



Ciena Corporation

Earnings Presentation

Period ended August 1, 2020

September 3, 2020

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 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 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; 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; factors beyond our control such as natural disasters, acts of war or terrorism, and public health emergencies, including the COVID-19 pandemic; the impact of the Tax Cuts and Jobs Act; 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 20, 2019 and Ciena's Quarterly Report on Form 10-Q 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" and "Long Term financial Targets", 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.

COVID-19 response

Safety and community

- Prioritizing health of employees and following CDC guidance for employers
- The vast majority of our employees working remotely
- Instituted pandemic employee benefits
- Tripled our corporate charitable matching program for employee donations and volunteering

Result: Our employees have excelled through their continued focus, strength and kindness

Business continuity

- Supply chain design and business continuity planning has allowed us to continue to support customers and minimize disruption
- Significant IT investment in digital platforms and virtual collaboration tools has enabled a seamless transition to remote working

Result: We are well positioned to manage through the current set of challenges presented by COVID-19

Financial strength

- We have a strong balance sheet and solid cash flow generation
- In light of current market conditions, we have suspended our share repurchase program and are exercising prudent operating expense management

Result: Our financial strength provides long-term resiliency and differentiated flexibility to support our business

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

Q3 FY 2020 key highlights

Achieving balanced growth

- Non-telco represented 43% of total revenue
- Direct web-scale contributed 25% of total revenue
- MSO contributed 9% of total revenue
- Americas revenue up 9% YoY

Driving the pace of innovation

- TTM Adjusted R&D* investment was \$518M
- 535 100G+ total customers, which includes 37 new wins on WaveLogic Ai and 27 new wins on WaveLogic 5e in Q3
- Shipped WL 5 Extreme to almost 40 customers, and the technology is live and carrying traffic in several networks

Delivering shareholder value

- YTD¹ total stockholder return of 39%
- Adjusted EPS* growth of 49% YoY
- Adjusted operating margin* improved by 600bps YoY
- Balance sheet strength:
 - FCF was \$160M
 - Cashflow from operations was \$175M

¹ Source: Capital IQ 12/31/19-8/24/20

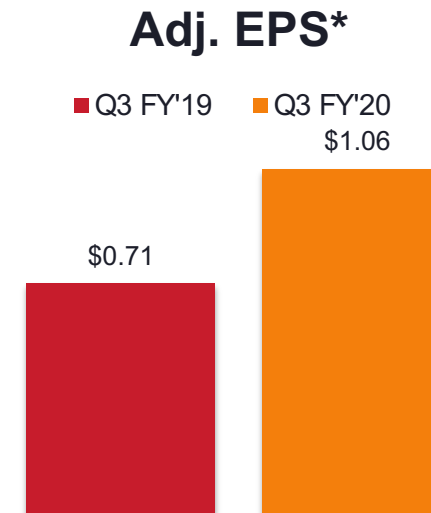
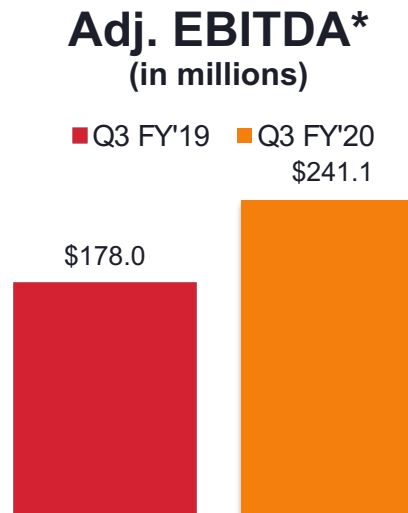
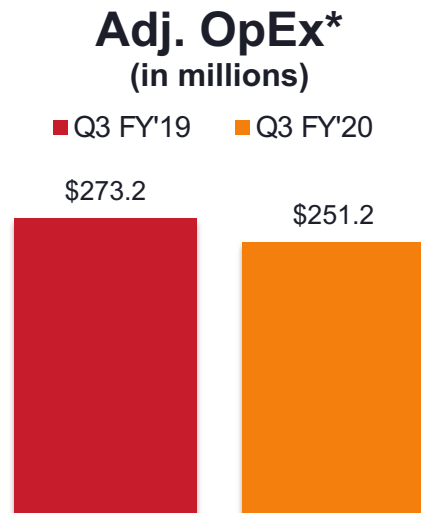
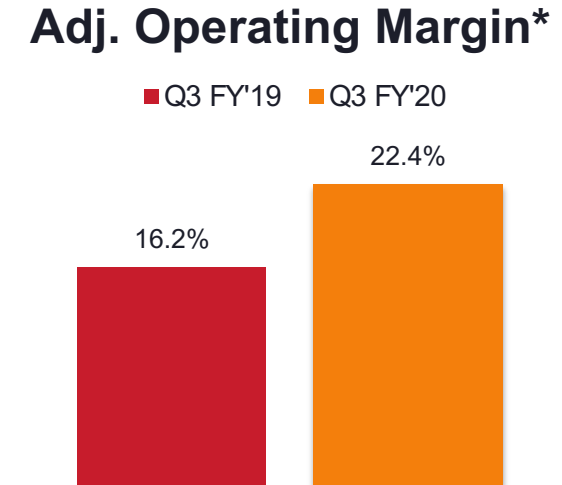
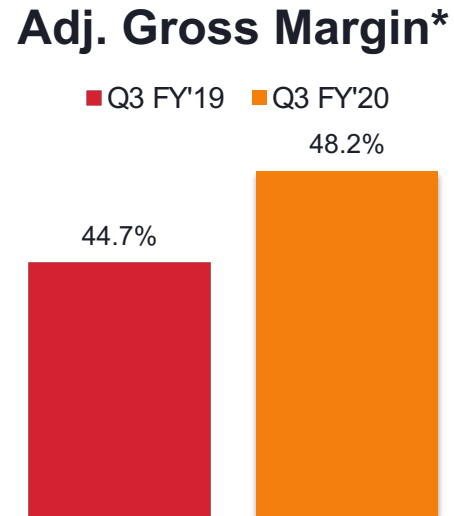
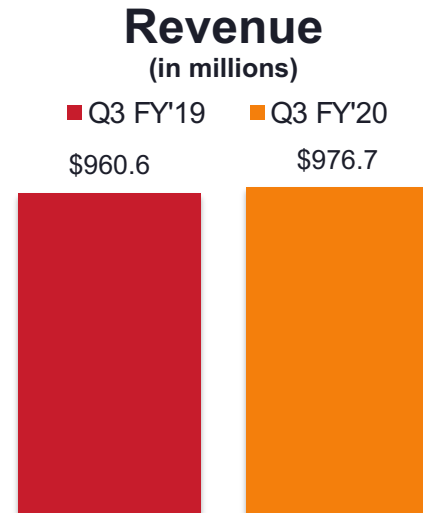
* A reconciliation of these non-GAAP measures to our GAAP results is included in the appendix to this presentation.

