



# Ciena Corporation

## Earnings Presentation

Period ended July 30, 2022

September 1, 2022

# Forward-looking statements and non-GAAP measures

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

Ciena's actual results, performance or events may differ materially from these forward-looking statements made or implied due to a number of risks and uncertainties relating to Ciena's business, including: the effect of broader economic and market conditions on our customers and their business; our ability to execute our business and growth strategies; the impact of supply chain constraints or disruptions; the duration and severity of the COVID-19 pandemic and the impact of countermeasures taken to mitigate its spread on macroeconomic conditions, economic activity, demand for our technology solutions, short- and long-term changes in customer or end user needs, continuity of supply chain, our business operations, liquidity and financial results; changes in network spending or network strategy by our customers; seasonality and the timing and size of customer orders, including our ability to recognize revenue relating to such sales; the level of competitive pressure we encounter; the product, customer and geographic mix of sales within the period; changes in foreign currency exchange rates; factors beyond our control such as natural disasters, climate change, acts of war or terrorism, geopolitical events, including but not limited to the ongoing conflict between Ukraine and Russia, and public health emergencies; changes in tax or trade regulations, including the imposition of tariffs, duties or efforts to withdraw from or materially modify international trade agreements; and the other risk factors disclosed in Ciena's periodic reports filed with the Securities and Exchange Commission (SEC) including Ciena's Annual Report on Form 10-K filed with the SEC on December 17, 2021 and Ciena's Quarterly Report on Form 10-Q for the third quarter of fiscal 2022 to be filed with the SEC.

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

In addition, this presentation includes historical, and may include prospective, non-GAAP measures of Ciena's gross margin, operating expense, operating profit, EBITDA, 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 this presentation. Additional information can also be found in our press release filed this morning and in our reports on Form 10-Q filed with the Securities and Exchange Commission.

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

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# Overview & recent achievements



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



**Leading technology  
and innovation**



**Diversification and  
scale of business**



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

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



**Demonstrated track  
record of financial  
performance**



**Flexibility with strong  
balance sheet**

# Recent key achievements

## We are driving the pace of innovation

- Delivering industry-leading coherent technology including 107GBd WaveLogic™ 5 Extreme (WL5e) and the widest range of interoperable and performance pluggables
- Growing revenue with MCP multi-layer visualization service across multi-vendor IP/Optical infrastructure
- Addition of 8110, 8112 & 8114 to the 81xx portfolio has extended our RSP reach well into the high scale aggregation & Metro space

## We have a durable business and financial model

- Despite the challenging environment, we have grown our backlog and returned cash to shareholders
- Our balance sheet represents a competitive advantage
  - Ended the quarter with approximately \$1.3B in cash and investments
- Leverage remains in line with our target level after a successful \$400M Senior Notes offering

## We are committed to our people and communities

- Published ESG Investor Presentation and conducted stockholder outreach
- Established our Sustainability Governance model which includes board oversight and strategic executive leadership
- Communicated FY22 compensation goals that address climate, diversity & inclusion and community impact
- Earned Verizon's 2022 Supplier Environmental Excellence Award



