



Ciena Corporation

Fiscal Q2 2024 Earnings Presentation
Period ended April 27, 2024

June 6, 2024

Forward-looking statements and non-GAAP measures

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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, their spending and their businesses and markets; our ability to execute our business and growth strategies; the impact of macroeconomic conditions and global supply chain constraints or disruptions including increased supply costs and lead times; the impact of the introduction of new technologies by us or our competitors; seasonality and the timing and size of customer orders, their delivery dates and 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 tensions or events, including but not limited to the ongoing conflicts between Ukraine and Russia, and Israel and Hamas, and public health emergencies or epidemics, including the COVID-19 pandemic; changes in tax or trade regulations, including the imposition of tariffs, duties or efforts to withdraw from or materially modify international trade agreements; cyberattacks, data breaches or other security incidents involving our enterprise network environment or our products; regulatory changes, litigation involving our intellectual property or government investigations; and the other risk factors disclosed in Ciena's periodic reports filed with the Securities and Exchange Commission (SEC) including its Annual Report on Form 10-K filed with the SEC on December 15, 2023 and included in its Quarterly Report on Form 10-Q for the second quarter of fiscal 2024 to be filed with the SEC.

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

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

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

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Overview & Ciena's portfolio



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

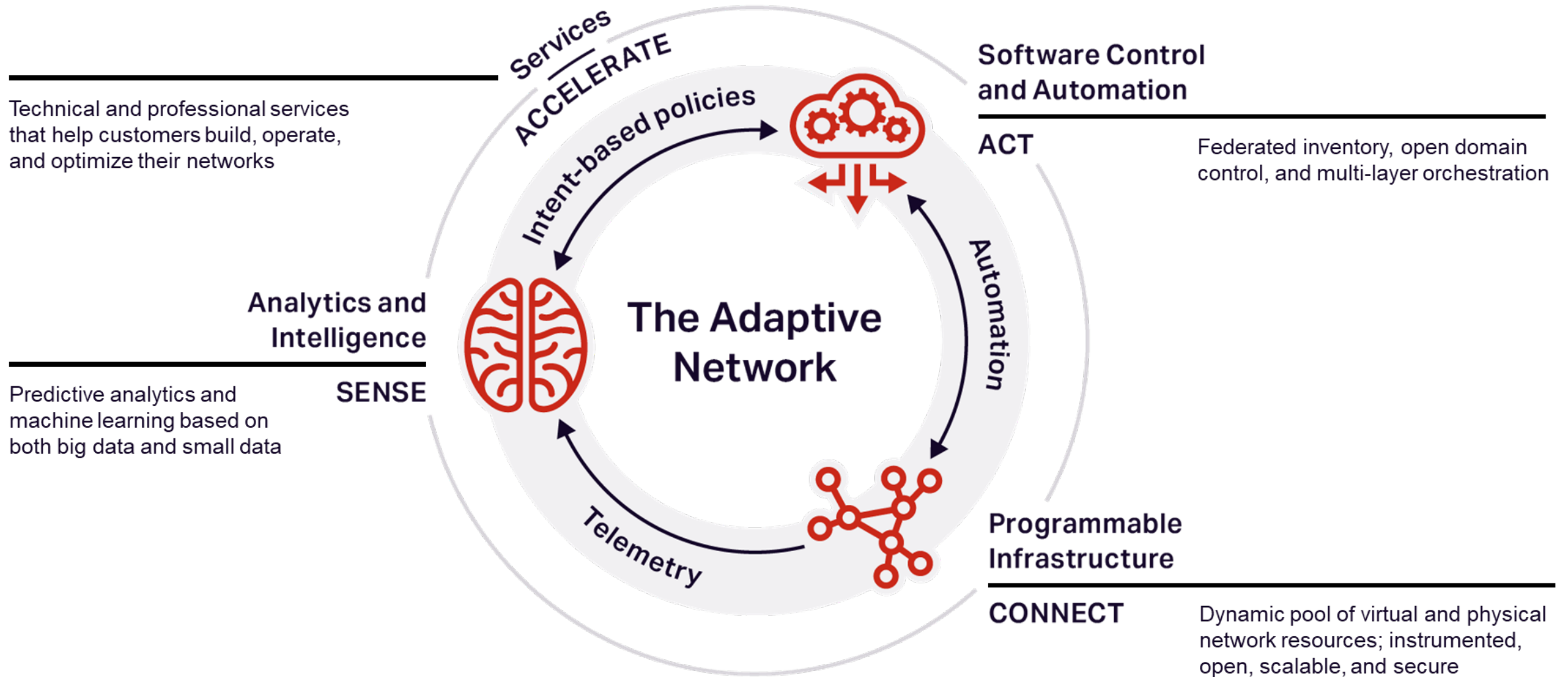


Flexibility with strong balance sheet



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

Our vision for networking: How it works



Our strategic objectives

Expand Optical Leadership

- Increase optical revenues and address high-growth opportunities
- Address customers' evolving network needs by offering a comprehensive portfolio of coherent technology including systems, pluggables, and components
- Increase international business and grow attached services

