



# Ciena Corporation

Fiscal Q3 2024 Earnings Presentation  
Period ended July 27, 2024

September 4, 2024

## Forward-looking statements and non-GAAP measures

You are encouraged to review the Investors section of our website, where we routinely post press releases, Securities and Exchange Commission (SEC) filings, recent news, financial results, supplemental financial information, and other announcements. From time to time, we exclusively post material information to this website along with other disclosure channels that we use. This press release contains certain forward-looking statements that involve risks and uncertainties. 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 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.

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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.

## Table of Contents

1. Overview & Ciena's portfolio
2. Industry context & addressable market expansion
3. Fiscal Q3 2024 financial performance
4. Fiscal Q4 2024 outlook
5. Appendix

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# Overview & Ciena's portfolio

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

Leading technology and innovation



Diversification and scale of business



Leader in Optical market and disruptor in emerging opportunities



Demonstrated track record of strong financial performance

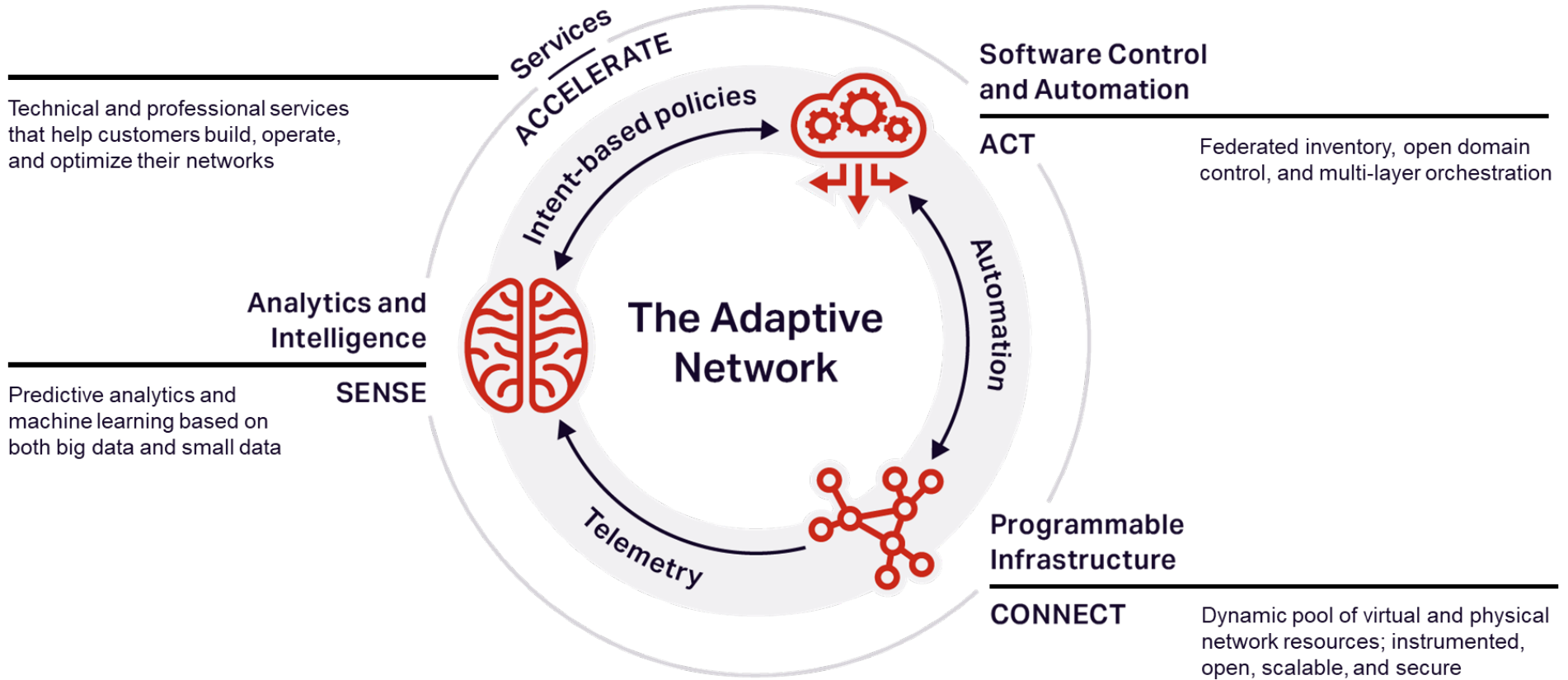


Flexibility with strong balance sheet



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

# Our vision for networking: How it works



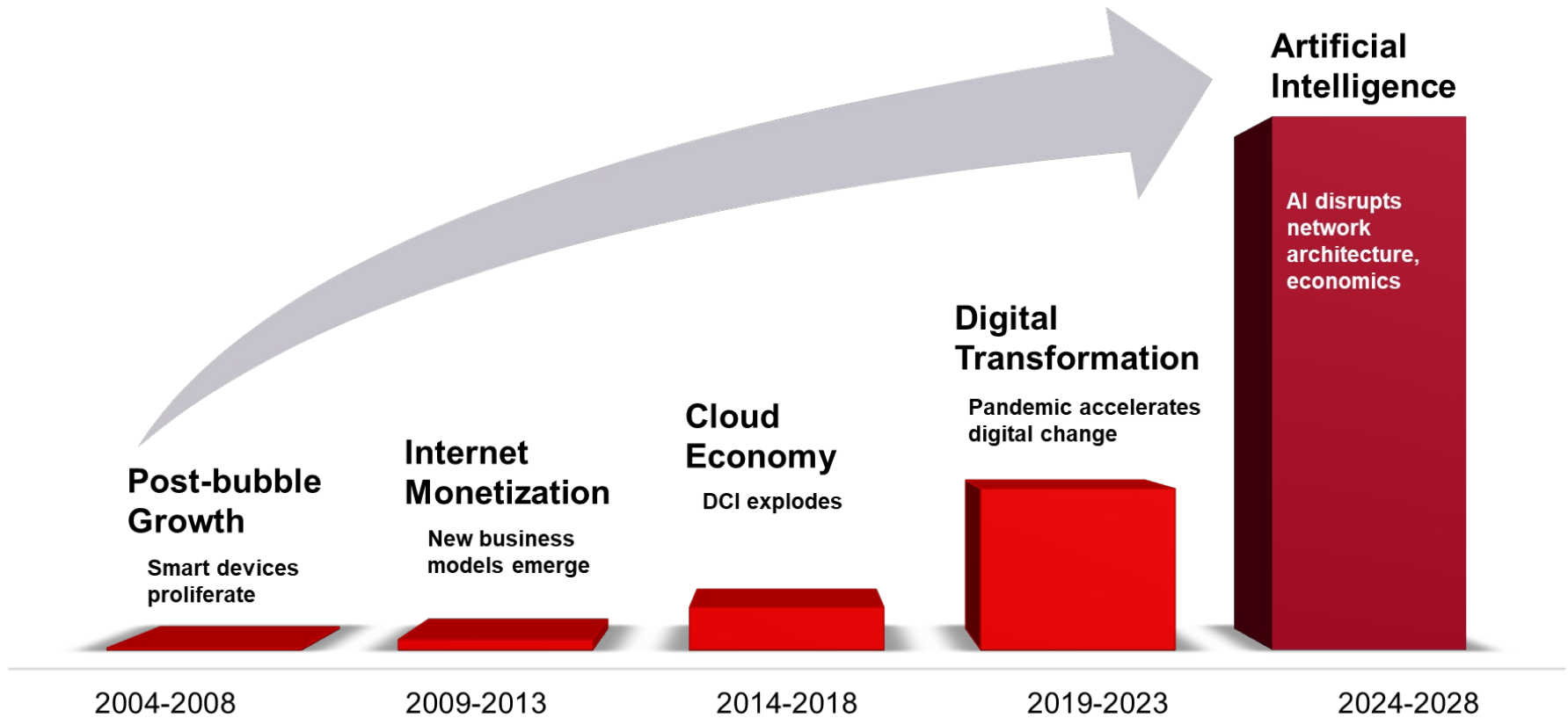
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# Industry context & addressable market expansion