Q3 FY 2020 financial highlights

Revenue	\$977M
Adjusted Gross Margin*	48.2%
Adjusted Operating Margin*	22.4%
Adjusted Operating Expense*	\$251M
Adjusted EBITDA*	\$241M
Adjusted EPS*	\$1.06

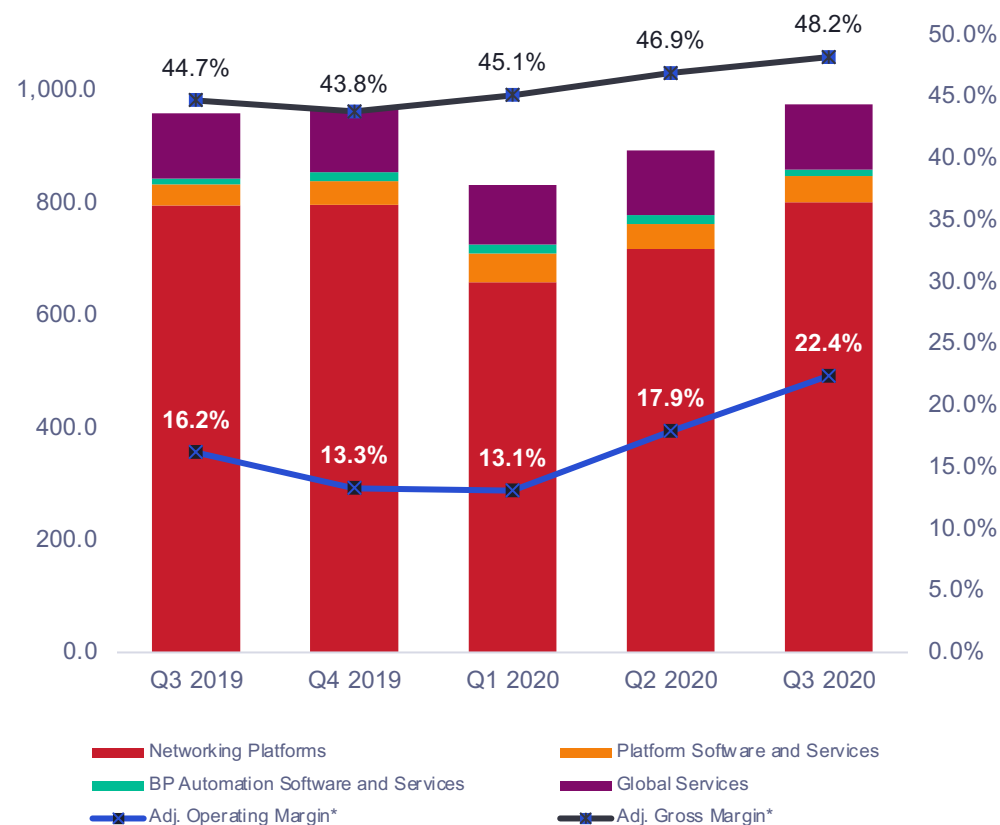
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Q3 FY 2020 comparisons (year-over-year)



