

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): September 5, 2019

Ciena Corporation

(Exact name of registrant as specified in its charter)

Commission File Number: 001-36250

Delaware
(State or other jurisdiction of incorporation)
7035 Ridge Road, Hanover, MD
(Address of principal executive offices)

23-2725311
(IRS Employer Identification No.)
21076
(Zip Code)

Registrant's telephone number, including area code: (410) 694-5700

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.01 par value	CIEN	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

ITEM 2.02 – RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On September 5, 2019, Ciena Corporation ("Ciena") issued a press release announcing its financial results for its third fiscal quarter ended July 31, 2019. The text of the press release is furnished as Exhibit 99.1 to this Report. As discussed in this press release, Ciena will be hosting an investor call to discuss its results of operations for its third fiscal quarter ended July 31, 2019.

In conjunction with the issuance of this press release, Ciena posted to the quarterly results page of the Investors section of www.ciena.com an accompanying investor presentation. The investor presentation is furnished as Exhibit 99.2 to this Report.

The information in Exhibits 99.1 and 99.2, as well as Item 2.02 of this Report shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, and shall not be incorporated by reference into any registration statement pursuant to the Securities Act of 1933, as amended. Investors are encouraged to review the "Investors" page of our website at www.ciena.com because, as with the other disclosure channels that we use, from time to time we may post material information exclusively on that site.

ITEM 9.01 – FINANCIAL STATEMENTS AND EXHIBITS

(d) The following exhibits are being filed herewith:

<u>Exhibit Number</u>	<u>Description of Document</u>
Exhibit 99.1	Text of Press Release dated September 5, 2019, issued by Ciena Corporation, reporting its results of operations for its third fiscal quarter ended July 31, 2019.
Exhibit 99.2	Investor Presentation for Ciena Corporation's third fiscal quarter ended July 31, 2019.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Ciena Corporation

Date: September 5, 2019

By: /S/ David M. Rothenstein
David M. Rothenstein
Senior Vice President, General Counsel and Secretary

Ciena Reports Fiscal Third Quarter 2019 Financial Results

HANOVER, Md. - September 5, 2019 - [Ciena](#)[®] Corporation (NYSE: CIEN), a networking systems, services and software company, today announced unaudited financial results for its fiscal third quarter ended July 31, 2019.

- **Q3 Revenue:** \$960.6 million, increasing 17.3% year over year
- **Q3 Net Income per Share:** \$0.55 GAAP; \$0.71 adjusted (non-GAAP)
- **Share Repurchases:** Repurchased approximately 1.1 million shares of common stock for an aggregate price of \$45.4 million during the quarter

"We delivered another quarter of outstanding financial results as we benefit from our strong competitive position within the industry and continue to gain market share," said Gary Smith, President and CEO, Ciena. "Looking ahead, fiscal 2019 will be an extraordinary year for Ciena, including substantial revenue growth and increased profitability."

For the fiscal third quarter 2019, Ciena reported revenue of \$960.6 million as compared to \$818.8 million for the fiscal third quarter 2018.

Ciena's GAAP net income for the fiscal third quarter 2019 was \$86.7 million, or \$0.55 per diluted common share, which compares to a GAAP net income of \$50.8 million, or \$0.34 per diluted common share, for the fiscal third quarter 2018.

Ciena's adjusted (non-GAAP) net income for the fiscal third quarter 2019 was \$112.3 million, or \$0.71 per diluted common share, which compares to an adjusted (non-GAAP) net income of \$74.3 million, or \$0.48 per diluted common share, for the fiscal third quarter 2018.

Fiscal Third Quarter 2019 Performance Summary

The tables below (in millions, except percentage data) provide comparisons of certain quarterly results to the prior year. Appendices A and B set forth reconciliations between the GAAP and adjusted (non-GAAP) measures contained in this release.

	GAAP Results				
	Q3		Q3		
	FY 2019		FY 2018	Y-T-Y*	
Revenue	\$	960.6	\$	818.8	17.3%
Gross margin		44.2%		42.9%	1.3%
Operating expense	\$	299.1	\$	266.3	12.3%
Operating margin		13.0%		10.4%	2.6%

	Non-GAAP Results				
	Q3		Q3		
	FY 2019		FY 2018	Y-T-Y*	
Revenue	\$	960.6	\$	818.8	17.3%
Adj. gross margin		44.7%		43.4%	1.3%
Adj. operating expense	\$	273.2	\$	241.0	13.4%
Adj. operating margin		16.2%		14.0%	2.2%

* Denotes % change, or in the case of margin, absolute change

	Revenue by Segment					
	Q3 FY 2019		Q3 FY 2018			
	Revenue	%**	Revenue	%**		
Networking Platforms						
Converged Packet Optical	\$	724.3	75.4	\$	592.8	72.4
Packet Networking		71.8	7.5		84.6	10.4
Total Networking Platforms		796.1	82.9		677.4	82.8
Software and Software-Related Services						
Platform Software and Services		37.3	3.9		36.8	4.5
Blue Planet Automation Software and Services		10.5	1.1		4.4	0.5
Total Software and Software-Related Services		47.8	5.0		41.2	5.0
Global Services						
Maintenance Support and Training		65.9	6.9		60.9	7.4
Installation and Deployment		39.8	4.1		31.3	3.8
Consulting and Network Design		11.0	1.1		8.0	1.0
Total Global Services		116.7	12.1		100.2	12.2
Total	\$	960.6	100.0	\$	818.8	100.0

Additional Performance Metrics for Fiscal Third Quarter 2019

	Revenue by Geographic Region			
	Q3 FY 2019		Q3 FY 2018	
	Revenue	% **	Revenue	% **
North America	\$ 617.0	64.2	\$ 497.0	60.7
Europe, Middle East and Africa	169.5	17.6	122.2	14.9
Caribbean and Latin America	39.3	4.1	27.5	3.4
Asia Pacific	134.8	14.1	172.1	21.0
Total	\$ 960.6	100.0	\$ 818.8	100.0

