UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark one)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended January 30, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from__________to__________

Commission File Number: **001-36250**

Ciena Corporation

(Exact name of registrant as specified in its charter)

Delaware	**23-2725311**
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)
7035 Ridge Road, Hanover, MD	**21076**
(Address of principal executive offices)	(Zip Code)

(410) 694-5700

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐
						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. ☐

Indicate by check mark whether the registrant is a shell company (as determined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at March 5, 2021
common stock, $0.01 par value	155,003,312

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Quarter Ended	
	January 30, 2021	February 1, 2020
Revenue:		
Products	$ 597,220	$ 687,215
Services	159,910	145,697
Total revenue	757,130	832,912
Cost of goods sold:		
Products	315,098	389,013
Services	84,141	73,364
Total cost of goods sold	399,239	462,377
Gross profit	357,891	370,535
Operating expenses:		
Research and development	132,741	130,900
Selling and marketing	97,278	107,066
General and administrative	39,993	42,468
Amortization of intangible assets	5,910	5,853
Significant asset impairments and restructuring costs	5,867	4,472
Acquisition and integration costs	307	1,819
Total operating expenses	282,096	292,578
Income from operations	75,795	77,957
Interest and other income (loss), net	(1,121)	3,646
Interest expense	(7,360)	(8,815)
Loss on extinguishment and modification of debt	—	(646)
Income before income taxes	67,314	72,142
Provision for income taxes	11,966	9,814
Net income	$ 55,348	$ 62,328
Basic net income per common share	$ 0.36	$ 0.40
Diluted net income per potential common share	$ 0.35	$ 0.40
Weighted average basic common shares outstanding	155,174	154,334
Weighted average dilutive potential common shares outstanding	156,583	155,738

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

CIENA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME GAIN (LOSS)
(in thousands)
(unaudited)

	Quarter Ended	
	January 30, 2021	February 1, 2020
Net income	$ 55,348	$ 62,328
Change in unrealized loss on available-for-sale securities, net of tax	(49)	(86)
Change in unrealized gain (loss) on foreign currency forward contracts, net of tax	6,617	(1,079)
Change in unrealized gain (loss) on forward starting interest rate swaps, net of tax	1,382	(1,480)
Change in cumulative translation adjustments	15,861	(2,982)
Other comprehensive gain (loss)	23,811	(5,627)
Total comprehensive income	$ 79,159	$ 56,701

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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

	January 30, 2021	October 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,029,237	$ 1,088,624
Short-term investments	151,434	150,667
Accounts receivable, net of allowance for credit losses of $11.1 million and $10.6 million as of January 30, 2021 and October 31, 2020, respectively.	700,025	719,405
Inventories, net	389,733	344,379
Prepaid expenses and other	326,110	308,084
Total current assets	2,596,539	2,611,159
Long-term investments	102,364	82,226
Equipment, building, furniture and fixtures, net	281,228	272,377
Operating right-of-use assets	54,244	57,026
Goodwill	311,294	310,847
Other intangible assets, net	91,516	96,647
Deferred tax asset, net	647,232	647,805
Other long-term assets	102,480	102,830
Total assets	$ 4,186,897	$ 4,180,917
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 247,241	$ 291,904
Accrued liabilities and other short-term obligations	275,003	334,132
Deferred revenue	136,229	108,700
Operating lease liabilities	19,364	19,035
Current portion of long-term debt	6,930	6,930
Total current liabilities	684,767	760,701
Long-term deferred revenue	54,371	49,663
Other long-term obligations	128,764	123,185
Long-term operating lease liabilities	57,626	61,415
Long-term debt, net	674,856	676,356
Total liabilities	$ 1,600,384	$ 1,671,320
Commitments and contingencies (Note 20)		
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; 155,187,945 and 154,563,005 shares issued and outstanding	1,552	1,546
Additional paid-in capital	6,826,488	6,826,531
Accumulated other comprehensive loss	(11,547)	(35,358)
Accumulated deficit	(4,229,980)	(4,283,122)
Total stockholders' equity	2,586,513	2,509,597
Total liabilities and stockholders' equity	$ 4,186,897	$ 4,180,917

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	January 30, 2021	February 1, 2020
Cash flows provided by (used in) operating activities:		
Net income	$ 55,348	$ 62,328
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	23,188	25,782
Share-based compensation costs	18,964	15,602
Amortization of intangible assets	9,642	9,687
Deferred taxes	(905)	10,788
Provision for inventory excess and obsolescence	5,905	6,699
Provision for warranty	3,239	7,898
Other	4,277	4,540
Changes in assets and liabilities:		
Accounts receivable	18,862	64,938
Inventories	(51,020)	(4,481)
Prepaid expenses and other	(13,835)	(29,792)
Operating lease right-of-use assets	4,103	4,176
Accounts payable, accruals and other obligations	(112,170)	(142,229)
Deferred revenue	31,917	8,926
Short- and long-term operating lease liabilities	(4,834)	(5,098)
Net cash provided by (used in) operating activities	(7,319)	39,764
Cash flows used in investing activities:		
Payments for equipment, furniture, fixtures and intellectual property	(20,868)	(26,820)
Purchase of available for sale securities	(71,756)	(29,733)
Proceeds from maturities of available for sale securities	51,266	30,000
Settlement of foreign currency forward contracts, net	2,357	(73)
Acquisition of business, net of cash acquired	—	(28,300)
Proceeds from sale of equity investment	4,678	—
Net cash used in investing activities	(34,323)	(54,926)
Cash flows used in financing activities:		
Payment of long-term debt	(1,732)	—
Payment of debt issuance costs	—	(382)
Payment of finance lease obligations	(702)	(722)
Shares repurchased for tax withholdings on vesting of stock unit awards	(19,242)	(12,572)
Repurchases of common stock - repurchase program	(12,406)	(49,203)
Proceeds from issuance of common stock	13,447	11,862
Net cash used in financing activities	(20,635)	(51,017)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	2,879	(643)
Net decrease in cash, cash equivalents and restricted cash	(59,398)	(66,822)
Cash, cash equivalents and restricted cash at beginning of period	1,088,708	904,161
Cash, cash equivalents and restricted cash at end of period	$ 1,029,310	$ 837,339
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	$ 7,566	$ 9,325
Cash paid during the period for income taxes, net	$ 8,798	$ 8,325
Operating lease payments	$ 5,387	$ 5,642
Non-cash investing and financing activities		
Purchase of equipment in accounts payable	$ 5,935	$ 5,905
Repurchase of common stock in accrued liabilities from repurchase program	$ 800	$ 1,501
Operating lease right-of-use assets subject to lease liability	$ 555	$ 1,157

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

CIENA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share data)
(unaudited)

	Common Stock Shares	Par Value	Additional Paid-in-Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balance at October 31, 2020	154,563,005	$ 1,546	$ 6,826,531	$ (35,358)	$ (4,283,122)	$ 2,509,597
Net income	—	—	—	—	55,348	55,348
Other comprehensive income	—	—	—	23,811	—	23,811
Repurchase of common stock - repurchase program	(251,578)	(3)	(13,203)	—	—	(13,206)
Issuance of shares from employee equity plans	1,252,120	12	13,435	—	—	13,447
Share-based compensation expense	—	—	18,964	—	—	18,964
Shares repurchased for tax withholdings on vesting of stock unit awards	(375,602)	(3)	(19,239)	—	—	(19,242)
Effect of adoption of new accounting standard (Note 2)	—	—	—	—	(2,206)	(2,206)
Balance at January 30, 2021	155,187,945	$ 1,552	$ 6,826,488	$ (11,547)	$ (4,229,980)	$ 2,586,513

	Common Stock Shares	Par Value	Additional Paid-in-Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balance at November 2, 2019	154,403,850	$ 1,544	$ 6,837,714	$ (22,084)	$ (4,644,413)	$ 2,172,761
Net income	—	—	—	—	62,328	62,328
Other comprehensive loss	—	—	—	(5,627)	—	(5,627)
Repurchase of common stock - repurchase program	(1,288,111)	(13)	(50,691)	—	—	(50,704)
Issuance of shares from employee equity plans	1,128,096	11	11,851	—	—	11,862
Share-based compensation expense	—	—	15,602	—	—	15,602
Shares repurchased for tax withholdings on vesting of stock unit awards	(297,002)	(3)	(12,569)	—	—	(12,572)
Balance at February 1, 2020	153,946,833	$ 1,539	$ 6,801,907	$ (27,711)	$ (4,582,085)	$ 2,193,650

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

CIENA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(1) INTERIM FINANCIAL STATEMENTS

The interim financial statements included herein for Ciena Corporation and its wholly owned subsidiaries ("Ciena") have been prepared by Ciena, without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC").

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires Ciena to make judgments, assumptions, and estimates that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying notes. The inputs into certain of Ciena's judgments, assumptions, and estimates reflect, among other things, the information available to Ciena regarding the economic implications of the COVID-19 pandemic, and expectations as to its impact on Ciena's business. Among other things, these estimates form the basis for judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions. To the extent that there are material differences between Ciena's estimates and actual results, Ciena's consolidated financial statements will be affected. In addition, including because the duration and severity of COVID-19 pandemic are uncertain, certain of such estimates could require further judgment or modification and therefore carry a higher degree of variability and volatility. As events continue to evolve, Ciena's estimates may change materially in future periods.

In the opinion of management, the financial statements included in this report reflect all normal recurring adjustments that Ciena considers necessary for the fair statement of the results of operations of Ciena for the interim periods covered and of the financial position of Ciena at the date of the interim balance sheets. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to SEC rules and regulations. The Condensed Consolidated Balance Sheet as of October 31, 2020 was derived from audited financial statements, but does not include all disclosures required by GAAP. However, Ciena believes that the disclosures are adequate to understand the information presented herein. The operating results for interim periods are not necessarily indicative of the operating results for the entire year. These financial statements should be read in conjunction with Ciena's audited consolidated financial statements and the notes thereto included in Ciena's annual report on Form 10-K for fiscal 2020 (the "2020 Annual Report").

Ciena has a 52 or 53-week fiscal year, with quarters ending on the Saturday nearest to the last day of January, April, July and October, respectively, of each year. Fiscal 2021 and 2020 are 52-week fiscal years.

(2) SIGNIFICANT ACCOUNTING POLICIES

Except for the changes in certain policies described below, there have been no material changes to Ciena's significant accounting policies, compared to the accounting policies described in Note 1, Ciena Corporation and Significant Accounting Policies and Estimates, in Notes to Consolidated Financial Statements in Item 8 of Part II of the 2020 Annual Report.

Newly Issued Accounting Standards - Effective

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-13 (*"ASU 2016-13"*), *Financial Instruments - Credit Losses*, which requires measurement and recognition of expected credit losses for financial assets held based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Ciena adopted ASU 2016-13 on a modified retrospective basis in the first quarter of fiscal year 2021 through a cumulative-effect adjustment at the beginning of the period of adoption and did not restate prior periods. The standard primarily impacts the value of Ciena's accounts receivable, net and contract assets, net. Adoption of ASU 2016-13 did not have a material effect on Ciena's financial position or results of operations.

Ciena's significant accounting policies updated as a result of adopting this standard are as follows:

Allowance for Credit Losses for Accounts Receivable and Contract Assets

Ciena estimates its allowances for credit losses using relevant available information from internal and external sources, related to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. When assessing for credit losses, Ciena determines collectability by pooling assets with similar characteristics. The allowances for credit losses are each measured on a collective basis when similar risk characteristics exist. The allowances for credit losses are each measured by multiplying the exposure probability of default, the probability the asset will default within a given time frame, by the loss given default rate, the percentage of the asset not expected to be collected due to default, based on the pool of assets.

Probability of default rates are published by third-party credit rating agencies. Adjustments to Ciena's exposure probability may take into account including, but not limited to, various customer-specific factors, the potential sovereign risk of the geographic locations in which the customer is operating and macroeconomic conditions. These factors are updated regularly or when facts and circumstances indicate that an update is deemed necessary.

Newly Issued Accounting Standards - Not Yet Effective

In March 2020, the FASB issued ASU No. 2020-04 (*"ASU 2020-04"*), *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU 2020-04 provides temporary optional guidance on contract modifications and hedging accounting to ease the financial reporting burdens of the expected market transition from the London Interbank Offered Rate ("LIBOR") to alternative reference rates. In January 2021, the FASB issued ASU 2021-01, which refines the scope of Topic 848 and clarifies some of its guidance as part of the FASB's monitoring of global reference rate activities. The new guidance was effective upon issuance, and Ciena is allowed to elect to apply the amendments prospectively through December 31, 2022. Ciena is currently evaluating the impact of this accounting standard update on its consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU No. 2019-12 (*"ASU 2019-12"), Income Taxes (ASC 740): Simplifying the Accounting for Income Taxes*, which enhances and simplifies various aspects related to accounting for income taxes by removing certain exceptions to the general principles in ASC 740. The amendments also improve consistent application of and simplify U.S. GAAP for other areas of ASC 740 by clarifying and amending existing guidance. ASU 2019-12 is effective for Ciena beginning in the first quarter of fiscal year 2022, and early adoption is permitted. Most amendments within this standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. Ciena is currently evaluating the impact of this accounting standard update on its consolidated financial statements and related disclosures.