Grow Addressable Market in Broadband Access and Converged Metro

- Expand adoption of Routing and Switching portfolio and increase addressable market opportunity, leveraging our optical leadership
- Seize the converged IP/optical metro opportunity with Coherent Routing
- Leverage pluggable PON innovation and government funding opportunity in fiber-based broadband access

Drive Software-led Transformation

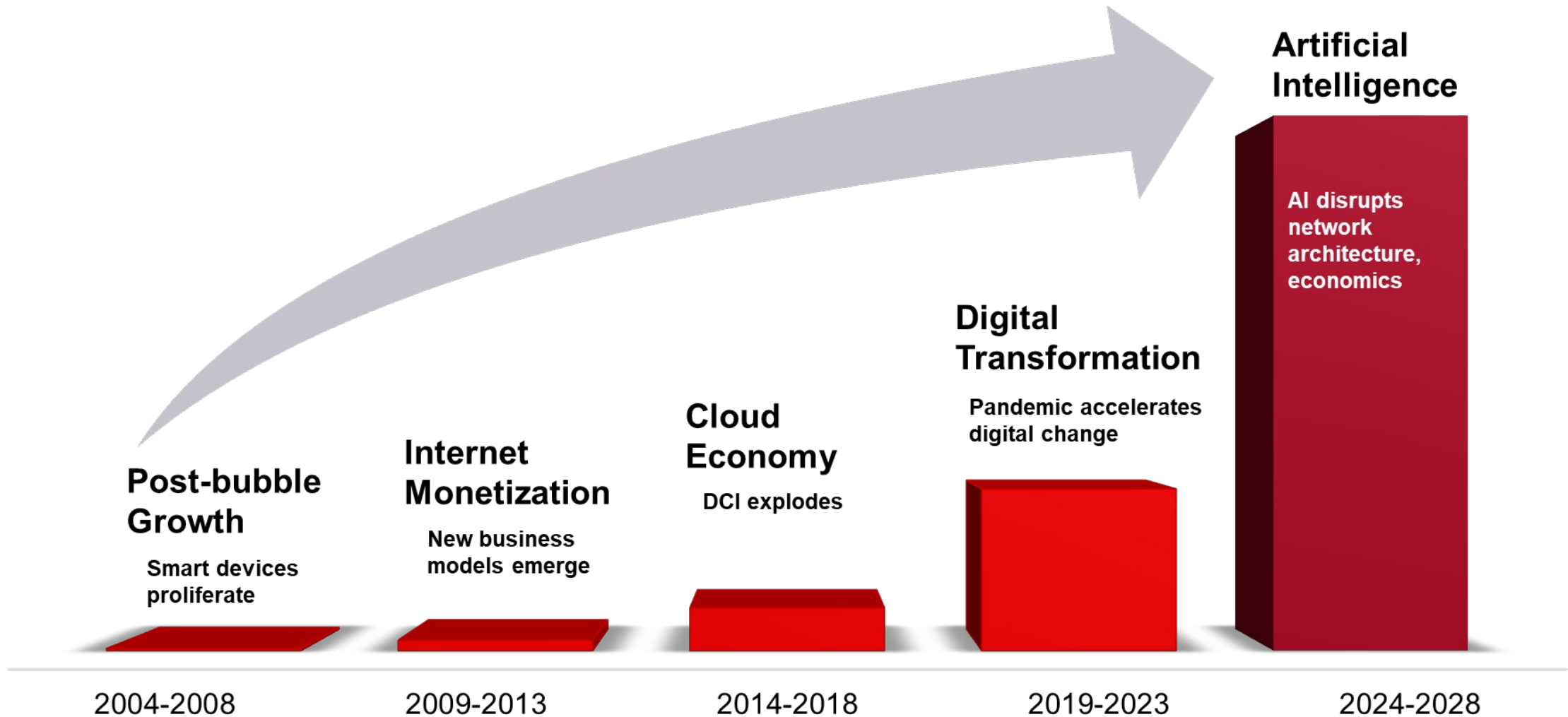
- Address digital transformation opportunities with Tier 1 CSPs with Blue Planet next-gen OSS
- Continue to grow software as percent of revenue
- Pursue advanced services-led transformation with network migration, optimization, and multi-vendor capabilities