** Denotes % of total revenue

- Two 10%-plus customers represented a total of 25% of revenue
- Cash and investments totaled \$842.9 million
- Cash flow from operations totaled \$83.1 million
- Average days' sales outstanding (DSOs) were 82
- Accounts receivable balance was \$798.9 million
- Unbilled contract asset balance was \$74.3 million
- Inventories totaled \$356.8 million, including:
 - Raw materials: \$102.2 million
 - Work in process: \$15.5 million
 - Finished goods: \$193.5 million
 - Deferred cost of sales: \$93.4 million
 - Reserve for excess and obsolescence: \$(47.8) million
- Product inventory turns were 5.1
- Headcount totaled 6,368

Supplemental Materials and Live Web Broadcast of Unaudited Fiscal Third Quarter 2019 Results

Today, Thursday, September 5, 2019, in conjunction with this announcement, Ciena has posted to the Quarterly Results page of the Investor Relations section of its website an accompanying investor presentation for its unaudited fiscal third quarter 2019 results.

Ciena's management will also host a discussion today with investors and financial analysts that will include the Company's outlook. The live audio web broadcast beginning at 8:30 a.m. Eastern will be accessible via www.ciena.com. An archived replay of the live broadcast will be available shortly following its conclusion on the Investor Relations page of Ciena's website.

Notes to Investors

Forward-Looking Statements. You are encouraged to review the Investors section of our website, where we routinely post press releases, 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. Forward-looking statements in this release include: “We delivered another quarter of outstanding financial results as we benefit from our strong competitive position within the industry and continue to gain market share. Looking ahead, fiscal 2019 will be an extraordinary year for Ciena, including substantial revenue growth and increased profitability.”

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; changes in network spending or network strategy by 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; supply chain disruptions and the level of success relating to efforts to optimize Ciena's operations; changes in foreign currency exchange rates affecting revenue and operating expense; the impact of the Tax Cuts and Jobs Act; changes in tax or trade regulations, including the imposition of tariffs and duties; changes in estimates of prospective income tax rates and any adjustments to Ciena's provisional estimates whether related to further guidance, analysis or otherwise; and the other risk factors disclosed in Ciena's Quarterly Report on Form 10-Q filed with the SEC on June 12, 2019 and its Annual Report on Form 10-K filed with the SEC on December 21, 2018. Ciena assumes no obligation to update any forward-looking information included in this press release.

Non-GAAP Presentation of Quarterly and Annual Results. This release includes non-GAAP measures of Ciena's gross profit, operating expense, income from operations, earnings before interest, tax, depreciation and amortization (EBITDA), Adjusted EBITDA, and measures of net income and net income per share. In evaluating the operating performance of Ciena's business, management excludes certain charges and credits that are required by GAAP. These items share one or more of the following characteristics: they are unusual and Ciena does not expect them to recur in the ordinary course of its business; they do not involve the expenditure of cash; they are unrelated to the ongoing operation of the business in the ordinary course; or their magnitude and timing is largely outside of Ciena's control. Management believes that the non-GAAP measures below provide management and investors useful information and meaningful insight to the operating performance of the business. The presentation of these non-GAAP financial measures should be considered in addition to Ciena's GAAP results and these measures are not intended to be a substitute for the financial information prepared and presented in accordance with GAAP. Ciena's non-GAAP measures and the related adjustments may differ from non-GAAP measures used by other companies and should only be used to evaluate Ciena's results of operations in conjunction with our corresponding GAAP results. To the extent not previously disclosed in a prior Ciena financial results press release, Appendices A and B to this press release set forth a complete GAAP to non-GAAP reconciliation of the non-GAAP measures contained in this release.

About Ciena. Ciena (NYSE: CIEN) is a networking systems, services and software company. We provide solutions that help our clients create the Adaptive Network™ in response to the constantly changing demands of their users. By delivering best-in-class networking technology through high-touch consultative relationships, we build the world's most agile networks with automation, openness and scale. For updates on Ciena, follow us on Twitter @Ciena, LinkedIn, the Ciena Insights blog, or visit www.ciena.com.

CIENA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Quarter Ended July 31,		Nine Months Ended July 31,	
	2019	2018	2019	2018
Revenue:				
Products	\$ 810,588	\$ 691,758	\$ 2,163,808	\$ 1,821,593
Services	150,018	127,059	440,336	373,337
Total revenue	<u>960,606</u>	<u>818,817</u>	<u>2,604,144</u>	<u>2,194,930</u>
Cost of goods sold:				
Products	454,921	399,886	1,246,413	1,085,574
Services	81,333	67,388	235,361	192,741
Total cost of goods sold	<u>536,254</u>	<u>467,274</u>	<u>1,481,774</u>	<u>1,278,315</u>
Gross profit	<u>424,352</u>	<u>351,543</u>	<u>1,122,370</u>	<u>916,615</u>
Operating expenses:				
Research and development	139,880	121,133	406,482	356,581
Selling and marketing	104,230	95,395	305,845	281,269
General and administrative	42,695	38,212	124,092	115,594
Amortization of intangible assets	5,529	3,837	16,586	11,083
Significant asset impairments and restructuring costs	5,355	6,359	11,696	16,679
Acquisition and integration costs	1,362	1,333	4,105	1,333
Total operating expenses	<u>299,051</u>	<u>266,269</u>	<u>868,806</u>	<u>782,539</u>
Income from operations	125,301	85,274	253,564	134,076
Interest and other income (loss), net	1,050	(1,543)	5,059	1,328
Interest expense	(9,404)	(13,611)	(28,316)	(40,376)
Income before income taxes	<u>116,947</u>	<u>70,120</u>	<u>230,307</u>	<u>95,028</u>
Provision for income taxes	30,198	19,280	57,204	503,695
Net income (loss)	<u>\$ 86,749</u>	<u>\$ 50,840</u>	<u>\$ 173,103</u>	<u>\$ (408,667)</u>
Net Income (loss) per Common Share				
Basic net income (loss) per common share	\$ 0.56	\$ 0.35	\$ 1.11	\$ (2.84)
Diluted net income (loss) per potential common share ¹	<u>\$ 0.55</u>	<u>\$ 0.34</u>	<u>\$ 1.10</u>	<u>\$ (2.84)</u>
Weighted average basic common shares outstanding	<u>155,488</u>	<u>143,400</u>	<u>156,013</u>	<u>143,766</u>
Weighted average dilutive potential common shares outstanding ²	<u>157,455</u>	<u>159,998</u>	<u>157,949</u>	<u>143,766</u>

