



Ciena Corporation

Earnings Presentation

Period ended January 31, 2020

March 5, 2020

Forward-looking statements and non-GAAP measures

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

Ciena's actual results, performance or events may differ materially from these forward-looking statements made or implied due to a number of risks and uncertainties relating to Ciena's business, including: the effect of broader economic and market conditions on our customers and their business; our ability to execute our business and growth strategies; changes in network spending or network strategy by our customers; seasonality and the timing and size of customer orders, including our ability to recognize revenue relating to such sales; the level of competitive pressure we encounter; the product, customer and geographic mix of sales within the period; supply chain disruptions and the level of success relating to efforts to optimize Ciena's operations; changes in foreign currency exchange rates affecting revenue and operating expense; factors beyond our control such as natural disasters, pandemics, or a widespread health epidemic, such as the outbreak of the 2019 novel coronavirus; the impact of the Tax Cuts and Jobs Act; changes in tax or trade regulations, including the imposition of tariffs and duties; and the other risk factors disclosed in Ciena's periodic reports filed with the Securities and Exchange Commission (SEC) including Ciena's Annual Report on Form 10-K filed with the SEC on December 20, 2019 and Ciena's Quarterly Report on Form 10-Q to be filed with the SEC.

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

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

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

Q1 FY 2020 key highlights

Achieving balanced growth

- Non-telco represented 35% of total revenue
- Direct web-scale contributed 15% of total revenue
- MSO contributed 9% of total revenue
- Americas revenue up 11% YoY



Driving the pace of innovation

- TTM Adjusted R&D* investment was \$536M
- WaveLogic Ai has 197 total customers with 36 new wins in Q1
- Announced our first WaveLogic 5 customers



Delivering shareholder value

- Repurchased approximately 1.3 million shares of common stock for an aggregate price of \$50.7 million
- Revenue growth of 7% YoY
- Adjusted EPS* growth of 58% YoY



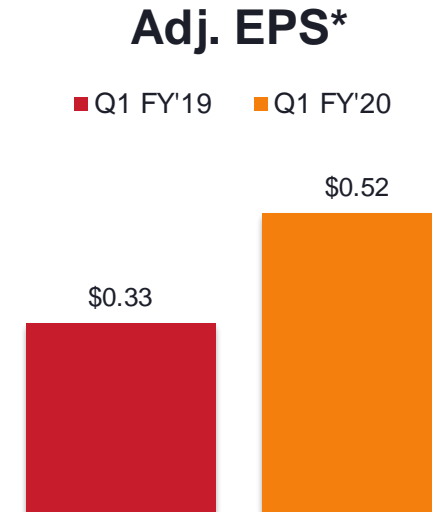
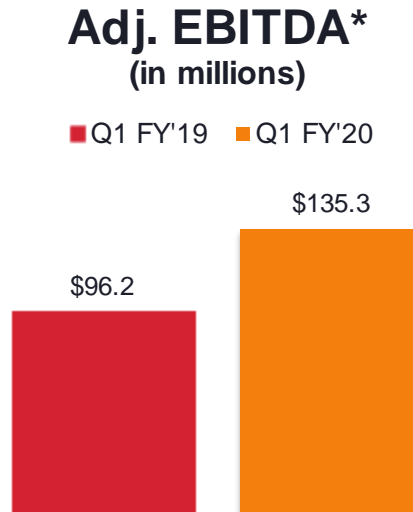
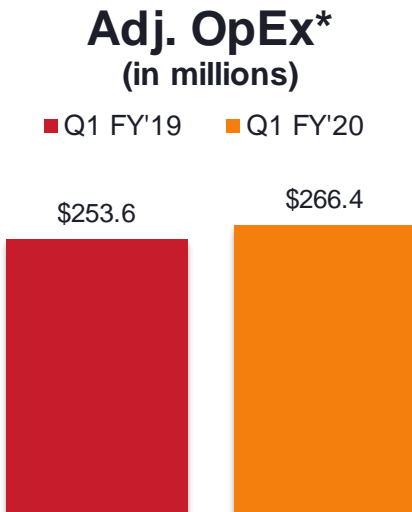
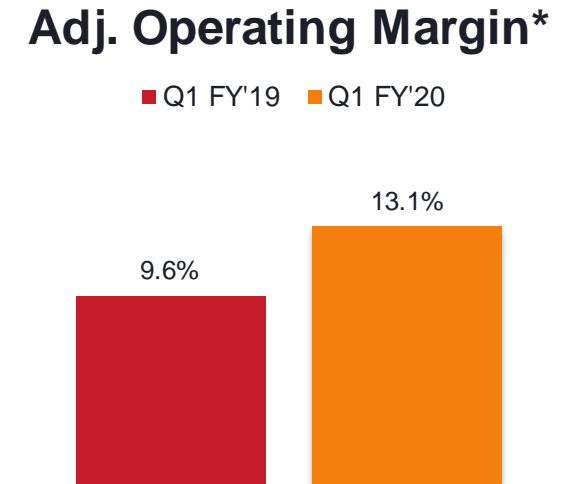
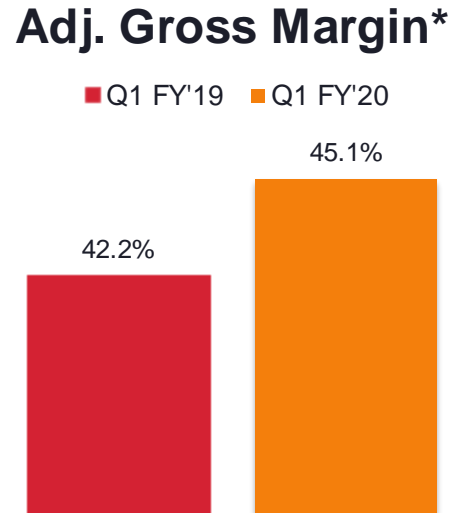
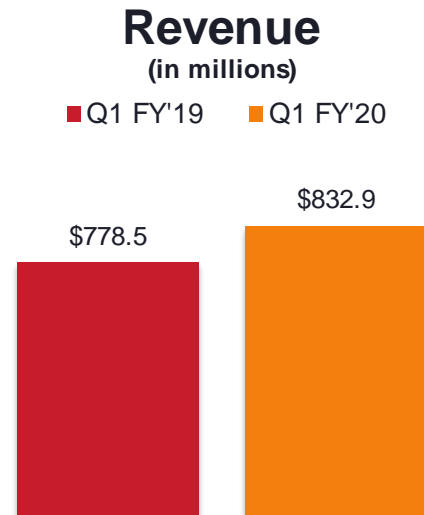
* A reconciliation of these non-GAAP measures to our GAAP results is included in the appendix to this presentation.

