>New Term Loan B</b>	<b>5 years</b>	-	<b>200.0</b>	<b>200.0</b>
Capital Lease Obligations		17.4		17.4
<b>Total Secured Debt</b>		<b>\$263.7</b>		<b>\$463.7</b>
0.875% Convertible Senior Notes	6/15/2017	480.0		480.0
3.75% Convertible Senior Notes	10/15/2018	350.0		350.0
4.00% Convertible Senior Notes	12/15/2020	187.5		187.5
<b>Total Debt</b>		<b>\$1,281.2</b>		<b>\$1,481.2</b>
<b>LTM 1/31/16 Adj. EBITDA<sup>(2)</sup></b>		<b>\$333.5</b>		<b>\$333.5</b>
<b>Credit Statistics</b>				
Secured Debt / LTM EBITDA		0.8x		1.4x
Net Debt / LTM EBITDA <sup>(3)</sup>		3.7x		4.3x

Note: Ciena currently intends to use a portion of the proceeds to repay the 0.875% Convertible Notes due March 2017 at maturity if not converted by the holders.

(1) Cash balance includes short-term and long-term investments.

(2) As reported As Adjusted Operating Income plus depreciation.

(3) Reflects \$50 million of cash offset as per covenant definition.

A city skyline at night with illuminated skyscrapers and light trails from traffic. The foreground is dominated by a large, semi-transparent orange geometric pattern. The text is centered in white.

# Company Overview

## Jim Moylan, CFO

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## **CIENA BACKGROUND**

Consistent focus on innovation, best-in-class solutions, market share gains, and differentiated performance

# About us

## CIENA HELPS FACILITATE ON-DEMAND BUSINESS MODELS SO YOU CAN THRIVE IN A WEB-SCALE WORLD

We enable cloud services on-demand by driving an ecosystem for open software control and by building the programmable packet-optical network to deliver those services

### HARDWARE

Converged packet-optical and Ethernet platforms

### SOFTWARE

Automation of service creation, orchestration, and delivery across physical and virtual domains

### SERVICES

Professional services and technical services

**1,300+** customers across North America, CALA, EMEA and APAC

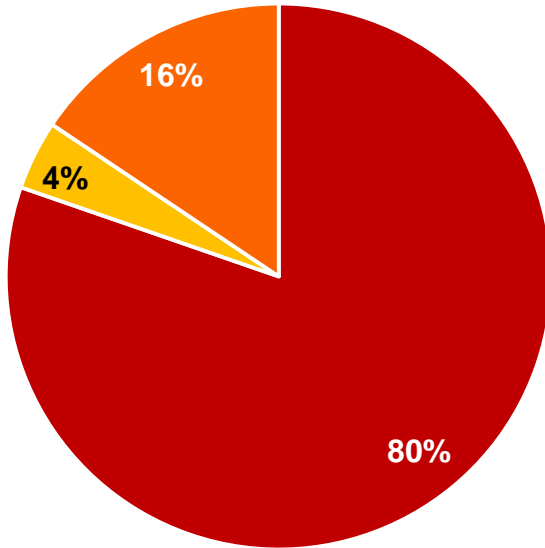
Serving 80% of the world's largest service providers

Aiding government, web-scale providers, Fortune 2000 enterprises, and other private network operators