1. The calculation of GAAP diluted net income per common share for the third quarter of fiscal 2018 requires adding back interest expense of approximately \$0.5 million associated with Ciena's "Original" 3.75% convertible senior notes, which were converted by holders thereof immediately prior to maturity during the fourth quarter of fiscal 2018 and approximately \$2.6 million associated with Ciena's 4.0% convertible senior notes, which were converted at Ciena's election during the fourth quarter of fiscal 2018, to the GAAP net income in order to derive the numerator for the diluted earnings per common share calculation.

2. Weighted average dilutive potential common shares outstanding used in calculating GAAP diluted net income per common share for the third quarter of fiscal 2019 includes 2.0 million shares underlying certain stock options and stock unit awards.

Weighted average dilutive potential common shares outstanding used in calculating GAAP diluted net income per common share for the first nine months of fiscal 2019 includes 1.9 million shares underlying certain stock options and stock unit awards.

Weighted average dilutive potential common shares outstanding used in calculating GAAP diluted net income per common share for the third quarter of fiscal 2018 includes 1.3 million shares underlying certain stock options and stock unit awards, 3.0 million shares underlying Ciena's "New" 3.75% senior convertible notes, 3.0 million shares underlying Ciena's "Original" 3.75% convertible senior notes, which were converted by holders thereof immediately prior to maturity during the fourth quarter of fiscal 2018 and 9.2 million shares underlying Ciena's 4.0% convertible senior notes.

CIENA CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(unaudited)

	July 31, 2019	October 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 723,229	\$ 745,423
Short-term investments	119,670	148,981
Accounts receivable, net	798,884	786,502
Inventories	356,818	262,751
Prepaid expenses and other	292,631	198,945
Total current assets	2,291,232	2,142,602
Long-term investments	—	58,970
Equipment, building, furniture and fixtures, net	280,630	292,067
Goodwill	297,884	297,968
Other intangible assets, net	121,270	148,225
Deferred tax asset, net	700,206	745,039
Other long-term assets	84,486	71,652
Total assets	\$ 3,775,708	\$ 3,756,523
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 356,716	\$ 340,582
Accrued liabilities and other short-term obligations	325,137	340,075
Deferred revenue	102,182	111,134
Current portion of long-term debt	7,000	7,000
Debt conversion liability	—	164,212
Total current liabilities	791,035	963,003
Long-term deferred revenue	42,848	58,323
Other long-term obligations	140,523	119,413
Long-term debt, net	681,918	686,450
Total liabilities	\$ 1,656,324	\$ 1,827,189
Stockholders' equity:		
Preferred stock – par value \$0.01; 20,000,000 shares authorized; zero shares issued and outstanding	—	—
Common stock – par value \$0.01; 290,000,000 shares authorized; 155,113,012 and 154,318,531 shares issued and outstanding	1,551	1,543
Additional paid-in capital	6,866,341	6,881,223
Accumulated other comprehensive loss	(23,764)	(5,780)
Accumulated deficit	(4,724,744)	(4,947,652)
Total stockholders' equity	2,119,384	1,929,334
Total liabilities and stockholders' equity	\$ 3,775,708	\$ 3,756,523

CIENA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

Nine Months Ended July 31,

	2019	2018
Cash flows provided by operating activities:		
Net income (loss)	\$ 173,103	\$ (408,667)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	65,071	63,104
Share-based compensation costs	44,446	38,896
Amortization of intangible assets	26,610	18,196
Deferred taxes	35,949	491,863
Provision for inventory excess and obsolescence	18,833	19,942
Provision for warranty	15,933	15,715
Other	743	18,164
Changes in assets and liabilities:		
Accounts receivable	(2,517)	(112,696)
Inventories	(115,427)	17,751
Prepaid expenses and other	(85,039)	(11,163)
Accounts payable, accruals and other obligations	(9,005)	14,840
Deferred revenue	4,427	(4,710)
Net cash provided by operating activities	173,127	161,235
Cash flows provided by (used in) investing activities:		
Payments for equipment, furniture, fixtures and intellectual property	(49,063)	(50,386)
Purchase of available for sale securities	(127,601)	(217,715)
Proceeds from maturities of available for sale securities	120,000	290,000
Proceeds from sales of available for sale securities	98,263	—
Settlement of foreign currency forward contracts, net	(3,155)	4,759
Acquisition of business, net of cash acquired	—	(40,412)
Purchase of equity investment	(2,667)	(1,433)
Net cash provided by (used in) investing activities	35,777	(15,187)
Cash flows used in financing activities:		
Payment of long term debt	(5,250)	(3,000)
Payment of capital lease obligations	(2,599)	(2,811)
Payment for debt conversion liability	(111,268)	—
Shares repurchased for tax withholdings on vesting of restricted stock units	(23,234)	—
Repurchases of common stock - repurchase program	(110,484)	(73,512)
Proceeds from issuance of common stock	22,895	22,735
Net cash used in financing activities	(229,940)	(56,588)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	392	(3,759)
Net increase (decrease) in cash, cash equivalents and restricted cash	(20,644)	85,701
Cash, cash equivalents and restricted cash at beginning of period	745,434	640,513
Cash, cash equivalents and restricted cash at end of period	\$ 724,790	\$ 726,214
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	\$ 29,921	\$ 31,561
Cash paid during the period for income taxes, net	\$ 21,573	\$ 20,099
Non-cash investing activities		
Purchase of equipment in accounts payable	\$ 4,328	\$ 5,677
Non-cash financing activities		
Repurchase of common stock in accrued liabilities from repurchase program	\$ 1,441	\$ 1,275
Conversion of debt conversion liability into 1,585,140 shares of common stock	\$ 52,944	\$ —