Revenue by segment

(Amounts in millions)



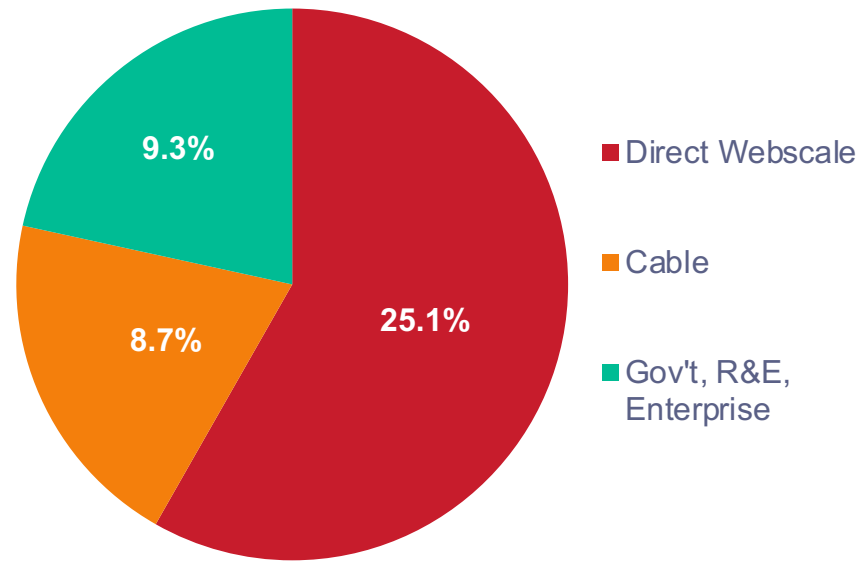
	Q3 FY 2020		Q3 FY 2019	
	Revenue	%**	Revenue	%**
Networking Platforms				
Converged Packet Optical	\$722.5	74.0	\$724.3	75.4
Packet Networking	79.8	8.1	71.8	7.5
Total Networking Platforms	802.3	82.1	796.1	82.9
Platform Software and Services	46.4	4.8	37.3	3.9
Blue Planet Automation Software and Services	11.3	1.1	10.5	1.1
Global Services				
Maintenance Support and Training	69.1	7.1	65.9	6.9
Installation and Deployment	39.8	4.1	39.8	4.1
Consulting and Network Design	7.8	0.8	11.0	1.1
Total Global Services	116.7	12.0	116.7	12.1
Total	\$976.7	100.0%	\$960.6	100.0%