Q1 FY 2020 financial highlights

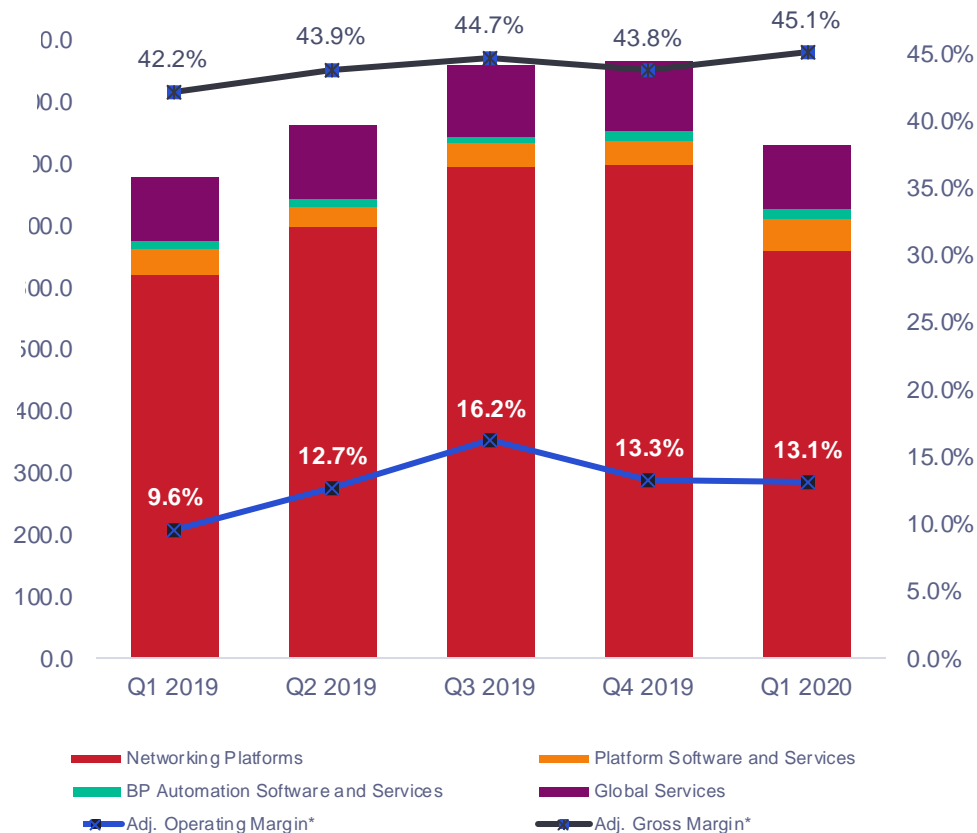
Revenue	\$833M
Adjusted Gross Margin*	45.1%
Adjusted Operating Margin*	13.1%
Adjusted Operating Expense*	\$266M
Adjusted EBITDA*	\$135M
Adjusted EPS*	\$0.52

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

Q1 FY 2020 comparisons (year-over-year)



Revenue by segment (Amounts in millions)