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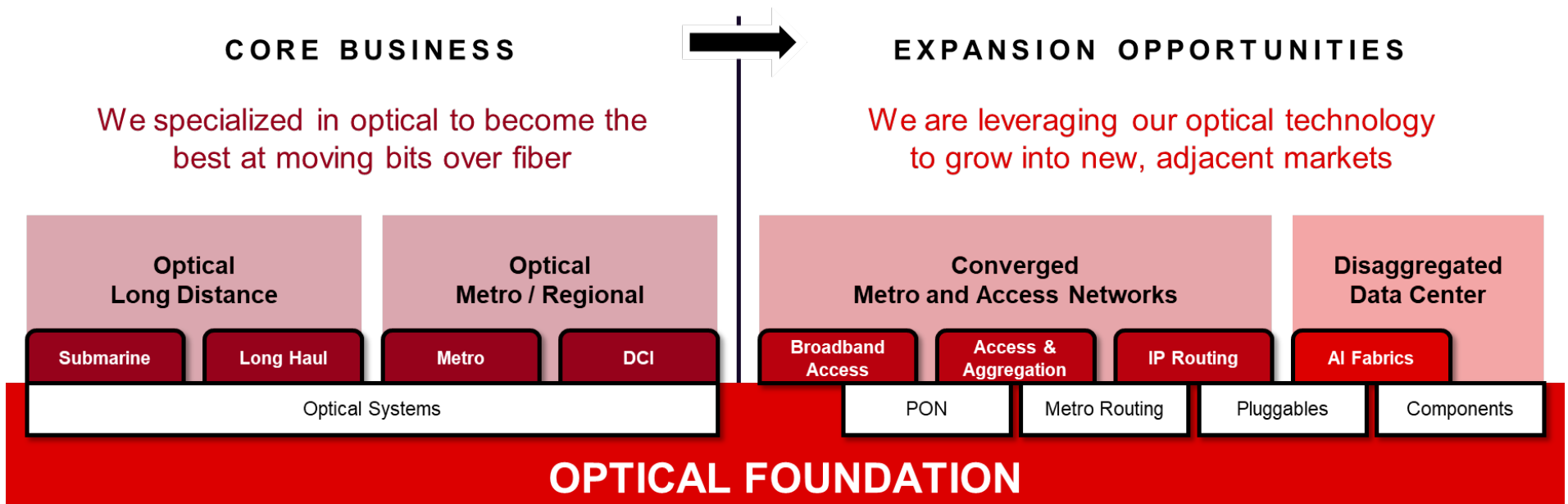