**5,000+** employees in **80+** countries

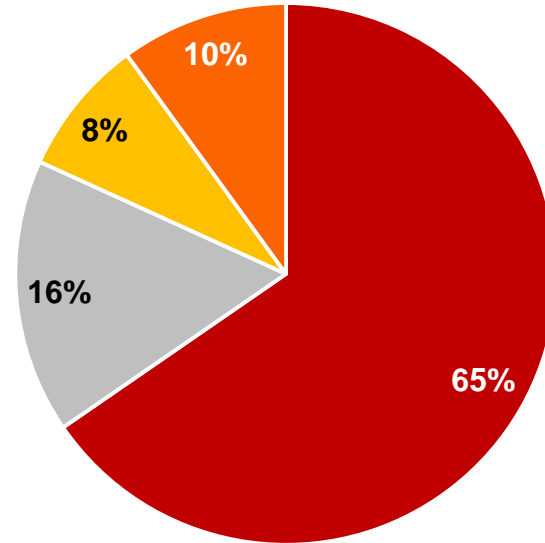
# Business overview

## Operating Segment



- Networking Platforms
- Software and Related Services
- Global Services

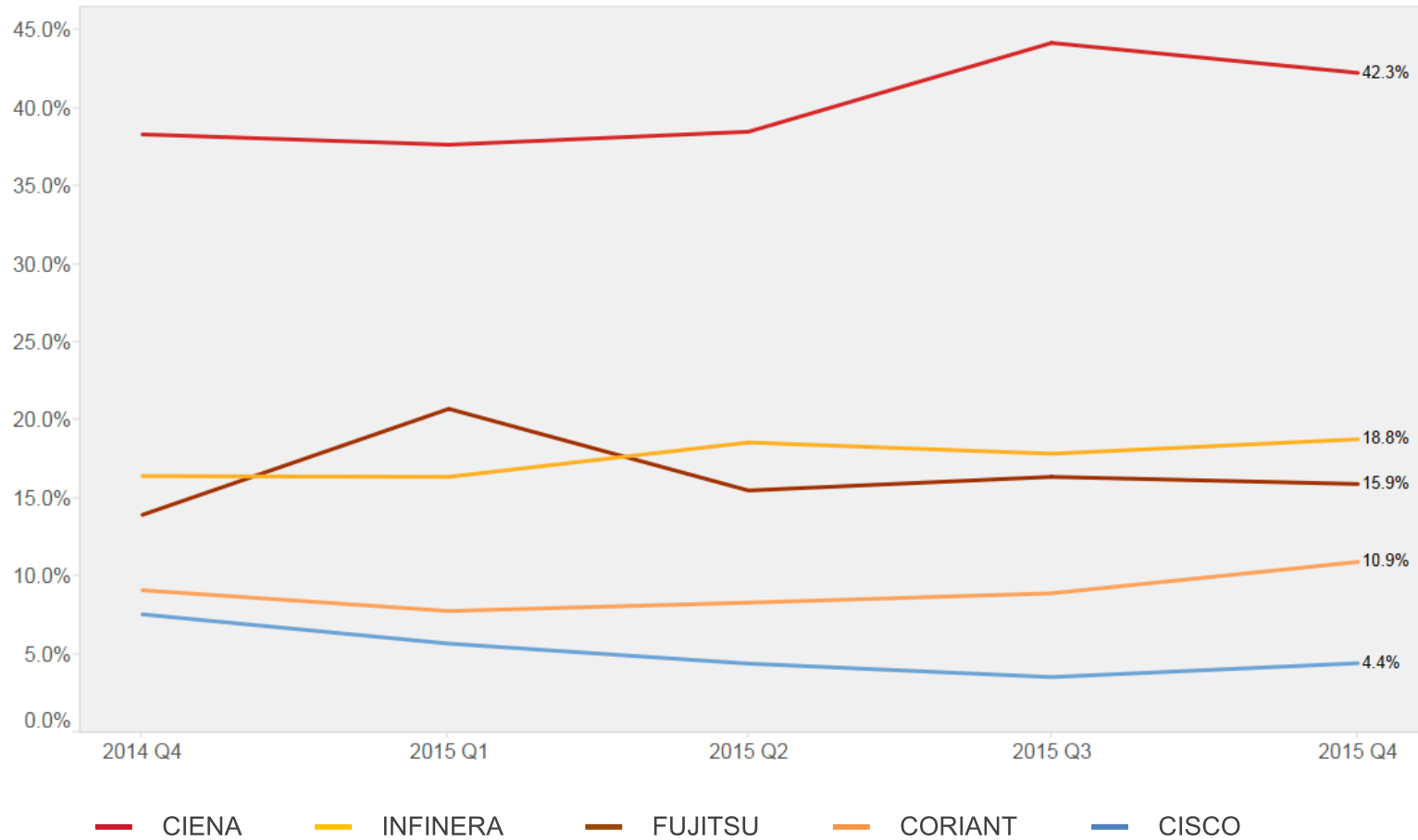
## Region



- NA
- EMEA
- CALA
- APAC

**FY'15 Total Revenue \$2.45Bn**

# #1 position in NA Packet Optical Platforms



**Consistent market leader**

# Market share leadership

#2 GLOBALLY	PACKET OPTICAL
#1 N. AMERICA	PACKET OPTICAL
#2 GLOBALLY	METRO WDM
#2 GLOBALLY	NEXT-GEN TRANSPORT & SWITCHING
#1 N. AMERICA	NEXT-GEN TRANSPORT & SWITCHING
#1 GLOBALLY	DATA CENTER INTERCONNECT & DCI for ICP
#2 GLOBALLY	SUBMARINE
#1 GLOBALLY	DATA CENTER INTERCONNECT
#1 N. AMERICA	CARRIER ETHERNET ACCESS
#2 GLOBALLY	CARRIER ETHERNET ACCESS