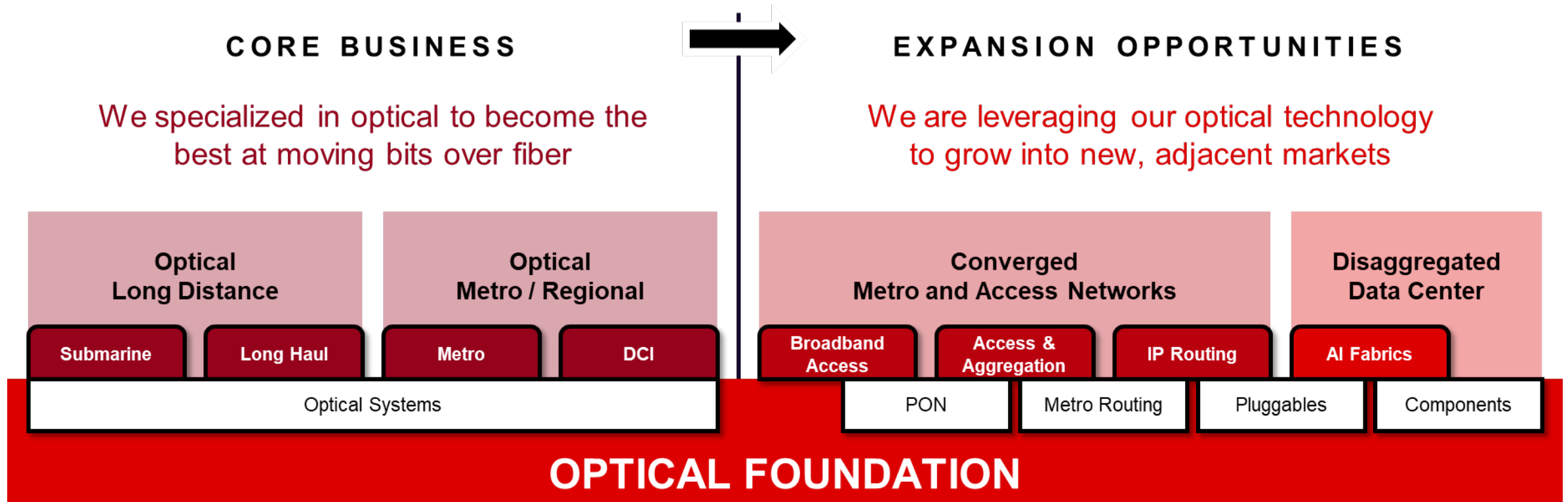
Industry context & addressable market expansion