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

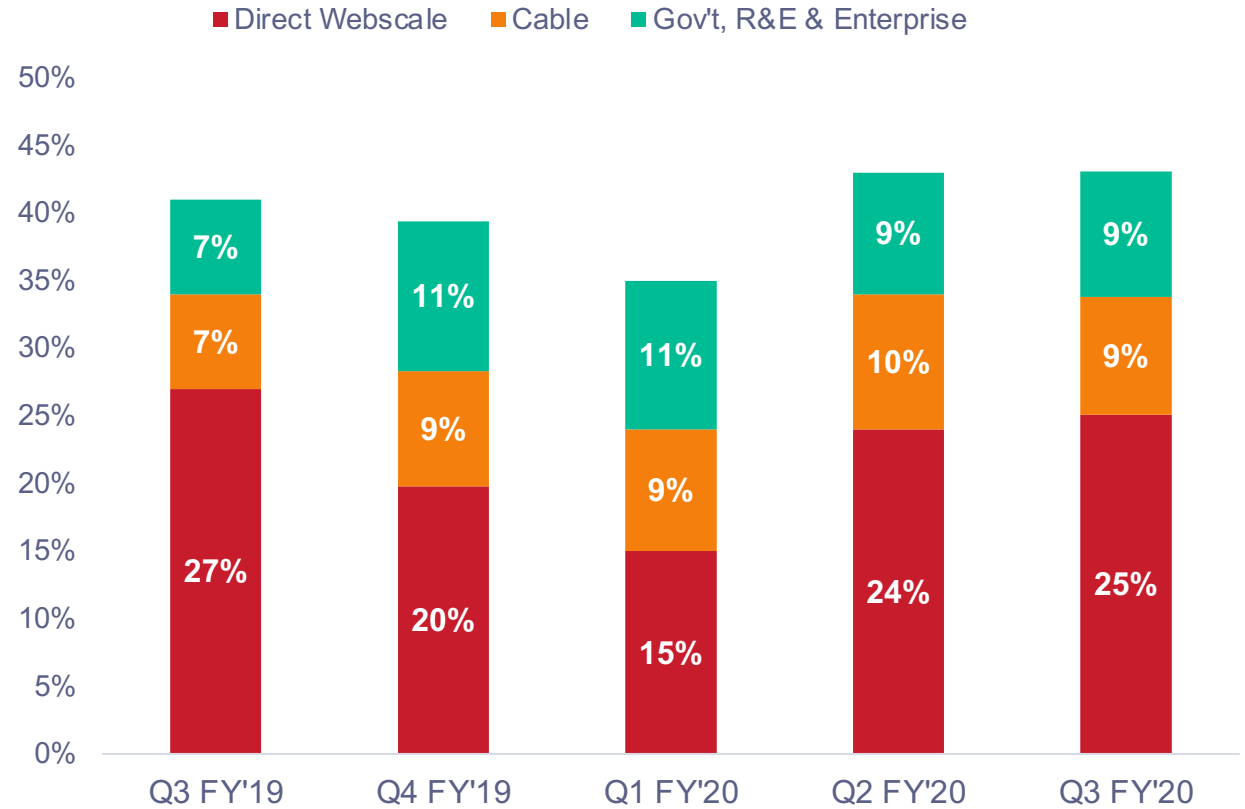
** Denotes % of total revenue

Continued