Dell'Oro Group  
Optical Networks Report,  
4Q 2015



Optical Networks Report  
4Q 2015



Data Center Interconnect  
Market Share Report,  
4Q15



CEAP Quarterly  
Market Tracker,  
July 2015

# Innovation leadership

## AWARDS



**Lightwave Innovation Awards 2015**  
8700 Packetwave Platform



**Telecom Asia Readers' Choice & Innovation Award 2015**  
Data Center Innovation of the Year  
Waveserver DCI Platform



**MEF Excellence Awards 2015**  
Vendor of the Year  
LSO Solution Provider of the Year



**Environmental Leader Product & Project Awards 2015**  
8700 Packetwave Platform



**Lightwave Innovation Awards 2015**  
N-Service Open Hyperscale  
Transport Platform



**Telecom.com Awards 2015**  
Fixed Network Innovation of the Year



**Fierce Innovation Awards 2015**  
8700 Packetwave Platform



**Fierce Innovation Awards 2015**  
5430 Packet-Optical Platform



**Broadband Technology Report's Diamond Technology Reviews 2015**  
3905 Service Delivery Switch

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## MARKET EVOLUTION

Our business is designed to enable network operators to apply web-scale philosophies

# Industry Update

- Growth in the demand for bandwidth and the resulting pressures on network operators is driving rapid change in deployed network technology
- IT Transformation to Cloud and OTT content delivery are continuing to drive the industry transformation and bandwidth growth
- ICP/Web-scale market is experiencing strong growth
- Coherent technology evolution: 100G → 200G → 400G with 100G metro deployments accelerating
- Converged platforms with transport and switching are critical for most network operations
- SDN, NFV, and service orchestration technologies are in the early stages
- Value focused on creating programmable, on-demand networking

# Transforming capacity to on-demand capability

## SCALE

Make it bigger through  
converged packet-optical



OP<sup>n</sup>

## PROGRAMMABILITY

Make it dynamic to enable  
software-defined networking

## NETWORK APPS

Make it leverage real-time  
analytics to optimize performance  
and deliver a flawless  
application experience

**Evidencing Ciena's thought leadership, this Architecture -- which guides our portfolio investment -- was introduced in 2012**