(3) REVENUE

Disaggregation of Revenue

Ciena's disaggregated revenue represents similar groups that depict the nature, amount, and timing of revenue and cash flows for Ciena's various offerings. The sales cycle, contractual obligations, customer requirements, and go-to-market strategies may differ for each of its product lines, resulting in different economic risk profiles for each line. Effective as of the beginning of fiscal 2021, Ciena renamed its "Packet Networking" product line to "Routing and Switching." This change, affecting only the presentation of such information, was made on a prospective basis and does not impact comparability of previous financial results. References to prior reported "Packet Networking" product line have been changed to"Routing and Switching" for this product line reported herein.

The tables below set forth Ciena's disaggregated revenue for the respective period (in thousands):

	Quarter Ended January 30, 2021				
	Networking Platforms	Platform Software and Services	Blue Planet Automation Software and Services	Global Services	Total
Product lines:					
Converged Packet Optical	$ 512,324	$ —	$ —	$ —	$ 512,324
Routing and Switching	64,307	—	—	—	64,307
Platform Software and Services	—	49,839	—	—	49,839
Blue Planet Automation Software and Services	—	—	16,934	—	16,934
Maintenance Support and Training	—	—	—	67,630	67,630
Installation and Deployment	—	—	—	39,611	39,611
Consulting and Network Design	—	—	—	6,485	6,485
Total revenue by product line	$ 576,631	$ 49,839	$ 16,934	$ 113,726	$ 757,130
Timing of revenue recognition:					
Products and services at a point in time	$ 576,631	$ 16,062	$ 5,173	$ 1,857	$ 599,723
Services transferred over time	—	33,777	11,761	111,869	157,407
Total revenue by timing of revenue recognition	$ 576,631	$ 49,839	$ 16,934	$ 113,726	$ 757,130

	Quarter Ended February 1, 2020				
	Networking Platforms	Platform Software and Services	Blue Planet Automation Software and Services	Global Services	Total
Product lines:					
Converged Packet Optical	$ 591,549	$ —	$ —	$ —	$ 591,549
Routing and Switching	67,508	—	—	—	67,508
Platform Software and Services	—	51,888	—	—	51,888
Blue Planet Automation Software and Services	—	—	15,466	—	15,466
Maintenance Support and Training	—	—	—	61,793	61,793
Installation and Deployment	—	—	—	34,954	34,954
Consulting and Network Design	—	—	—	9,754	9,754
Total revenue by product line	$ 659,057	$ 51,888	$ 15,466	$ 106,501	$ 832,912
Timing of revenue recognition:					
Products and services at a point in time	$ 659,057	$ 13,114	$ 3,736	$ 4,197	$ 680,104
Services transferred over time	—	38,774	11,730	102,304	152,808
Total revenue by timing of revenue recognition	$ 659,057	$ 51,888	$ 15,466	$ 106,501	$ 832,912

Ciena reflects its sales geographically around the following markets: (i) Americas; (ii) Europe, Middle East and Africa (“EMEA”); and (iii) Asia Pacific, Japan and India (“APAC”). Americas includes activities in North America and South America. Within each geographic area, Ciena maintains specific teams or personnel that focus on a particular region, country, customer or market vertical. These teams include sales management, account salespersons and sales engineers, as well as services professionals and commercial management personnel. The following table reflects Ciena’s geographic distribution of revenue principally based on the relevant location for Ciena’s delivery of products and performance of services.

For the periods below, Ciena’s geographic distribution of revenue was as follows (in thousands):

	Quarter Ended	
	January 30, 2021	February 1, 2020
Geographic distribution:		
Americas	$ 496,611	$ 574,004
EMEA	155,418	129,965
APAC	105,101	128,943
Total revenue by geographic distribution	$ 757,130	$ 832,912

Ciena’s revenue includes $439.4 million and $524.3 million of United States revenue for the first quarter of fiscal 2021 and 2020, respectively. No other country accounted for 10% or more of total revenue for the periods presented above.

For the first quarter of fiscal 2021, there were no customers that accounted for at least 10% of Ciena’s revenue. The table below shows the customers that accounted for at least 10% of Ciena’s revenue for the first quarter of fiscal 2020: (in thousands):

	Quarter Ended	
	January 30, 2021	February 1, 2020
AT&T	n/a	$ 84,010
Verizon	n/a	114,548
Total	n/a	$ 198,558

n/a Denotes revenue representing less than 10% of total revenue for the period

The customers identified above for the first quarter of fiscal 2020 purchased products and services from each of Ciena’s operating segments.

- *Networking Platforms* revenue reflects sales of Ciena’s Converged Packet Optical and Routing and Switching product lines.
  - Converged Packet Optical - includes the 6500 Packet-Optical Platform, Waveserver® stackable interconnect system, the 6500 Reconfigurable Line System (RLS) and the 5400 family of Packet-Optical Platforms. This product line also includes sales of the Z-Series Packet-Optical Platform.
  - Routing and Switching - includes the 3000 family of service delivery switches and service aggregation switches and the 5000 family of service aggregation switches. This product line also includes the 8700 Packetwave Platform, the Ethernet packet configuration for the 5410 Service Aggregation Switch, and the 6500 Packet Transport System (PTS), which combines packet switching, control plane operation, and integrated optics.

  The Networking Platforms segment also includes sales of operating system software and enhanced software features embedded in each of the product lines above. Revenue from this segment is included in product revenue on the Condensed Consolidated Statements of Operations. Operating system software and enhanced software features embedded in Ciena hardware are each considered distinct performance obligations for which the revenue is generally recognized upfront at a point in time upon transfer of control.

- *Platform Software and Services* provides analytics, data, and planning tools to assist customers in managing Ciena’s Networking Platforms products in their networks. Ciena’s platform software includes its Manage, Control and Plan (MCP) domain controller solution, OneControl Unified Management System, as well as planning tools and a number of legacy software solutions that support our installed base of network solutions. Platform software-related services revenue includes sales of subscription, installation, support, and consulting services related to Ciena’s software platforms, operating system software and enhanced software features embedded in each of the Networking Platforms product lines above. Revenue from the software portion of this segment is included in product revenue on the Condensed Consolidated Statements of Operations. Revenue from services portions of this segment is included in services revenue on the Condensed Consolidated Statements of Operations.

- *Blue Planet® Automation Software and Services* is a comprehensive, micro-services, standards-based open software suite, together with related services, that enables customers to implement large-scale software and IT-led operations support system (OSS) transformations by transforming legacy networks into “service ready” networks, accelerating the creation, delivery and lifecycle management of new, cloud-based services. Ciena's Blue Planet Automation Platform includes multi-domain service orchestration (MDSO), inventory management (BPI), route optimization and analysis (ROA), network function virtualization orchestration (NFVO), and unified assurance and analytics (UAA). Services revenue includes sales of subscription, installation, support, consulting and design services related to Ciena's Blue Planet Automation Platform. Revenue from the software portion of this segment is included in product revenue on the Condensed Consolidated Statements of Operations. Revenue from services portions of this segment is included in services revenue on the Condensed Consolidated Statements of Operations.

Ciena's software platform revenue typically reflects either perpetual or term-based software licenses, and these sales are considered a distinct performance obligation where revenue is generally recognized upfront at a point in time upon transfer of control. Revenue from software subscription and support are recognized ratably over the period during which the services are performed. Revenue from professional services for solution customization, software and solution support services, consulting and design, and build-operate-transfer services relating to Ciena's software offerings are recognized over time with Ciena applying the input method to determine the amount of revenue to be recognized in a given period.

- *Global Services* revenue reflects sales of a broad range of Ciena's services for maintenance support and training, installation and deployment, and consulting and network design activities. Revenue from this segment is included in services revenue on the Condensed Consolidated Statements of Operations.

  Ciena's Global Services are considered a distinct performance obligation where revenue is generally recognized over time. Revenue from maintenance support is recognized ratably over the period during which the services are performed. Revenue from installation and deployment services and consulting and network design services are recognized over time with Ciena applying the input method to determine the amount of revenue to be recognized in a given period. Revenue from training services is generally recognized at a point in time upon completion of the service.

Contract Balances

The following table provides information about receivables, contract assets and contract liabilities (deferred revenue) from contracts with customers (in thousands):

	Balance at January 30, 2021	Balance at October 31, 2020
Accounts receivable, net	$ 700,025	$ 719,405
Contract assets for unbilled accounts receivable, net	$ 85,461	$ 85,843
Deferred revenue	$ 190,600	$ 158,363

Our contract assets represent unbilled accounts receivable, net where transfer of a product or service has occurred but invoicing is conditional upon completion of future performance obligations. These amounts are primarily related to installation and deployment and professional services arrangements where transfer of control has occurred, but Ciena has not yet invoiced the customer. Contract assets are included in prepaid expenses and other current assets in the Condensed Consolidated Balance Sheets. See Note 10 below.

Contract liabilities consist of deferred revenue and represent advanced payments against non-cancelable customer orders received prior to revenue recognition. Ciena recognized approximately $46.4 million and $49.0 million of revenue during the first three months of fiscal 2021 and 2020 that was included in the deferred revenue balance at October 31, 2020 and November 2, 2019, respectively. Revenue recognized due to changes in transaction price from performance obligations satisfied or partially satisfied in previous periods was immaterial during the three months ended January 30, 2021 and February 1, 2020.

Capitalized Contract Acquisition Costs

Capitalized contract acquisition costs consist of deferred sales commissions, were $15.7 million and $15.3 million as of January 30, 2021 and October 31, 2020, respectively, and were included in prepaid expenses and other and other long-term assets. The amortization expense associated with these costs was $5.5 million and $5.6 million during the first three months of fiscal 2021 and 2020, respectively, and was included in sales and marketing expense.

Remaining Performance Obligations

Remaining Performance Obligations ("RPO") are comprised of non-cancelable customer purchase orders for products and services that are awaiting transfer of control for revenue recognition under the applicable contract terms. As of January 30, 2021, the aggregate amount of RPO was $1.1 billion. As of January 30, 2021, Ciena expects approximately 80% of the RPO to be recognized as revenue within the next twelve months.

(4) RESTRUCTURING COSTS

Ciena has undertaken a number of restructuring activities intended to reduce expense and to better align its workforce and costs with market opportunities, product development and business strategies. The following table sets forth the restructuring activity and balance of the restructuring liability accounts, which are included in Accrued liabilities and other short-term obligations on Ciena's Condensed Consolidated Balance Sheets, for the three months ended January 30, 2021 (in thousands):

	Workforce reduction	Consolidation of excess facilities and other restructuring activities	Total
Balance at October 31, 2020	$ 2,915	$ —	$ 2,915
Charges	1,990 (1)	3,877 (2)	5,867
Cash payments	(2,994)	(3,877)	(6,871)
Balance at January 30, 2021	$ 1,911	$ —	$ 1,911
Current restructuring liabilities	$ 1,911	$ —	$ 1,911

(1) Reflects a global workforce reduction of 50 employees during the three months ended January 30, 2021 as part of a business optimization strategy to improve gross margin, constrain operating expense and redesign certain business processes.

(2) Primarily represents costs and imputed interest expense related to restructured facilities and the redesign of certain business processes.

The following table sets forth the restructuring activity and balance of the restructuring liability accounts, which are included in Accrued liabilities and other short-term obligations on Ciena's Condensed Consolidated Balance Sheets for the three months ended February 1, 2020 (in thousands):

	Workforce reduction	Consolidation of excess facilities	Total
Balance at November 2, 2019	$ 3,983	$ 11,160	$ 15,143
Charges	1,204 (1)	3,268 (2)	4,472
Adjustments related to ASC 842	—	(11,160) (3)	(11,160)
Cash payments	(2,955)	(3,268)	(6,223)
Balance at February 1, 2020	$ 2,232	$ —	$ 2,232
Current restructuring liabilities	$ 2,232	$ —	$ 2,232

(1) Reflects a global workforce reduction of approximately 22 employees during the three months ended February 1, 2020 as part of a business optimization strategy to improve gross margin, constrain operating expense and redesign certain business processes.

(2) Primarily represents variable costs and imputed interest expense related to restructured facilities.

(3) Represents restructuring reserve liability recognized as a reduction to Operating right-of-use ("ROU") assets, net in relation to adoption of ASC 842.

(5) INTEREST AND OTHER INCOME (LOSS), NET

The components of interest and other income (loss), net, are as follows (in thousands):

	Quarter Ended	
	January 30, 2021	February 1, 2020
Interest income	$ 534	$ 3,390
Gains on non-hedge designated foreign currency forward contracts	4,530	637
Foreign currency exchange losses	(6,918)	(771)
Other	733	390
Interest and other income (loss), net	$ (1,121)	$ 3,646

Ciena Corporation, as the U.S. parent entity, uses the U.S. Dollar as its functional currency; however, some of its foreign branch offices and subsidiaries use local currencies as their functional currencies. Ciena recorded $6.9 million and $0.8 million in foreign currency exchange rate losses during the first three months of fiscal 2021 and 2020, respectively, as a result of monetary assets and liabilities that were transacted in a currency other than the entity's functional currency, and the related remeasurement adjustments were recorded in interest and other income (loss), net, on the Condensed Consolidated Statements of Operations. From time to time, Ciena uses foreign currency forwards to hedge this type of balance sheet exposure. These forwards are not designated as hedges for accounting purposes, and any net gain or loss associated with these derivatives is reported in interest and other income (loss), net, on the Condensed Consolidated Statements of Operations. During the first three months of fiscal 2021 and 2020, respectively, Ciena recorded gains of $4.5 million and $0.6 million from non-hedge designated foreign currency forward contracts.