Increasing bandwidth consumption as a driver of network expansion

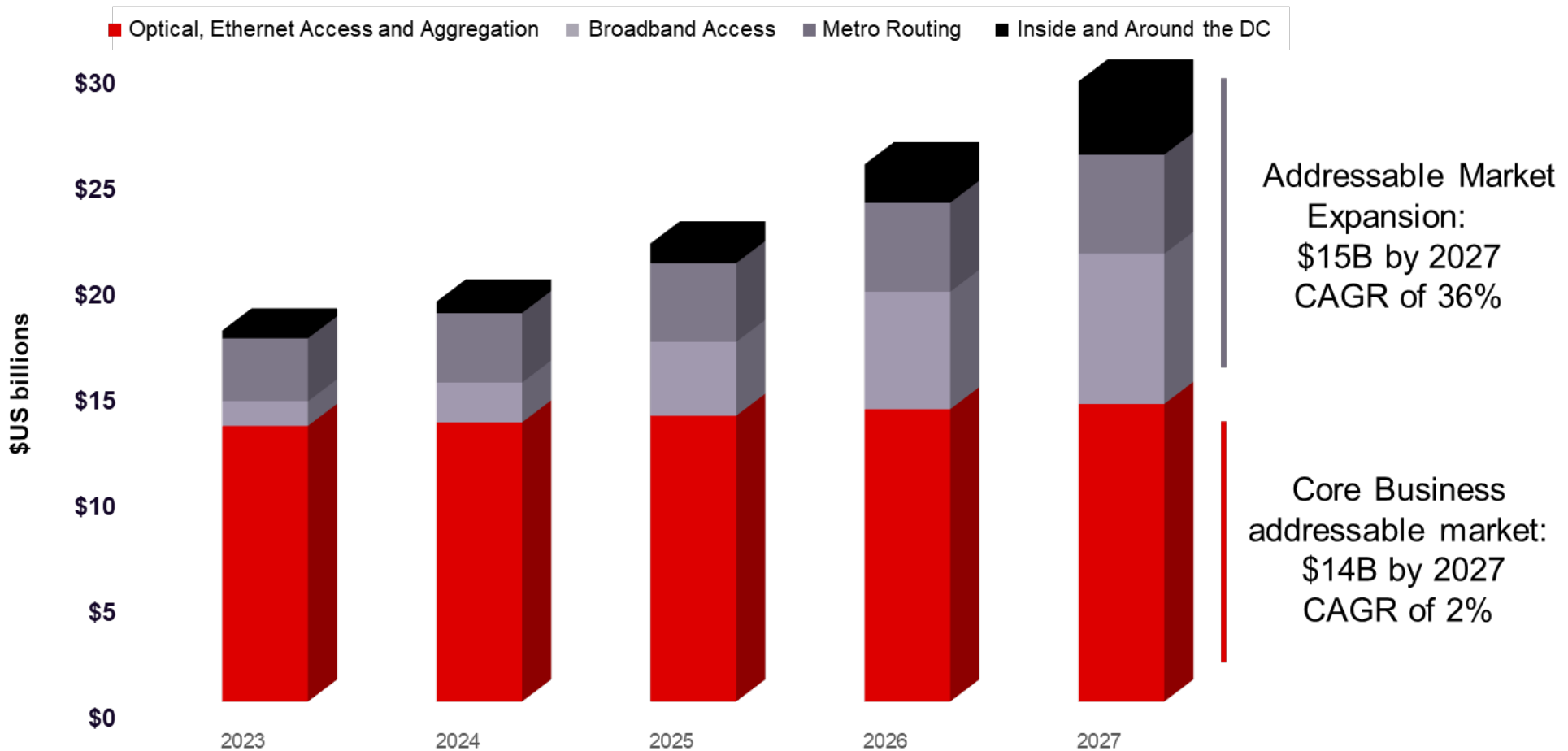


Our strategy leverages our Optical technology to create expanded addressable market opportunities



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 Opportunities¹



¹Sources: 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, 4Q23
Service Provider Switching & Routing Report, 1Q24



#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, 1Q24



#1 Globally

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

#1 N. America

- Data center interconnect
- Total optical networking
- Optical packet

#2 Globally

- Total optical networking

Optical Transport Report, 1Q24

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Q2 FY 2024 results



Q2 FY 2024 key highlights

Achieving balanced growth

Non-telco represented a 46% of total revenue

Reconfigurable line systems (RLS) revenue grew 12% YoY

India revenue grew 16% sequentially

Global Services revenue grew 5% YoY

Driving the pace of innovation

- Customer traction continues with WL5e 800G technology, reaching 290 customers
- For our WL5n 400ZR/ZR+ pluggables, we have 104 customers, 18 new this quarter
- Orders for WaveLogic 6 Extreme from a total of 14 customers

Surpassed 100 Routing and Switching customers using our WL5n pluggable technology

Added a new Tier 1 EMEA RSP mobility customer

Achieved our first Tier 1 vBNG deployment in a residential broadband use case

Prioritizing long term shareholder value

- Total shareholder return five-year CAGR of 8%¹
- Under our authorized \$1 billion stock repurchase program, repurchased ~1.1 million shares for \$57 million, and are targeting \$250 million for FY 2024 to complete the plan

¹ Based on closing share price between 5/14/2019 to 5/14/2024

Q2 FY 2024 comparative financial highlights

	Q2 FY 2024	Q2 FY 2023
Revenue	\$910.8M	\$1,132.7M
Adjusted Gross Margin*	43.5%	43.7%
Adjusted Operating Expense*	\$333.9M	\$338.1M
Adjusted Operating Margin*	6.8%	13.8%
Adjusted EBITDA*	\$85.8M	\$180.6M
Adjusted EPS*	\$0.27	\$0.74