# Market context and our portfolio

# Six mega trends and the innovations that will enable them

Cloud & Edge



Data Center



IoT & Connected Objects



Digital Transformation & Automation



Mobility & 5G



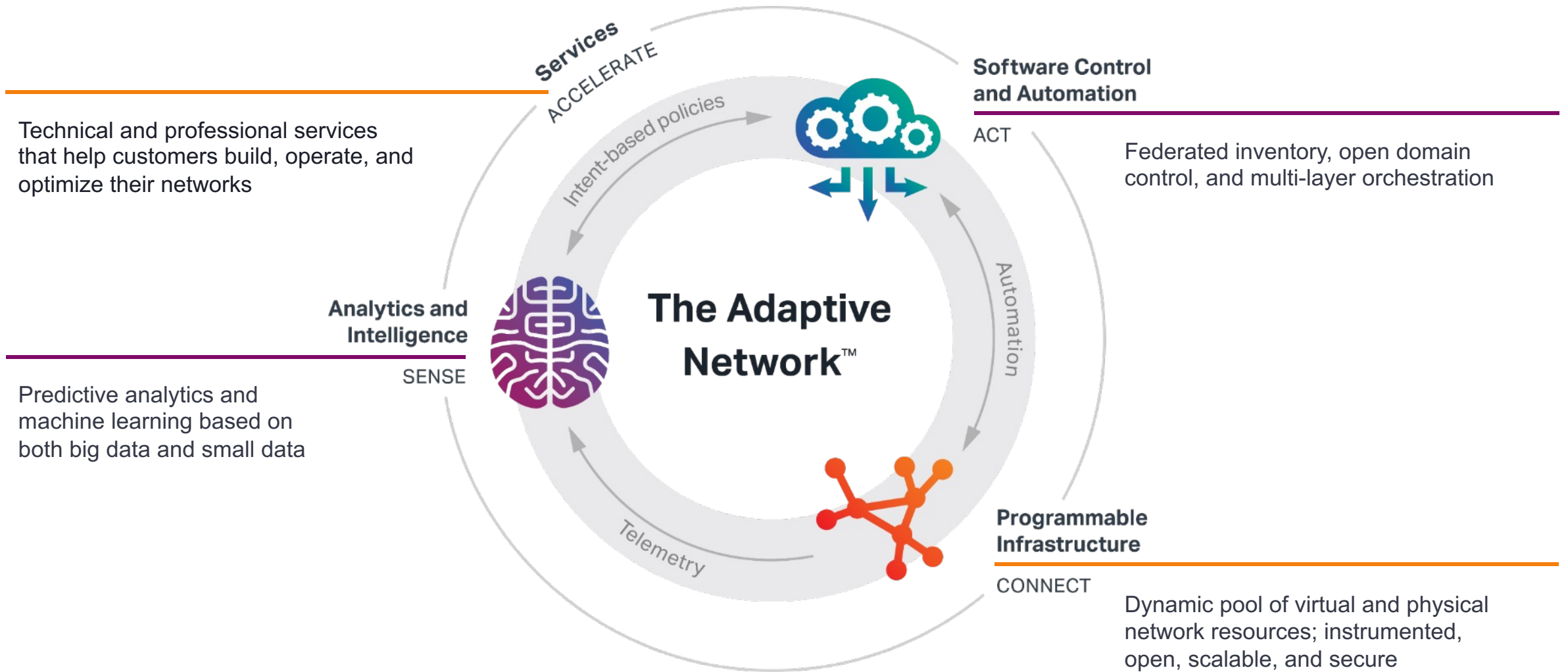
Virtual & Hybrid Lifestyles





# Our vision for a new network end-state

How it works



# Our market leadership



## #1 GLOBALLY

- DATA CENTER INTERCONNECT FOR ICP/CNPs
- SLTE WDM

## #1 N. AMERICA

- TOTAL OPTICAL NETWORKING
- DATA CENTER INTERCONNECT
- ACCESS SWITCHING

## #2 GLOBALLY

- TOTAL OPTICAL NETWORKING
- ACCESS SWITCHING

## #1 GLOBALLY

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

## #1 N. AMERICA

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

## #2 GLOBALLY

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

## #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 Networking Report, 1Q22  
Data Center Interconnect Market Share Report, 1Q22  
Service Provider Switching & Routing Report, 1Q22

Transport Hardware Report, 2Q22  
Transport Customer Markets Report, 1Q22  
Transport Applications Report, 1Q22

Optical Transport Report, 2Q22

# Q3 FY 2022 results

# Q3 FY 2022 key highlights

## Achieving balanced growth

- Non-telco represented approximately 38% of total revenue
- APAC region represented 15% of total revenue
- Routing and Switching revenue increased 45% YoY, in part reflecting strong contribution from the recently added Vyatta platform
- Platform Software and Services increased 11% YoY, representing 7% of total revenue

## Driving the pace of innovation

- GAAP R&D investment was approximately 17% of total revenue
- 754 100G+ total customers, which includes 13 new wins on WaveLogic Ai and 14 new wins on WaveLogic 5 Extreme
- Gaining business momentum with our Universal Aggregation and XGS-PON solution
- Added 25 new Adaptive IP customers in Q3 bringing the total to nearly 200
- IP/Optical convergence leveraging WL5n ramping both 51xx and 81xx platforms over ELS & RLS

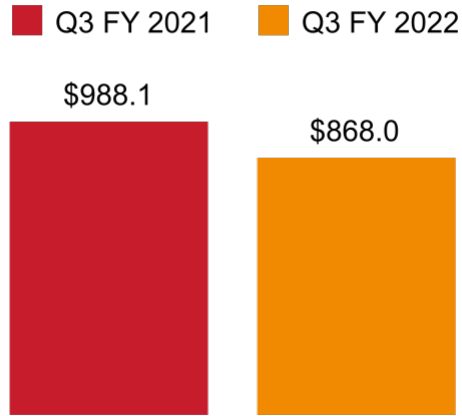
## Prioritizing long term shareholder value