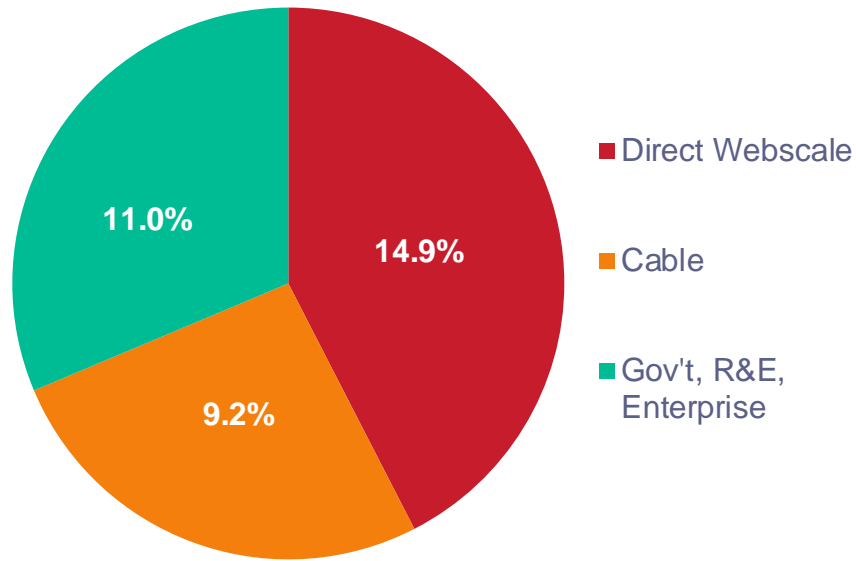
	Q1 FY 2020		Q1 FY 2019	
	Revenue	%**	Revenue	%**
Networking Platforms				
Converged Packet Optical	\$591.5	71.0	\$548.9	70.5
Packet Networking	67.5	8.1	71.6	9.2
Total Networking Platforms	659.0	79.1	620.5	79.7
Platform Software and Services	51.9	6.2	41.6	5.3
Blue Planet Automation Software and Services	15.5	1.9	15.0	1.9
Global Services				
Maintenance Support and Training	61.8	7.4	61.3	8.0
Installation and Deployment	34.9	4.2	30.6	3.9
Consulting and Network Design	9.8	1.2	9.5	1.2
Total Global Services	106.5	12.8	101.4	13.1
Total	\$832.9	100.0%	\$778.5	100.0%