(6) INCOME TAXES

On December 2, 2019, the U.S. Department of the Treasury released final regulations and proposed regulations under Section 59A of the Internal Revenue Code, the Base Erosion and Anti-Abuse Tax ("BEAT"). BEAT, which requires certain U.S. corporations to pay a minimum tax associated with deductible payments to non-U.S. related parties, was enacted as part of the Tax Cuts and Jobs Act (the "Tax Act"). Also, on December 2, 2019, the U.S. Department of the Treasury released final regulations that provide additional guidance with respect to the foreign tax credit regime under the Tax Act.

The effective tax rate for the three months ended January 30, 2021 was higher than the effective tax rate for the three months ended February 1, 2020, primarily due to the BEAT reduction in fiscal 2020 and the effect of the final regulations released on December 2, 2019.

Our future income tax provisions and deferred tax balances may be affected by the amount of pre-tax income, the jurisdictions where it is earned, the existence and utilizability of tax attributes and changes in tax laws and business reorganizations. Ciena continues to monitor these items and will adopt strategies to address their impact as appropriate.

(7) SHORT-TERM AND LONG-TERM INVESTMENTS

As of the dates indicated, investments are comprised of the following (in thousands):

	January 30, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government obligations:				
Included in short-term investments	$ 151,420	$ 14	$ —	$ 151,434
Included in long-term investments	102,360	4	—	102,364
	$ 253,780	$ 18	$ —	$ 253,798

	October 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government obligations:				
Included in short-term investments	$ 150,559	$ 109	$ (1)	$ 150,667
Included in long-term investments	82,252	—	(26)	82,226
	$ 232,811	$ 109	$ (27)	$ 232,893

The following table summarizes the final legal maturities of debt investments at January 30, 2021 (in thousands):

	Amortized Cost	Estimated Fair Value
Less than one year	$ 151,420	$ 151,434
Due in 1-2 years	102,360	102,364
	$ 253,780	$ 253,798

(8) FAIR VALUE MEASUREMENTS

As of the date indicated, the following table summarizes the assets and liabilities that are recorded at fair value on a recurring basis (in thousands):

	January 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 810,289	$ —	$ —	$ 810,289
Bond mutual fund	50,348	—	—	50,348
Time deposits	35,014	—	—	35,014
Deferred compensation plan assets	10,669	—	—	10,669
U.S. government obligations	—	253,798	—	253,798
Foreign currency forward contracts	—	8,397	—	8,397
Total assets measured at fair value	$ 906,320	$ 262,195	$ —	$ 1,168,515
Liabilities:				
Foreign currency forward contracts	$ —	$ 417	$ —	$ 417
Forward starting interest rate swaps	—	26,248	—	26,248
Total liabilities measured at fair value	$ —	$ 26,665	$ —	$ 26,665

	October 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 889,293	$ —	$ —	$ 889,293
Bond mutual fund	50,361	—	—	50,361
Deferred compensation plan assets	8,213	—	—	8,213
U.S. government obligations	—	232,893	—	232,893
Foreign currency forward contracts	—	82	—	82
Total assets measured at fair value	$ 947,867	$ 232,975	$ —	$ 1,180,842
Liabilities:				
Foreign currency forward contracts	$ —	$ 681	$ —	$ 681
Forward starting interest rate swaps	—	28,513	—	28,513
Total liabilities measured at fair value	$ —	$ 29,194	$ —	$ 29,194

As of the date indicated, the assets and liabilities above are presented on Ciena's Condensed Consolidated Balance Sheets as follows (in thousands):

	January 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 895,651	$ —	$ —	$ 895,651
Short-term investments	—	151,434	—	151,434
Prepaid expenses and other	—	8,397	—	8,397
Other long-term assets	10,669	102,364	—	113,033
Total assets measured at fair value	$ 906,320	$ 262,195	$ —	$ 1,168,515
Liabilities:				
Accrued liabilities and other short-term obligations	$ —	$ 417	$ —	$ 417
Other long-term obligations	—	26,248	—	26,248
Total liabilities measured at fair value	$ —	$ 26,665	$ —	$ 26,665

	October 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 939,654	$ —	$ —	$ 939,654
Short-term investments	—	150,667	—	150,667
Prepaid expenses and other	—	82	—	82
Other long-term assets	8,213	82,226	—	90,439
Total assets measured at fair value	$ 947,867	$ 232,975	$ —	$ 1,180,842
Liabilities:				
Accrued liabilities and other short-term obligations	$ —	$ 681	$ —	$ 681
Other long-term obligations	—	28,513	—	28,513
Total liabilities measured at fair value	$ —	$ 29,194	$ —	$ 29,194

Ciena did not have any transfers between Level 1 and Level 2 fair value measurements during the periods presented.

(9) INVENTORIES

As of the dates indicated, inventories are comprised of the following (in thousands):

	January 30, 2021	October 31, 2020
Raw materials	$ 123,388	$ 119,481
Work-in-process	11,353	13,738
Finished goods	257,048	210,050
Deferred cost of goods sold	38,920	40,747
Gross inventories	430,709	384,016
Provision for excess and obsolescence	(40,976)	(39,637)
Inventories, net	$ 389,733	$ 344,379

Ciena writes down its inventory for estimated obsolescence or unmarketable inventory by an amount equal to the difference between the cost of inventory and the estimated net realizable value based on assumptions about future demand, which are affected by changes in Ciena's strategic direction, discontinuance of a product or introduction of newer versions of products, declines in the sales of or forecasted demand for certain products, and general market conditions. During the first three months of fiscal 2021, Ciena recorded a provision for excess and obsolescence of $5.9 million, primarily related to a decrease in the forecasted demand for certain Networking Platforms products. Deductions from the provision for excess and obsolete inventory relate primarily to disposal activities.

(10) PREPAID EXPENSES AND OTHER

As of the dates indicated, prepaid expenses and other are comprised of the following (in thousands):

	January 30, 2021	October 31, 2020
Contract assets for unbilled accounts receivable, net	$ 85,461	$ 85,843
Prepaid expenses	76,462	70,647
Prepaid VAT and other taxes	73,767	72,838
Product demonstration equipment, net	44,707	44,793
Other non-trade receivables	26,099	21,981
Capitalized contract acquisition costs	10,712	11,296
Derivative assets	8,397	82
Deferred deployment expense	505	604
	$ 326,110	$ 308,084

Depreciation of product demonstration equipment was $2.6 million during the first three months of fiscal 2021 and $2.2 million during the first three months of fiscal 2020.

For further discussion on contract assets and capitalized contract acquisition costs, see Note 3 above.

(11) OTHER BALANCE SHEET DETAILS

As of the dates indicated, accrued liabilities and other short-term obligations are comprised of the following (in thousands):

	January 30, 2021	October 31, 2020
Compensation, payroll related tax and benefits (1)	$ 76,477	$ 135,462
Warranty	48,184	49,868
Vacation	28,414	26,945
Finance lease obligations	3,011	2,836
Interest payable	605	672
Other	118,312	118,349
	$ 275,003	$ 334,132

[(1)] Reduction is primarily due to the timing of bonus payments to employees under Ciena's annual cash incentive compensation plan.

The following table summarizes the activity in Ciena's accrued warranty for the fiscal periods indicated (in thousands):

	Beginning Balance	Current Period Provisions	Settlements	Ending Balance
Three Months Ended February 1, 2020	$ 48,498	7,898	(5,206)	$ 51,190
Three Months Ended January 30, 2021	$ 49,868	3,239	(4,923)	$ 48,184

As of the dates indicated, deferred revenue is comprised of the following (in thousands):

	January 30, 2021	October 31, 2020
Products	$ 15,374	$ 17,534
Services	175,226	140,829
	190,600	158,363
Less current portion	(136,229)	(108,700)
Long-term deferred revenue	$ 54,371	$ 49,663

(12) DERIVATIVE INSTRUMENTS

Foreign Currency Derivatives

Ciena conducts business globally in numerous currencies, thus is exposed to adverse movements in foreign currency exchange rates. To limit the exposure related to foreign currency changes, Ciena enters into foreign currency contracts. Ciena does not enter into such contracts for speculative purposes.

As of January 30, 2021 and October 31, 2020, Ciena had forward contracts to hedge its foreign exchange exposure in order to reduce variability principally related to research and development activities. The notional amount of these contracts was approximately $248.3 million and $254.9 million as of January 30, 2021 and October 31, 2020, respectively. These foreign exchange contracts have maturities of 24 months or less and have been designated as cash flow hedges.

As of January 30, 2021 and October 31, 2020, Ciena had forward contracts to hedge its foreign exchange exposure in order to reduce the variability in various currencies of certain balance sheet items. The notional amount of these contracts was approximately $210.4 million and $212.0 million as of January 30, 2021 and October 31, 2020, respectively. These foreign exchange contracts have maturities of 12 months or less and have not been designated as hedges for accounting purposes.

Interest Rate Derivatives

Ciena is exposed to floating rates of LIBOR interest on its term loan borrowings (see Note 15 below) and has hedged such risk by entering into floating to fixed interest rate swap arrangements ("interest rate swaps"). The interest rate swaps fix the LIBOR rate for $350.0 million of the 2025 Term Loan (as defined in Note 15 below) at 2.957% through September 2023. The total notional amount of interest rate swaps in effect was $350.0 million as of January 30, 2021 and October 31, 2020.

Ciena expects the variable rate payments to be received under the terms of the interest rate swaps to offset exactly the forecasted variable rate payments on the equivalent notional amounts of the term loan. These derivative contracts have been designated as cash flow hedges.

Other information regarding Ciena's derivatives is immaterial for separate financial statement presentation. See Note 5 and Note 8 above.

(13) ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table summarizes the changes in accumulated balances of other comprehensive income ("AOCI"), net of tax, for the three months ended January 30, 2021 (in thousands):

	Unrealized Gain/(Loss) on			Cumulative	
	Available-for-sale Securities	Foreign Currency Forward Contracts	Forward Starting Interest Rate Swaps	Foreign Currency Translation Adjustment	Total
Balance at October 31, 2020	$ 45	$ (219)	$ (21,535)	$ (13,649)	$ (35,358)
Other comprehensive gain (loss) before reclassifications	(49)	7,848	(659)	15,861	23,001
Amounts reclassified from AOCI	—	(1,231)	2,041	—	810
Balance at January 30, 2021	$ (4)	$ 6,398	$ (20,153)	$ 2,212	$ (11,547)

The following table summarizes the changes in AOCI, net of tax, for the three months ended February 1, 2020 (in thousands):

	Unrealized Gain/(Loss) on			Cumulative	
	Available-for-sale Securities	Foreign Currency Forward Contracts	Forward Starting Interest Rate Swaps	Foreign Currency Translation Adjustment	Total
Balance at November 2, 2019	$ 152	$ 925	$ (13,686)	$ (9,475)	$ (22,084)
Other comprehensive loss before reclassifications	(86)	(921)	(1,718)	(2,982)	(5,707)
Amounts reclassified from AOCI	—	(158)	238	—	80
Balance at February 1, 2020	$ 66	$ (154)	$ (15,166)	$ (12,457)	$ (27,711)

All amounts reclassified from AOCI related to settlement (gains) losses on foreign currency forward contracts designated as cash flow hedges impacted research and development expense on the Condensed Consolidated Statements of Operations. All amounts reclassified from AOCI related to settlement (gains) losses on forward starting interest rate swaps designated as cash flow hedges impacted interest and other income (loss), net, on the Condensed Consolidated Statements of Operations.

(14) LEASES

Ciena leases over 1.3 million square feet of facilities globally related to the ongoing operations of its business segments and related functions. Ciena’s principal executive offices are located in Hanover, Maryland. Ciena’s largest facilities are research and development centers located in Ottawa, Canada and Gurgaon, India. Ciena also has engineering and/or service delivery facilities located in San Jose, California; Alpharetta, Georgia; Quebec, Canada; Austin, Texas; and Pune and Bangalore, India. In addition, Ciena leases various smaller offices in regions throughout the world to support sales and services operations. Office facilities are leased under various non-cancelable operating or finance leases. Ciena's current leases have remaining terms that vary up to 11 years. Certain leases provide for options to extend up to 10 years and/or options to terminate within five years.

Leases included in the Condensed Consolidated Balance Sheets were as follows (in thousands):

	Classification	As of January 30, 2021	As of October 31, 2020
Operating leases:			
Operating ROU assets	Operating right-of-use assets	$ 54,244	$ 57,026
Operating lease liabilities	Operating lease liabilities and Long-term operating lease liabilities	76,990	80,450
Finance leases:			
Buildings, gross	Equipment, building, furniture and fixtures, net	$ 73,776	$ 70,791
Less: accumulated depreciation	Equipment, building, furniture and fixtures, net	(19,764)	(17,837)
Buildings, net		$ 54,012	$ 52,954
Finance lease liabilities	Accrued liabilities and other short-term obligations and other long-term obligations	$ 66,409	$ 64,401

ROU assets that involve subleased or vacant space aggregate $4.7 million as of January 30, 2021. These assets may become impaired if tenants are unable to service their obligations under the sublease, and/or if the estimates as to occupancy are not realized, either of which may be more likely as COVID-19 impacts evolve.