APPENDIX A - Reconciliation of Adjusted (Non- GAAP) Quarterly Measures (unaudited)

	Quarter Ended July 31,	
	2019	2018
Gross Profit Reconciliation (GAAP/non-GAAP)		
GAAP gross profit	\$ 424,352	\$ 351,543
Share-based compensation-products	781	783
Share-based compensation-services	783	618
Amortization of intangible assets	3,303	2,534
Total adjustments related to gross profit	4,867	3,935
Adjusted (non-GAAP) gross profit	\$ 429,219	\$ 355,478
Adjusted (non-GAAP) gross profit percentage	44.7%	43.4%
Operating Expense Reconciliation (GAAP/non-GAAP)		
GAAP operating expense	\$ 299,051	\$ 266,269
Share-based compensation-research and development	3,560	3,082
Share-based compensation-sales and marketing	4,192	3,417
Share-based compensation-general and administrative	5,813	4,538
Amortization of intangible assets	5,529	3,837
Significant asset impairments and restructuring costs	5,355	6,359
Acquisition and integration costs	1,362	1,333
Legal settlement	—	2,753
Total adjustments related to operating expense	25,811	25,319
Adjusted (non-GAAP) operating expense	\$ 273,240	\$ 240,950
Income from Operations Reconciliation (GAAP/non-GAAP)		
GAAP income from operations	\$ 125,301	\$ 85,274
Total adjustments related to gross profit	4,867	3,935
Total adjustments related to operating expense	25,811	25,319
Total adjustments related to income from operations	30,678	29,254
Adjusted (non-GAAP) income from operations	\$ 155,979	\$ 114,528
Adjusted (non-GAAP) operating margin percentage	16.2%	14.0%
Net Income Reconciliation (GAAP/non-GAAP)		
GAAP net income	\$ 86,749	\$ 50,840
Exclude GAAP provision for income taxes	30,198	19,280
Income before income taxes	116,947	70,120
Total adjustments related to income from operations	30,678	29,254
Non-cash interest expense	—	793
Adjusted income before income taxes	147,625	100,167
Non-GAAP tax provision on adjusted income before income taxes	35,282	25,913
Adjusted (non-GAAP) net income	\$ 112,343	\$ 74,254
Weighted average basic common shares outstanding	155,488	143,400
Weighted average dilutive potential common shares outstanding ¹	157,455	159,998
Net Income per Common Share		
GAAP diluted net income per common share	\$ 0.55	\$ 0.34
Adjusted (non-GAAP) diluted net income per common share ²	\$ 0.71	\$ 0.48

1. Weighted average dilutive potential common shares outstanding used in calculating Adjusted (non-GAAP) diluted net income per common share for the third quarter of fiscal 2019 includes 2.0 million shares underlying certain stock options and stock unit awards.

Weighted average dilutive potential common shares outstanding used in calculating Adjusted (non-GAAP) diluted net income per common share for the third quarter of fiscal 2018 includes 1.3 million shares underlying certain stock options and stock unit awards, 3.0 million shares underlying Ciena's "New" 3.75% convertible senior notes, which were converted by holders thereof immediately prior to maturity during the fourth quarter of fiscal 2018, 3.0 million shares underlying Ciena's "Original" 3.75% convertible senior notes, which were converted by holders thereof immediately prior to maturity during the fourth quarter of fiscal 2018, and 9.2 million shares underlying Ciena's 4.0% convertible senior notes, which were converted at Ciena's election during the fourth quarter of fiscal 2018.

2. The calculation of Adjusted (non-GAAP) diluted net income per common share for the third quarter of fiscal 2018 requires adding back interest expense of approximately \$0.5 million associated with Ciena's "Original" 3.75% convertible senior notes and \$2.1 million associated with Ciena's 4.0% convertible senior notes to the Adjusted (non-GAAP) net income in order to derive the numerator for the Adjusted earnings per common share calculation.

APPENDIX B - Calculation of EBITDA and Adjusted EBITDA (unaudited)

	Quarter Ended July 31,	
	2019	2018
Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)		
Net income (GAAP)	\$ 86,749	\$ 50,840
Add: Interest expense	9,404	13,611
Less: Interest and other income (loss), net	1,050	(1,543)
Add: Provision for income taxes	30,198	19,280
Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	22,076	21,704
Add: Amortization of intangible assets	8,832	6,371
EBITDA	\$ 156,209	\$ 113,349
Add: Share-based compensation cost	15,084	12,337
Add: Significant asset impairments and restructuring costs	5,355	6,359
Add: Acquisition and integration costs	1,362	1,333
Add: Legal settlement	—	2,753
Adjusted EBITDA	\$ 178,010	\$ 136,131

* * *

The adjusted (non-GAAP) measures above and their reconciliation to Ciena's GAAP results for the periods presented reflect adjustments relating to the following items:

- *Share-based compensation* - a non-cash expense incurred in accordance with share-based compensation accounting guidance.
- *Amortization of intangible assets* - a non-cash expense arising from the acquisition of intangible assets, principally developed technologies and customer-related intangibles, that Ciena is required to amortize over its expected useful life.
- *Significant asset impairments and restructuring costs* - costs incurred as a result of restructuring activities taken to align resources with perceived market opportunities.
- *Acquisition and integration costs* - consist of financial, legal and accounting advisors' costs and severance and other employment-related costs related to Ciena's acquisition of Packet Design and DonRiver, including costs associated with a three-year earn-out arrangement related to the DonRiver acquisition. Ciena does not believe that these costs are reflective of its ongoing operating expense following its completion of these integration activities.
- *Legal settlement* - costs incurred as a result of a settlement, during the third quarter of fiscal 2018, of a commercial dispute with a former vendor.
- *Non-cash interest expense* - a non-cash debt discount expense amortized as interest expense during the term of Ciena's 4.0% senior convertible notes, which were converted during the fourth quarter of 2018, relating to the required separate accounting of the equity component of these convertible notes.
- *Non-GAAP tax provision* - consists of current and deferred income tax expense commensurate with the level of adjusted income before income taxes and utilizes a current, blended U.S. and foreign statutory annual tax rate of 23.9% for the third fiscal quarter of 2019, and 25.87% for the third fiscal quarter of 2018. This rate may be subject to change in the future, including as a result of changes in tax policy or tax strategy.