strength derived from non-telco revenue*

Q3 FY 2020

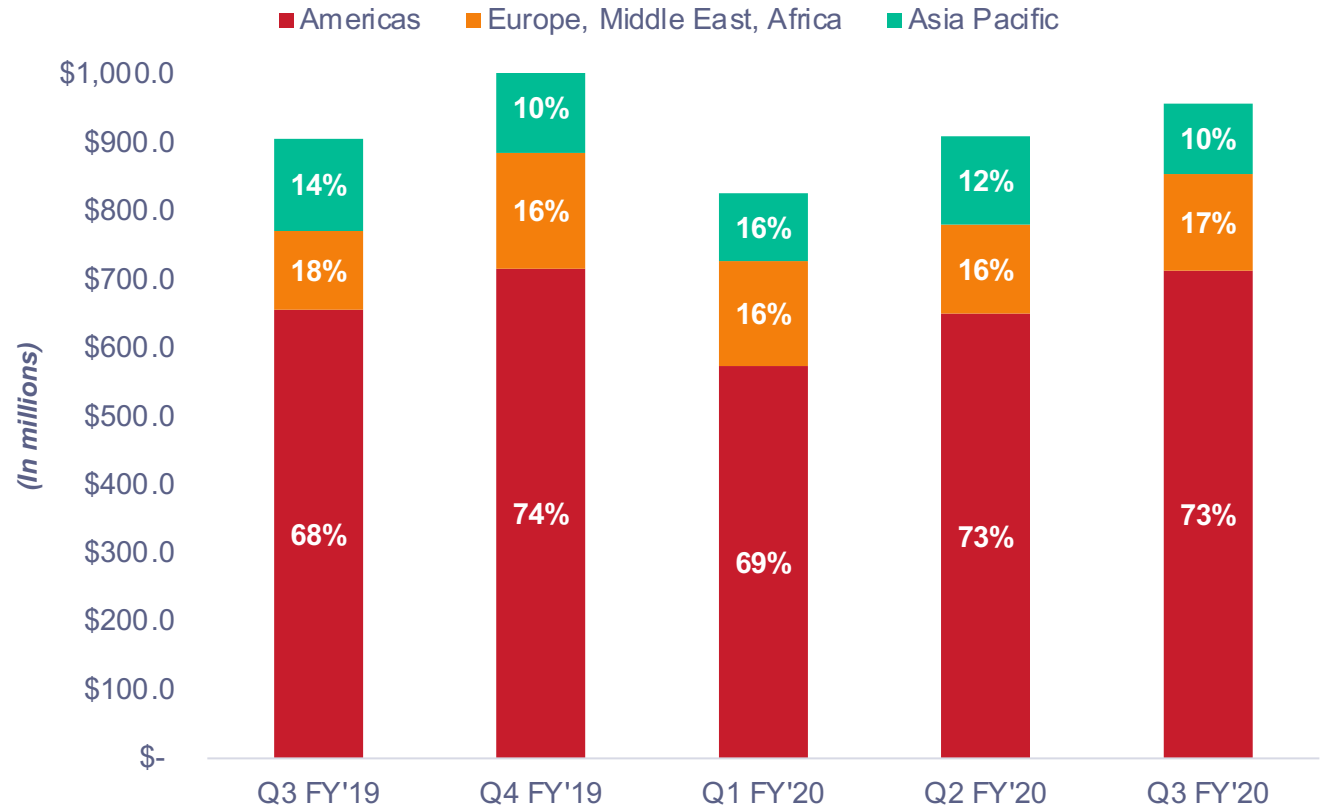
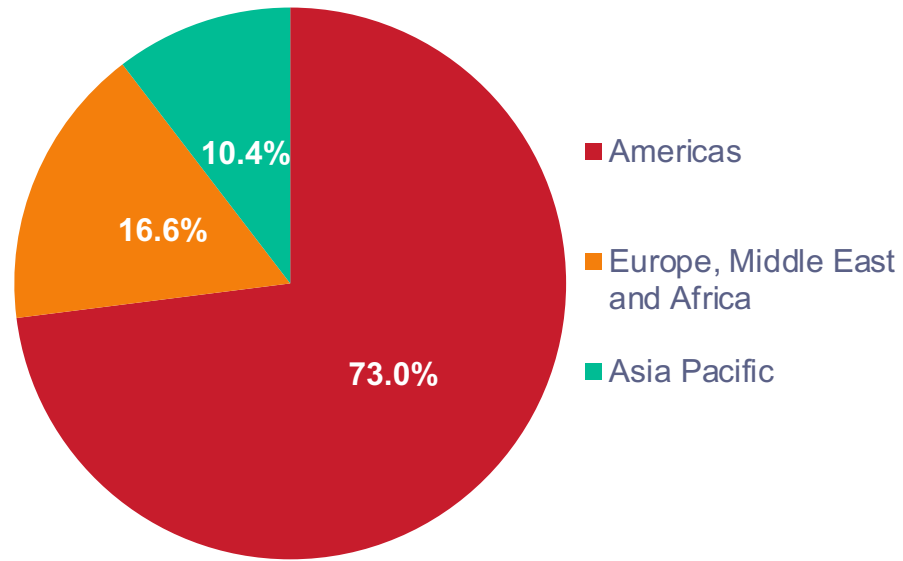