The components of lease expense included in the Condensed Consolidated Statement of Operations were as follows (in thousands):

	Classification	Three Months Ended January 30, 2021	Three Months Ended February 1, 2020
Operating lease costs	Operating expense	$ 4,229	$ 4,457
Finance lease cost:			
Amortization of finance ROU asset	Operating expense	1,165	1,140
Interest on finance lease liabilities	Interest expense	1,221	1,244
Total finance lease cost		2,386	2,384
Non-capitalized lease cost	Operating expense	293	621
Variable lease cost[1]	Operating expense	1,599	1,311
Net lease cost[2]		$ 8,507	$ 8,773

[1] Variable lease costs include expenses relating to insurance, taxes, maintenance and other costs required by the applicable operating lease. Variable lease costs are determined by whether they are to be included in base rent and if amounts are based on a consumer price index.

[2] Excludes other operating expense of $2.3 million and $4.3 million for the three months ended January 30, 2021 and February 1, 2020, respectively, related to amortization of leasehold improvements.

Future minimum lease payments and the present value of minimum lease payments related to operating and finance leases as of January 30, 2021 were as follows (in thousands):

	Operating Leases	Finance Leases	Total
Remaining fiscal 2021	$ 16,077	$ 7,759	$ 23,836
2022	19,112	8,215	27,327
2023	15,747	8,294	24,041
2024	13,237	8,310	21,547
2025	8,900	8,494	17,394
Thereafter	9,367	58,427	67,794
Total lease payments	82,440	99,499	181,939
Less: Imputed interest	(5,450)	(33,090)	(38,540)
Present value of lease liabilities	76,990	66,409	143,399
Less: Current portion of present value of minimum lease payments	(19,364)	(3,011)	(22,375)
Long-term portion of present value of minimum lease payments	$ 57,626	$ 63,398	$ 121,024

The weighted average remaining lease terms and weighted average discount rates for operating and finance leases were as follows:

	As of January 30, 2021	As of October 31, 2020
Weighted-average remaining lease term in years:		
Operating leases	4.68	4.87
Finance leases	11.46	11.71
Weighted-average discount rates:		
Operating leases	2.82 %	2.82 %
Finance leases	7.56 %	7.56 %

(15) SHORT-TERM AND LONG-TERM DEBT

2025 Term Loan

On January 23, 2020, Ciena entered into a Refinancing Amendment to Credit Agreement pursuant to which Ciena refinanced the entire outstanding amount of its then existing senior secured term loan and incurred a new senior secured term loan in an aggregate principal amount of $693.0 million and maturing on September 28, 2025 (the “2025 Term Loan”).

The net carrying value of Ciena’s term loan was comprised of the following for the fiscal periods indicated (in thousands):

	January 30, 2021				October 31, 2020
	Principal Balance	Unamortized Discount	Deferred Debt Issuance Costs	Net Carrying Value	Net Carrying Value
2025 Term Loan	$ 686,070	$ (1,495)	$ (2,789)	$ 681,786	$ 683,286

Deferred debt issuance costs that were deducted from the carrying amounts of the term loan totaled $2.8 million at January 30, 2021 and $2.9 million at October 31, 2020. Deferred debt issuance costs are amortized using the straight-line method, which approximates the effect of the effective interest rate, through the maturity of the term loan. The amortization of deferred debt issuance costs for this term loan is included in interest expense, and was $0.2 million during the first three months of each of fiscal 2021 and fiscal 2020. The carrying value of the term loan listed above is also net of any unamortized debt discounts.

As of January 30, 2021, the estimated fair value of the 2025 Term Loan was $686.1 million. Ciena’s term loan is categorized as Level 2 in the fair value hierarchy. Ciena estimated the fair value of its term loan using a market approach based on observable inputs, such as current market transactions involving comparable securities.

(16) EARNINGS PER SHARE CALCULATION

The following tables (in thousands, except per share amounts) reconcile basic net income per common share (“Basic EPS”) and diluted net income per potential common share (“Diluted EPS”). Basic EPS is computed using the weighted average number of common shares outstanding. Diluted EPS is computed using the weighted average number of the following, in each case, to the extent the effect is not anti-dilutive: (i) common shares outstanding; (ii) shares issuable upon vesting of stock unit awards; and (iii) shares issuable under Ciena’s employee stock purchase plan and upon exercise of outstanding stock options, using the treasury stock method.

	Quarter Ended	
Numerator	January 30, 2021	February 1, 2020
Net income used to calculate Basic and Diluted EPS	$ 55,348	$ 62,328

	Quarter Ended	
Denominator	January 30, 2021	February 1, 2020
Basic weighted average shares outstanding	155,174	154,334
Add: Shares underlying outstanding stock options and stock unit awards and issuable under employee stock purchase plan	1,409	1,404
Dilutive weighted average shares outstanding	156,583	155,738

	Quarter Ended	
EPS	January 30, 2021	February 1, 2020
Basic EPS	$ 0.36	$ 0.40
Diluted EPS	$ 0.35	$ 0.40

The following table summarizes the weighted average shares excluded from the calculation of the denominator for Diluted EPS due to their anti-dilutive effect for the periods indicated (in thousands):

	Quarter Ended	
	January 30, 2021	February 1, 2020
Shares underlying stock options and stock unit awards	135	731
Total shares excluded due to anti-dilutive effect	135	731

(17) STOCKHOLDERS' EQUITY

Stock Repurchase Program

On December 13, 2018, Ciena announced that its Board of Directors authorized a program to repurchase up to $500 million of Ciena's common stock. After temporarily suspending repurchases of Ciena's common stock during fiscal 2020, Ciena reinstituted its stock repurchase program in the first quarter of 2021. The amount and timing of repurchases are subject to a variety of factors including liquidity, cash flow, stock price and general business and market conditions. The program may be modified, suspended, or discontinued at any time.

The following table summarizes activity of the stock repurchase program, reported based on trade date:

	Shares Repurchased	Weighted-Average Price per Share	Amount Repurchased (in thousands)
Cumulative balance at October 31, 2020	5,710,912	$ 39.33	$ 224,611
Repurchase of common stock under the stock repurchase program	251,578	52.49	13,206
Cumulative balance at January 30, 2021	5,962,490	$ 39.89	$ 237,817

The purchase price for the shares of Ciena's stock repurchased is reflected as a reduction of common stock and additional paid-in capital.

Stock Repurchases Related to Stock Unit Award Tax Withholdings

Ciena repurchases shares of common stock to satisfy employee tax withholding obligations due on vesting of stock unit awards. The purchase price of $19.2 million for the shares of Ciena's stock repurchased during the first three months of fiscal 2021 is reflected as a reduction to stockholders' equity. Ciena is required to allocate the purchase price of the repurchased shares as a reduction of common stock and additional paid-in capital.

(18) SHARE-BASED COMPENSATION EXPENSE

The following table summarizes share-based compensation expense for the periods indicated (in thousands):

	Quarter Ended	
	January 30, 2021	February 1, 2020
Product costs	$ 953	$ 671
Service costs	1,205	842
Share-based compensation expense included in cost of goods sold	2,158	1,513
Research and development	4,794	3,849
Sales and marketing	5,816	4,613
General and administrative	6,358	5,527
Share-based compensation expense included in operating expense	16,968	13,989
Share-based compensation expense capitalized in inventory, net	(162)	100
Total share-based compensation	$ 18,964	$ 15,602

As of January 30, 2021, total unrecognized share-based compensation expense was approximately $169.0 million, which relates to unvested stock unit awards and is expected to be recognized over a weighted-average period of 1.68 years.

(19) SEGMENTS AND ENTITY-WIDE DISCLOSURES

Segment Reporting

Ciena has the following operating segments for reporting purposes: (i) Networking Platforms; (ii) Platform Software and Services; (iii) Blue Planet Automation Software and Services; and (iv) Global Services.

Ciena's long-lived assets, including equipment, building, furniture and fixtures, ROU assets, finite-lived intangible assets and maintenance spares, are not reviewed by Ciena's chief operating decision maker for purposes of evaluating performance and allocating resources. As of January 30, 2021, equipment, building, furniture and fixtures, net, totaled $281.2 million, and operating ROU assets totaled $54.2 million both of which support asset groups within Ciena's four operating segments and unallocated selling and general and administrative activities. As of January 30, 2021, finite-lived intangible assets, goodwill and maintenance spares are assigned to asset groups within the following segments (in thousands):

	January 30, 2021				
	Networking Platforms	Platform Software and Services	Blue Planet Automation Software and Services	Global Services	Total
Other intangible assets, net	$ 12,924	$ —	$ 78,592	$ —	$ 91,516
Goodwill	$ 66,054	$ 156,191	$ 89,049	$ —	$ 311,294
Maintenance spares, net	$ —	$ —	$ —	$ 63,008	$ 63,008

Segment Profit (Loss)

Segment profit (loss) is determined based on internal performance measures used by Ciena's chief executive officer to assess the performance of each operating segment in a given period. In connection with that assessment, the chief executive officer excludes the following items: selling and marketing costs; general and administrative costs; amortization of intangible assets; significant asset impairments and restructuring costs; acquisition and integration costs; interest and other income (loss), net; interest expense; loss on extinguishment and modification of debt and provision for income taxes.

The table below sets forth Ciena's segment profit (loss) and the reconciliation to consolidated net income during the respective periods indicated (in thousands):

	Quarter Ended	
	January 30, 2021	February 1, 2020
Segment profit (loss):		
Networking Platforms	$ 156,431	$ 168,270
Platform Software and Services	27,660	28,951
Blue Planet Automation Software and Services	(2,434)	(3,113)
Global Services	43,493	45,527
Total segment profit	225,150	239,635
Less: Non-performance operating expenses		
Selling and marketing	97,278	107,066
General and administrative	39,993	42,468
Amortization of intangible assets	5,910	5,853
Significant asset impairments and restructuring costs	5,867	4,472
Acquisition and integration costs	307	1,819
Add: Other non-performance financial items		
Interest expense and other income (loss), net	(8,481)	(5,169)
Loss on extinguishment and modification of debt	—	(646)
Less: Provision for income taxes	11,966	9,814
Consolidated net income	$ 55,348	$ 62,328

Entity-Wide Reporting

The following table reflects Ciena's geographic distribution of equipment, building, furniture and fixtures, net, and operating ROU assets, with any country accounting for at least 10% of total equipment, building, furniture and fixtures, net, and operating ROU assets specifically identified. Equipment, building, furniture and fixtures, net, and operating ROU assets attributable to geographic regions outside of the U.S. and Canada are reflected as "Other International." For the periods below, Ciena's geographic distribution of equipment, building, furniture and fixtures, net, and operating ROU assets was as follows (in thousands):

	January 30, 2021	October 31, 2020
Canada	$ 226,331	$ 214,188
United States	62,980	65,321
Other International	46,161	49,894
Total	$ 335,472	$ 329,403

(20) COMMITMENTS AND CONTINGENCIES

Canadian Grant

During fiscal 2018, Ciena entered into agreements related to the Evolution of Networking Services through a Corridor in Quebec and Ontario for Research and Innovation ("ENCQOR") project with the Canadian federal government, the government of the province of Ontario and the government of the province of Quebec to develop a 5G technology corridor between Quebec and Ontario to promote research and development, small business enterprises and entrepreneurs in Canada. Under these agreements, Ciena can receive up to an aggregate CAD$57.6 million (approximately $45.1 million) in reimbursement from the three Canadian government entities for eligible costs over a period commencing on February 20, 2017 and ending on March 31, 2022. Ciena anticipates receiving recurring disbursements over this period. Amounts received under the agreements are subject to recoupment in the event that Ciena fails to achieve certain minimum investment, employment and project milestones. As of January 30, 2021, Ciena has recorded CAD$44.2 million (approximately $34.6 million) in cumulative benefits as a reduction in research and development expense of which CAD$3.6 million ($2.8 million) was recorded in the first three months of fiscal 2021. As of January 30, 2021, amounts receivable from this grant were CAD$3.2 million ($2.5 million).

Tax Contingencies

Ciena is subject to various tax liabilities arising in the ordinary course of business. Ciena does not expect that the ultimate settlement of these tax liabilities will have a material effect on its results of operations, financial position or cash flows.

Litigation

Ciena is subject to various legal proceedings, claims and other matters arising in the ordinary course of business, including those that relate to employment, commercial, tax and other regulatory matters. Ciena is also subject to intellectual property related claims, including claims against third parties that may involve contractual indemnification obligations on the part of Ciena. Ciena does not expect that the ultimate costs to resolve such matters will have a material effect on its results of operations, financial position or cash flows.