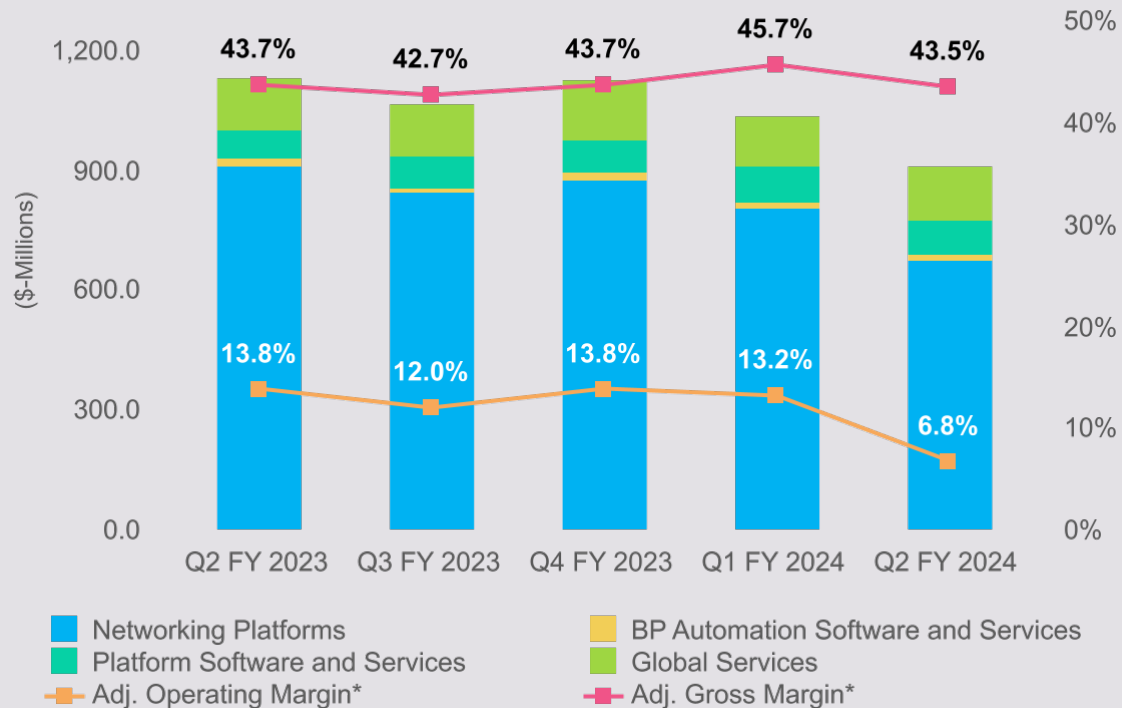
* Reconciliations of these non-GAAP measures to our GAAP results are included in the Appendix and in the press release for the relative period.

Q2 FY 2024 comparative operating metrics

	Q2 FY 2024	Q2 FY 2023
Cash and investments	\$1.42B	\$1.34B
Cash provided by operations	\$59M	\$230M
DSO	98.0	96.7
Inventory Turns	1.6	2.0
Gross Leverage	2.81x	2.78x
Net Debt	\$195M	\$284M

Revenue by segment

(Amounts in millions)