# Increasing bandwidth consumption as a driver of network expansion



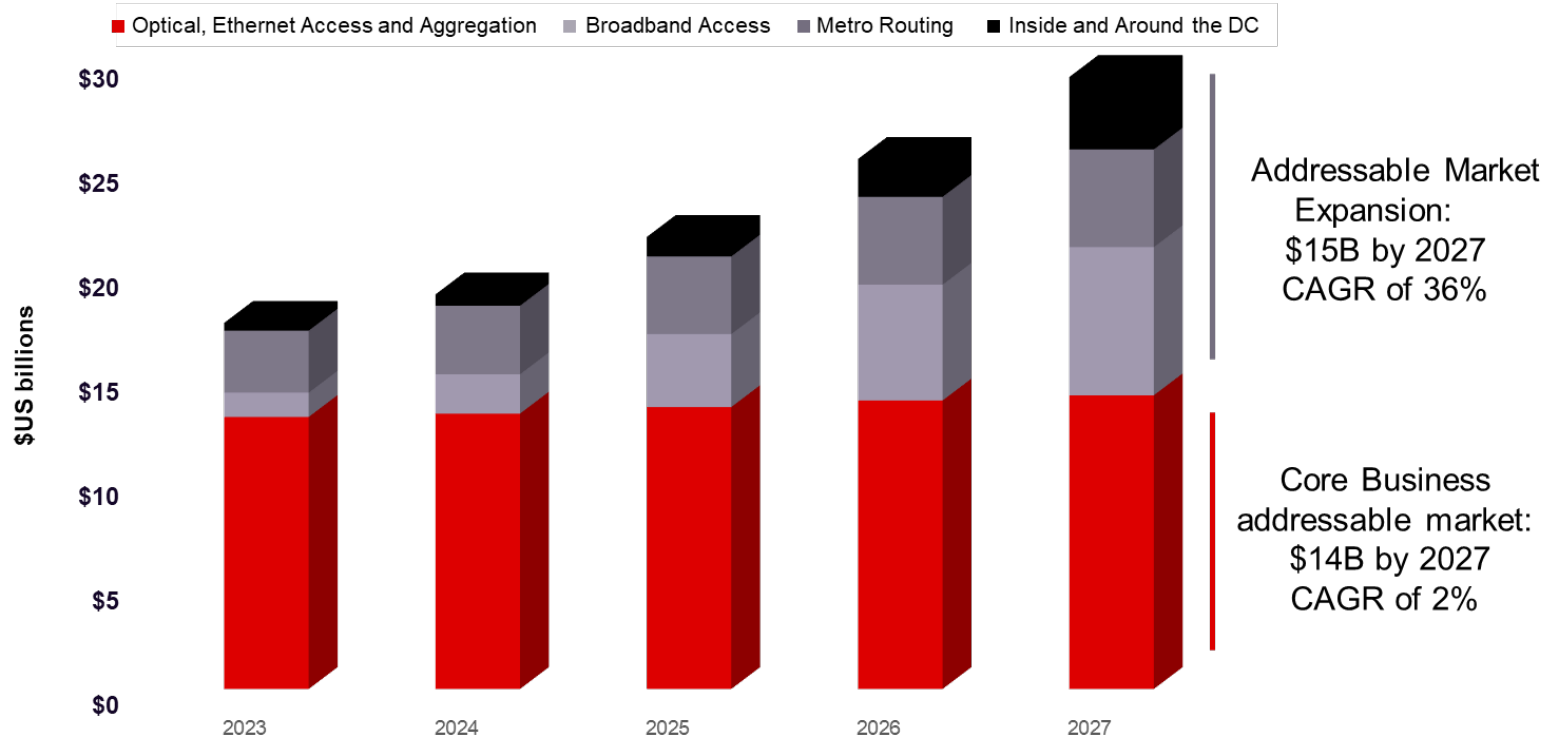


# Our strategy leverages our Optical technology to create expanded addressable market opportunities



# Our addressable market expansion strategy allows us to access higher growth markets

**Broadband Access, Metro Routing, and Inside and Around Data Center are Key TAM Expansion Opportunities<sup>1</sup>**



<sup>1</sup>Sources: LightCounting and Ciena internal analysis.

# Our market leadership



## #1 Globally

- Purpose-built/compact modular DCI
- SLTE WDM
- Access switching

## #1 N. America

- Total optical networking
- Purpose-built/compact modular DCI
- Access switching

## #2 Globally

- Total optical networking

Optical Networking Report, 1Q24  
Service Provider Switching & Routing Report, 2Q24



## #1 Globally

- Purpose-built/compact modular DCI
- Optical for cloud and colo
- SLTE WDM
- Routing/Access

## #1 N. America

- Total optical networking
- Purpose-built/compact modular DCI
- Optical for cloud and colo
- Routing/Access

## #2 Globally

- Total optical networking
- Optical for enterprise and government

Transport Hardware Report, 2Q24



## #1 Globally

- Data center interconnect
- Purpose-built/compact modular DCI
- Optical for internet content provider customers

## #1 N. America

- Data center interconnect
- Total optical networking
- Optical packet

## #2 Globally

- Total optical networking
- Optical packet
- Optical for cable MSO customers

Optical Transport Report, 2Q24

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# Q3 FY 2024 results

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## Q3 FY 2024 key highlights

### Achieving balanced growth

Non-telco represented 46% of total revenue

Direct Cloud Provider revenue grew 9% sequentially

India revenue grew 9% sequentially

Blue Planet revenue nearly doubled YoY

### Driving the pace of innovation

- Continued traction with cloud providers with strong ramp in 400ZR deployments by 3 Cloud Providers, multiple line system wins, and new MOFN awards
  - Surpassed 300 customers for WaveLogic 5 Extreme with 12 new customers added
- Surpassed 120 Routing and Switching customers using our WL5n pluggable technology

### Prioritizing long term shareholder value

- Total shareholder return five-year CAGR of 8%<sup>1</sup>
- Under our authorized \$1 billion stock repurchase program, repurchased ~0.6 million shares for \$29 million, and are targeting \$250 million for FY 2024 to complete the plan

<sup>1</sup> Based on closing share price between 8/27/2019 to 8/27/2024

## Q3 FY 2024 comparative financial highlights

	Q3 FY 2024	Q3 FY 2023
<b>Revenue</b>	\$942.3M	\$1,067.9M
<b>Adjusted Gross Margin*</b>	43.7%	42.7%
<b>Adjusted Operating Expense*</b>	\$336.0M	\$327.9M
<b>Adjusted Operating Margin*</b>	8.0%	12.0%
<b>Adjusted EBITDA*</b>	\$98.5M	\$151.3M
<b>Adjusted EPS*</b>	\$0.35	\$0.59