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

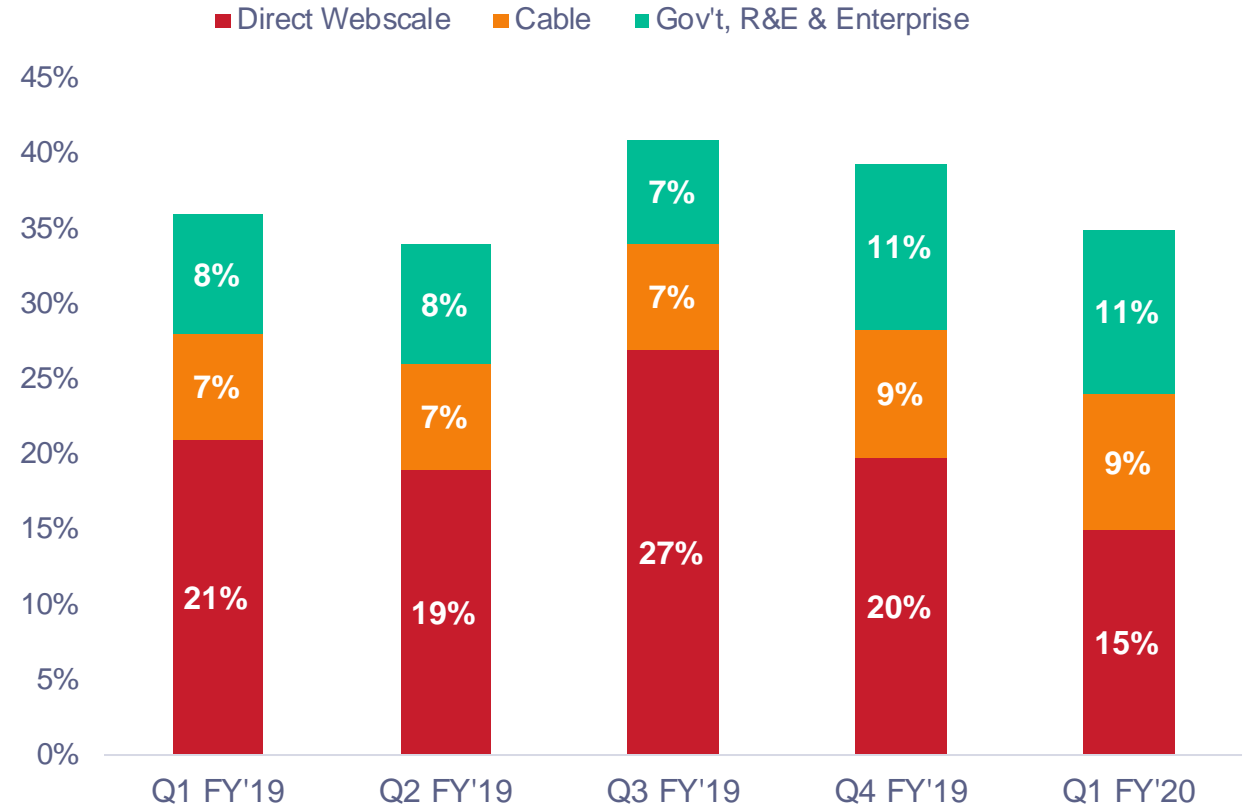
** Denotes % of total revenue

Continued strength derived from non-telco revenue*

Q1 FY 2020

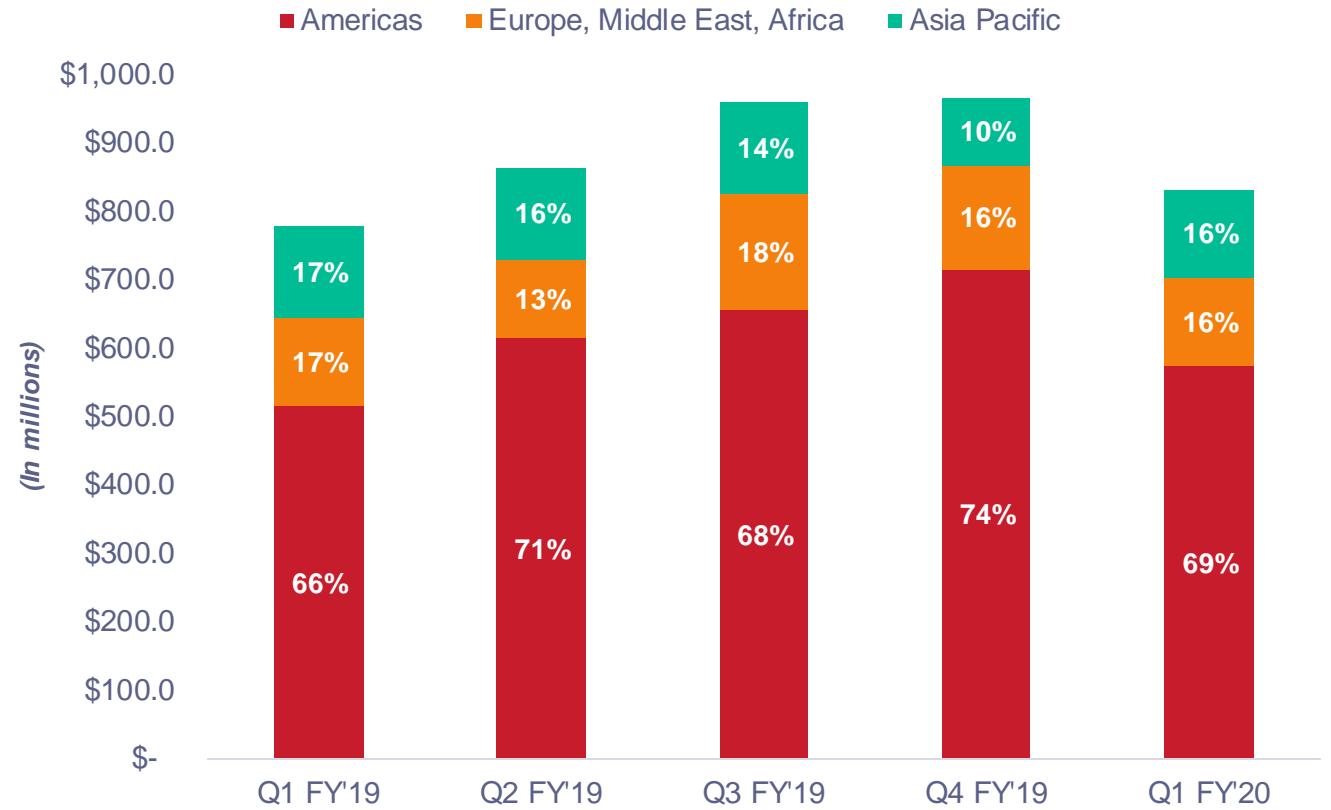
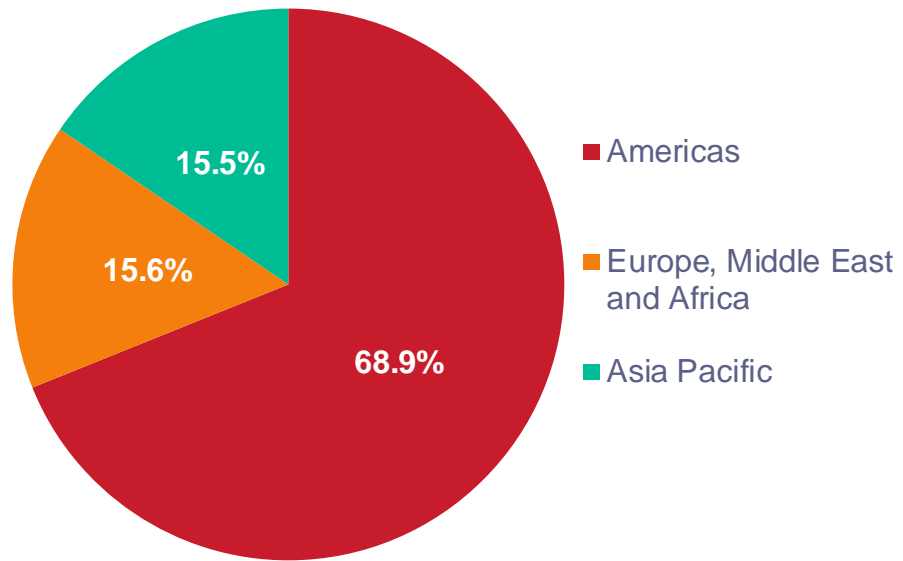