(21) SUBSEQUENT EVENTS

Stock Repurchase Program

From the end of the first quarter of fiscal 2021 through March 5, 2021, Ciena repurchased an additional 188,169 shares of its common stock, for an aggregate purchase price of $10.1 million at an average price of $53.69 per share, inclusive of repurchases pending settlement. As of March 5, 2021, Ciena has repurchased an aggregate of 6,150,659 shares and has an aggregate of $252.1 million of authorized funds remaining under its stock repurchase program.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Regarding Forward-Looking Statements

This report contains statements that discuss future events or expectations, projections of results of operations or financial condition, changes in the markets for our products and services, trends in our business, business prospects and strategies and other "forward-looking" information. Forward-looking statements may appear throughout this report, including in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors." In some cases, you can identify "forward-looking statements" by words like "may," "will," "can," "should," "could," "expects," "future," "plans," "anticipates," "believes," "estimates," "predicts," "intends," "potential," "projects," "targets," or "continue" or the negative of those words and other comparable words. You should be aware that the forward-looking statements contained in this report are based on our current views and assumptions, and are subject to known and unknown risks, uncertainties and other factors that may cause actual events or results to differ materially.

For a discussion identifying some of the important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" in this report. For a more complete understanding of the risks associated with an investment in our securities, you should review these factors and the rest of this report in combination with the more detailed description of our business and management's discussion and analysis of financial condition and risk factors described in our annual report on Form 10-K for fiscal 2020, which we filed with the SEC on December 18, 2020 (our "2020 Annual Report"). However, we operate in a very competitive and rapidly changing environment and new risks and uncertainties emerge, are identified or become apparent from time to time. We cannot predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this report, and we undertake no obligation to revise or to update any forward-looking statements made in this report to reflect events or circumstances after the date hereof or to reflect new information or the occurrence of unanticipated events, except as required by law. The forward-looking statements in this report are intended to be subject to protection afforded by the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Unless the context requires otherwise, references in this report to "Ciena," the "Company," "we," "us" and "our" refer to Ciena Corporation and its consolidated subsidiaries.

Overview

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is provided as a supplement to, and should be read in conjunction with, our 2020 Annual Report and our Condensed Consolidated Financial Statements and the accompanying notes thereto included in Item 1 of Part I of this report.

We are a networking systems, services and software company, providing solutions that enable a wide range of network operators to deploy and manage next-generation networks that deliver services to businesses and consumers. We provide hardware, software and services that enable the transport, routing, switching, aggregation, service delivery and management of video, data and voice traffic on communications networks. Our solutions include Networking Platforms, including our Converged Packet Optical and Routing and Switching portfolios, which can be applied from the network core to end-user access points, and which allow network operators to scale capacity, increase transmission speeds, allocate traffic and adapt dynamically to changing end-user service demands. To complement these solutions, we offer Platform Software, which provides management, domain control and specialized applications that automate network lifecycle operations, including provisioning equipment and services, network data, analytics and policy-based assurance to achieve closed loop automation across multi-vendor and multi-domain network environments. Through our Blue Planet® Software suite, we enable customers to transform their business and operations support systems through software-based automation of their network and IT infrastructures. To complement our hardware and software products, we offer a broad range of services that help our customers build, operate and improve their networks and associated operational environments, including network optimization and migration offerings.

Impact of the COVID-19 Pandemic

Demand for Products & Services. The demand environment continues to be adversely impacted by the COVID-19 pandemic, resulting in lower order volumes and revenue in the first quarter of fiscal 2021 as compared to the first quarter of fiscal 2020. We expect this more cautious spending environment to continue through at least the second quarter of fiscal 2021 and expect these conditions to adversely affect order volumes and revenue in the short term, as compared to our first half of fiscal 2020.

Services and Customer Fulfillment. We continue to experience some disruption in our ability to provide installation, professional and fulfillment services to customers due to site readiness and access limitations, limited customer availability, project delays or re-prioritization by customers, and travel bans or restrictions on movement or gatherings. We expect these conditions to persist in the short term and, as a result, to continue to adversely impact our revenue and results of operations.

Sales & Marketing. Restrictions on travel due to COVID-19 and limitations on interactions with customers, such as field and lab trials, have continued to negatively impact our ability to carry out certain sales and marketing activities, including our ability to secure new customers, to qualify and sell new products, and to grow sales with customers. Delays in customers operationalizing new network projects that we anticipated occurring on their original timelines continue to adversely affect our revenue. Conversely, our recent gross margin performance has benefited from these dynamics, with a larger percentage of our revenue comprised of existing business, as compared to new design wins and early in life projects, which tend to have lower margins.

Market Growth & Conditions. As a result of the impact of the COVID-19 pandemic on market dynamics, particularly in the enterprise business segments of our communications service provider customers, the growth rates in our addressable markets have been adversely impacted. We expect these market dynamics, including constrained customer spending and the decreased velocity of new business execution, to persist through at least the first half of fiscal 2021.

The COVID-19 pandemic and countermeasures taken to contain its spread have caused economic and financial disruptions globally. We continue to monitor the situation and actively assess further implications to our business, supply chain, fulfillment operations and customer demand. However, the COVID-19 situation remains dynamic, and the duration and severity of its impact on our business and results of operations in future periods remains uncertain. If the COVID-19 pandemic or its adverse effects become more severe or prevalent or are prolonged in the locations where we, our customers, suppliers or manufacturers conduct business, or we experience more pronounced disruptions in our business or operations, or in economic activity and demand for our products and services generally, our business and results of operations in future periods could be materially adversely affected.

For additional information regarding our business, industry, market opportunity, competitive landscape, and strategy, see our 2020 Annual Report, including the discussion in that report of the impact of the COVID-19 pandemic on our business, supply chain, and market conditions.

Consolidated Results of Operations

Operating Segments

Our results of operations are presented based on the following operating segments: (i) Networking Platforms; (ii) Platform Software and Services; (iii) Blue Planet Automation Software and Services; and (iv) Global Services. Effective as of the beginning of fiscal 2021, we renamed our "Packet Networking" product line "Routing and Switching." This change was made on a prospective basis and does not impact comparability of previous financial results or the composition of this product line. References to our "Packet Networking" product line in prior periods have been changed to "Routing and Switching" in this report. See Note 19 to our Condensed Consolidated Financial Statements included in Item 1 of Part I of this report.

Quarter ended January 30, 2021 as compared to the quarter ended February 1, 2020

Revenue

During the first quarter of fiscal 2021, approximately 17.9% of our revenue was non-U.S. Dollar-denominated, primarily including sales in Euros, Canadian Dollars, Japanese Yen, British Pounds, and Brazilian Reais. During the first quarter of fiscal 2021, as compared to the first quarter of fiscal 2020, the U.S. Dollar fluctuated against these currencies. Consequently, our revenue reported in U.S. Dollars slightly increased by approximately $2.6 million, or 0.4%, as compared to the first quarter of fiscal 2020. The table below sets forth the changes in our operating segment revenue for the periods indicated (in thousands, except percentage data):

	Quarter Ended					
	January 30, 2021	%*	February 1, 2020	%*	Increase (decrease)	%**
Revenue:						
Networking Platforms						
Converged Packet Optical	$ 512,324	67.7	$ 591,549	71.0	$ (79,225)	(13.4)
Routing and Switching	64,307	8.5	67,508	8.1	(3,201)	(4.7)
Total Networking Platforms	576,631	76.2	659,057	79.1	(82,426)	(12.5)
Platform Software and Services	49,839	6.6	51,888	6.2	(2,049)	(3.9)
Blue Planet Automation Software and Services	16,934	2.2	15,466	1.9	1,468	9.5
Global Services						
Maintenance Support and Training	67,630	8.9	61,793	7.4	5,837	9.4
Installation and Deployment	39,611	5.2	34,954	4.2	4,657	13.3
Consulting and Network Design	6,485	0.9	9,754	1.2	(3,269)	(33.5)
Total Global Services	113,726	15.0	106,501	12.8	7,225	6.8
Consolidated revenue	$ 757,130	100.0	$ 832,912	100.0	$ (75,782)	(9.1)

* Denotes % of total revenue

** Denotes % change from 2020 to 2021

- **Networking Platforms segment revenue** decreased, reflecting product line sales decreases of $79.2 million of our Converged Packet Optical products and $3.2 million of our Routing and Switching products.
    - Converged Packet Optical sales decreased, primarily reflecting sales decreases of $98.4 million of our 6500 Packet-Optical Platform, primarily to communications service providers and cable and multiservice operators, and $41.9 million of our 5400 family of Packet-Optical Platforms primarily to communication service providers. These sales decreases were partially offset by a sales increase of $53.8 million of our Waveserver® products, primarily to communications service providers and Web-scale providers.
    - Routing and Switching sales decreased, primarily reflecting sales decreases of $5.8 million of our 8700 Packetwave Platform to enterprise and government customers and $4.0 million of our 3000 and 5000 families of service delivery and aggregation switches to communication service providers. These decreases were offset by a sales increase of $7.3 million of our platform independent software to a communication service provider.
- **Platform Software and Services segment revenue** decreased, reflecting a decrease of $8.8 million in software sales. offset by an increase of $6.8 million related to services.
- **Blue Planet Automation Software and Services segment revenue** increased, primarily reflecting an increase of $1.2 million in sales of software platforms. Our entrance into the software automation market is in the early stages and, as such, revenue from our Blue Planet Automation Software platform has not been significant to date and may fluctuate.
- **Global Services segment revenue** increased, reflecting sales increases of $5.8 million of our maintenance support and training services and $4.7 million of our installation and deployment services, offset by a sales decrease of $3.3 million of our consulting and network design services, in part due to impacts of COVID-19 as described above.

Our operating segments engage in business and operations across three geographic regions: Americas; EMEA; and APAC. The increase in our EMEA region for the quarter ended January 30, 2021 was primarily driven by increased sales in the Netherlands and France. The decrease in our APAC region for the quarter ended January 30, 2021 was primarily driven by decreased sales in Japan. The decrease in our Americas region for the quarter ended January 30, 2021 was primarily driven by decreased sales in the United States.The following table reflects our geographic distribution of revenue principally based on the relevant location for our delivery of products and performance of services. Our revenue, when considered by geographic distribution, can fluctuate significantly, and the timing of revenue recognition for large network projects, particularly outside of the United States, can result in large variations in geographic revenue results in any particular period. The table below sets forth the changes in geographic distribution of revenue for the periods indicated (in thousands, except percentage data):

	Quarter Ended					
	January 30, 2021	%*	February 1, 2020	%*	Increase (decrease)	%**
Americas	$ 496,611	65.6	$ 574,004	68.9	$ (77,393)	(13.5)
EMEA	155,418	20.5	129,965	15.6	25,453	19.6
APAC	105,101	13.9	128,943	15.5	(23,842)	(18.5)
Total	$ 757,130	100.0	$ 832,912	100.0	$ (75,782)	(9.1)

* Denotes % of total revenue

** Denotes % change from 2020 to 2021

- **Americas revenue** decreased, primarily reflecting sales decreases of $78.5 million within our Networking Platforms segment and $5.7 million within our Platform Software and Services segment, offset by sales increases of $5.1 million within our Global Services segment and $1.7 million within our Blue Planet Automation Software and Services segment. The decrease within our Networking Platforms segment primarily reflects a product line sales decrease of $73.6 million of our Converged Packet Optical products, primarily related to a sales decrease of $77.3 million of our 6500 Packet-Optical Platform to communication service providers.
- **EMEA revenue** increased, primarily reflecting sales increases of $19.0 million within our Networking Platforms segment, $3.5 million within our Global Services segment and $2.2 million within our Platform Software and Services segment. The revenue increase within our Networking Platforms segment reflects a product line sales increase of $17.7 million of Converged Packet Optical products, primarily related to a sales increase of $19.9 million of our Waveserver products to communication service providers and Web-scale providers.
- **APAC revenue** decreased, primarily reflecting a sales decrease of $22.9 million within our Networking Platforms segment. Our Networking Platforms segment revenue decrease primarily reflects a decrease of $27.6 million in sales of our 6500 Packet-Optical Platform to communications service providers in Japan, partially offset by an increase of 7.6 million in sales of our Waveserver products, primarily to communication service providers.

Cost of Goods Sold and Gross Profit

The component elements that comprise our product cost of goods and services costs of goods sold are set forth in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of our 2020 Annual Report. There are a number of important factors or conditions that can adversely affect or cause our gross profit as a percentage of product or service revenue, or “gross margin,” to fluctuate on a quarterly basis. These are similarly described in detail in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors” sections of our 2020 Annual Report.