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## **FINANCIAL OVERVIEW**

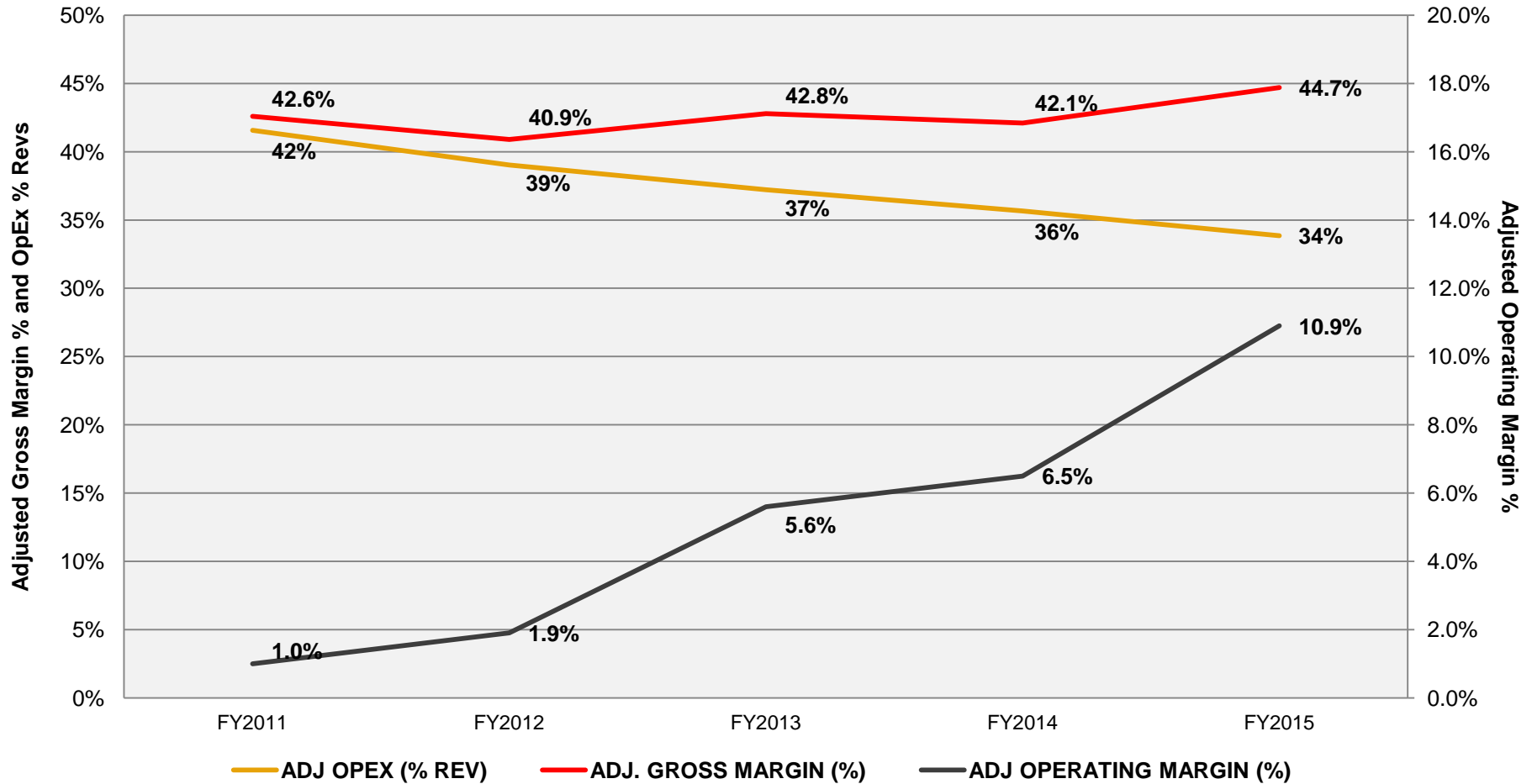
Achieving our objectives, improving our financial performance, and setting new milestones

# Ciena's transformation

	FIVE YEARS AGO	TODAY
<b>Customers</b>	~300	1,300+
<b>Multi-application service provider customers</b>	~50% of top 20	~90% of top 20
<b>Customer concentration</b>	One customer drove ~40%	Top 5 customers drive ~40%
<b>Product portfolio</b>	Optical	Networking platforms
<b>Software portfolio</b>	Network Management System	Network virtualization, management, control and orchestration
<b>Services portfolio</b>	Attached services	Global services Software-related Services

**Our strategic transformation has driven differentiated market and financial performance**

# Increased operating leverage and sustainable momentum



**Improved profitability as revenue growth is coupled with strong gross margins and improved opex levels**

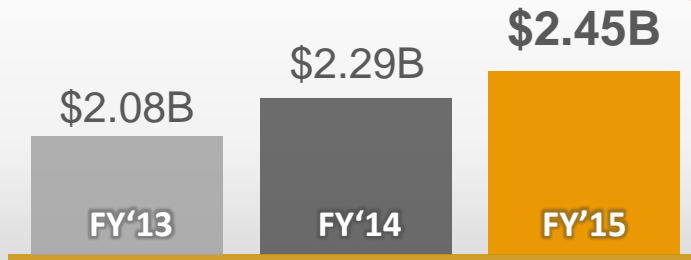
# 3-year Financial Highlights

(Non-GAAP -- As Adjusted)