- Total shareholder return five year CAGR of 19%<sup>1</sup>
- As part of our \$1 billion stock repurchase program, we repurchased approximately 3.2 million shares during the quarter for \$155 million

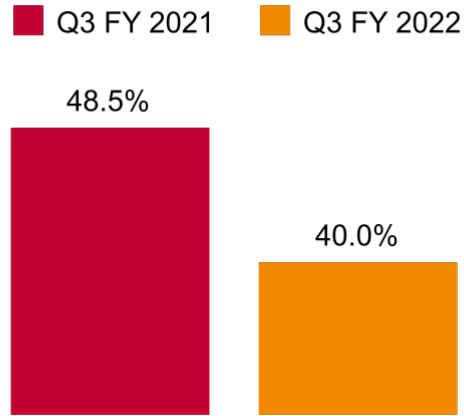
<sup>1</sup> Based on closing share price between 8/17/2017 to 8/16/2022

# Q3 FY 2022 comparisons (year-over-year)

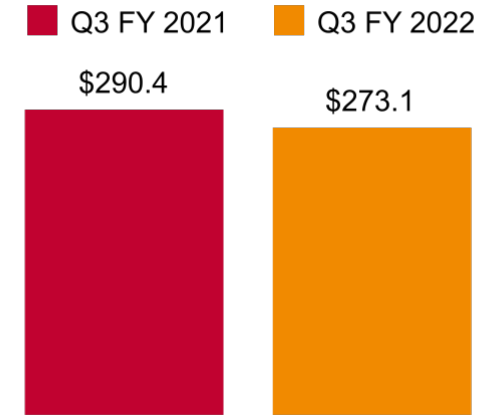
## Revenue (in millions)



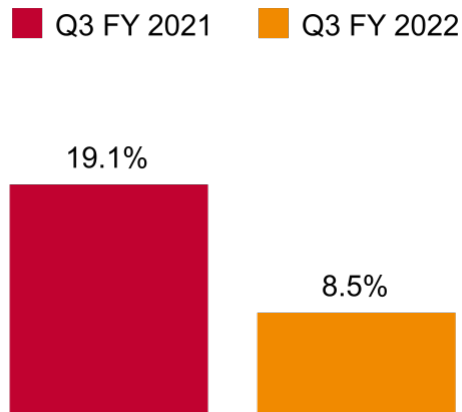
## Adj. Gross Margin\*



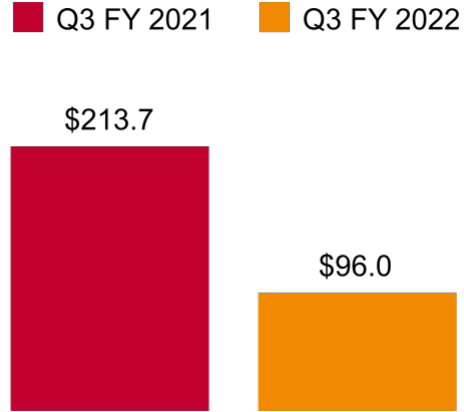
## Adj. OpEx\* (in millions)



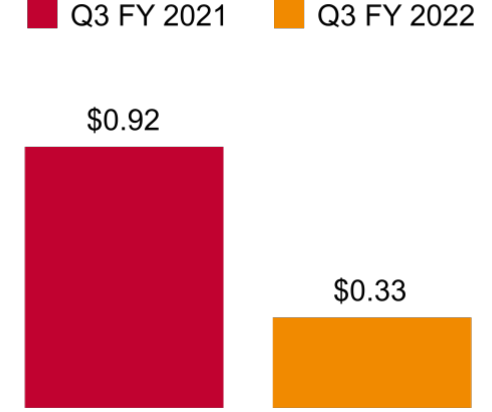
## Adj. Operating Margin\*



## Adj. EBITDA\* (in millions)



## Adj. EPS\*





## Q3 FY 2022 comparative operating metrics

	Q3 FY 2022	Q3 FY 2021
<b>Cash and Investments</b>	\$1.3B	\$1.5B
<b>Cash Flow from (used in) Operations</b>	\$(205)M	\$69M
<b>DSO</b>	100	89
<b>Inventory Turns</b>	2.1	4.5
<b>Gross Leverage</b>	2.07x	1.10x
<b>Net Cash</b>	\$122M	\$724M