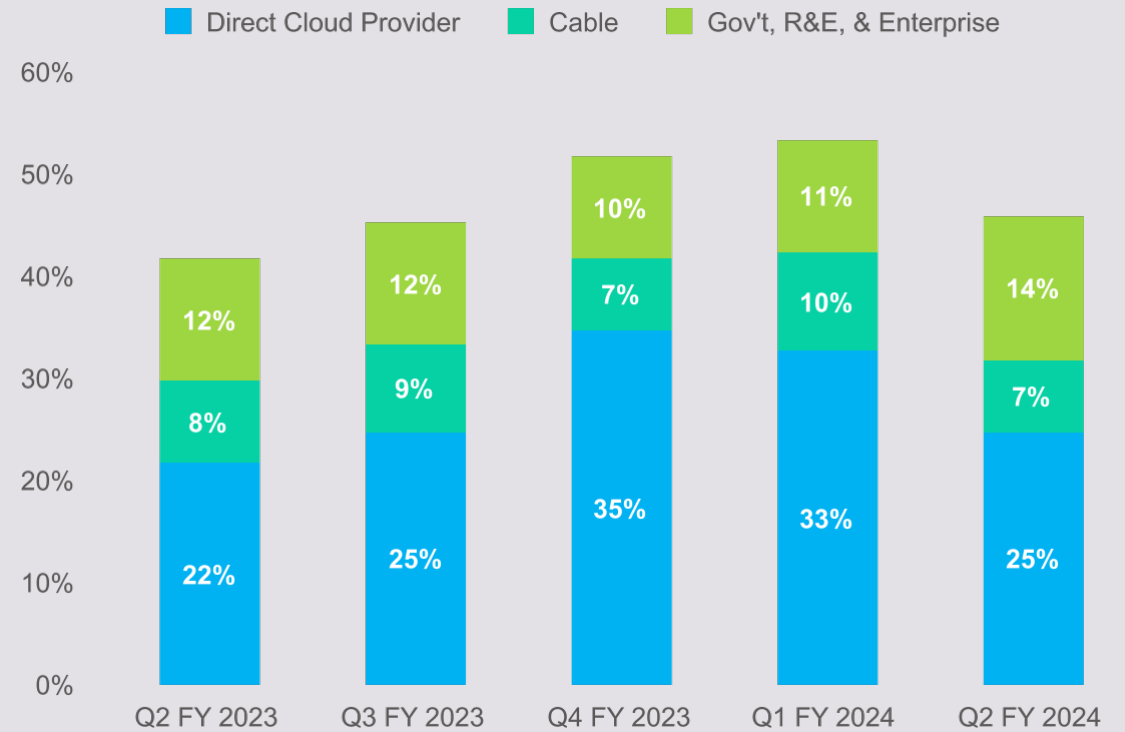
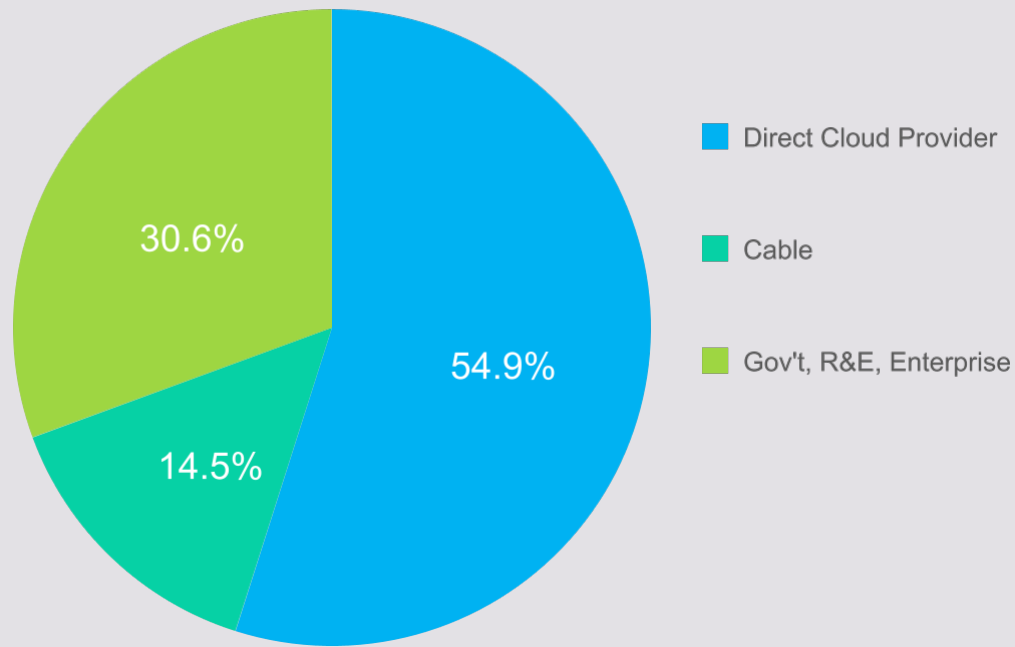
	Q2 FY 2024		Q2 FY 2023	
	Revenue	%**	Revenue	%**
Networking Platforms				
Optical Networking	\$560.2	61.5	\$784.5	69.3
Routing and Switching	116.1	12.7	130.4	11.5
Total Networking Platforms	676.3	74.2	914.9	80.8
Platform Software and Services	85.4	9.4	69.4	6.1
Blue Planet Automation Software and Services	14.4	1.6	20.6	1.8
Global Services				
Maintenance Support and Training	77.4	8.5	73.2	6.5
Installation and Deployment	43.8	4.8	39.5	3.5
Consulting and Network Design	13.5	1.5	15.1	1.3
Total Global Services	134.7	14.8	127.8	11.3
Total	\$910.8	100.0	\$1,132.7	100.0