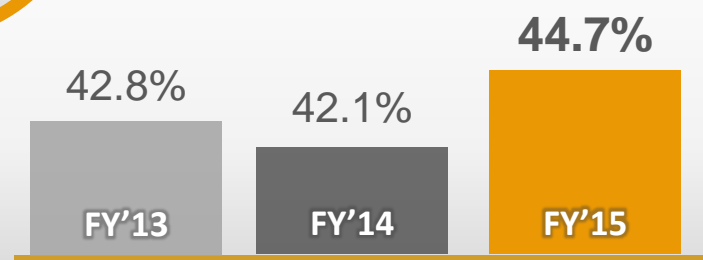


**\$1,021M**  
Cash Position<sup>1</sup>  
10/31/15

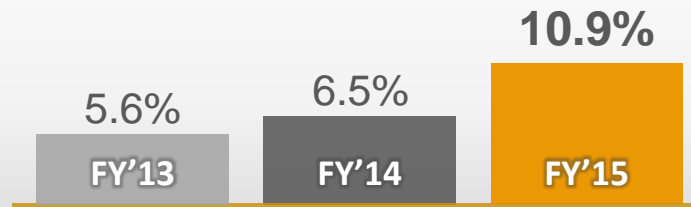
## Revenue



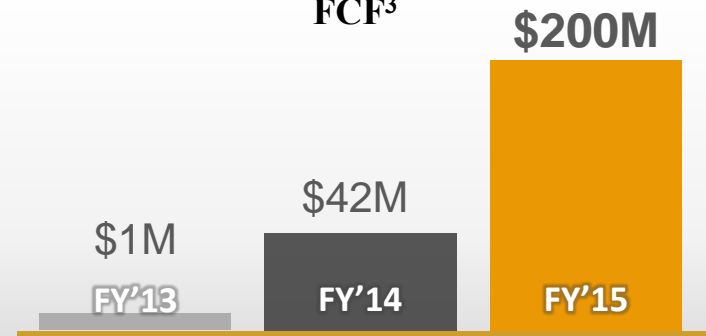
## Gross Margin<sup>2</sup>



## Operating Margin<sup>2</sup>



## FCF<sup>3</sup>



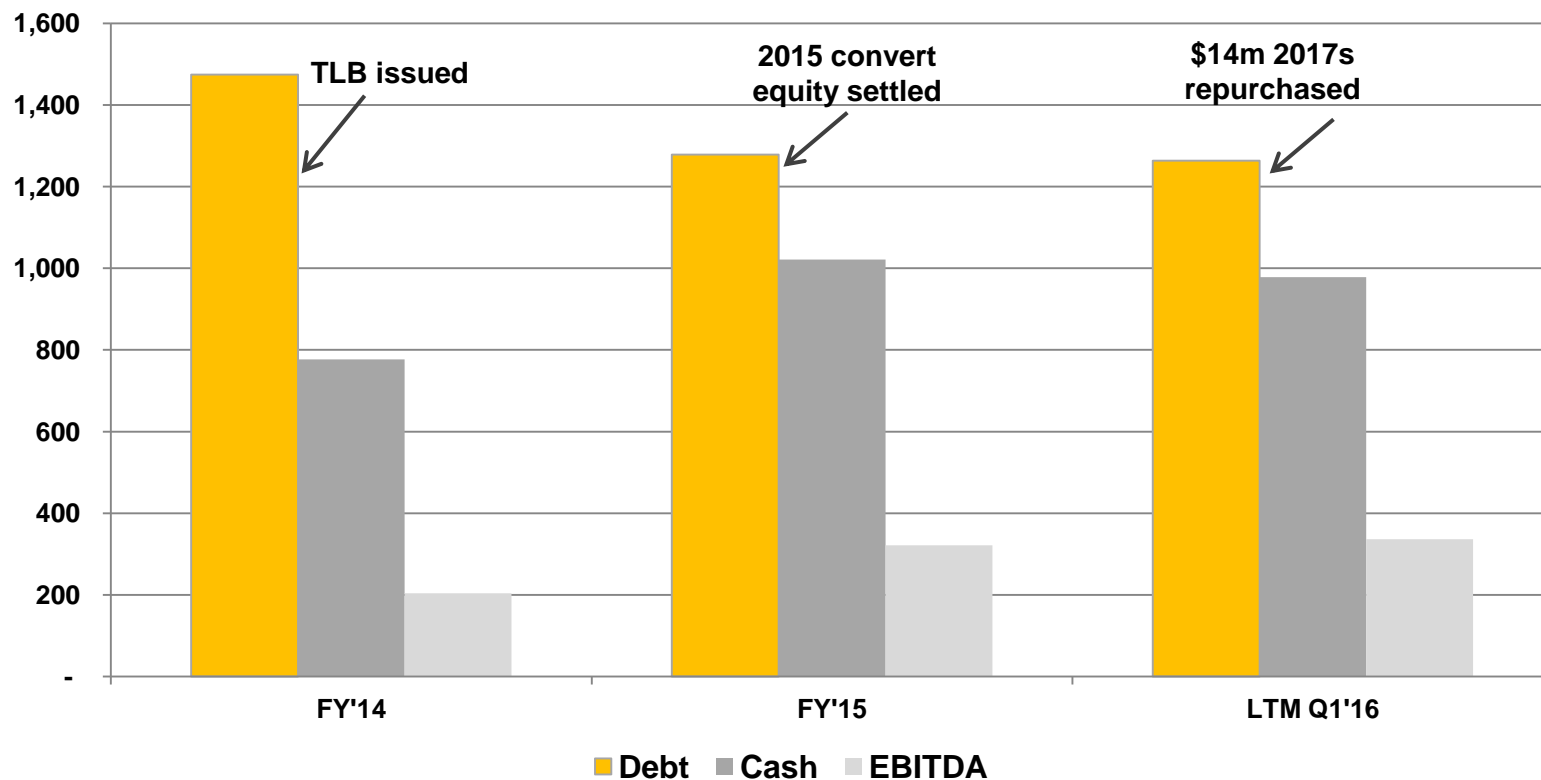
1 - Cash and Investments (short and long-term)