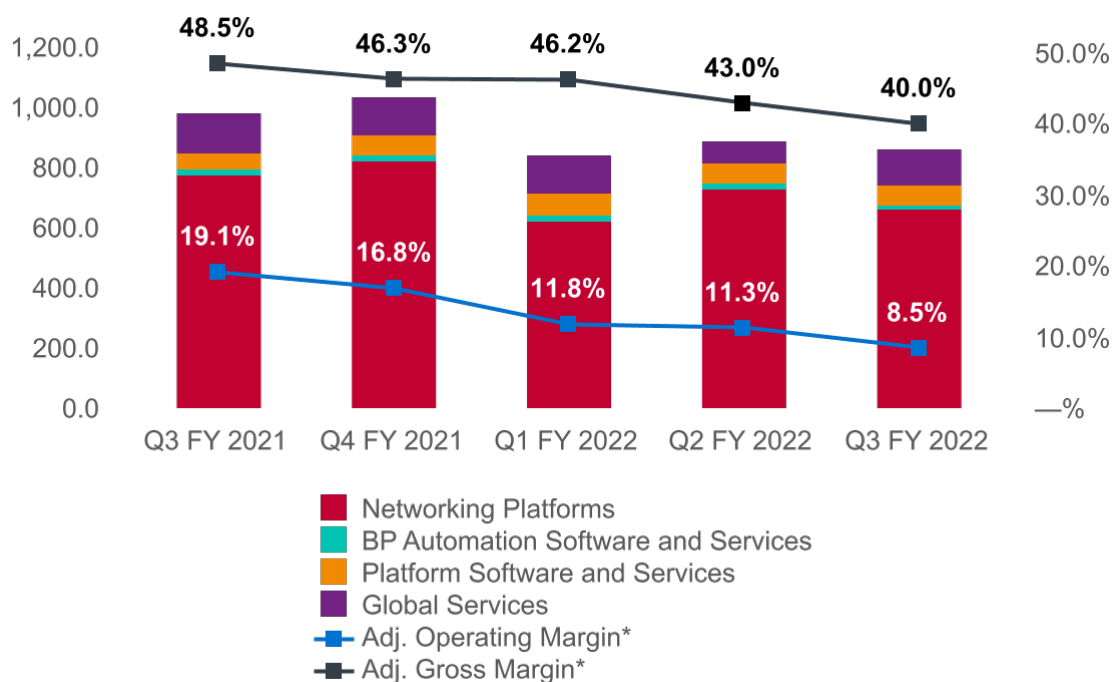
## Q3 FY 2022 comparative financial highlights

	Q3 FY 2022	Q3 FY 2021
<b>Revenue</b>	\$868.0M	\$988.1M
<b>Adjusted Gross Margin*</b>	40.0%	48.5%
<b>Adjusted Operating Expense*</b>	\$273.1M	\$290.4M
<b>Adjusted Operating Margin*</b>	8.5%	19.1%
<b>Adjusted EBITDA*</b>	\$96.0M	\$213.7M
<b>Adjusted EPS*</b>	\$0.33	\$0.92

\* A reconciliation of these non-GAAP measures to our GAAP results is included in the press release for the relative period.

# Revenue by segment

(Amounts in millions)