Ciena Corporation

Q3 fiscal 2019 Investor Presentation

Quarterly Period ended July 31, 2019

September 5, 2019

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 long-term financial targets, prospective financial 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 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; 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; supply chain disruptions and the level of success relating to efforts to correct Ciena's operations; changes in foreign currency exchange rates affecting revenue and operating expense; the impact of the Tax Cuts and Jobs Act; changes in tax or trade regulations including the imposition of tariffs and duties; and the other risk factors disclosed in Ciena's periodic reports filed with the Securities and Exchange Commission (SEC) including Ciena's Quarterly Report on Form 10-Q to be filed with the SEC and Ciena's Annual Report on Form 10-K filed with the SEC on December 21, 2018.

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 in the morning and in our reports on Form 10-Q filed with the Securities and Exchange Commission.

Q3 fiscal 2019 key highlights

Achieving balanced growth

- Non-telco represented 41% of total revenue
- Direct web-scale contributed over 26% of total revenue
- EMEA revenue up 39% YoY
- NA revenue up 24% YoY, with telco and web-scale growth

Driving the pace of innovation

- TTM Adjusted R&D* investment was \$527.0 million
- WaveLogic Ai has 128 total customers with 16 new wins in Q3
- Waveserver has 142 customers with 8 new wins in Q3

Delivering shareholder value

- Repurchased approximately 1.1 million shares of common stock for an aggregate price of \$45.4 million
- Adjusted EPS* growth of 48% YoY
- Adjusted EBITDA* growth of 31% YoY

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

Q3 fiscal 2019 financial highlights

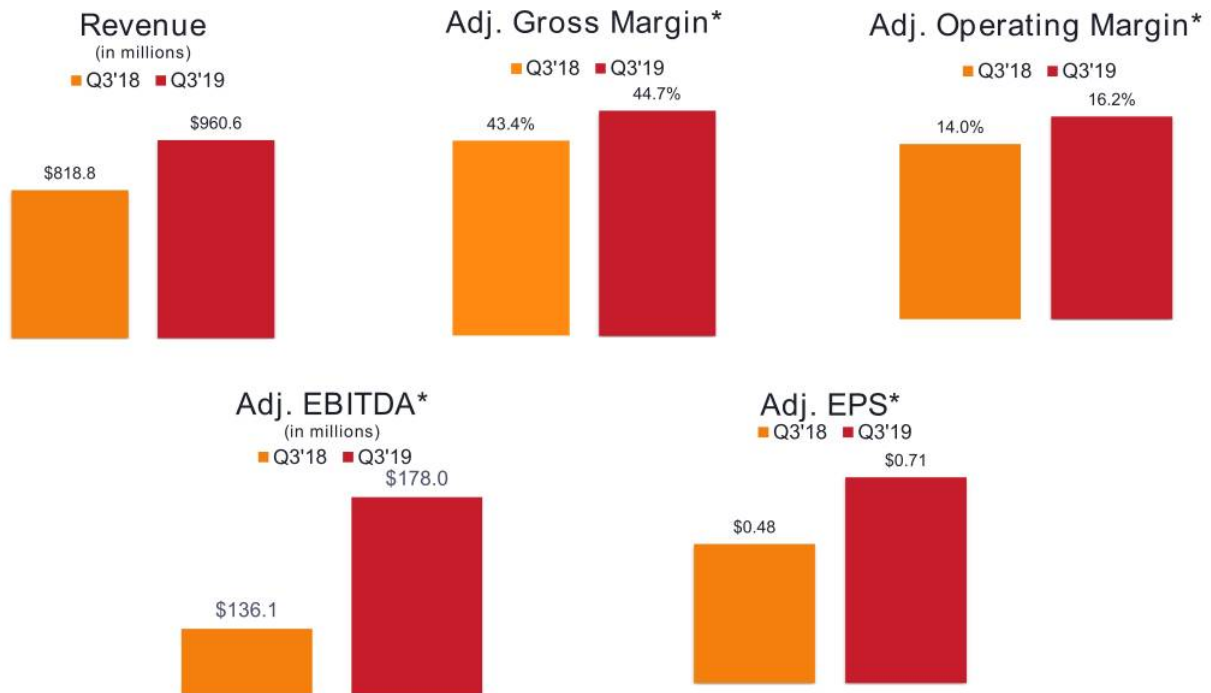
Revenue	\$960.6 million
Adjusted Gross Margin*	44.7%
Adjusted Operating Margin*	16.2%
Adjusted EBITDA*	\$178.0 million
Adjusted EPS*	\$0.71

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

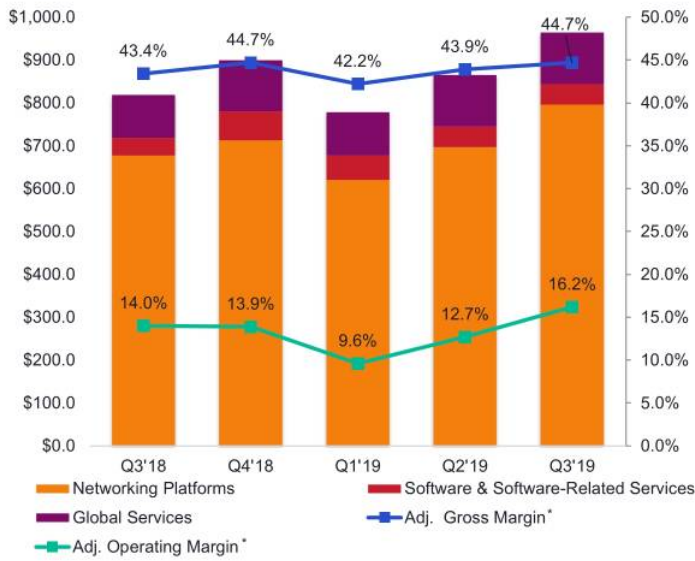
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Q3 fiscal 2019 comparisons (year-over-year)