2- As adjusted

3- Net cash provided by operating activities minus capital expenditures

# Balance Sheet & EBITDA<sup>1</sup>

\$ Thousands



<b>Gross Leverage</b>	<b>7.2x</b>	<b>4.0x</b>	<b>3.8x</b>
<b>Net Leverage<sup>2</sup></b>	<b>3.4x</b>	<b>0.8x</b>	<b>0.8x</b>

(1) As reported As Adjusted Operating Income plus depreciation.

(2) Reflects cash on hand, short term investments, and long term investments.

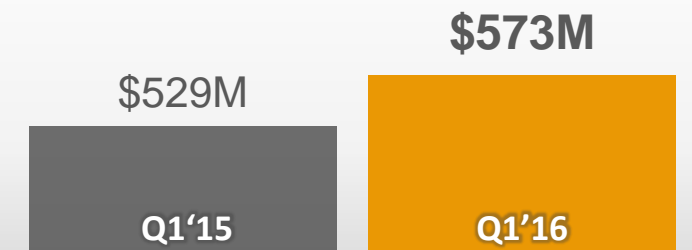
# Financial Performance – Q1'16

(Non-GAAP -- As Adjusted)

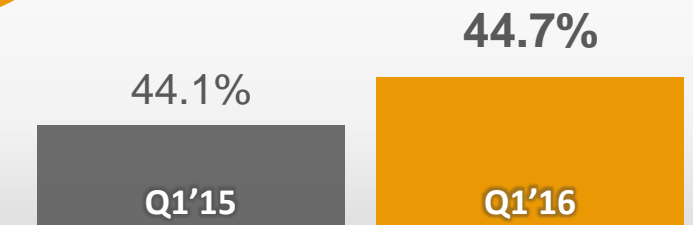


**\$995M**  
**Cash Position<sup>1</sup>**  
**1/31/16**

## Revenue



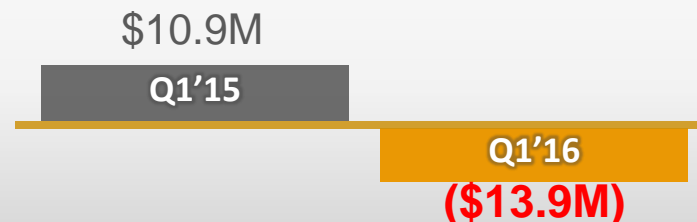
## Gross Margin<sup>2</sup>



## Operating Margin<sup>2</sup>



## FCF<sup>3</sup>



1 - Cash and Investments (short and long-term)

2- As adjusted

3- Net cash provided by operating activities minus capital expenditures; Q1'16 reflects retiming of annual corporate bonus payment.