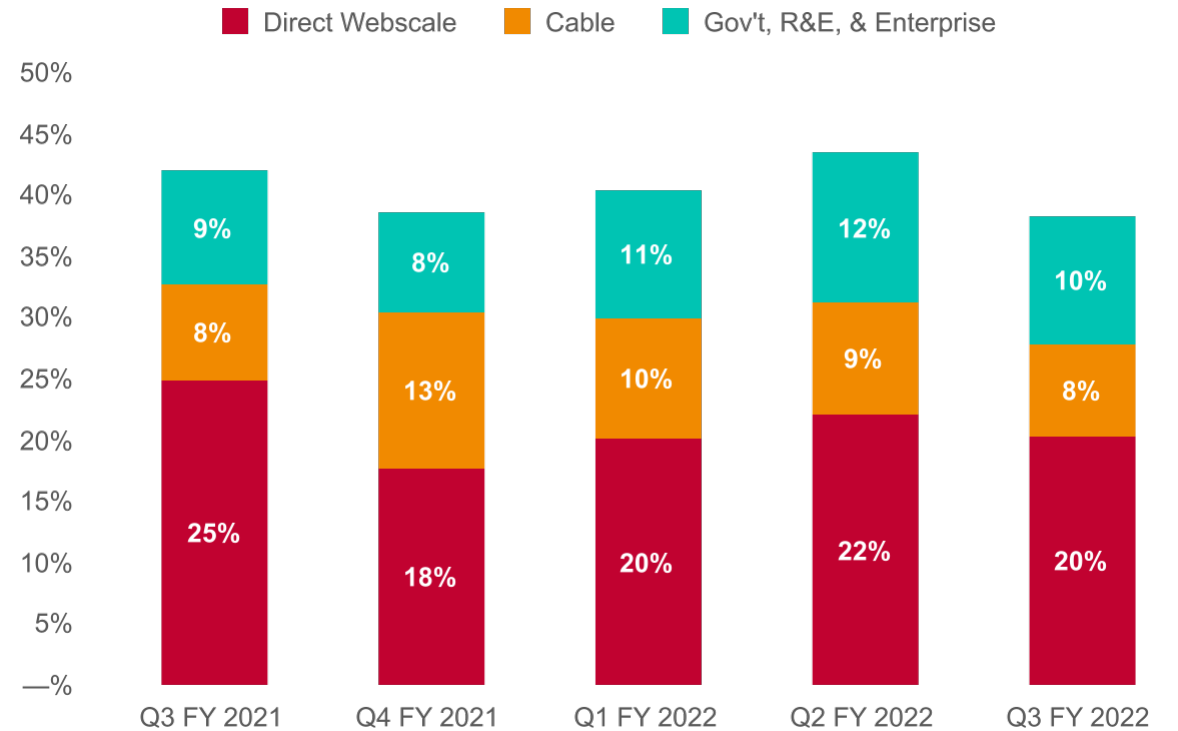
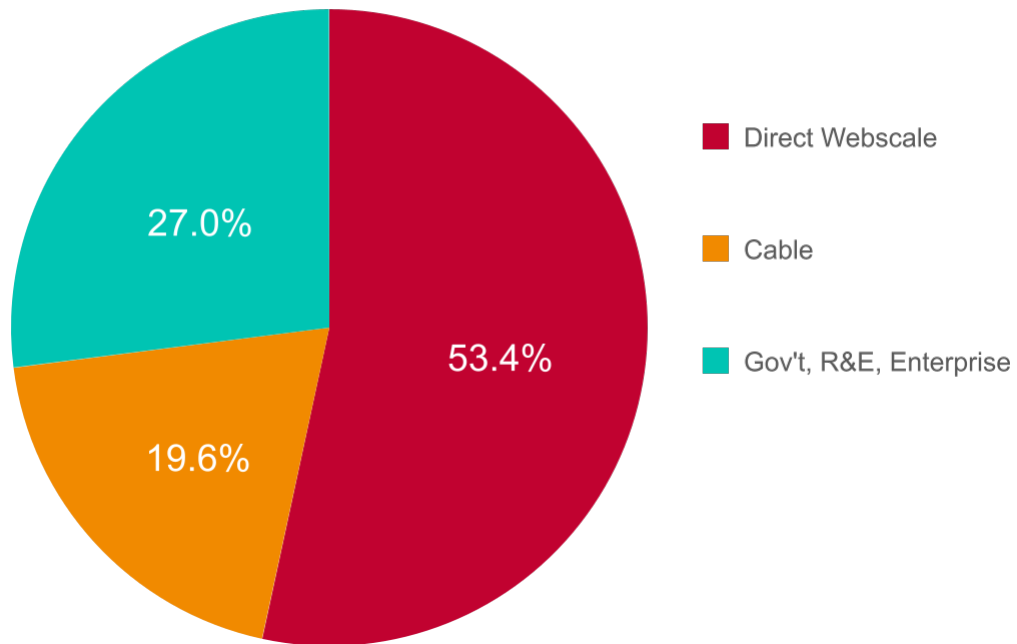
	Q3 FY 2022		Q3 FY 2021	
	Revenue	%**	Revenue	%**
<b>Networking Platforms</b>				
Converged Packet Optical	\$563.9	65.0	\$712.9	72.1
Routing and Switching	100.7	11.6	69.7	7.1
<b>Total Networking Platforms</b>	<b>664.6</b>	<b>76.6</b>	<b>782.6</b>	<b>79.2</b>
<b>Platform Software and Services</b>	<b>63.5</b>	<b>7.3</b>	<b>56.9</b>	<b>5.8</b>
<b>Blue Planet Automation Software and Services</b>	<b>17.3</b>	<b>2.0</b>	<b>16.6</b>	<b>1.7</b>
<b>Global Services</b>				
Maintenance Support and Training	72.8	8.4	74.0	7.5
Installation and Deployment	38.7	4.4	46.7	4.7
Consulting and Network Design	11.1	1.3	11.3	1.1
<b>Total Global Services</b>	<b>122.6</b>	<b>14.1</b>	<b>132.0</b>	<b>13.3</b>
<b>Total</b>	<b>\$868.0</b>	<b>100.0 %</b>	<b>\$988.1</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