*represents 43.1% of total revenue in Q3 FY 2020



Revenue by geographic region

Q3 FY 2020

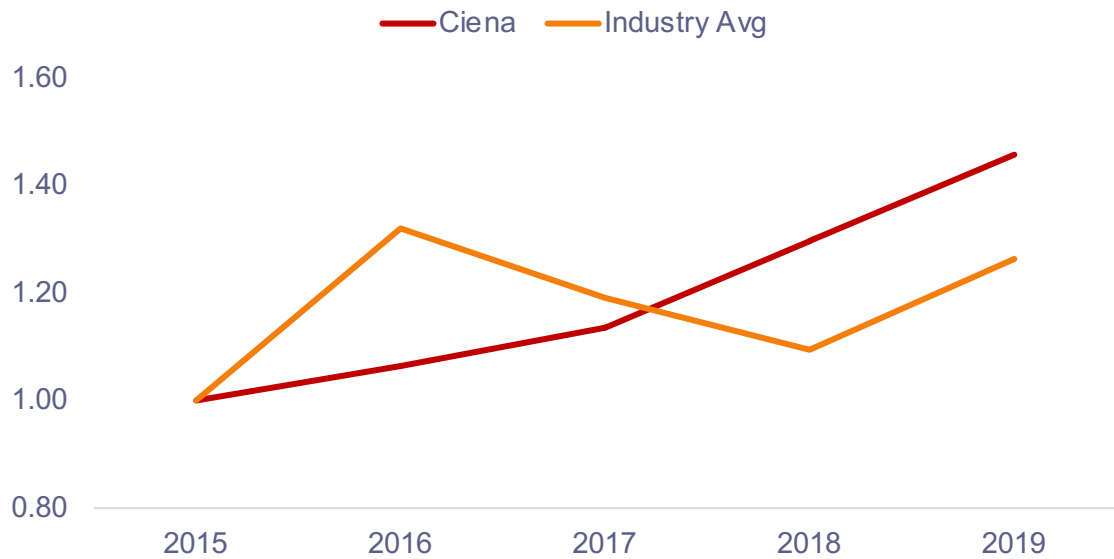


Q3 FY 2020 balance sheet and operating metrics

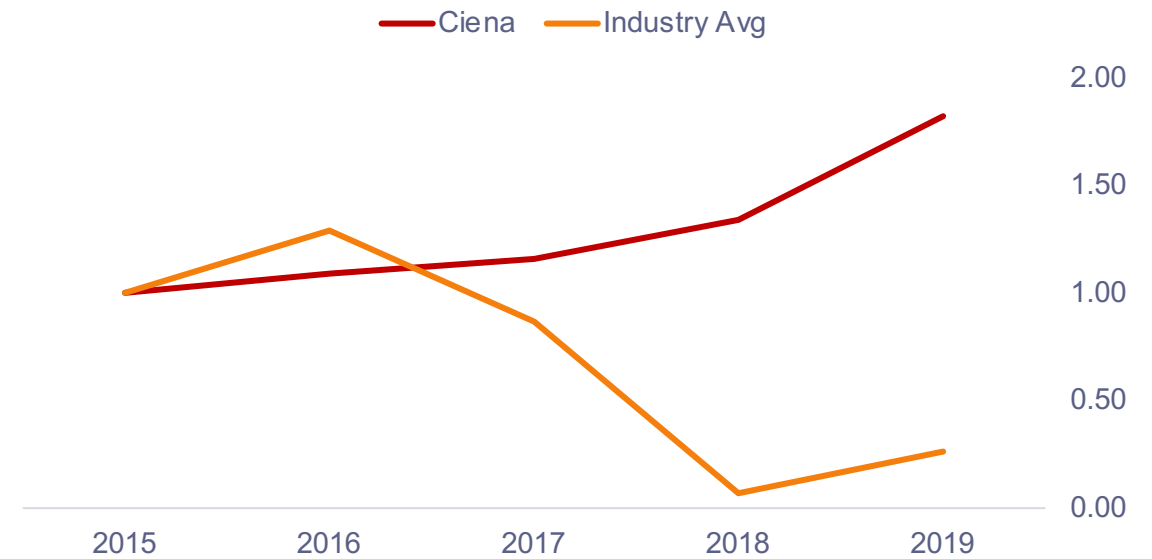
Cash and Investments	\$1.2B
Cash Flow From Operations	\$175M
Free Cash Flow	\$160M
Inventory Turns	4.8
Leverage	1.1x
Net Debt	(\$410M)