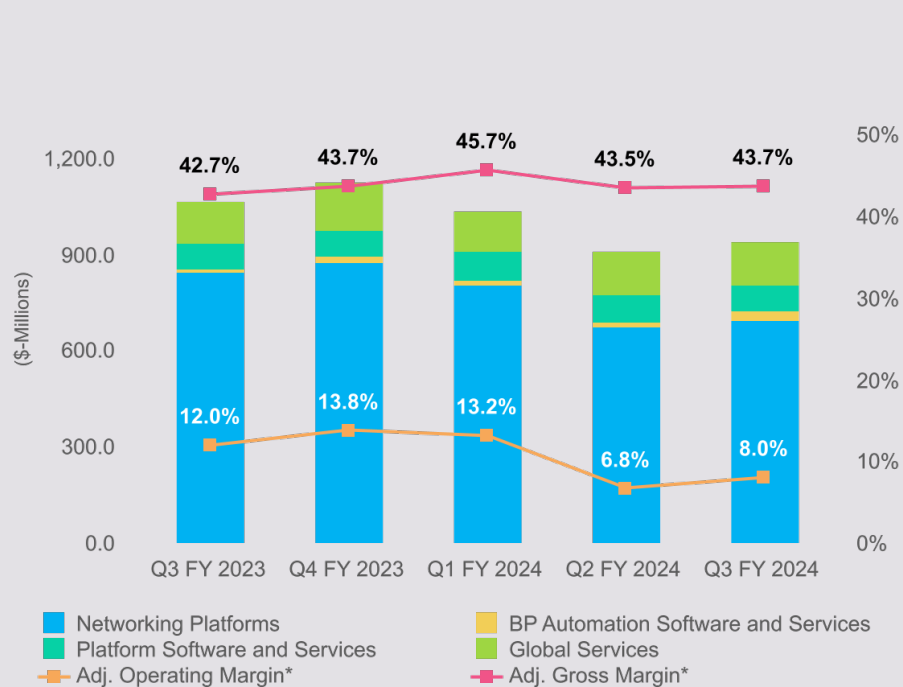
\* Reconciliations of these non-GAAP measures to our GAAP results are included in the Appendix and in the press release for the relative period.

## Q3 FY 2024 comparative operating metrics

	Q3 FY 2024	Q3 FY 2023
<b>Cash and investments</b>	\$1.21B	\$1.28B
<b>Cash provided by (used in) operations</b>	\$(159)M	\$9M
<b>DSO</b>	100.0	96.0
<b>Inventory Turns</b>	1.8	1.7
<b>Gross Leverage</b>	3.08x	2.54x
<b>Net Debt</b>	\$401M	\$344M

# Revenue by segment

(Amounts in millions)



	Q3 FY 2024		Q3 FY 2023	
	Revenue	%**	Revenue	%**
<b>Networking Platforms</b>				
Optical Networking	\$606.8	64.4	\$719.0	67.3
Routing and Switching	92.7	9.8	127.6	11.9
<b>Total Networking Platforms</b>	<b>699.5</b>	<b>74.2</b>	<b>846.6</b>	<b>79.2</b>
<b>Platform Software and Services</b>	<b>83.2</b>	<b>8.9</b>	<b>78.9</b>	<b>7.4</b>
<b>Blue Planet Automation Software and Services</b>	<b>25.8</b>	<b>2.7</b>	<b>13.1</b>	<b>1.3</b>
<b>Global Services</b>				
Maintenance Support and Training	74.4	7.9	72.9	6.8
Installation and Deployment	46.5	4.9	46.8	4.4
Consulting and Network Design	12.9	1.4	9.6	0.9
<b>Total Global Services</b>	<b>133.8</b>	<b>14.2</b>	<b>129.3</b>	<b>12.1</b>
<b>Total</b>	<b>\$942.3</b>	<b>100.0</b>	<b>\$1,067.9</b>	<b>100.0</b>