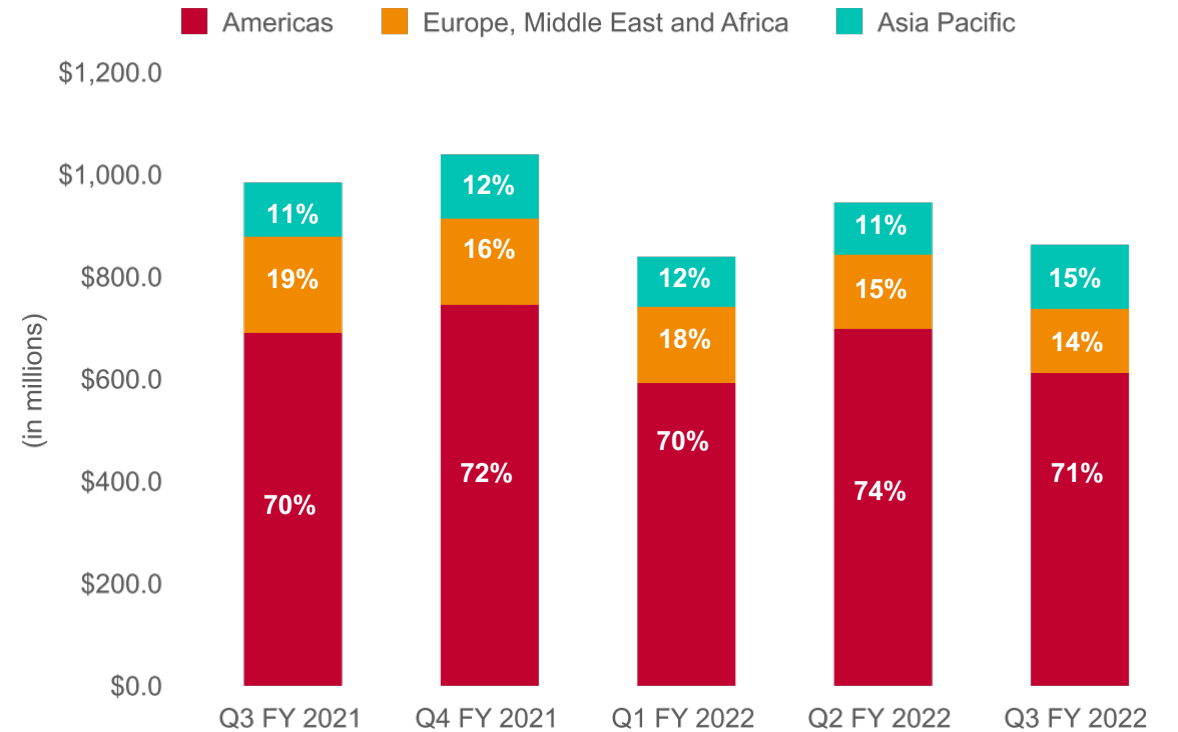
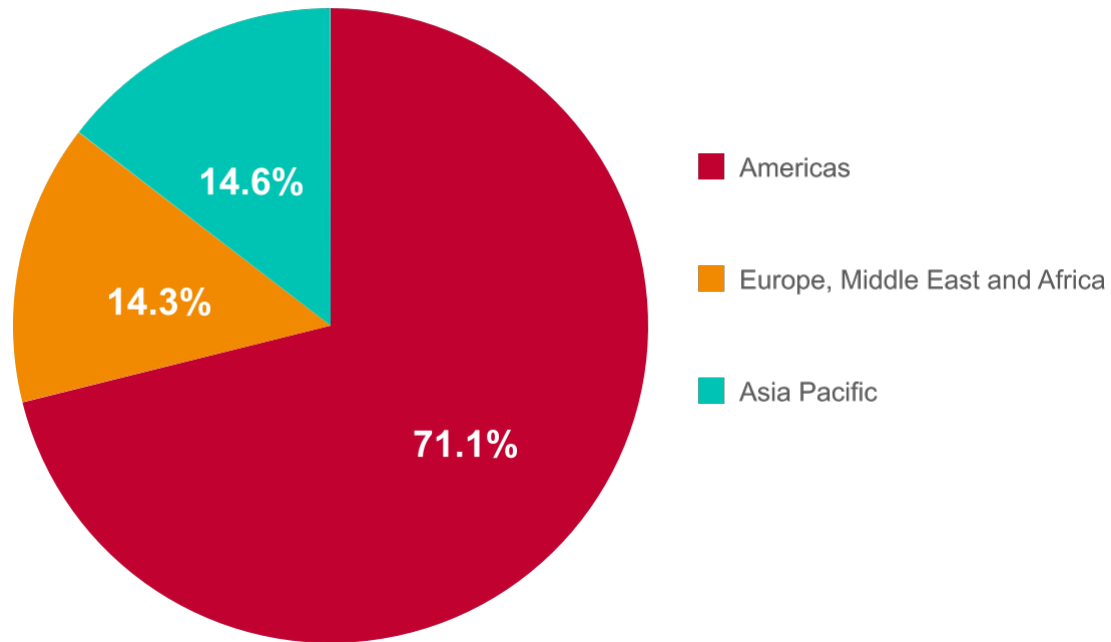
# Non-telco revenue