# Business Outlook<sup>1</sup>

## Q2'16

<b>Revenue</b>	\$615M to \$645M
<b>Adjusted Gross Margin</b>	Mid-40s percentage range
<b>Adjusted Operating Expense</b>	Approximately \$225M

## Fiscal 2016

<b>Revenue Growth</b>	5% to 8%
<b>Adjusted Gross Margin</b>	Mid-40s percent range
<b>Adjusted Operating Expense</b>	Approximately \$225M/quarter
<b>Adjusted Operating Margin %</b>	10% to 12%

## Next-stage financial milestone

<b>Adjusted Operating Margin %</b>	15% in 3 to 4 years
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<sup>1</sup> Projections or outlook with respect to future operating results are only as of March 3, 2016 the date presented on the related earnings call. Ciena assumes no obligation to update this information, whether as a result of new information, future events, or otherwise.

# Capital Allocation Priorities

1

Organic growth investments within a low-mid 30% adjusted OpEx to revenue range  
*Strategically expand role in accounts and reach across markets and geographies*

2

Continued technology innovation and design-based cost reductions  
*Focused portfolio investments that extend technology leadership and cost structure*

3

Lower financial leverage by reducing our debt

4

Possible focused and opportunistic acquisitions

# Investment Highlights

## Market Leading Positions

- 1st in North America in Next Gen Transport & Switching, Packet Optical, and Data Center Interconnect<sup>(1)</sup>
- 2nd Globally in Packet Optical and Next-Gen Transport and Switching<sup>(1)</sup>
- 2nd Globally in Carrier Ethernet Access<sup>(2)</sup>

## Strong, Diverse Customer Base

- 1,300+ customers across North America, CALA, EMEA and APAC
- Serving 80% of the world's largest service providers
- ~90% of Ciena's Top 20 customers use multiple Ciena products for a variety of networks applications



## Technology & Innovation Leader

- Hold ~2,000 patents worldwide
- 1st in coherent optics with 40G and 100G solutions
- 1st OTN control plane on an optical switch
- 1st converged packet-optical platform

## Strong Financial Performance

- Revenue growth and market share gains driving continued operating leverage
- Solid Liquidity of ~\$1Bn as of our most recent fiscal quarter end
- Pro-forma senior secured leverage of 1.4x

1 – Dell'Oro Group Optical Networks Report, FY 2015.

2 – CEAP Quarterly Market Tracker, July 2015.

A night-time photograph of a city skyline with illuminated skyscrapers. In the foreground, a road is shown with light trails from traffic, creating a sense of motion. The sky is a deep blue, and the overall scene is lit with the warm glow of city lights.

# Syndication Overview Bank of America Merrill Lynch

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# Summary of Terms

<b>Borrower:</b>	Ciena Corporation (the “Borrower”)
<b>Facility:</b>	Term Loan B Facility (the “Term Loan B”)
<b>Guarantors:</b>	Same as existing
<b>Security:</b>	Same as existing
<b>Amount:</b>	\$200 million
<b>Incremental:</b>	The greater of (i) \$100 million and (ii) an unlimited amount subject to 2.50x Senior Secured Net Leverage; subject to 50 bps MFN for life
<b>Maturity:</b>	5 years
<b>Amortization:</b>	1% per annum, balance at maturity
<b>Optional Prepayment:</b>	101 “soft” call for 6 months
<b>Mandatory Prepayment:</b>	50% of Excess Cash Flow with step down to 0% at 2.50x Senior Secured Net Leverage; 100% of net proceeds from asset sales of non-ABL collateral and debt issuances, subject to certain exceptions (Same as existing)
<b>Financial Covenant:</b>	None (Same as existing)
<b>Negative Covenants:</b>	Same as existing

# Indicative Timeline

April 2016						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

- Key Syndication Event
- Bank Holiday

Date	Key Event
April 12 <sup>th</sup>	Lenders' Meeting
April 19 <sup>th</sup>	Commitments due at Noon EST Allocate Term Loan B
April 25 <sup>th</sup>	Close & Fund

A nighttime cityscape with illuminated skyscrapers and light trails from traffic. The foreground is dominated by a large, semi-transparent orange geometric pattern. The text "Thank You" is centered in white.

Thank You

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