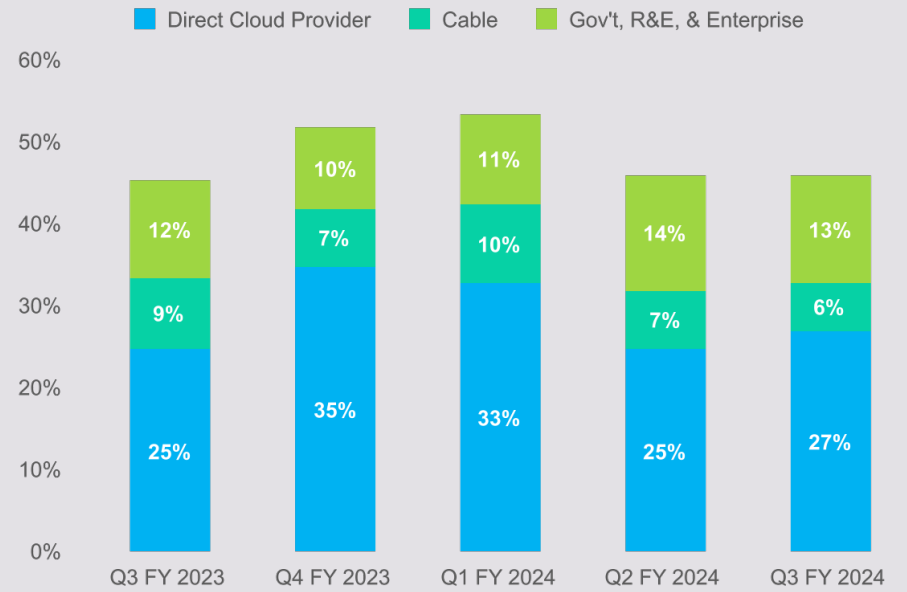
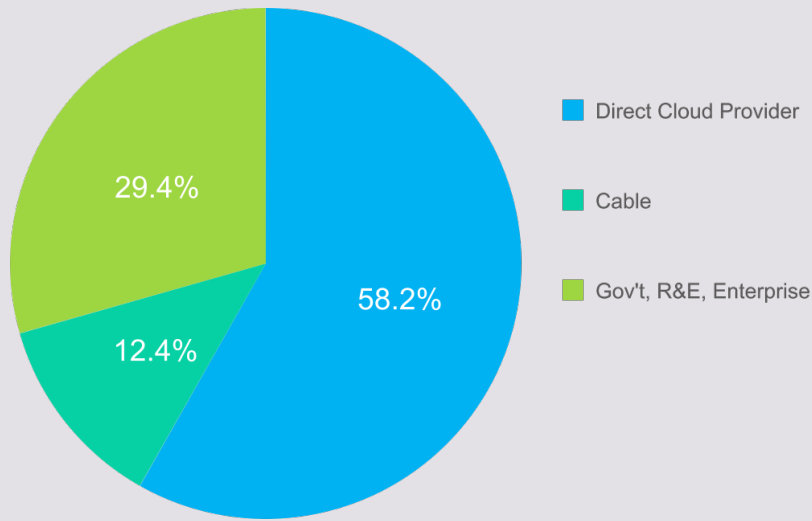
\* A reconciliation of these non-GAAP measures to GAAP results is included in the appendix to this presentation.

\*\* Denotes % of total revenue



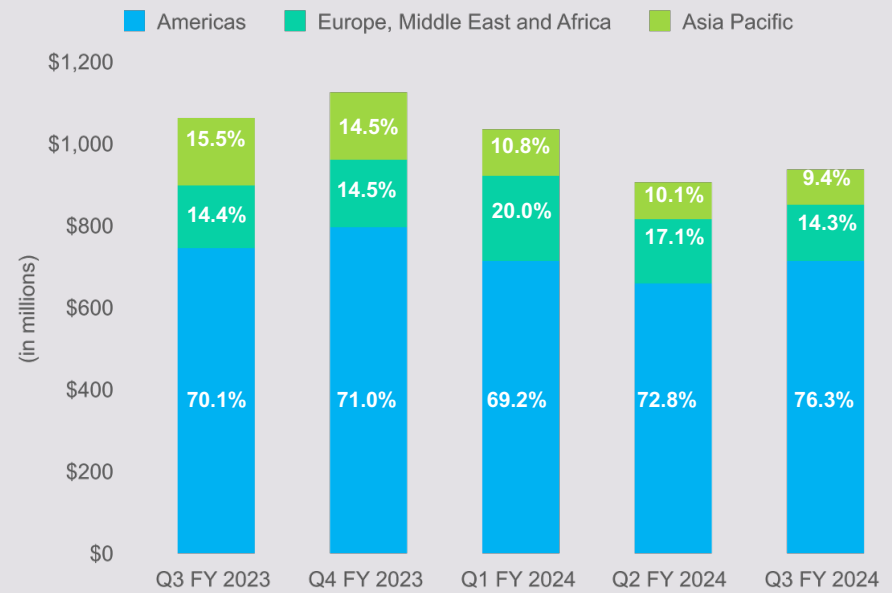
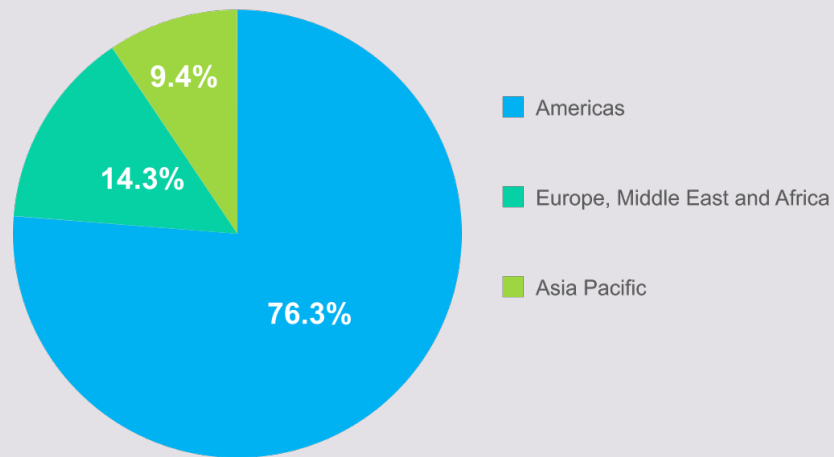
# Revenue derived from non-telco customers