*represents 35.0% of total revenue in Q1 FY 2020



Revenue by geographic region

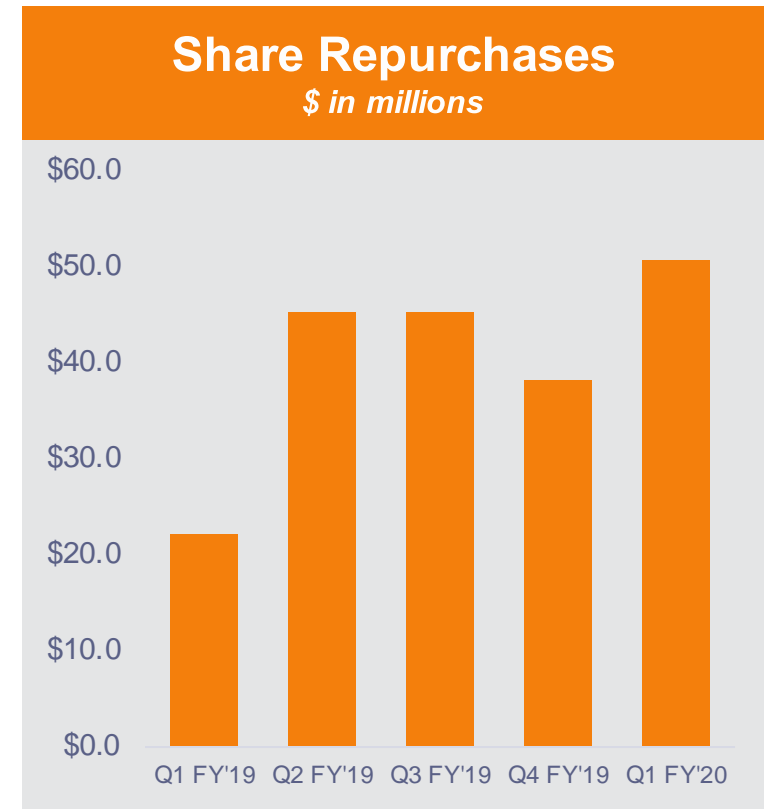
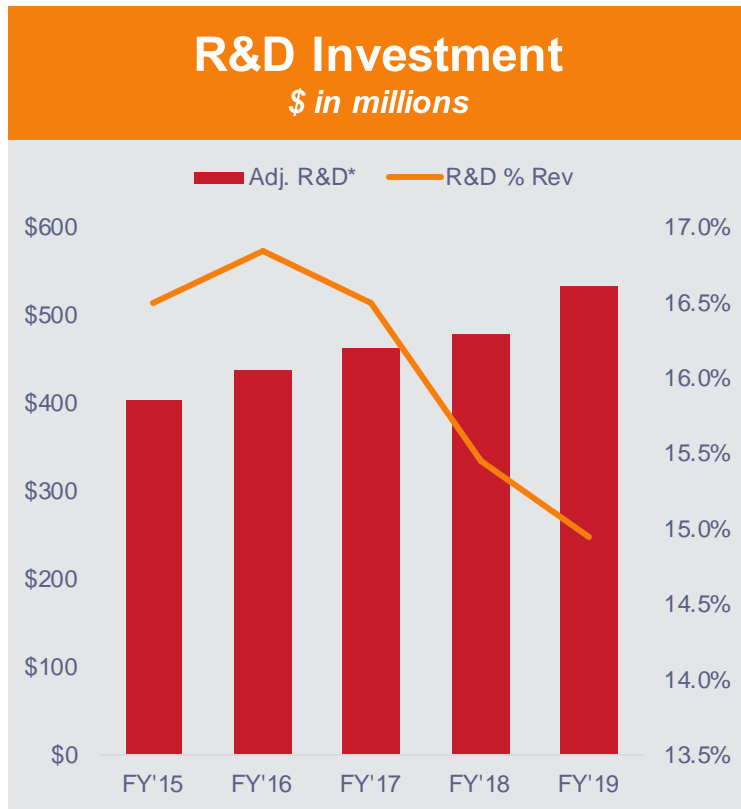
Q1 FY 2020