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

** Denotes % of total revenue

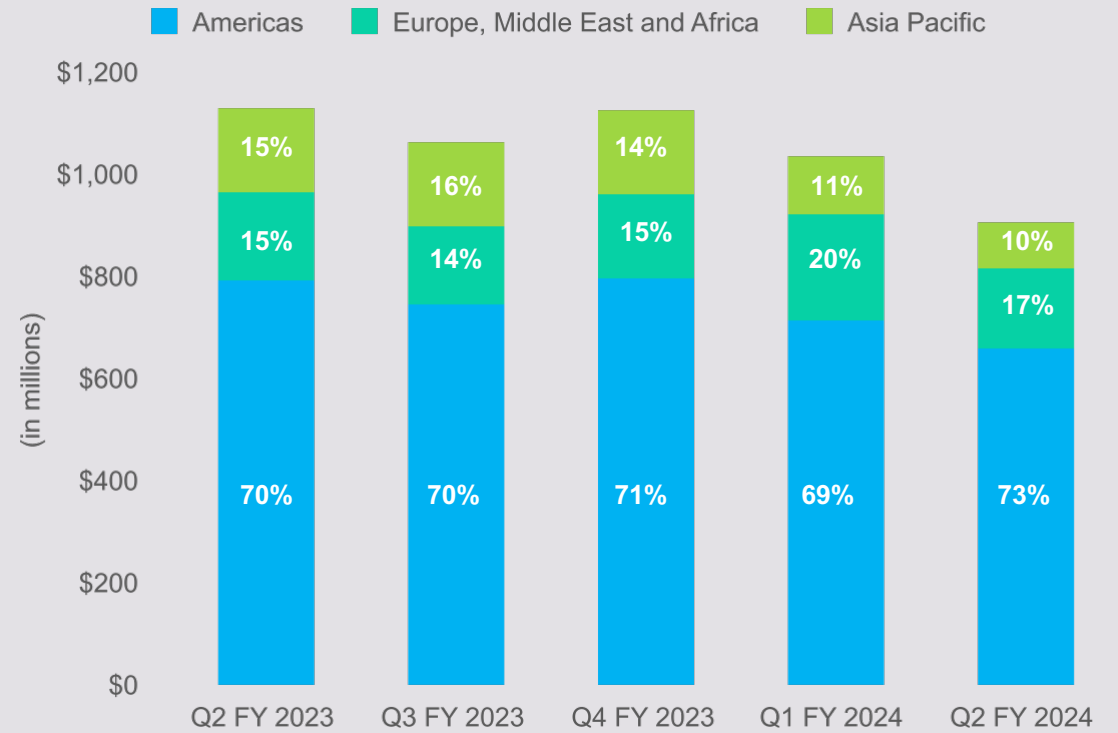
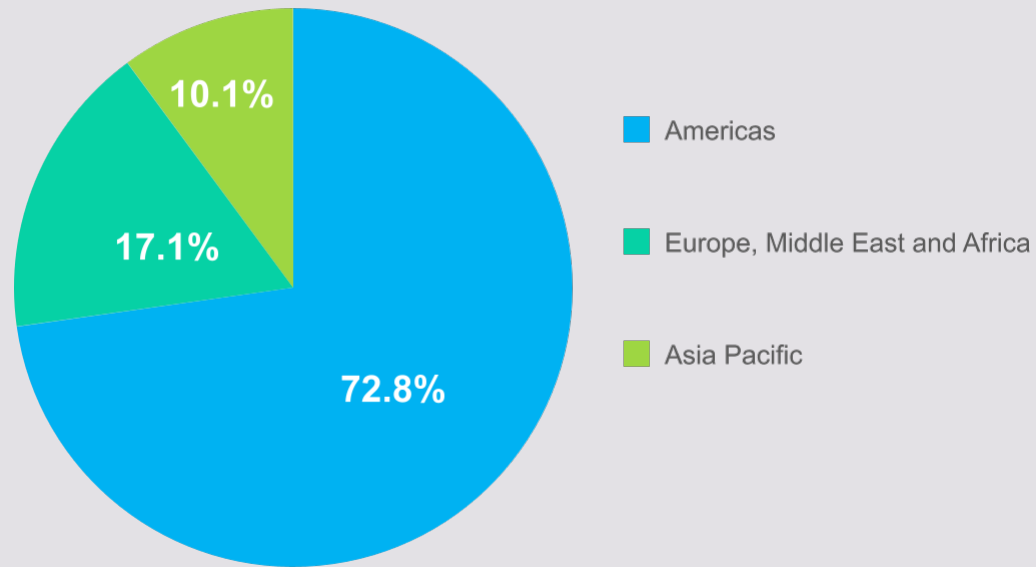
Revenue derived from non-telco customers

Q2 FY 2024 Non-Telco Revenue
Approx. 46% of total



Revenue by geographic region

Q2 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
- 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 outlook¹

Q3 FY 2024

Revenue \$880M to \$960M

Adjusted Gross Margin Low to mid 40s%

Adjusted Operating Expense Approximately \$345M

Fiscal full year 2024

Revenue Approximately \$4.0B

Adjusted Gross Margin Mid 40s%

Adjusted Operating Expense Average \$340M to \$345M per quarter

¹ Projections or outlook with respect to future operating results are only as of June 6, 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.



Q2 FY 2024 appendix

Gross Profit Reconciliation (Amounts in thousands)

	Q2 FY 2024	Q1 FY 2024	Q4 FY 2023	Q3 FY 2023	Q2 FY 2023
GAAP gross profit	\$388,661	\$466,962	\$486,281	\$448,941	\$487,683
Share-based compensation-products	1,760	1,318	1,194	1,118	1,155
Share-based compensation-services	3,344	3,020	2,827	2,687	2,659
Amortization of intangible assets	2,763	2,764	2,763	3,187	3,431
Total adjustments related to gross profit	7,867	7,102	6,784	6,992	7,245
Adjusted (non-GAAP) gross profit	\$396,528	\$474,064	\$493,065	\$455,933	\$494,928
Adjusted (non-GAAP) gross profit percentage	43.5 %	45.7 %	43.7 %	42.7 %	43.7 %

Operating Expense Reconciliation (Amounts in thousands)