Delivering consistent and differentiated financial performance

Normalized Revenue



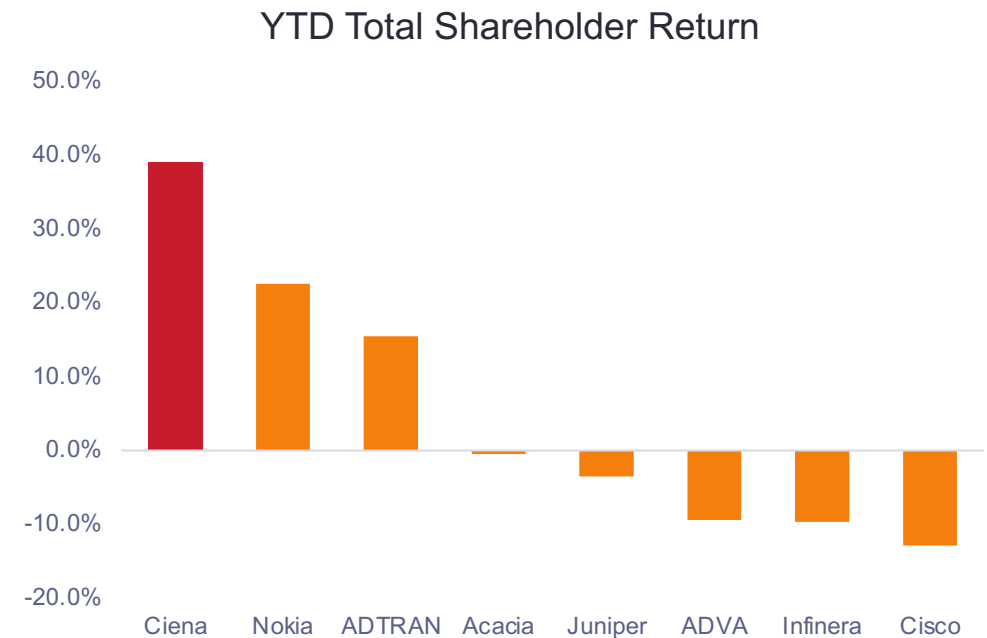
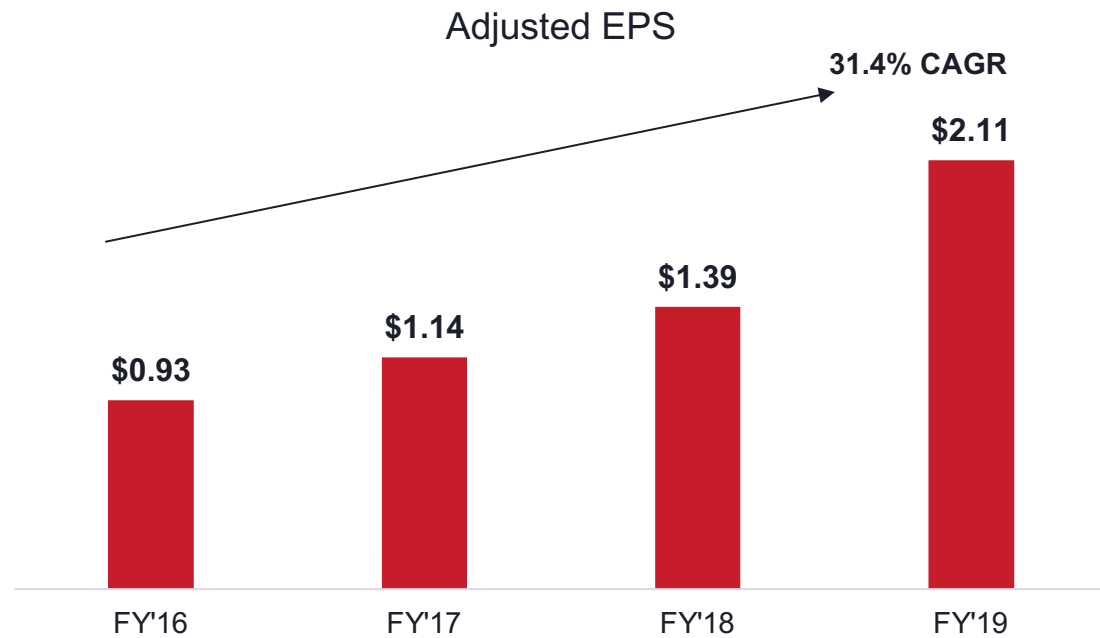
Normalized Adjusted OM



Source: Company filings
 Industry Average: ACIA, ADTN, ADVA, CSCO, INFN¹, JNPR and NOKIA Networks segment

1. INFN represents INFN+Coriant from the time the acquisition closed

Delivering profitability and total shareholder return



Source: company disclosures and S&P Capital IQ
*YTD represents 12/31/19-8/24/20

Business outlook and long-term targets

COVID-19 and economic considerations in our outlook

Revenue Assumptions

- Operating conditions have complicated and extended the time required to deploy and activate new equipment and services with many of our large and long-standing international customers
- Conditions have made it more challenging to ramp up and operationalize some of our newer international deals and customer wins on their original timelines
- Customer uncertainty around broader economic conditions is driving more cautious spending behaviors

Profitability Assumptions

- Continued cost reductions, vertical integration and operating efficiencies have yielded a 100bps increase in our baseline gross margin range (now 43-45%)
- COVID-19 related impacts on engaging new customers and ramping new business are having an additional short-term positive effect on gross margin
- Our gross margins are currently not being negatively impacted – as much as they have been in previous periods – by the cost of early-in-life projects

Business Assumptions

- In the face of a pandemic whose duration and effects remain uncertain, we are a resilient business with distinct competitive advantages
- Despite COVID-19, we continue to drive profitability and have capacity for continued innovation investment
- Longer-term fundamental demand drivers—including increasing network traffic, demand for bandwidth and adoption of cloud architectures – remain strong

Business Outlook

Q4 FY 2020¹

Revenue

\$800M to \$840M

Adjusted Gross Margin

46% to 48%

Adjusted Operating Expense

~\$255-\$260M

1. Projections or outlook with respect to future operating results are only as of September 3, 2020, 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 fiscal 2020 appendix

Gross Profit Reconciliation (Amounts in thousands)

	Q3 FY 2020	Q2 FY 2020	Q1 FY 2020	Q4 FY 2019	Q3 FY 2019
GAAP gross profit	\$464,681	\$413,326	\$370,535	\$419,696	\$424,352
Share-based compensation-products	960	827	671	748	781
Share-based compensation-services	1,007	1,036	842	715	783
Amortization of intangible assets	3,834	3,835	3,834	3,303	3,303
Total adjustments related to gross profit	5,801	5,698	5,347	4,766	4,867
Adjusted (non-GAAP) gross profit	\$470,482	\$419,024	\$375,882	\$424,462	\$429,219
Adjusted (non-GAAP) gross margin	48.2%	46.9%	45.1%	43.8%	44.7%