Revenue by segment (Amounts in millions)

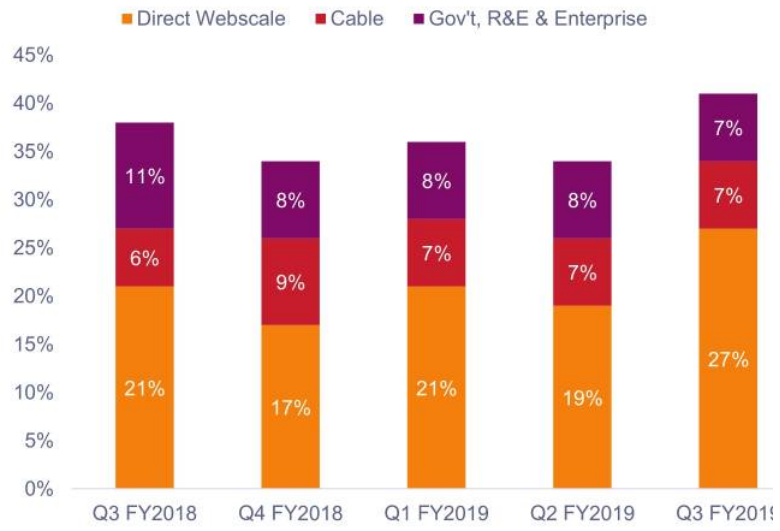
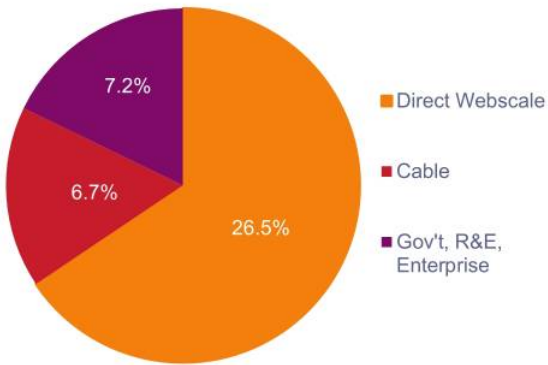


	Q3 FY 2019		Q3 FY 2018	
	Revenue	%**	Revenue	%
Networking Platforms				
Converged Packet Optical	\$724.3	75.4	\$592.8	72
Packet Networking	71.8	7.5	84.6	10
Total Networking Platforms	796.1	82.9	677.4	82
Software & Software-Related Services				
Platform Software and Services	37.3	3.9	36.8	4
Blue Planet Automation Software and Services	10.5	1.1	4.4	0
Total Software & Software-Related Services	47.8	5.0	41.2	5
Global Services				
Maintenance Support and Training	65.9	6.9	60.9	7
Installation and Deployment	39.8	4.1	31.3	3
Consulting and Network Design	11.0	1.1	8.0	1
Total Global Services	116.7	12.1	100.2	12
Total	\$960.6	100.0%	\$818.8	100.0%

* A reconciliation of these non-GAAP measures to our GAAP results is included in the appendix to this presentation.
** Denotes % of total revenue

Continued strength derived from non-telco revenue*

Q3 FY 2019

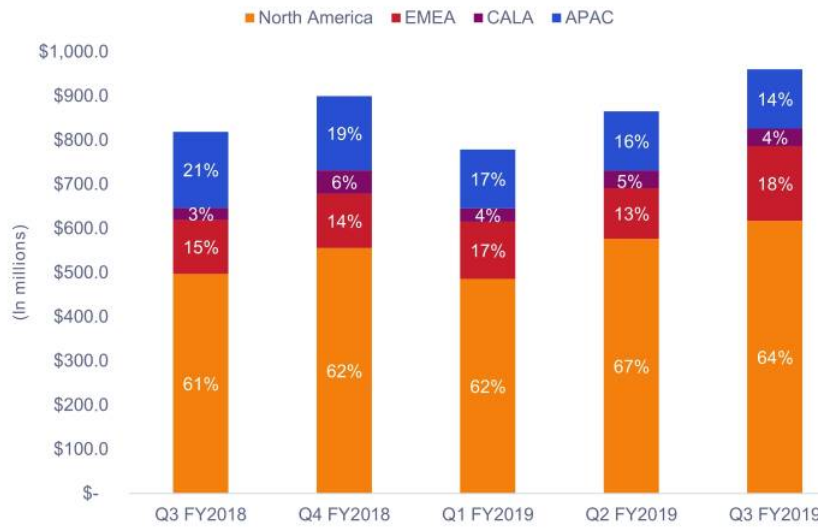
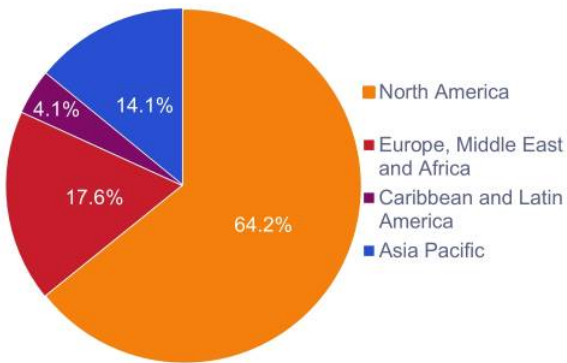


*represents 41% of total revenue

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Revenue by geographic region

