
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

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

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

Ciena Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

001-36250

(Commission File Number)

23-2725311

(IRS Employer Identification No.)

7035 Ridge Road, Hanover, MD

(Address of Principal Executive Offices)

21076

(Zip Code)

(410) 694-5700

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 2.02 – RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

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

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

ITEM 9.01 – FINANCIAL STATEMENTS AND EXHIBITS

(d) The following exhibits are being filed herewith:

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

Ciena Reports Fiscal First Quarter 2019 Financial Results

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

- **Q1 Revenue:** \$778.5 million, increasing 20.5% year over year
- **Q1 Net Income per Share:** \$0.21 GAAP; \$0.33 adjusted (non-GAAP)
- **Share Repurchases:** Repurchased approximately 0.6 million shares of common stock for an aggregate price of \$21.2 million during the quarter

“We began fiscal 2019 with a very strong first quarter performance, including outstanding top and bottom line growth as well as continued market share gains,” said Gary B. Smith, president and CEO, Ciena. “We believe that the combination of our leading innovation and positive industry dynamics will enable us to further extend our leadership position.”

For the fiscal first quarter 2019, Ciena reported revenue of \$778.5 million as compared to \$646.1 million for the fiscal first quarter 2018.

Ciena's GAAP net income for the fiscal first quarter 2019 was \$33.6 million, or \$0.21 per diluted common share, which compares to a GAAP net loss of \$(473.4) million, or \$(3.29) per diluted common share, for the fiscal first quarter 2018.

Ciena's adjusted (non-GAAP) net income for the fiscal first quarter 2019 was \$52.8 million, or \$0.33 per diluted common share, which compares to an adjusted (non-GAAP) net income of \$21.9 million, or \$0.15 per diluted common share, for the fiscal first quarter 2018.

Fiscal First Quarter 2019 Performance Summary

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

	GAAP Results		
	Q1		Y-T-Y*
	FY 2019	FY 2018	
Revenue	\$ 778.5	\$ 646.1	20.5 %
Gross margin	41.5%	42.1%	(0.6)%
Operating expense	\$ 275.4	\$ 255.0	8.0 %
Operating margin	6.2%	2.6%	3.6 %

	Non-GAAP Results		
	Q1		Y-T-Y*
	FY 2019	FY 2018	
Revenue	\$ 778.5	\$ 646.1	20.5 %
Adj. gross margin	42.2%	42.6%	(0.4)%
Adj. operating expense	\$ 253.6	\$ 234.4	8.2 %
Adj. operating margin	9.6%	6.3%	3.3 %

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

	Revenue by Segment			
	Q1 FY 2019		Q1 FY 2018	
	Revenue	%**	Revenue	%**
Networking Platforms				
Converged Packet Optical	\$ 548.9	70.5	\$ 427.4	66.1
Packet Networking	71.6	9.2	68.6	10.6
Total Networking Platforms	620.5	79.7	496.0	76.7
Software and Software-Related Services				
Platform Software and Services	41.6	5.3	44.1	6.8
Blue Planet Automation Software and Services	15.0	1.9	9.4	1.5
Total Software and Software-Related Services	56.6	7.2	53.5	8.3
Global Services				
Maintenance Support and Training	61.3	8.0	56.0	8.7
Installation and Deployment	30.6	3.9	30.0	4.7
Consulting and Network Design	9.5	1.2	10.6	1.6
Total Global Services	101.4	13.1	96.6	15.0
Total	\$ 778.5	100.0	\$ 646.1	100.0

Additional Performance Metrics for Fiscal First Quarter 2019

	Revenue by Geographic Region			
	Q1 FY 2019		Q1 FY 2018	
	Revenue	% **	Revenue	% **
North America	\$ 485.5	62.3	\$ 402.9	62.4
Europe, Middle East and Africa	129.2	16.6	97.8	15.1
Caribbean and Latin America	30.9	4.0	34.6	5.4
Asia Pacific	132.9	17.1	110.8	17.1
Total	\$ 778.5	100.0	\$ 646.1	100.0