Q3 FY 2022  
Approx. 38% of total revenue



# Revenue by geographic region

Q3 FY 2022





# Q4 FY 2022 outlook

# Economic considerations and assumptions in our 2022 outlook

## Revenue Assumptions

- The length and severity of current supply conditions will negatively impact both overall industry growth rates and our revenue
- Component suppliers deliver on their supply commitments consistent with our expectations and we do not encounter any substantial new decommits that we cannot successfully mitigate
- No new Covid-related lockdowns exacerbate an already challenging supply environment

## Profitability Assumptions

- Gross margin moderates from FY 2021 levels
- Supply chain constraints, increased component costs, expedite fees and logistics costs will adversely impact gross margin
- As new wins are monetized, we expect our revenue mix to include a larger proportion of lower-margin common equipment
- Operating expense increases to fund strategic investments in our people and portfolio

## Business Assumptions

- Economic conditions do not worsen and adverse effects to our business from geopolitical events remain immaterial
- Supply chain and COVID-19 headwinds do not worsen
- Longer-term fundamental demand drivers – including increasing demand for bandwidth, adoption of cloud architectures and network automation requirements – remain strong
- We continue to benefit from strong demand dynamics in our industry given our distinct competitive advantage

# Business Outlook<sup>1</sup>

## Q4 FY 2022

**Revenue**

\$800M to \$880M

**Adjusted Gross Margin**

Approximately 40%

**Adjusted Operating Expense**

Approximately \$315M

<sup>1</sup> Projections or outlook with respect to future operating results are only as of September 1, 2022, 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 2022 appendix

## Gross Profit Reconciliation (Amounts in thousands)

	Q3 FY 2022	Q2 FY 2022	Q1 FY 2022	Q4 FY 2021	Q3 FY 2021
GAAP gross profit	\$340,779	\$401,781	\$384,187	\$477,119	\$474,550
Share-based compensation-products	1,002	1,058	900	920	1,037
Share-based compensation-services	1,940	1,943	1,584	1,240	1,315
Canadian Emergency Wage Subsidy - products	—	—	—	—	(94)
Canadian Emergency Wage Subsidy - services	—	—	—	—	(47)
Amortization of intangible assets	3,140	3,313	3,312	2,856	2,857
Total adjustments related to gross profit	6,082	6,314	5,796	5,016	5,068
<b>Adjusted (non-GAAP) gross profit</b>	<b>\$346,861</b>	<b>\$408,095</b>	<b>\$389,983</b>	<b>\$482,135</b>	<b>\$479,618</b>
<b>Adjusted (non-GAAP) gross profit percentage</b>	<b>40.0 %</b>	<b>43.0 %</b>	<b>46.2 %</b>	<b>46.3 %</b>	<b>48.5 %</b>



## Operating Expense Reconciliation (Amounts in thousands)

	Q3 FY 2022	Q2 FY 2022	Q1 FY 2022	Q4 FY 2021	Q3 FY 2021
GAAP operating expense	\$313,672	\$343,352	\$324,183	\$339,710	\$326,027
Share-based compensation-research and development	8,233	8,309	6,830	5,684	5,541
Share-based compensation-sales and marketing	8,075	8,061	7,060	6,192	6,534
Share-based compensation-general and administrative	7,579	7,334	7,912	7,466	8,237
Canadian Emergency Wage Subsidy-research and development	—	—	—	—	(596)
Canadian Emergency Wage Subsidy-sales and marketing	—	—	—	—	(53)
Canadian Emergency Wage Subsidy-general and administrative	—	—	—	—	(46)
Significant asset impairments and restructuring costs	7,692	9,102	3,409	5,700	9,789
Amortization of intangible assets	8,919	8,920	8,918	5,836	5,967
Acquisition and integration costs	35	495	68	1,712	259
Total adjustments related to operating expense	40,533	42,221	34,197	32,590	35,632
<b>Adjusted (non-GAAP) operating expense</b>	<b>\$273,139</b>	<b>\$301,131</b>	<b>\$289,986</b>	<b>\$307,120</b>	<b>\$290,395</b>