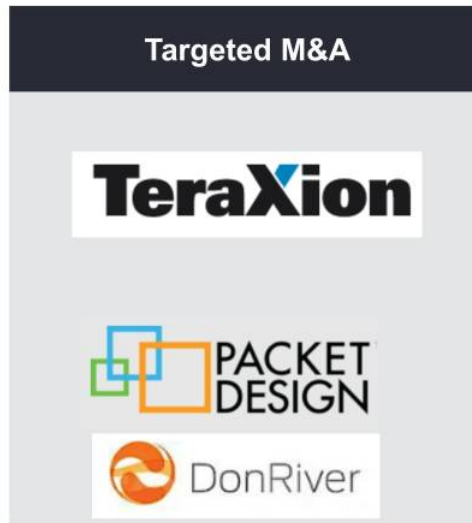
Q3 FY 2019



Q3 fiscal 2019 balance sheet and operating metrics

Cash and Investments	\$842.9 million
Cash Flow From Operations	\$83.1 million
DSO	82 Days
Inventory Turns	5.1
Leverage	1.4x
Net Cash	\$80.0

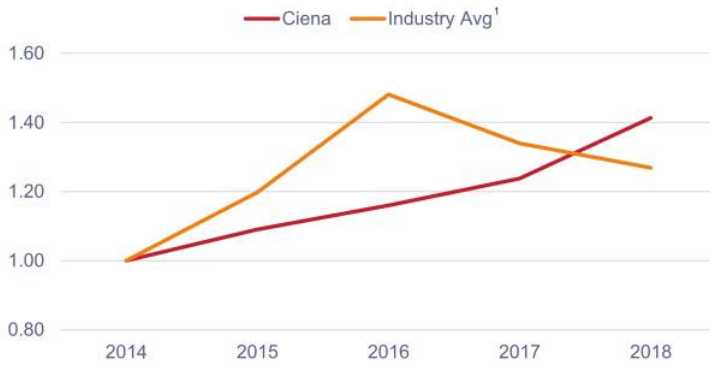
Returning value to shareholders through strong capital allocation priorities



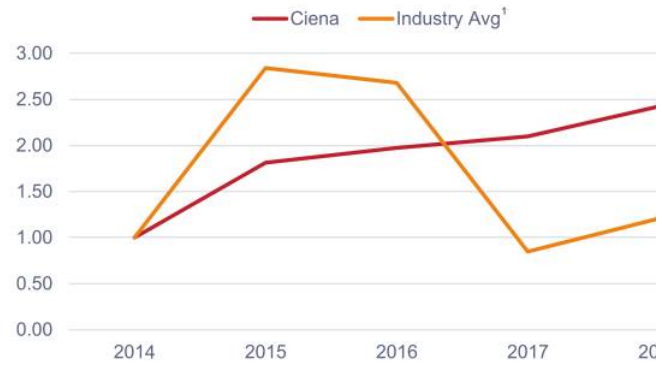
* A reconciliation of these non-GAAP measures to our GAAP results is included in the appendix to this presentation.

Delivering consistent and differentiated financial performance

Normalized Revenue



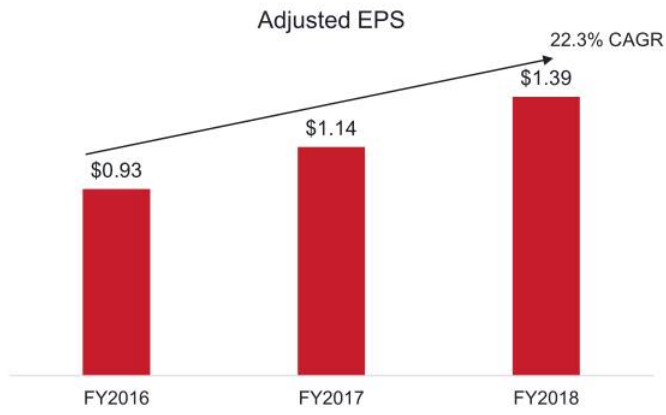
Normalized Adjusted OM



¹Industry Average: ACIA, ADTN, ADVA, CSCO, INFN¹, JNPR and NOKIA IP Networks segment

1. INFN Q4 2018 revenue and adjusted OM exclude Coriant; Coriant adjusted OM is based on the assumption that Coriant had flat GM% and fixed OPEX in 2018

Delivering profitability and total shareholder return



*1 year represents 8/22/18-8/22/19

Business outlook and long-term targets

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Our extraordinary fiscal 2019 performance is driven by a combination of strategic execution and favorable dynamics

Industry dynamics	“Flight to quality”	Continued strategic execution
<ul style="list-style-type: none">• Favorable competitive dynamics<ul style="list-style-type: none">• Subscale vendors struggle financially and with innovation• Larger competitors face competing investment priorities• Web-scale spending has outpaced the overall market• Spending by some service provider customers recovers from lower levels	<ul style="list-style-type: none">• Customer trust in Ciena and strong relationships<ul style="list-style-type: none">• Web-scale providers pursue quality products and a strong roadmap• Service providers seek strong, long-term partners• Tier 1 service provider wins at a higher rate	<ul style="list-style-type: none">• WaveLogic Ai continues to outperform alternative products and WaveLogic 5 launch timing leads the market• Complementary solutions that continue to meet customer requirements including Blue Planet Software Automation & Services and Packet Networking• Diversification as a result of broad based geographies, market verticals and customers

All the above is resulting in intensified share gains

Long-term financial targets¹

Execution of our strategy will drive top-line growth, profitability and cash generation

Revenue	Adj. operating margin	Adj. EPS	Free cash flow
Approximately 6% to 8% annual growth over the next three years	15% for fiscal 2020; expect to achieve at least 15% in fiscal 2021	Over 20% annual growth per year over the next three years	Approximately 60-70% of adjusted operating income in each of the next three years

¹ Projections or outlook with respect to future operating results are only as of December 13, 2018, 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.

Long-term financial targets*

Three-year annual revenue growth targets

Optical Systems	Approximately 4-6%
Attached Services	Approximately 4-6%
Packet Networking	Approximately 8-10%
Blue Planet	Approximately \$100M-\$120M ¹

*Projections or outlook with respect to future operating results are only as of December 13, 2018, 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.