	Q2 FY 2024	Q1 FY 2024	Q4 FY 2023	Q3 FY 2023	Q2 FY 2023
GAAP operating expense	\$392,626	\$382,333	\$394,979	\$370,727	\$384,870
Share-based compensation-research and development	14,066	12,880	11,412	10,954	10,731
Share-based compensation-sales and marketing	11,166	10,305	9,187	8,770	8,755
Share-based compensation-general and administrative	9,875	10,079	10,274	9,377	8,468
Significant asset impairments and restructuring costs	15,655	4,971	7,209	4,174	8,153
Amortization of intangible assets	7,947	7,252	10,578	9,487	9,845
Acquisition and integration costs	—	—	—	59	857
Legal Settlement	—	—	8,750	—	—
Total adjustments related to operating expense	58,709	45,487	57,410	42,821	46,809
Adjusted (non-GAAP) operating expense	\$333,917	\$336,846	\$337,569	\$327,906	\$338,061

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

	Q2 FY 2024	Q1 FY 2024	Q4 FY 2023	Q3 FY 2023	Q2 FY 2023
GAAP income (loss) from operations	\$(3,965)	\$84,629	\$91,302	\$78,214	\$102,813
Total adjustments related to gross profit	7,867	7,102	6,784	6,992	7,245
Total adjustments related to operating expense	58,709	45,487	57,410	42,821	46,809
Total adjustments related to income from operations	66,576	52,589	64,194	49,813	54,054
Adjusted (non-GAAP) income from operations	\$62,611	\$137,218	\$155,496	\$128,027	\$156,867
Adjusted (non-GAAP) operating margin percentage	6.8 %	13.2 %	13.8 %	12.0 %	13.8 %

Net Income (Loss) Reconciliation (Amounts in thousands)

	Q2 FY 2024	Q1 FY 2024	Q4 FY 2023	Q3 FY 2023	Q2 FY 2023
GAAP net income (loss)	\$(16,849)	\$49,547	\$91,199	\$29,733	\$57,654
Exclude GAAP provision (benefit) for income taxes	820	21,956	(20,681)	34,608	29,821
Income (loss) before income taxes	(16,029)	71,503	70,518	64,341	87,475
Total adjustments related to income from operations	66,576	52,589	64,194	49,813	54,054
Loss on extinguishment and modification of debt	—	—	7,874	—	—
Loss on equity investment	—	—	—	87	—
Adjusted income before income taxes	50,547	124,092	142,586	114,241	141,529
Non-GAAP tax provision on adjusted income before income taxes	11,120	27,300	31,369	25,133	31,136
Adjusted (non-GAAP) net income	\$39,427	\$96,792	\$111,217	\$89,108	\$110,393
Weighted average basic common shares outstanding	144,914	145,291	147,437	149,690	149,616
Weighted average diluted potential common shares outstanding ⁽¹⁾	146,268	145,848	147,891	149,977	150,147

Net Income (Loss) per Common Share

	Q2 FY 2024	Q1 FY 2024	Q4 FY 2023	Q3 FY 2023	Q2 FY 2023
GAAP diluted net income (loss) per potential common share	\$ (0.12)	\$ 0.34	\$ 0.62	\$ 0.20	\$ 0.38
Adjusted (non-GAAP) diluted net income per potential common share	\$ 0.27	\$ 0.66	\$ 0.75	\$ 0.59	\$ 0.74

1. Weighted average dilutive potential common shares outstanding used in calculating Adjusted (non-GAAP) diluted net income per potential common share for the second quarter of fiscal 2024 includes 1.4 million shares underlying certain stock option and stock unit awards.

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

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)	Q2 FY 2024	Q1 FY 2024	Q4 FY 2023	Q3 FY 2023	Q2 FY 2023
Net income (loss) (GAAP)	\$(16,849)	\$49,547	\$91,199	\$29,733	\$57,654
Add: Interest expense	23,861	23,776	24,207	24,060	23,889
Less: Interest and other income, net	11,797	10,650	11,297	10,187	8,551
Add: Loss on extinguishment and modification of debt	—	—	7,874	—	—
Add: Provision (benefit) for income taxes	820	21,956	(20,681)	34,608	29,821
Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	23,208	22,808	23,351	23,310	23,695
Add: Amortization of intangible assets	10,710	10,016	13,342	12,674	13,275
EBITDA	\$29,953	\$117,453	\$127,995	\$114,198	\$139,783
Add: Share-based compensation expense	40,211	37,602	34,894	32,906	31,768
Add: Significant asset impairments and restructuring expense	15,655	4,971	7,209	4,174	8,153
Add: Acquisition and integration costs	—	—	—	59	857
Add: Legal settlement	—	—	8,750	—	—
Adjusted EBITDA	\$85,819	\$160,026	\$178,848	\$151,337	\$180,561

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Thank You