## Income from Operations Reconciliation (Amounts in thousands)

	Q3 FY 2022	Q2 FY 2022	Q1 FY 2022	Q4 FY 2021	Q3 FY 2021
GAAP income from operations	\$27,107	\$58,429	\$60,004	\$137,409	\$148,523
Total adjustments related to gross profit	6,082	6,314	5,796	5,016	5,068
Total adjustments related to operating expense	40,533	42,221	34,197	32,590	35,632
Total adjustments related to income from operations	46,615	48,535	39,993	37,606	40,700
<b>Adjusted (non-GAAP) income from operations</b>	<b>\$73,722</b>	<b>\$106,964</b>	<b>\$99,997</b>	<b>\$175,015</b>	<b>\$189,223</b>
<b>Adjusted (non-GAAP) operating margin percentage</b>	<b>8.5 %</b>	<b>11.3 %</b>	<b>11.8 %</b>	<b>16.8 %</b>	<b>19.1 %</b>

## Net Income Reconciliation (Amounts in thousands)

	Q3 FY 2022	Q2 FY 2022	Q1 FY 2022	Q4 FY 2021	Q3 FY 2021
GAAP net income	\$10,512	\$38,922	\$45,823	\$103,499	\$238,232
Exclude GAAP provision (benefit) for income taxes	4,319	8,330	9,219	25,826	(96,690)
Income before income taxes	14,831	47,252	55,042	129,325	141,542
Total adjustments related to income from operations	46,615	48,535	39,993	37,606	40,700
Unrealized gain on cost method equity investment	—	—	(4,120)	—	—
Adjusted income before income taxes	61,446	95,787	90,915	166,931	182,242
Non-GAAP tax provision on adjusted income before income taxes	12,412	19,349	18,365	34,221	37,360
<b>Adjusted (non-GAAP) net income</b>	<b>\$49,034</b>	<b>\$76,438</b>	<b>\$72,550</b>	<b>\$132,710</b>	<b>\$144,882</b>
Weighted average basic common shares outstanding	149,862	152,197	154,151	155,232	155,271
Weighted average diluted potential common shares outstanding <sup>(1)</sup>	150,463	153,344	155,807	156,689	156,744

## Net Income per Common Share

	Q3 FY 2022	Q2 FY 2022	Q1 FY 2022	Q4 FY 2021	Q3 FY 2021
GAAP diluted net income per potential common share	\$ 0.07	\$ 0.25	\$ 0.29	\$ 0.66	\$ 1.52
<b>Adjusted (non-GAAP) diluted net income per potential common share</b>	<b>\$ 0.33</b>	<b>\$ 0.50</b>	<b>\$ 0.47</b>	<b>\$ 0.85</b>	<b>\$ 0.92</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 2022 includes 0.6 million shares underlying certain stock option and stock unit awards.

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

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)	Q3 FY 2022	Q2 FY 2022	Q1 FY 2022	Q4 FY 2021	Q3 FY 2021
Net income (GAAP)	\$10,512	\$38,922	\$45,823	\$103,499	\$238,232
Add: Interest expense	12,642	11,985	8,648	7,916	7,776
Less: Interest and other income (loss), net	366	808	3,686	(168)	795
Add: Provision (benefit) for income taxes	4,319	8,330	9,219	25,826	(96,690)
Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	22,250	22,377	23,653	24,315	24,623
Add: Amortization of intangible assets	12,059	12,233	12,230	8,692	8,824
<b>EBITDA</b>	<b>\$61,416</b>	<b>\$93,039</b>	<b>\$95,887</b>	<b>\$170,416</b>	<b>\$181,970</b>
Less: Canadian Emergency Wage Subsidy	—	—	—	—	836
Add: Share-based compensation cost	26,857	26,673	24,297	21,366	22,471
Add: Significant asset impairments and restructuring costs	7,692	9,102	3,409	5,700	9,789
Add: Acquisition and integration costs	35	495	68	1,712	259
<b>Adjusted EBITDA</b>	<b>\$96,000</b>	<b>\$129,309</b>	<b>\$123,661</b>	<b>\$199,194</b>	<b>\$213,653</b>



**Thank You**