The tables below set forth the changes in revenue, cost of goods sold and gross profit for the periods indicated (in thousands, except percentage data):

	Quarter Ended					
	January 30, 2021	%*	February 1, 2020	%*	Increase (decrease)	%**
Total revenue	$ 757,130	100.0	$ 832,912	100.0	$ (75,782)	(9.1)
Total cost of goods sold	399,239	52.7	462,377	55.5	(63,138)	(13.7)
Gross profit	$ 357,891	47.3	$ 370,535	44.5	$ (12,644)	(3.4)

* Denotes % of total revenue

** Denotes % change from 2020 to 2021

	Quarter Ended					
	January 30, 2021	%*	February 1, 2020	%*	Increase (decrease)	%**
Product revenue	$ 597,220	100.0	$ 687,215	100.0	$ (89,995)	(13.1)
Product cost of goods sold	315,098	52.8	389,013	56.6	(73,915)	(19.0)
Product gross profit	$ 282,122	47.2	$ 298,202	43.4	$ (16,080)	(5.4)

* Denotes % of product revenue

** Denotes % change from 2020 to 2021

	Quarter Ended					
	January 30, 2021	%*	February 1, 2020	%*	Increase (decrease)	%**
Service revenue	$ 159,910	100.0	$ 145,697	100.0	$ 14,213	9.8
Service cost of goods sold	84,141	52.6	73,364	50.4	10,777	14.7
Service gross profit	$ 75,769	47.4	$ 72,333	49.6	$ 3,436	4.8

* Denotes % of services revenue

** Denotes % change from 2020 to 2021

- **Gross profit as a percentage of revenue** increased, as our gross margin benefited significantly from a favorable mix of customers and products that we believe to be a short-term effect due to COVID-19 related factors. Due to the impact of COVID-19 and related restrictions on sales and marketing activities described in "Overview" above, during the first quarter of fiscal 2021, a higher proportion of our revenue consisted of sales of existing technology offerings deployed in the networks of existing customers, as compared to sales to new customers, early stage network deployments for recent design wins, or the introduction of new platforms, which tend to carry lower margins. We expect our gross margins to reduce from these elevated short-term levels as the adverse impact of the pandemic on new business lessens and our overall revenue resumes a more typical composition of revenue from existing and new business.
- **Gross profit on products as a percentage of product revenue** increased, primarily due to a favorable mix of customers and products, as described above, and continued product cost reductions, partially offset by market-based price compression we encountered during the period.
- **Gross profit on services as a percentage of services revenue** decreased, primarily due to lower installation and deployment margins and a lower mix of higher margin consulting and network design services. The lower margins on installation and deployment services were primarily due to certain customer site readiness delays that caused cost inefficiencies. These lower margins were partially offset by increased higher margin maintenance revenues.

Operating Expense

The component elements that comprise each of our operating expense categories in the table below are set forth in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our 2020 Annual Report.

During the first quarter of fiscal 2021, approximately 51.9% of our operating expense was non-U.S. Dollar-denominated, including expenses in Canadian Dollars, Indian Rupees and British Pounds. During the first quarter of fiscal 2021 as compared to the first quarter of fiscal 2020, the U.S. Dollar fluctuated against these currencies. Consequently, our operating expense reported in U.S. Dollars slightly increased by approximately $1.4 million, or 0.5%, as compared to the first quarter of fiscal 2020, due to fluctuations in foreign currency. The table below sets forth the changes in operating expense for the periods indicated (in thousands, except percentage data):

	Quarter Ended					
	January 30, 2021	%*	February 1, 2020	%*	Increase (decrease)	%**
Research and development	$ 132,741	17.5	$ 130,900	15.7	$ 1,841	1.4
Selling and marketing	97,278	12.8	107,066	12.9	(9,788)	(9.1)
General and administrative	39,993	5.3	42,468	5.1	(2,475)	(5.8)
Amortization of intangible assets	5,910	0.8	5,853	0.7	57	1.0
Significant asset impairments and restructuring costs	5,867	0.8	4,472	0.5	1,395	31.2
Acquisition and integration costs	307	—	1,819	0.2	(1,512)	(83.1)
Total operating expenses	$ 282,096	37.3	$ 292,578	35.1	$ (10,482)	(3.6)

* Denotes % of total revenue

** Denotes % change from 2020 to 2021

- **Research and development expense** increased by $1.8 million. This increase primarily reflects increases in employee and compensation costs and technology-related costs, partially offset by decreases in professional services costs.
- **Selling and marketing expense** was adversely affected by $1.4 million as a result of foreign exchange rates, primarily due to fluctuations of the U.S. Dollar in relation to the Euro. Including the effect of foreign exchange rates, sales and marketing expenses decreased by $9.8 million. This decrease primarily reflects decreases in travel and entertainment costs due to restrictions on travel as a result of COVID-19, and professional services, partially offset by an increase in employee and compensation costs.
- **General and administrative expense** decreased by $2.5 million primarily as a result of the recovery of bad debt, partially offset by an increase in employee and compensation costs.
- **Amortization of intangible assets** remained relatively unchanged.
- **Significant asset impairments and restructuring costs** reflect global workforce reductions as part of a business optimization strategy to improve gross margin and constrain operating expense, and redesign of certain business processes.
- **Acquisition and integration costs** primarily reflect reduced acquisition compensation associated with a three-year earn-out arrangement related to the acquisition of DonRiver Holdings, LLC in fiscal 2018 and other fees related to the acquisition of Centina Systems, Inc. in the first quarter of fiscal 2020.

Other Items

The table below sets forth the changes in other items for the periods indicated (in thousands, except percentage data):

	Quarter Ended					
	January 30, 2021	%*	February 1, 2020	%*	Increase (decrease)	%**
Interest and other income (loss), net	$ (1,121)	(0.1)	$ 3,646	0.4	$ (4,767)	(130.7)
Interest expense	$ 7,360	1.0	$ 8,815	1.1	$ (1,455)	(16.5)
Loss on extinguishment and modification of debt	$ —	0.0	$ 646	0.0	$ (646)	—
Provision for income taxes	$ 11,966	1.6	$ 9,814	1.2	$ 2,152	21.9

* Denotes % of total revenue

** Denotes % change from 2020 to 2021

- **Interest and other income (loss), net** decreased, primarily reflecting lower interest income due to reduced interest rates on our investments and the impact of foreign exchange rates on assets and liabilities denominated in a currency other than the relevant functional currency, net of hedging activity.
- **Interest expense** decreased, primarily due to a reduction of LIBOR rates impacting our 2025 Term Loan.
- **Loss on extinguishment and modification of debt** reflects the refinance of our 2025 Term Loan in the first quarter of fiscal 2020.

- **Provision for income taxes** increased, primarily due to the BEAT reduction in fiscal 2020 and the effect of the final regulations released on December 2, 2019. Consequently, the effective tax rate for the first quarter of fiscal 2021 increased as compared to the first quarter of fiscal 2020.

Segment Profit (Loss)

The table below sets forth the changes in our segment profit (loss) for the respective periods (in thousands, except percentage data):

	Quarter Ended			
	January 30, 2021	February 1, 2020	Increase (decrease)	%*
Segment profit (loss):				
Networking Platforms	$ 156,431	$ 168,270	$ (11,839)	(7.0)
Platform Software and Services	$ 27,660	$ 28,951	$ (1,291)	(4.5)
Blue Planet Automation Software and Services	$ (2,434)	$ (3,113)	$ 679	(21.8)
Global Services	$ 43,493	$ 45,527	$ (2,034)	(4.5)

* Denotes % change from 2020 to 2021

- **Networking Platforms segment profit** decreased, primarily due to lower sales volume as described above and higher research and development costs, offset by improved gross margin.
- **Platform Software and Services segment profit** decreased, primarily due to lower sales volume as described above, offset by lower research and development costs.
- **Blue Planet Automation Software and Services segment loss** decreased, primarily due to higher sales volume and lower research and development costs.
- **Global Services segment profit** decreased, primarily due to reduced gross margin, as described above.

Liquidity and Capital Resources

Overview. For the three months ended January 30, 2021, we used $7.3 million of cash in operating activities, as our working capital requirements of $127.0 million exceeded our net income (adjusted for non-cash charges) of $119.7 million. For additional details, see "Cash Used In Operating Activities" below.

Cash, cash equivalents and investments decreased by $38.5 million during the first three months of fiscal 2021. In addition to the cash used in operations, the decrease in cash also included the following items: (i) cash used to fund our investing activities for capital expenditures totaling $20.9 million; (ii) cash used for stock repurchases under our stock repurchase program of $12.4 million; and (iii) stock repurchases on vesting of our stock unit awards to employees relating to tax withholding of $19.2 million. Partially offsetting these decreases in cash were proceeds from the issuance of equity under our employee stock purchase plan, which provided $13.4 million in cash during the three months ended January 30, 2021.

	January 30, 2021	October 31, 2020	Increase (decrease)
Cash and cash equivalents	$ 1,029,237	$ 1,088,624	$ (59,387)
Short-term investments in marketable debt securities	151,434	150,667	767
Long-term investments in marketable debt securities	102,364	82,226	20,138
Total cash and cash equivalents and investments in marketable debt securities	$ 1,283,035	$ 1,321,517	$ (38,482)

Principal Sources of Liquidity. Our principal sources of liquidity on hand include our cash, cash equivalents and investments, which as of January 30, 2021 totaled $1.3 billion, as well as the senior secured asset-backed revolving credit facility to which we and certain of our subsidiaries are parties (the "ABL Credit Facility"). The ABL Credit Facility provides for a total commitment of $300.0 million with a maturity date of October 28, 2024. We principally use the ABL Credit Facility to support the issuance of letters of credit that arise in the ordinary course of our business and thereby to reduce our use of cash required to collateralize these instruments. As of January 30, 2021, letters of credit totaling $81.7 million were collateralized by our ABL Credit Facility. There were no borrowings outstanding under the ABL Credit Facility as of January 30, 2021.

Foreign Liquidity. The amount of cash, cash equivalents, and short-term investments held by our foreign subsidiaries was $94.8 million as of January 30, 2021. We intend to reinvest indefinitely our foreign earnings. If we were to repatriate the accumulated historical foreign earnings, the estimated amount of unrecognized deferred income tax liability related to foreign withholding taxes would be approximately $25.0 million.

Stock Repurchase Authorization. On December 13, 2018, we announced that the Board of Directors authorized a program to repurchase up to $500.0 million of its common stock. After temporarily suspending repurchases of our common stock during fiscal 2020, we reinstituted our stock repurchase program in the first quarter of 2021 and are currently targeting repurchases in the range of $150 million of our common stock during fiscal 2021. We repurchased $13.2 million under this program during the first three months of fiscal 2021, and had $262.2 million remaining under the current authorization as of January 30, 2021. The amount and timing of repurchases are subject to a variety of factors including liquidity, cash flow, stock price and general business and market conditions. The program may be reinstated, modified, suspended, or discontinued at any time.

Liquidity Position. Based on past performance and current expectations, we believe that cash from operations, cash, cash equivalents, investments, and other sources of liquidity, including our ABL Credit Facility, will satisfy our working capital needs, capital expenditures, and other liquidity requirements associated with our operations through at least the next 12 months. We regularly evaluate our liquidity position, debt obligations, and anticipated cash needs to fund our operating or investment plans, and will continue to consider capital raising and other market opportunities that may be available to us. We regularly evaluate alternatives to manage our capital structure and market opportunities to enhance our liquidity and provide further operational and strategic flexibility. While the COVID-19 pandemic has not materially impacted our liquidity and capital resources to date, it has led to disruptions and volatility in capital markets and credit markets. The duration and severity of any further economic or market impact of the COVID-19 pandemic remains uncertain and there can be no assurance that it will not have an adverse effect on our liquidity and capital resources, including our ability to access capital markets, in the future.

Cash Used In Operating Activities

The following sections set forth the components of our $7.3 million of cash used in operating activities during the first three months of fiscal 2021:

Net income (adjusted for non-cash charges)

The following table sets forth our net income (adjusted for non-cash charges) during the period (in thousands):

	Three Months Ended January 30, 2021
Net income	$ 55,348
Adjustments for non-cash charges:	
Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	23,188
Share-based compensation costs	18,964
Amortization of intangible assets	9,642
Deferred taxes	(905)
Provision for inventory excess and obsolescence	5,905
Provision for warranty	3,239
Other	4,277
Net income (adjusted for non-cash charges)	$ 119,658

Working Capital

We used $127.0 million of cash for working capital during the period. The following table sets forth the major components of the cash used in working capital (in thousands):

		Three Months Ended January 30, 2021
Cash provided by accounts receivable	$	18,862
Cash used in inventories		(51,020)
Cash used in prepaid expenses and other		(13,835)
Cash used in accounts payable, accruals and other obligations		(112,170)
Cash provided by deferred revenue		31,917
Cash used in operating lease assets and liabilities, net		(731)
Total cash used for working capital	$	(126,977)

As compared to the end of fiscal 2020:

- The $18.9 million of cash provided by accounts receivable during the first three months of fiscal 2021 reflects increased cash collections;
- The $51.0 million of cash used in inventories during the first three months of fiscal 2021 primarily reflects increases in finished goods to meet customer delivery schedules and related to some of the actions that we have taken since early fiscal 2020 to mitigate the risk of adverse supply chain impact on our business and operations due to COVID-19 related disruptions;
- The $13.8 million of cash used in prepaid expense and other during the first three months of fiscal 2021 primarily reflects increases in foreign currency forward contracts and higher non-customer receivables;
- The $112.2 million of cash used in accounts payable, accruals and other obligations during the first three months of fiscal 2021 primarily reflects the payment to employees under our annual cash incentive compensation plan in the first quarter, as well as inventory purchases;
- The $31.9 million of cash provided by deferred revenue during the first three months of fiscal 2021 represents an increase in advanced payments received from customers prior to revenue recognition; and
- The $0.7 million of cash used in operating lease assets and liabilities, net, during the first three months of fiscal 2021 represents cash paid for operating leases. For more details, see Note 14 to our Condensed Consolidated Financial Statements included in Item 1 of Part I of this report.