** Denotes % of total revenue

- Three 10%-plus customers represented a total of 35% of revenue
- Cash and investments totaled \$788.0 million
- Cash flow used in operations totaled \$14.1 million
- Average days' sales outstanding (DSOs) were 93
- Accounts receivable balance was \$761.2 million
- Unbilled contract asset balance was \$47.5 million
- Inventories totaled \$323.1 million, including:
 - Raw materials: \$75.5 million
 - Work in process: \$10.1 million
 - Finished goods: \$225.9 million
 - Deferred cost of sales: \$60.6 million
 - Reserve for excess and obsolescence: \$(49.0) million
- Product inventory turns were 4.7
- Headcount totaled 6,154

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

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

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

Notes to Investors

Forward-Looking Statements. You are encouraged to review the Investors section of our website, where we routinely post press releases, SEC filings, recent news, financial results, supplemental financial information, and other announcements. From time to time we exclusively post material information to this website along with other disclosure channels that we use. This press release contains certain forward-looking statements that involve risks and uncertainties. These statements are based on current expectations, forecasts, assumptions and other information available to the Company as of the date hereof. Forward-looking statements include statements regarding Ciena's expectations, beliefs, intentions or strategies regarding the future and can be identified by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," "will," and "would" or

similar words. Forward-looking statements in this release include: “We began fiscal 2019 with a very strong first quarter performance, including outstanding top and bottom line growth as well as continued market share gains.”; “We believe that the combination of our leading innovation and positive industry dynamics will enable us to further extend our leadership position.”

Ciena's actual results, performance or events may differ materially from these forward-looking statements made or implied due to a number of risks and uncertainties relating to Ciena's business, including: the effect of broader economic and market conditions on our customers and their business; changes in network spending or network strategy by customers; seasonality and the timing and size of customer orders, including our ability to recognize revenue relating to such sales; the level of competitive pressure we encounter; the product, customer and geographic mix of sales within the period; supply chain disruptions and the level of success relating to efforts to optimize Ciena's operations; changes in foreign currency exchange rates affecting revenue and operating expense; the impact of the Tax Cuts and Jobs Act, changes in estimates of prospective income tax rates and any adjustments to Ciena's provisional estimates whether related to further guidance, analysis or otherwise, and the other risk factors disclosed in Ciena's Report on Form 10-K, which Ciena filed with the Securities and Exchange Commission on December 21, 2018. Ciena assumes no obligation to update any forward-looking information included in this press release.

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

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

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

	Quarter Ended January 31,	
	2019	2018
Revenue:		
Products	\$ 642,532	\$ 525,609
Services	135,995	120,526
Total revenue	<u>778,527</u>	<u>646,135</u>
Cost of goods sold:		
Products	380,442	313,120
Services	74,744	61,250
Total cost of goods sold	<u>455,186</u>	<u>374,370</u>
Gross profit	<u>323,341</u>	<u>271,765</u>
Operating expenses:		
Research and development	128,633	118,524
Selling and marketing	98,113	88,515
General and administrative	39,243	38,406
Significant asset impairments and restructuring costs	2,273	5,961
Amortization of intangible assets	5,528	3,623
Acquisition and integration costs	1,608	—
Total operating expenses	<u>275,398</u>	<u>255,029</u>
Income from operations	47,943	16,736
Interest and other income (loss), net	4,253	1,575
Interest expense	(9,441)	(13,734)
Income before income taxes	42,755	4,577
Provision for income taxes	9,139	477,940
Net income (loss)	<u>\$ 33,616</u>	<u>\$ (473,363)</u>
Net Income (loss) per Common Share		
Basic net income (loss) per common share	<u>\$ 0.22</u>	<u>\$ (3.29)</u>
Diluted net income (loss) per potential common share	<u>\$ 0.21</u>	<u>\$ (3.29)</u>
Weighted average basic common shares outstanding	<u>156,314</u>	<u>143,922</u>
Weighted average dilutive potential common shares outstanding ¹	<u>158,174</u>	<u>143,922</u>