Q1 FY 2020 balance sheet and operating metrics

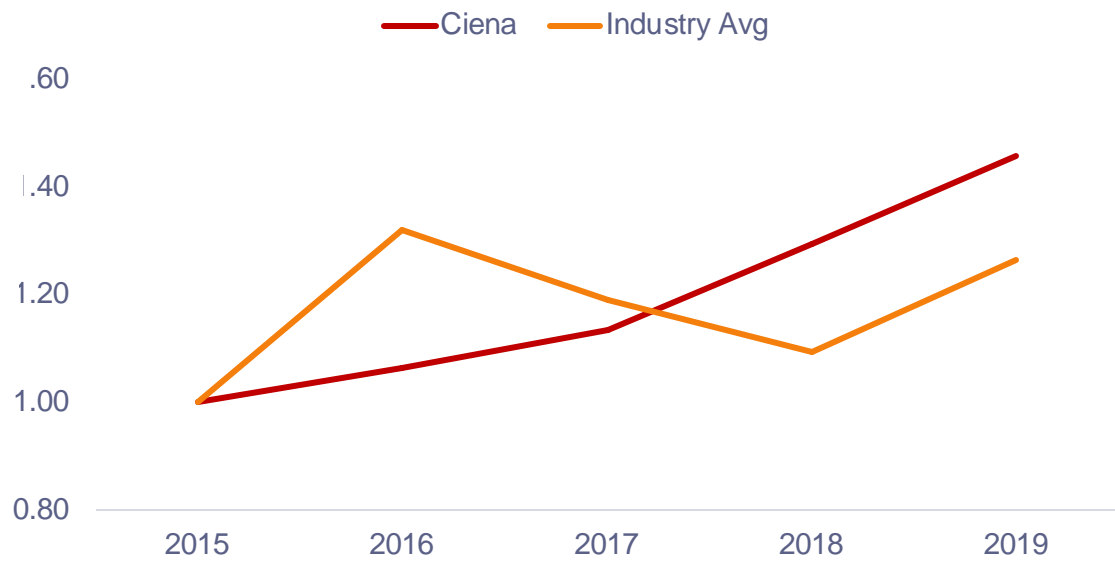
Cash and Investments	\$957M
Cash Flow From Operations	\$40M
Free Cash Flow	\$13M
Inventory Turns	4.5
Leverage	1.3x
Net Debt	(\$198M)