Our days sales outstanding (“DSOs”) for the first three months of fiscal 2021 were 93 days, and our inventory turns for the first three months of fiscal 2021 were 3.2. The calculation of DSOs includes accounts receivables, net and contract assets for unbilled receivables, net included in prepaid expenses and other.

Cash Paid for Interest

The following table sets forth the cash paid for interest during the period (in thousands):

		Three Months Ended January 30, 2021
Term Loan due September 28, 2025[1]		3,341
Interest rate swaps[2]		2,511
ABL Credit Facility[3]		494
Finance leases		1,220
Cash paid during period	$	7,566

[1] Interest on the 2025 Term Loan is payable periodically based on the interest period selected for borrowing. The 2025 Term Loan bears interest at LIBOR for the chosen borrowing period plus a spread of 1.75% subject to a minimum LIBOR rate of 0.00%. At the end of the first quarter of fiscal 2021, the interest rate on the 2025 Term Loan was 1.88%.

[2] The interest rate swaps fix the LIBOR rate for $350.0 million of the 2025 Term Loan at 2.957% through September 2023.

[3] During the first three months of fiscal 2021, we utilized the ABL Credit Facility to collateralize certain standby letters of credit and paid $0.5 million in commitment fees, interest expense and other administrative charges relating to the ABL Credit Facility.

Contractual Obligations

There have been no material changes to our contractual obligations since October 31, 2020. For a summary of our contractual obligations, see Item 7 of Part II of our 2020 Annual Report.

Off-Balance Sheet Arrangements

We do not engage in any off-balance sheet financing arrangements. In particular, we do not have any equity interests in so-called limited purpose entities, which include special purpose entities (SPEs) and structured finance entities.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expense, and related disclosure of contingent assets and liabilities. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty. On an ongoing basis, we reevaluate our estimates, including those related to revenue recognition, share-based compensation, bad debts, inventories, intangible and other long-lived assets, goodwill, income taxes, warranty obligations, restructuring, derivatives and hedging, and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. The inputs into certain of our judgments, assumptions, and estimates reflect, among other things, the information available to us regarding the economic implications of the COVID-19 pandemic, and expectations as to its impact on our business and on our critical and significant accounting estimates. Among other things, these estimates form the basis for judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions. To the extent that there are material differences between our estimates and actual results, our consolidated financial statements will be affected. In addition, because the duration, severity, and impact of the COVID-19 pandemic remain uncertain, certain of our estimates could require further judgment or modification, and therefore carry a higher degree of variability and volatility. As events continue to evolve, our estimates may change materially in future periods.

Except for items listed below, our critical accounting policies and estimates have not changed materially since October 31, 2020. For a discussion of our critical accounting policies and estimates, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 of Part II of our 2020 Annual Report.

Allowance for Credit Losses for Accounts Receivable and Contract Assets

See Note 2 to our Condensed Consolidated Financial Statements included in Item 1 of Part I of this report for information regarding the change in our allowance for credit losses for accounts receivable and contract assets accounting policies as a result of our adoption of ASU 2016-13, *Financial Instruments - Credit Losses*.

Effects of Recent Accounting Pronouncements

See Note 2 to our Condensed Consolidated Financial Statements included in Item 1 of Part I of this report for information relating to our discussion of the effects of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk related to changes in interest rates and foreign currency exchange rates. For a discussion of quantitative and qualitative disclosures about market risk, see Item 7A of Part II of our 2020 Annual Report.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any significant impact to our internal control over financial reporting despite the fact that most of our employees are working remotely due to the COVID-19 pandemic. The design of our processes and controls allow for remote execution with secure accessibility to data. We are continually monitoring and assessing the COVID-19 situation to minimize the impact, if any, on the design and operating effectiveness on our internal controls.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under the heading "Litigation" in Note 20, Commitments and Contingencies, to our Condensed Consolidated Financial Statements included in Item 1 of Part I of this report, is incorporated herein by reference.

Item 1A. Risk Factors

Investing in our securities involves a high degree of risk. Before investing in our securities, you should consider carefully the information contained in this report and in our 2020 Annual Report, including the risk factors identified in Item 1A of Part I thereof (Risk Factors). This report contains forward-looking statements that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements" in "Management's Discussion and Analysis of Financial Conditions and Results of Operations" above. Our actual results could differ materially from those contained in the forward-looking statements. Any of the risks discussed in our 2020 Annual Report, in this report, in other reports we file with the SEC, and other risks we have not anticipated or discussed, could have a material adverse impact on our business, financial condition or results of operations. Except as set forth below, there has been no material change to our Risk Factors from those presented in our 2020 Annual Report.

Our reliance on third-party component suppliers, including sole and limited source suppliers, exposes our business to additional risk and could limit our sales, increase our costs and harm our customer relationships.

We maintain a global sourcing strategy and depend on a diverse set of third-party suppliers in international markets that comprise our supply chain. We rely on these third parties for activities relating to product design, development and support, and in the sourcing of products, components, subcomponents and related raw materials. Our products include optical and electronic components for which reliable, high-volume supply is often available only from sole or limited sources. We do not have any guarantees of supply from our third-party suppliers, and in certain cases we have limited contractual arrangements or are relying on standard purchase orders. As a result, there is no assurance that we will be able to secure the components or subsystems that we require, in sufficient quantity and quality, and on reasonable terms.

The loss of a source of supply, or lack of sufficient availability of key components, could require that we locate an alternate source or redesign our products, either of which could result in business interruption and increased costs and could negatively affect our product gross margin and results of operations. There are a number of significant technology trends or developments underway or emerging – including the Internet of Things, autonomous vehicles, and advances in mobile communications such as the emergence of 5G – that have previously resulted in, and can be expected in the future to result in, increased market demand for key raw materials or components upon which we rely. By way of example, due to increased demand across a range of industries, the global supply market for semiconductor components, which we use in most of our products, has experienced significant strain in recent periods. Partly in response to these dynamics, in February 2021, the Biden Administration issued an executive order on U.S. supply chains, implementing a 100-day review of certain supply chain risks, including with respect to semiconductor manufacturing and advanced packaging supply chains. Increases in market demand or scarcity of raw materials or components have resulted, and may in the future result, in shortages in availability of important components for our solutions, product allocation challenges, deployment delays and increased cost, lead times and delivery cycle time lines. These and other industry, market and regulatory disruptions and challenges affecting our suppliers could expose our business to increased costs, loss or lack of supply, or discontinuation of components, lost revenue, increased lead times and deployment delays that could harm our business, results of operations and customer relationships.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following table provides a summary of repurchases of our common stock during the first quarter of fiscal 2021:

Period	Total Number of Shares Purchase [1]		Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [1]		Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)
November 1, 2020 to November 28, 2020	—	$	—	—	$	275,388
November 29, 2020 to December 26, 2020	73,430	$	50.42	73,430	$	271,686
December 27, 2020 to January 30, 2021	178,148	$	53.34	178,148	$	262,183
	251,578	$	52.49	251,578		

[1] On December 13, 2018, we announced that our Board of Directors authorized a program to repurchase up to $500.0 million of our common stock. After temporarily suspending repurchases of our common stock during fiscal 2020, we reinstituted our stock repurchase program in the first quarter of 2021. The amount and timing of repurchases are subject to a variety of factors including liquidity, cash flow, stock price and general business and market conditions. The program may be modified, suspended, or discontinued at any time.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

10.1	Ciena Corporation Incentive Bonus Plan, as amended and restated February 23, 2021*
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*	Represents management contract or compensatory plan or arrangement.

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: March 10, 2021	By:	/s/ Gary B. Smith
		Gary B. Smith President, Chief Executive Officer and Director (Duly Authorized Officer)
Date: March 10, 2021	By:	/s/ James E. Moylan, Jr.
		James E. Moylan, Jr. Senior Vice President, Finance and Chief Financial Officer (Principal Financial Officer)

CIENA CORPORATION
INCENTIVE BONUS PLAN

(Amended and Restated as of February 23, 2021)

1. PURPOSE

The purpose of the Ciena Corporation Incentive Bonus Plan (the "*Plan*"), as amended and restated herein, is to foster the Company's profitable growth and to promote a "pay-for-performance" culture by rewarding employees for achieving results critical to the Company's short-term and long-term success, as measured by the accomplishment of assigned performance goals at the corporate, functional and/or individual levels.

2. DEFINITIONS

2.1 "*Actual Bonus Payable*" means the amount, if any, actually paid to a Participant for a Bonus Period, which amount may be equal to, greater than or less than the Target Bonus, as determined in the sole discretion of the relevant manager of such Participant (as approved by Company management, up to the functional senior vice president), based upon the Participant's achievement of assigned Individual Performance Goals for the Bonus Period.

2.2 "*Base Salary*" means the annual base salary payable to a Participant at the rate in effect as of the first day of the last fiscal quarter of a Bonus Period. Base Salary shall not be reduced for any salary reduction contributions (i) to deferred arrangements under Section 401(k) of the Code, (ii) to a cafeteria plan under Section 125 of the Code, or (iii) to a nonqualified deferred compensation plan. Base Salary shall not take into account any bonuses, reimbursed expenses, credits or benefits (including benefits under any plan of deferred compensation), or any additional cash compensation or compensation payable in a form other than cash.

2.3 "*Bonus Award*" means the award of an incentive cash bonus to a Participant under the Plan, with the actual amount awarded, if any, being the "Actual Bonus Payable."

2.4 "*Bonus Period*" means any Company fiscal period with respect to which the Committee determines that a Bonus Award will be payable in accordance with the terms of the Plan.

2.5 "*CEO*" means the Chief Executive Officer of the Company.

2.6 "*Committee*" means the Compensation Committee of the Board of Directors of the Company.

2.7 "*Company*" means Ciena Corporation and any successor thereto.

2.8 "*Corporate Performance Goals*" means specific financial or non-financial measures of performance of the Company or a business unit, division or organization of the Company as determined by the Committee for each Bonus Period, which measures may consist of a range. The Committee may establish different Corporate Performance Goals for discrete business units, divisions or organizations within the Company (e.g., Blue Planet Software). The meeting of all or such portion of the Corporate Performance Goals as required by the Committee is a condition for the payment of Bonus Awards for each Bonus Period.

2.9 "*Eligible Employee*" means, for each Bonus Period, a person who:

(a) is regularly employed by the Company or a Subsidiary on a full-time or part-time basis;

(b) has been employed by the Company or a Subsidiary for either (i) the entire Bonus Period, if the Bonus Period is a fiscal quarter or (ii) at least the last full fiscal quarter of the Bonus Period, if the Bonus Period is a half or full fiscal year;

(c) is employed by the Company or a Subsidiary on the last regular working day of the Bonus Period (including a person who is on authorized leave from the Company or a Subsidiary under applicable company policy on the last day of the Bonus Period);

(d) is not eligible for the payment of sales commissions or to participate under a similar cash incentive arrangement put forth by a Subsidiary; and

(e) has not engaged in conduct that the Committee determines to be against the best interests of the Company.

2.10 "*Executive Officer*" means an employee who serves or has served as an Executive Officer of the Company (as such term is defined under Rule 3b-7 of the Securities Exchange Act of 1934, as amended) during a Bonus Period.

2.11 "*Funded Bonus Pool*" means the aggregate amount of Bonus Awards actually to be paid for the relevant Bonus Period, if any.

2.12 "*Individual Performance Goals*" means specific measures of performance expected of each Participant as assigned and assessed by the relevant Company managers for each Bonus Period. The meeting of all or such portion of the Individual Performance Goals as required by the relevant Company manager in his or her discretion is a condition for Participant's receipt of a Bonus Award for the applicable Bonus Period.

2.13 "*Participant*" means an Eligible Employee who the Committee designates to be a Participant for the applicable Bonus Period in accordance with Article 3.

2.14 "*Subsidiary*" means any corporation or other entity (a) in which the Company owns, directly or indirectly, stock possessing 50 percent or more of the total combined voting power of all classes of stock, (b) over which the Company has effective operating control, or (c) in which the Company has a material interest as determined by the Committee.

2.15 "*Target Bonus*" means each Participant's targeted Bonus Award amount, expressed as a percentage of each Participant's Base Salary corresponding to his or her position or salary grade level in effect as of the first day of the last fiscal quarter of a Bonus Period, based on an assumed achievement of 100% of the Corporate Performance Goal(s) established by the Committee for the applicable Bonus Period.

2.16 "*Total Target Bonus*" means the total targeted amount of Bonus Awards for each Bonus Period, as determined by the Committee.

3. DESIGNATION OF PARTICIPANTS

For each Bonus Period, the Committee shall designate the Participants under the Plan. Designation of a person as an Eligible Employee, or a Participant for any Bonus Period, shall not bind the Committee to designate such person as a Participant in any future Bonus Period and such person shall have no claim or entitlement to compensation arising from his or her not participating in the Plan in any prospective Bonus Periods.