¹Projection indicates annual target for Ciena's Blue Planet Automation software and services business in fiscal 2021

Q3 fiscal 2019 appendix

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Gross Profit Reconciliation (Amounts in thousands)

	Q3 FY 2019	Q2 FY 2019	Q1 FY 2019	Q4 FY 2018	Q3 FY 2018
GAAP gross profit	\$424,352	\$374,677	\$323,341	\$398,075	\$398,075
Share-based compensation-products	781	702	637	705	705
Share-based compensation-services	783	907	770	651	651
Amortization of intangible assets	3,303	3,303	3,418	2,957	2,957
Total adjustments related to gross profit	4,867	4,912	4,825	4,313	4,313
Adjusted (non-GAAP) gross profit	\$429,219	\$379,589	\$328,166	\$402,388	\$402,388
Adjusted (non-GAAP) gross margin	44.7%	43.9%	42.2%	44.7%	44.7%

Operating Expense Reconciliation (Amounts in thousands)

	Q3 FY 2019	Q2 FY 2019	Q1 FY 2019	Q4 FY 2018	Q3 FY 2018
GAAP operating expense	\$299,051	\$294,357	\$275,398	\$302,205	\$266,311
Share-based compensation-research and development	3,560	4,083	3,391	3,385	3,385
Share-based compensation-sales and marketing	4,192	4,346	3,785	3,741	3,741
Share-based compensation-general and administrative	5,813	5,491	5,112	5,588	4,912
Amortization of intangible assets	5,529	5,529	5,528	4,654	3,385
Significant asset impairments and restructuring costs	5,355	4,068	2,273	1,460	6,000
Acquisition and integration costs, excluding share-based compensation	1,362	1,135	1,608	3,778	1,362
Legal settlement	-	-	137	1,929	2,292
Total adjustments related to operating expense	\$25,811	\$24,652	\$21,834	\$24,535	\$25,811
Adjusted (non-GAAP) operating expense	\$273,240	\$269,705	\$253,564	\$277,670	\$240,500

Income from Operations Reconciliation (Amounts in thousands)

	Q3 FY 2019	Q2 FY 2019	Q1 FY 2019	Q4 FY 2018	Q3 FY 2018
GAAP income from operations	\$125,301	\$80,320	\$47,943	\$95,870	\$85,311
Total adjustments related to gross profit	4,867	4,912	4,825	4,313	3,385
Total adjustments related to operating expense	25,811	24,652	21,834	24,535	25,811
Total adjustments related to income from operations	30,678	29,564	26,659	28,848	29,196
Adjusted (non-GAAP) income from operations	\$155,979	\$109,884	\$74,602	\$124,718	\$114,507
Adjusted (non-GAAP) operating margin	16.2%	12.7%	9.6%	13.9%	11.6%

Net Income Reconciliation (Amounts in thousands)

	Q3 FY 2019	Q2 FY 2019	Q1 FY 2019	Q4 FY 2018	Q3 FY 2018
GAAP net income	\$86,749	\$52,738	\$33,616	\$63,977	\$52,738
Exclude GAAP provision (benefit) for income taxes	30,198	17,867	9,139	(10,224)	17,867
Income before income taxes	116,947	70,605	42,755	53,753	70,605
Total adjustments related to income from operations	30,678	29,564	26,659	28,848	29,564
Loss on extinguishment and modification of debt	-	-	-	13,887	-
Non-cash interest expense	-	-	-	727	-
Change in fair value of debt conversion liability	-	-	-	12,070	-
Adjusted income before income taxes	147,625	100,169	69,414	109,285	100,169
Non-GAAP tax provision on adjusted income before income taxes	35,282	23,940	16,590	28,272	23,940
Adjusted (non-GAAP) net income	\$112,343	\$76,229	\$52,824	\$81,013	\$76,229
Weighted average basic common shares outstanding	155,488	156,170	156,314	143,659	156,170
Weighted average dilutive potential common shares outstanding ¹	157,455	158,289	158,174	157,745	158,289

Net Income per Common Share

	Q3 FY 2019	Q2 FY 2019	Q1 FY 2019	Q4 FY 2018	Q3 FY 2018
GAAP diluted net income per common share	\$ 0.55	\$ 0.33	\$ 0.21	\$ 0.34	\$ 0.33
Adjusted (Non-GAAP) diluted net income per common share	\$ 0.71	\$ 0.48	\$ 0.33	\$ 0.53	\$ 0.48

1. Weighted average dilutive potential common shares outstanding used in calculating adjusted (non-GAAP) diluted net income per common share for the third quarter of fiscal 2019 includes 2.0 million shares underlying certain stock options 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 2019	Q2 FY 2019	Q1 FY 2019	Q4 FY 2018	Q3 FY 2018
Net income (GAAP)	\$ 86,749	\$ 52,738	\$ 33,616	\$ 63,977	\$ 100,000
Add: Interest expense	9,404	9,471	9,441	14,873	14,873
Less: Interest and other income (loss), net	1,050	(244)	4,253	(13,357)	(13,357)
Add: Loss on extinguishment and modification of debt	-	-	-	(13,887)	(13,887)
Add: Provision (benefit) for income taxes	30,198	17,867	9,139	(10,224)	(10,224)
Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	22,076	21,482	21,513	21,110	21,110
Add: Amortization of intangible assets	8,832	8,832	8,947	7,611	7,611
EBITDA	\$ 156,209	\$ 110,634	\$ 78,403	\$ 124,591	\$ 100,000
Add: Share-based compensation cost	15,084	15,607	13,755	14,076	14,076
Add: Significant asset impairments and restructuring costs	5,355	4,068	2,273	1,460	1,460
Add: Acquisition and integration costs	1,362	1,135	1,608	3,778	3,778
Add: Legal settlement	-	-	137	1,929	1,929
Adjusted EBITDA	\$ 178,010	\$ 131,444	\$ 96,176	\$ 145,834	\$ 100,000



Thank You