Returning value to shareholders through strong capital allocation priorities

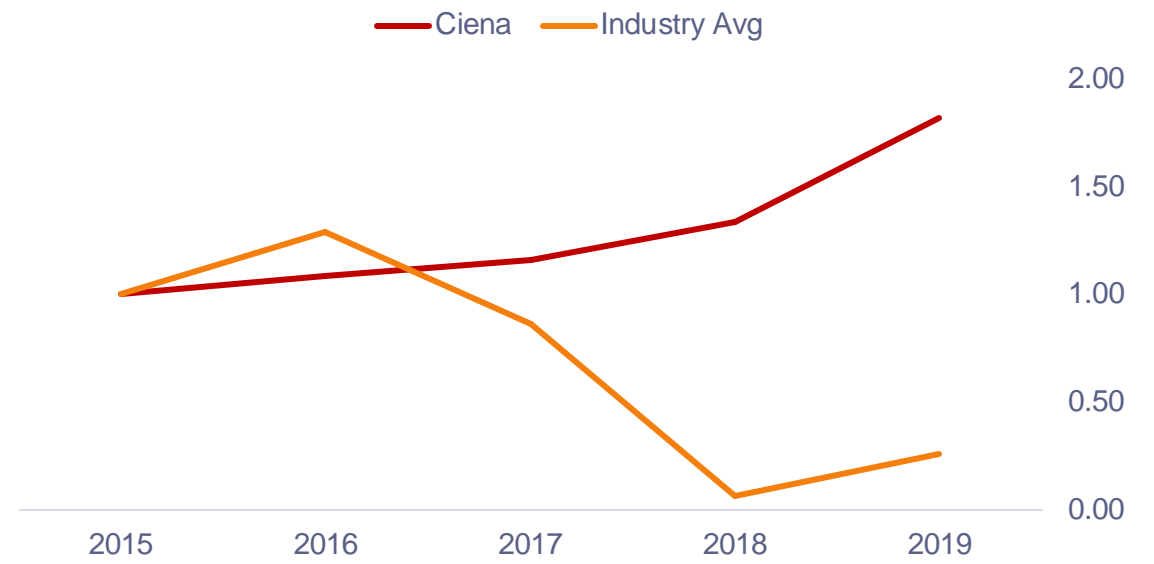


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Normalized Revenue



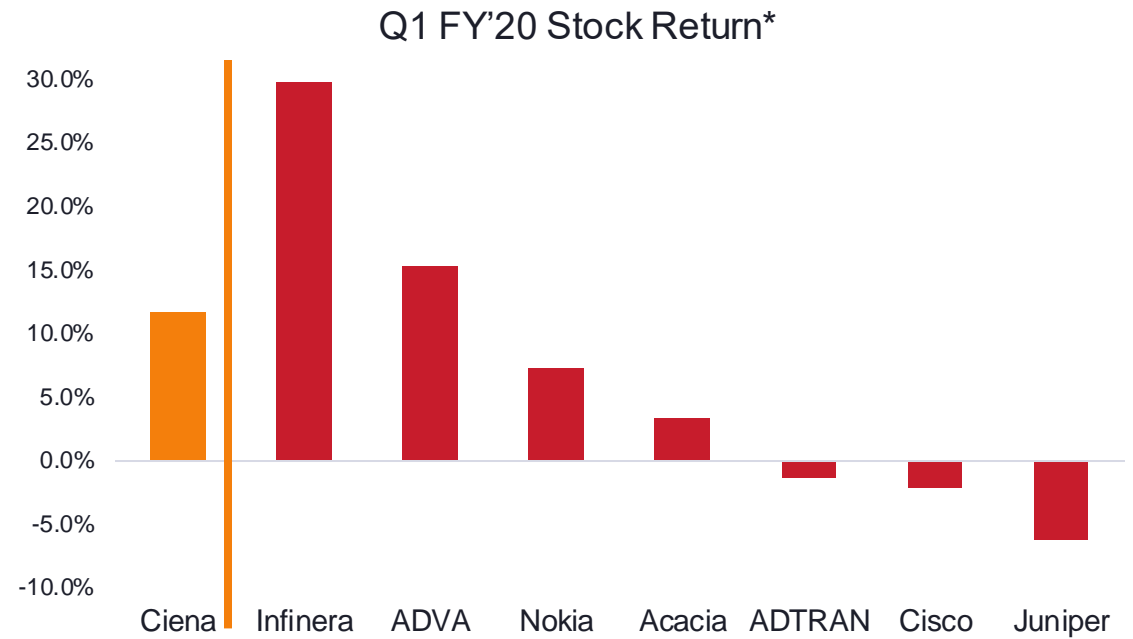
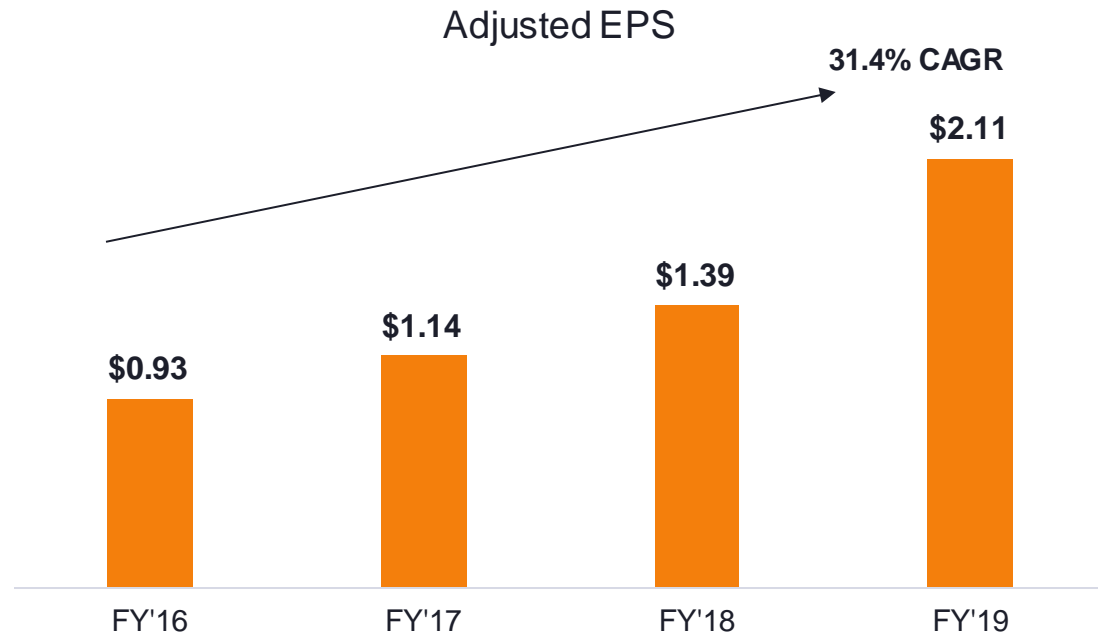
Normalized Adjusted OM



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

INFN represents INFN+Coriant from the time the acquisition closed

Delivering profitability and total shareholder return



Source: company disclosures and S&P Capital IQ
 *Q1 represents 11/1/19-1/31/20

Business outlook and long-term targets



Business Outlook

Q2 FY 2020¹

Revenue	\$875M to \$905	Includes an approximate \$30 million revenue reduction due to the anticipated impact of COVID-19
Adjusted Gross Margin	42%-44%	
Adjusted Operating Expense	~\$275M	

FY 2020²

Revenue	Low end of 6%-8% target annual growth rate
Adjusted Gross Margin	42%-44%
Adjusted Operating Margin	15%
Adjusted Operating Expense	\$270M-\$275M average range per quarter

1. Projections or outlook with respect to future operating results are only as of March 5, 2020, the date presented on the related earnings call. Actual results may differ materially from these forward-looking statements. Ciena assumes no obligation to update this information, whether as a result of new information, future events or otherwise.
2. Projections or outlook with respect to future operating results are only as of December 12, 2019, the date presented on the related earnings call. Actual results may differ materially from these forward-looking statements. Ciena assumes no obligation to update this information, whether as a result of new information, future events or otherwise.

Long-term financial targets¹

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

Revenue	Adj. operating margin	Adj. EPS	Free cash flow
Approximately 6% to 8% annual growth over the next three years	15% for fiscal 2020; 16%-17% over the next three years	Target growth rate at an average of 20% per year over the next three years	Approximately 65-75% of adjusted operating income over the next three years

¹ Projections or outlook with respect to future operating results are only as of December 12, 2019, the date presented on the related earnings call. Actual results may differ materially from these forward-looking statements. Ciena assumes no obligation to update this information, whether as a result of new information, future events or otherwise.