4. ESTABLISHMENT OF PERFORMANCE GOALS

4.1 For each Bonus Period, the Committee shall establish in writing:

- The Total Target Bonus;
- The Corporate Performance Goal(s); and
- Any formulae for calculating the Funded Bonus Pool, including application of any performance factors or multipliers and any adjustments for over-achievement or under-achievement of the Corporate Performance Goal(s).

4.2 In determining whether, and to what extent, the Company has met the Corporate Performance Goal(s) for a Bonus Period, the Committee shall determine, in its discretion, the nature and amount of any adjustments that should be made in order reasonably and equitably to reflect the intent and purpose of the Plan.

4.3 For each Bonus Period, the officers of the Company shall direct the relevant managers of Participants to establish Individual Performance Goals for each Participant.

5. DETERMINATION OF BONUS AWARDS

5.1 Evaluation of Performance Against Corporate Performance Goal(s). As soon as practicable after the end of each Bonus Period, the Committee shall determine whether and to what extent the Corporate Performance Goal(s) for the Bonus Period were achieved and, if so, at what level of achievement under the formulae established for the Bonus Period.

5.2 Approval of Funded Bonus Pool. If the Committee determines that one or more of the Corporate Performance Goals has been achieved, the Committee shall approve the amount of the Funded Bonus Pool in accordance with the relevant calculation for the Bonus Period and authorize the relevant officers of the Company to approve the payment of Bonus Awards corresponding to the level of achievement of the Individual Performance Goals for each Participant as set forth in Section 5.4 below.

5.3 Changes in Work Status or Work Assignment During Bonus Period.

(a) *Reduction in Force*. A Participant who is employed during the first three full fiscal quarters of a fiscal year Bonus Period, and is involuntarily terminated by the Company during the fourth fiscal quarter of the Bonus Period for reasons other than cause or performance in connection with a bona fide reduction in force approved by Company officers, shall be eligible to receive a Bonus Award prorated based on the total percentage of days employed during the Bonus Period, even though he or she has not been employed for the last full fiscal quarter of the Bonus Period and is not employed on the last regular working day of the Bonus Period.

(b) *Employment Status*. A Participant who transfers between full-time and part-time employment status during a Bonus Period shall be eligible to receive a Bonus Award prorated based on both the percentage of days employed and the applicable Base Salary while in full-time and part-time status, provided that he or she otherwise meets the definition of Eligible Employee.

(c) *Transfer To or From Sales Compensation Role*. An individual who either (i) transfers during the first three quarters of a fiscal year Bonus Period from a role that is subject to the payment of sales commissions to a role that is not subject to the payment of sales commissions (and thus an Eligible Employee), or (ii) transfers during the last three quarters of a fiscal year Bonus Period from a role that is not subject to the payment of sales commissions (and thus an Eligible Employee) to a role that is subject to the payment of sales commissions, shall be eligible to receive a Bonus Award prorated based on the percentage of days employed as an Eligible Employee during the Bonus Period.

(d) *Role Transfer Between Funded Bonus Pools*. A Participant who transfers during a fiscal year Bonus Period to a new role that is subject to different Corporate Performance Goals and/or a different calculation of Funded Bonus Pool than the previous role, shall be eligible to receive a Bonus Award either (i) from the Funded Bonus Pool applicable to the role in which the Participant is working on the last day of the Bonus Period, if the Participant transferred to the new role during the first half of the fiscal year or (ii) prorated from the two Funded Bonus Pools based on the percentage of days worked in each role during the Bonus Period, if the Participant transferred to the new role during the second half of the fiscal year. A Participant who transfers roles during a fiscal quarter or half year Bonus Period, or during a fiscal year Bonus Period in which he or she is not employed for the entire year, shall be eligible to receive a Bonus Award from the Funded Bonus Pool applicable to the role in which the Participant is working on the last day of the Bonus Period.

5.4 Determination of Actual Bonus Payable. Based upon the level of achievement of the Individual Performance Goals established for each Participant, as determined in the sole discretion of each Participant's relevant manager (as approved by Company management, up to the functional senior vice president), Participants shall be eligible to receive a Bonus Award to be paid from the Funded Bonus Pool, if any. The Actual Bonus Payable to any Participant, if any, shall be determined in the sole discretion of the Participant's manager (as approved by Company management, up to the functional senior vice president) and may be equal to, greater than or less than the Target Bonus for the Participant. Except as determined by the Committee, however, the aggregate Actual Bonus Payable to all Participants in a Bonus Period shall not exceed the Funded Bonus Pool. For the avoidance of doubt, and notwithstanding any Funded Bonus Pool for a Bonus Period, a Participant's Actual Bonus Payable for that Bonus Period may be zero, as determined in the sole discretion of the Participant's manager (as approved by Company management, up to the functional senior vice president) based upon the level of achievement of the Individual Performance Goals established for such Participant.

6. VESTING AND PAYMENT OF BONUS AWARDS

6.1 For any Bonus Period, if and to the extent awarded in accordance with Section 5.3, Bonus Awards shall be payable to a Participant who remains an Eligible Employee, even if the Participant has ceased to be an employee of the Company or a Subsidiary on the payment date for the Bonus Award.

6.2 Except to the extent the Participant is or becomes ineligible to receive a Bonus Award, the Funded Bonus Pool (including any Bonus Awards payable thereunder in accordance with this Plan) shall be immediately and fully vested upon the Committee's authorization of the Funded Bonus Pool and payment of awards therefrom for the applicable Bonus Period. In general, Bonus Awards shall be paid to Participants within a reasonable time after the Committee's authorization of such awards, but in any event shall be paid no later than March 15 of the year following the end of the applicable Bonus Period.

6.3 Bonus Awards shall be payable solely from the general assets of the Company and its Subsidiaries. No Participant shall have any right to, or interest in, any specific assets of the Company or any Subsidiary in respect of Bonus Awards.

7. RECOUPMENT OF BONUS AWARDS

7.1 In the event that the Company is required to prepare an accounting restatement due to the material non-compliance of the Company with any financial reporting requirement under the securities laws as a result of misconduct, then the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002 and any Participant who knowingly engaged in the misconduct, was grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct, or was grossly negligent in failing to prevent the misconduct, shall reimburse the Company the amount of any Bonus Awards paid under this Plan during the three-year period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document that contained such material non-compliance.

7.2 Any Bonus Awards paid under this Plan shall be subject to mandatory repayment by the Participant to the Company (i) to the extent set forth in this Plan or (ii) to the extent the Participant is, or in the future becomes, subject to (A) any Company or Subsidiary “clawback” or recoupment policy that is adopted by the Company, including to comply with the requirements of applicable laws, rules or regulations, or (B) any applicable law that imposes mandatory recoupment, under circumstances set forth in such applicable law.

8. NO ASSIGNMENT

Bonus Awards authorized under this Plan shall be paid only to Participants (or, in the event of a Participant's death, to the Participant’s heirs) in accordance with the terms hereof. No Bonus Award, nor any part thereof, and no right or claim to any of the monies payable pursuant to this Plan shall be anticipated, assigned, or otherwise encumbered, nor be subject to attachment, garnishment, execution or levy of any kind, prior to the actual payment and delivery of said amount to the Participant and any attempted assignment or other encumbrance or attachment, garnishment, execution or levy shall be of no force or effect, except as otherwise provided by law. Notwithstanding the above, if a Participant is adjudged incompetent, the Committee may direct that any amounts payable be paid to the Participant's guardian or legal representative.

9. ADMINISTRATION AND AUTHORITY

9.1 Administration. Unless otherwise determined by the Company’s Board of Directors, and except as otherwise provided herein, the Committee shall administer the Plan.

9.2 Powers. The Committee shall have all powers necessary to administer the Plan, including, without limitation, the sole powers and discretionary authority:

- to designate the Participants for each Bonus Period;

- to establish the Total Target Bonus for each Bonus Period;

- to establish the Corporate Performance Goal(s) for each Bonus Period and, as appropriate, the ranges and thresholds for the Corporate Performance Goal(s);

- to establish any formulae for calculating the Funded Bonus Pool for each Bonus Period;

- to approve Target Bonus percentages for the CEO and the Executive Officers;

- to adopt, amend and rescind rules for the administration of the Plan and to prescribe any forms required to administer the Plan; and

- to decide all questions and settle all controversies and disputes that may arise in connection with the Plan.

9.3 Actions of the Company. No Participant shall receive a Bonus Award under this Plan unless the Company has determined in its discretion that the Participant is entitled to the same. All determinations, interpretations, rules, and decisions of the Committee, the Company, the CEO or their delegates shall be conclusive and binding upon all persons having or claiming to have any interest or right under the Plan.

9.4 Delegation. The Committee shall have the power to delegate such specific duties and responsibilities under the Plan to the CEO as it may determine to be necessary or desirable. Any delegation by the Committee may allow further delegations by the CEO. The Committee may rescind any delegation at any time. Each person or entity to which a duty or responsibility has been delegated shall be responsible for the exercise of such duty or responsibility and shall not be responsible for any act or failure to act of any other person or entity. Notwithstanding the foregoing, nothing in this Section 9.4 shall permit the Committee to delegate any duties or responsibilities under the Plan to the CEO with respect to the Executive Officers.

10. MISCELLANEOUS

10.1 Employment and Plan Rights. The Plan shall not be deemed to give any Eligible Employee or Participant the right to be retained in the employ of the Company or any Subsidiary, nor shall the Plan interfere with the right of the Company or any Subsidiary to discharge any employee at any time, nor shall the Plan be deemed to give any employee any right to any Bonus Award until such award is authorized in accordance with Section 5. With respect to Participants located outside of the United States, Bonus Awards and the income from and value thereof are not intended to be and shall not be considered part of normal or expected compensation or salary for any purpose and in no event should be considered as compensation for, or relating in any way to, past services for the Company or any Subsidiary.

10.2 Amendment and Termination. The Company may amend or terminate the Plan, in full or in part, at any time and from time to time, provided that no such amendment or termination shall adversely affect the rights of any Participant to any Bonus Award previously earned or paid.

10.3 Nonalienation. No benefit payable at any time under this Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment, or encumbrance of any kind.

10.4 Tax Withholding. The Company shall withhold any applicable income or employment taxes that it determines in its discretion should be, or are otherwise required to be, withheld from any Bonus Awards provided under this Plan.

10.5 Limitation on Liability. By participation in this Plan, Participants acknowledge that neither the Company nor any Subsidiary shall be liable for any foreign exchange rate fluctuation between the applicable local currency and the United States dollar that may affect the value of any Bonus Award under the Plan.

10.6 Assignment to Successor. The Company shall assign its rights and obligations under this Plan to any successor organization resulting from a merger, acquisition or affiliation involving the Company, or resulting from a sale of substantially all of the Company's assets.

10.7 Controlling Law. This Plan shall in all respects be governed by, and construed in accordance with, the laws of the State of Delaware (without regard to the principles of conflicts of laws).

10.8 Deferral of Compensation; Savings Clause. Delivery of any Bonus Award and treatment under this Plan shall be subject to any deferral election validly made by eligible participants under the Ciena Corporation Deferred Compensation Plan or any successor plan. If the Participant is a "specified employee," as such term is defined pursuant to Section 409A of the Code and the regulations and guidance issued thereunder, and an amount payable under this Plan constitutes deferred compensation (within the meaning of Section 409A) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A, then such Payments shall not be made until the earlier of the Participant's death or six months and one day after the Participant's last day of employment.

10.9 Right of Set Off. The Company and any Subsidiary shall have the right to withhold and set off against any amount otherwise due and payable under this Plan to the extent permitted by applicable law.

10.10 Severability; Waiver. The provisions of this Plan are severable, and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable. Any waiver by the Company of non-compliance with any provision of this Plan shall not operate or be construed as a waiver of any other provision of this Plan.

Ciena Corporation

By: /s/ David M. Rothenstein

David M. Rothenstein

Senior Vice President, General Counsel and Secretary

CIENA CORPORATION
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Gary B. Smith, certify that:

1. I have reviewed this quarterly report of Ciena Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 10, 2021

/s/ Gary B. Smith
Gary B. Smith
President and Chief Executive Officer

CIENA CORPORATION

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, James E. Moylan, Jr., certify that:

1. I have reviewed this quarterly report of Ciena Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 10, 2021

/s/ James E. Moylan, Jr.

James E. Moylan, Jr.
Senior Vice President and Chief Financial Officer

CIENA CORPORATION

Written Statement of Chief Executive Officer

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, the Chief Executive Officer of Ciena Corporation (the “Company”), hereby certifies that, to his knowledge, on the date hereof:

(a) the Report on Form 10-Q of the Company for the quarter ended January 30, 2021 filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gary B. Smith

Gary B. Smith
President and Chief Executive Officer
March 10, 2021

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ciena Corporation and will be retained by Ciena Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

CIENA CORPORATION

Written Statement of Chief Financial Officer

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, the Chief Financial Officer of Ciena Corporation (the “Company”), hereby certifies that, to his knowledge, on the date hereof:

(a) the Report on Form 10-Q of the Company for the quarter ended January 30, 2021 filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James E. Moylan, Jr.

James E. Moylan, Jr.
Senior Vice President and Chief Financial Officer
March 10, 2021

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ciena Corporation and will be retained by Ciena Corporation and furnished to the Securities and Exchange Commission or its staff upon request.