Q3 FY 2024 Non-Telco Revenue  
Approx. 46% of total



# Revenue by geographic region

Q3 FY 2024





# Business outlook

# Economic considerations and assumptions in our fiscal 2024 outlook

## Business Assumptions

- Macro environment does not significantly worsen or result in any adverse effects on our business, including with respect to our customers' capex priorities or spending in our major geographies
- Longer-term fundamental industry demand drivers – including increasing demand for bandwidth, adoption of cloud architectures, network automation requirements, and AI-related expansions – will drive customers to prioritize network capex to address this demand
- Huawei displacement opportunities and government infrastructure spending provide growth tailwinds over time

## Revenue Assumptions

- We secure increased orders, particularly from our Service Providers, as they absorb their existing high inventory levels and return to more typical order levels over time
- We do not experience significant deferrals of delivery of our existing backlog and our Service Provider customers are able to absorb existing equipment orders
- We are able to deliver new products according to our roadmap and customer adoption of these products continues to be consistent with our expectations
- Given our distinct competitive and technology advantages, we continue to benefit disproportionately as order flow dynamics return to more typical levels

## Profitability Assumptions

- Operating expense increases moderately to fund strategic investments as we continue to innovate and expand our addressable market to capture opportunities that advance our position in key growth areas
- We expect quarterly variability in margins due to revenue mix

## Business outlook<sup>1</sup>

### Q4 FY 2024

**Revenue** \$1,060M to \$1,140M

**Adjusted Gross Margin** low to mid 40s%

**Adjusted Operating Expense** Approximately \$350M

<sup>1</sup> Projections or outlook with respect to future operating results are only as of September 4, 2024, 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.



# Q3 FY 2024 appendix

## Gross Profit Reconciliation (Amounts in thousands)

	Q3 FY 2024	Q2 FY 2024	Q1 FY 2024	Q4 FY 2023	Q3 FY 2023
GAAP gross profit	\$403,945	\$388,661	\$466,962	\$486,281	\$448,941
Share-based compensation-products	1,660	1,760	1,318	1,194	1,118
Share-based compensation-services	3,122	3,344	3,020	2,827	2,687
Amortization of intangible assets	2,764	2,763	2,764	2,763	3,187
Total adjustments related to gross profit	7,546	7,867	7,102	6,784	6,992
<b>Adjusted (non-GAAP) gross profit</b>	<b>\$411,491</b>	<b>\$396,528</b>	<b>\$474,064</b>	<b>\$493,065</b>	<b>\$455,933</b>
<b>Adjusted (non-GAAP) gross profit percentage</b>	<b>43.7 %</b>	<b>43.5 %</b>	<b>45.7 %</b>	<b>43.7 %</b>	<b>42.7 %</b>

## Operating Expense Reconciliation (Amounts in thousands)

	Q3 FY 2024	Q2 FY 2024	Q1 FY 2024	Q4 FY 2023	Q3 FY 2023
GAAP operating expense	\$377,202	\$392,626	\$382,333	\$394,979	\$370,727
Share-based compensation-research and development	13,118	14,066	12,880	11,412	10,954
Share-based compensation-sales and marketing	10,315	11,166	10,305	9,187	8,770
Share-based compensation-general and administrative	9,257	9,875	10,079	10,274	9,377
Significant asset impairments and restructuring costs	1,361	15,655	4,971	7,209	4,174
Amortization of intangible assets	7,185	7,947	7,252	10,578	9,487
Acquisition and integration costs	—	—	—	—	59
Legal Settlement	—	—	—	8,750	—
Total adjustments related to operating expense	41,236	58,709	45,487	57,410	42,821
<b>Adjusted (non-GAAP) operating expense</b>	<b>\$335,966</b>	<b>\$333,917</b>	<b>\$336,846</b>	<b>\$337,569</b>	<b>\$327,906</b>