Q1 fiscal 2020 appendix



Gross Profit Reconciliation (Amounts in thousands)

	Q1 FY 2020	Q4 FY 2019	Q3 FY 2019	Q2 FY 2019	Q1 FY 2019
GAAP gross profit	\$370,535	\$419,696	\$424,352	\$374,677	\$323,341
Share-based compensation-products	671	748	781	702	637
Share-based compensation-services	842	715	783	907	770
Amortization of intangible assets	3,834	3,303	3,303	3,303	3,418
Total adjustments related to gross profit	5,347	4,766	4,867	4,912	4,825
Adjusted (non-GAAP) gross profit	\$375,882	\$424,462	\$429,219	\$379,589	\$328,166
Adjusted (non-GAAP) gross margin	45.1%	43.8%	44.7%	43.9%	42.2%

Operating Expense Reconciliation (Amounts in thousands)

	Q1 FY 2020	Q4 FY 2019	Q3 FY 2019	Q2 FY 2019	Q1 FY 2019
GAAP operating expense	\$292,578	\$326,494	\$299,051	\$294,357	\$275,398
Share-based compensation-research and development	3,849	3,287	3,560	4,083	3,391
Share-based compensation-sales and marketing	4,613	4,151	4,192	4,346	3,785
Share-based compensation-general and administrative	5,527	6,425	5,813	5,491	5,112
Amortization of intangible assets	5,853	5,222	5,529	5,529	5,528
Significant asset impairments and restructuring costs	4,472	12,842	5,355	4,068	2,273
Acquisition and integration costs, excluding share-based compensation	1,819	(735)	1,362	1,135	1,608
Legal settlement	-	-	-	-	137
Total adjustments related to operating expense	\$26,133	31,192	\$25,811	\$24,652	\$21,834
Adjusted (non-GAAP) operating expense	\$266,445	\$295,302	\$273,240	\$269,705	\$253,564

Income from Operations Reconciliation (Amounts in thousands)

	Q1 FY 2020	Q4 FY 2019	Q3 FY 2019	Q2 FY 2019	Q1 FY 2019
GAAP income from operations	\$77,957	\$93,202	\$125,301	\$80,320	\$47,943
Total adjustments related to gross profit	5,347	4,766	4,867	4,912	4,825
Total adjustments related to operating expense	26,133	31,192	25,811	24,652	21,834
Total adjustments related to income from operations	31,480	35,958	30,678	29,564	26,659
Adjusted (non-GAAP) income from operations	\$109,437	\$129,160	\$155,979	\$109,884	\$74,602
Adjusted (non-GAAP) operating margin	13.1%	13.3%	16.2%	12.7%	9.6%

Net Income Reconciliation (Amounts in thousands)

	Q1 FY 2020	Q4 FY 2019	Q3 FY 2019	Q2 FY 2019	Q1 FY 2019
GAAP net income	\$62,328	\$80,331	\$86,749	\$52,738	\$33,616
Exclude GAAP provision for income taxes	9,814	2,552	30,198	17,867	9,139
Income before income taxes	72,142	82,883	116,947	70,605	42,755
Total adjustments related to income from operations	31,480	35,958	30,678	29,564	26,659
Loss on extinguishment and modification of debt	646	-	-	-	-
Adjusted income before income taxes	104,268	118,841	147,625	100,169	69,414
Non-GAAP tax provision on adjusted income before income taxes	22,522	28,403	35,282	23,940	16,590
Adjusted (non-GAAP) net income	\$81,746	\$90,438	\$112,343	\$76,229	\$52,824
Weighted average basic common shares outstanding	154,334	154,852	155,488	156,170	156,314
Weighted average dilutive potential common shares outstanding ¹	155,738	156,612	157,455	158,289	158,174

Net Income per Common Share

	Q1 FY 2020	Q4 FY 2019	Q3 FY 2019	Q2 FY 2019	Q1 FY 2019
GAAP diluted net income per common share	\$ 0.40	\$ 0.51	\$ 0.55	\$ 0.33	\$ 0.21
Adjusted (Non-GAAP) diluted net income per common share	\$ 0.52	\$ 0.58	\$ 0.71	\$ 0.48	\$ 0.33

1. Weighted average dilutive potential common shares outstanding used in calculating adjusted (non-GAAP) diluted net income per common share for the first quarter of fiscal 2020 includes 1.4 million shares underlying certain stock options and stock unit awards.

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

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)	Q1 FY 2020	Q4 FY 2019	Q3 FY 2019	Q2 FY 2019	Q1 FY 2019
Net income (GAAP)	\$ 62,328	\$ 80,331	\$ 86,749	\$ 52,738	\$ 33,616
Add: Interest expense	8,815	9,136	9,404	9,471	9,441
Less: Interest and other income (loss), net	3,646	(1,183)	1,050	(244)	4,253
Add: Loss on extinguishment and modification of debt	646	-	-	-	-
Add: Provision for income taxes	9,814	2,552	30,198	17,867	9,139
Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	25,782	22,505	22,076	21,482	21,513
Add: Amortization of intangible assets	9,687	8,525	8,832	8,832	8,947
EBITDA	\$ 113,426	\$ 124,232	\$ 156,209	\$ 110,634	\$ 78,403
Add: Shared-based compensation cost	15,602	15,290	15,084	15,607	13,755
Add: Significant asset impairments and restructuring costs	4,472	12,842	5,355	4,068	2,273
Add: Acquisition and integration costs	1,819	(735)	1,362	1,135	1,608
Add: Legal settlement	-	-	-	-	137
Adjusted EBITDA	\$ 135,319	\$ 151,629	\$ 178,010	\$ 131,444	\$ 96,176



Thank You