Operating Expense Reconciliation (Amounts in thousands)

	Q3 FY 2020	Q2 FY 2020	Q1 FY 2020	Q4 FY 2019	Q3 FY 2019
GAAP operating expense	\$276,645	\$285,838	\$292,578	\$326,494	\$299,051
Share-based compensation-research and development	4,286	4,822	3,849	3,287	3,560
Share-based compensation-sales and marketing	5,180	5,264	4,613	4,151	4,192
Share-based compensation-general and administrative	5,940	5,975	5,527	6,425	5,813
Amortization of intangible assets	5,840	5,839	5,853	5,222	5,529
Significant asset impairments and restructuring costs	6,515	3,811	4,472	12,842	5,355
Acquisition and integration costs (recoveries)	(2,329)	1,414	1,819	(735)	1,362
Total adjustments related to operating expense	25,432	27,125	\$26,133	\$31,192	\$25,811
Adjusted (non-GAAP) operating expense	\$251,213	\$258,713	\$266,445	\$295,302	\$273,240

Income from Operations Reconciliation (Amounts in thousands)

	Q3 FY 2020	Q2 FY 2020	Q1 FY 2020	Q4 FY 2019	Q3 FY 2019
GAAP income from operations	\$188,036	\$127,488	\$77,957	\$93,202	\$125,301
Total adjustments related to gross profit	5,801	5,698	5,347	4,766	4,867
Total adjustments related to operating expense	25,432	27,125	26,133	31,192	25,811
Total adjustments related to income from operations	31,233	32,823	31,480	35,958	30,678
Adjusted (non-GAAP) income from operations	\$219,269	\$160,311	\$109,437	\$129,160	\$155,979
Adjusted (non-GAAP) operating margin	22.4%	17.9%	13.1%	13.3%	16.2%

Net Income Reconciliation (Amounts in thousands)

	Q3 FY 2020	Q2 FY 2020	Q1 FY 2020	Q4 FY 2019	Q3 FY 2019
GAAP net income	\$142,267	\$91,655	\$62,328	\$80,331	\$86,749
Exclude GAAP provision for income taxes	38,750	25,308	9,814	2,552	30,198
Income before income taxes	181,017	116,963	72,142	82,883	116,947
Total adjustments related to income from operations	31,233	32,823	31,480	35,958	30,678
Loss on extinguishment and modification of debt	-	-	646	-	-
Adjusted income before income taxes	212,250	149,786	104,268	118,841	147,625
Non-GAAP tax provision on adjusted income before income taxes	45,846	32,354	22,522	28,403	35,282
Adjusted (non-GAAP) net income	\$166,404	\$117,432	\$81,746	\$90,438	\$112,343
Weighted average basic common shares outstanding	154,184	153,858	154,334	154,852	155,488
Weighted average dilutive potential common shares outstanding ¹	156,318	155,141	155,738	156,612	157,455

Net Income per Common Share

	Q3 FY 2020	Q2 FY 2020	Q1 FY 2020	Q4 FY 2019	Q3 FY 2019
GAAP diluted net income per common share	\$ 0.91	\$ 0.59	\$ 0.40	\$ 0.51	\$ 0.55
Adjusted (Non-GAAP) diluted net income per common share	\$ 1.06	\$ 0.76	\$ 0.52	\$ 0.58	\$ 0.71

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 2020 includes 2.1 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 2020	Q2 FY 2020	Q1 FY 2020	Q4 FY 2019	Q3 FY 2019
Net income (GAAP)	\$ 142,267	\$ 91,655	\$ 62,328	\$ 80,331	\$ 86,749
Add: Interest expense	7,251	7,860	8,815	9,136	9,404
Less: Interest and other income (loss), net	232	(2,665)	3,646	(1,183)	1,050
Add: Loss on extinguishment and modification of debt	-	-	646	-	-
Add: Provision for income taxes	38,750	25,308	9,814	2,552	30,198
Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	21,989	22,599	25,782	22,505	22,076
Add: Amortization of intangible assets	9,674	9,674	9,687	8,525	8,832
EBITDA	\$ 219,699	\$ 159,761	\$ 113,426	\$ 124,232	\$ 156,209
Add: Share-based compensation cost	17,259	17,977	15,602	15,290	15,084
Add: Significant asset impairments and restructuring costs	6,515	3,811	4,472	12,842	5,355
Add: Acquisition and integration costs (recoveries)	(2,329)	1,414	1,819	(735)	1,362
Adjusted EBITDA	\$ 241,144	\$ 182,963	\$ 135,319	\$ 151,629	\$ 178,010



Thank You