## Income (Loss) from Operations Reconciliation (Amounts in thousands)

	Q3 FY 2024	Q2 FY 2024	Q1 FY 2024	Q4 FY 2023	Q3 FY 2023
GAAP income (loss) from operations	\$26,743	\$(3,965)	\$84,629	\$91,302	\$78,214
Total adjustments related to gross profit	7,546	7,867	7,102	6,784	6,992
Total adjustments related to operating expense	41,236	58,709	45,487	57,410	42,821
Total adjustments related to income from operations	48,782	66,576	52,589	64,194	49,813
<b>Adjusted (non-GAAP) income from operations</b>	<b>\$75,525</b>	<b>\$62,611</b>	<b>\$137,218</b>	<b>\$155,496</b>	<b>\$128,027</b>
<b>Adjusted (non-GAAP) operating margin percentage</b>	<b>8.0 %</b>	<b>6.8 %</b>	<b>13.2 %</b>	<b>13.8 %</b>	<b>12.0 %</b>



## Net Income (Loss) Reconciliation (Amounts in thousands)

	Q3 FY 2024	Q2 FY 2024	Q1 FY 2024	Q4 FY 2023	Q3 FY 2023
GAAP net income (loss)	\$14,230	\$(16,849)	\$49,547	\$91,199	\$29,733
Exclude GAAP provision (benefit) for income taxes	2,125	820	21,956	(20,681)	34,608
Income (loss) before income taxes	16,355	(16,029)	71,503	70,518	64,341
Total adjustments related to income from operations	48,782	66,576	52,589	64,194	49,813
Loss on extinguishment and modification of debt	—	—	—	7,874	—
Loss on equity investment	—	—	—	—	87
Adjusted income before income taxes	65,137	50,547	124,092	142,586	114,241
Non-GAAP tax provision on adjusted income before income taxes	14,330	11,120	27,300	31,369	25,133
<b>Adjusted (non-GAAP) net income</b>	<b>\$50,807</b>	<b>\$39,427</b>	<b>\$96,792</b>	<b>\$111,217</b>	<b>\$89,108</b>
Weighted average basic common shares outstanding	144,394	144,914	145,291	147,437	149,690
Weighted average diluted potential common shares outstanding <sup>(1)</sup>	145,361	146,268	145,848	147,891	149,977

## Net Income (Loss) per Common Share

	Q3 FY 2024	Q2 FY 2024	Q1 FY 2024	Q4 FY 2023	Q3 FY 2023
GAAP diluted net income (loss) per potential common share	\$ 0.10	\$(0.12)	\$ 0.34	\$ 0.62	\$ 0.20
<b>Adjusted (non-GAAP) diluted net income per potential common share</b>	<b>\$ 0.35</b>	<b>\$ 0.27</b>	<b>\$ 0.66</b>	<b>\$ 0.75</b>	<b>\$ 0.59</b>

1. Weighted average dilutive potential common shares outstanding used in calculating Adjusted (non-GAAP) diluted net income per potential common share for the third quarter of fiscal 2024 includes 1.0 million shares underlying certain stock option and stock unit awards.

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

<i>Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)</i>	Q3 FY 2024	Q2 FY 2024	Q1 FY 2024	Q4 FY 2023	Q3 FY 2023
Net income (loss) (GAAP)	\$14,230	\$(16,849)	\$49,547	\$91,199	\$29,733
Add: Interest expense	24,401	23,861	23,776	24,207	24,060
Less: Interest and other income, net	14,013	11,797	10,650	11,297	10,187
Add: Loss on extinguishment and modification of debt	—	—	—	7,874	—
Add: Provision (benefit) for income taxes	2,125	820	21,956	(20,681)	34,608
Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	22,981	23,208	22,808	23,351	23,310
Add: Amortization of intangible assets	9,949	10,710	10,016	13,342	12,674
<b>EBITDA</b>	<b>\$59,673</b>	<b>\$29,953</b>	<b>\$117,453</b>	<b>\$127,995</b>	<b>\$114,198</b>
Add: Share-based compensation expense	37,472	40,211	37,602	34,894	32,906
Add: Significant asset impairments and restructuring expense	1,361	15,655	4,971	7,209	4,174
Add: Acquisition and integration costs	—	—	—	—	59
Add: Legal settlement	—	—	—	8,750	—
<b>Adjusted EBITDA</b>	<b>\$98,506</b>	<b>\$85,819</b>	<b>\$160,026</b>	<b>\$178,848</b>	<b>\$151,337</b>

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**Thank You**