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

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

	January 31, 2019	October 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 668,810	\$ 745,423
Short-term investments	119,143	148,981
Accounts receivable, net	761,186	786,502
Inventories	323,106	262,751
Prepaid expenses and other	217,422	198,945
Total current assets	<u>2,089,667</u>	<u>2,142,602</u>
Long-term investments	—	58,970
Equipment, building, furniture and fixtures, net	288,713	292,067
Goodwill	297,968	297,968
Other intangible assets, net	139,005	148,225
Deferred tax asset, net	728,139	745,039
Other long-term assets	74,614	71,652
Total assets	<u>\$ 3,618,106</u>	<u>\$ 3,756,523</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 335,547	\$ 340,582
Accrued liabilities and other short-term obligations	272,712	340,075
Deferred revenue	85,501	111,134
Current portion of long-term debt	7,000	7,000
Debt conversion liability	—	164,212
Total current liabilities	<u>700,760</u>	<u>963,003</u>
Long-term deferred revenue	50,640	58,323
Other long-term obligations	127,462	119,413
Long-term debt, net	684,939	686,450
Total liabilities	<u>\$ 1,563,801</u>	<u>\$ 1,827,189</u>
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; 156,336,210 and 154,318,531 shares issued and outstanding	1,563	1,543
Additional paid-in capital	6,927,613	6,881,223
Accumulated other comprehensive loss	(10,640)	(5,780)
Accumulated deficit	(4,864,231)	(4,947,652)
Total stockholders' equity	<u>2,054,305</u>	<u>1,929,334</u>
Total liabilities and stockholders' equity	<u>\$ 3,618,106</u>	<u>\$ 3,756,523</u>

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

	Three Months Ended January 31,	
	2019	2018
Cash flows provided by (used in) operating activities:		
Net income (loss)	\$ 33,616	\$ (473,363)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	21,513	20,833
Share-based compensation costs	13,755	12,393
Amortization of intangible assets	8,947	5,912
Deferred taxes	5,037	476,897
Provision for inventory excess and obsolescence	4,673	6,804
Provision for warranty	3,891	4,657
Other	3,356	2,269
Changes in assets and liabilities:		
Accounts receivable	38,544	72,439
Inventories	(67,555)	5,199
Prepaid expenses and other	1,133	16,120
Accounts payable, accruals and other obligations	(76,351)	(111,476)
Deferred revenue	(4,664)	(2,981)
Net cash provided by (used in) operating activities	<u>(14,105)</u>	<u>35,703</u>
Cash flows provided by (used in) investing activities:		
Payments for equipment, furniture, fixtures and intellectual property	(15,345)	(25,662)
Purchase of available for sale securities	(68,516)	(118,877)
Proceeds from maturities of available for sale securities	60,000	110,000
Proceeds from sales of available for sale securities	98,265	—
Settlement of foreign currency forward contracts, net	(4,650)	1,061
Purchase of cost method investment	(333)	—
Net cash provided by (used in) investing activities	<u>69,421</u>	<u>(33,478)</u>
Cash flows provided by (used in) financing activities:		
Payment of long term debt	(1,750)	(1,000)
Payment of capital lease obligations	(758)	(914)
Payment for debt conversion liability	(111,268)	—
Shares repurchased for tax withholdings on vesting of restricted stock units	(10,026)	—
Repurchases of common stock - repurchase program	(19,721)	(4,103)
Proceeds from issuance of common stock	10,899	11,008
Net cash provided by (used in) financing activities	<u>(132,624)</u>	<u>4,991</u>
Effect of exchange rate changes on cash and cash equivalents	695	1,138
Net increase (decrease) in cash and cash equivalents	<u>(76,613)</u>	<u>8,354</u>
Cash and cash equivalents at beginning of period	745,423	640,513
Cash and cash equivalents at end of period	<u>\$ 668,810</u>	<u>\$ 648,867</u>
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	\$ 10,007	\$ 10,020
Cash paid during the period for income taxes, net	\$ 3,402	\$ 3,498
Non-cash investing activities		
Purchase of equipment in accounts payable	\$ 5,471	\$ 2,014
Non-cash financing activities		
Repurchase of common stock in accrued liabilities from repurchase program	\$ 1,441	\$ 1,652
Conversion of debt conversion liability into 1,585,140 shares of common stock	\$ 52,944	\$ —

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

	Quarter Ended January 31,	
	2019	2018
Gross Profit Reconciliation (GAAP/non-GAAP)		
GAAP gross profit	\$ 323,341	\$ 271,765
Share-based compensation-products	637	672
Share-based compensation-services	770	625
Amortization of intangible assets	3,418	2,289
Total adjustments related to gross profit	4,825	3,586
Adjusted (non-GAAP) gross profit	\$ 328,166	\$ 275,351
Adjusted (non-GAAP) gross profit percentage	42.2%	42.6%
Operating Expense Reconciliation (GAAP/non-GAAP)		
GAAP operating expense	\$ 275,398	\$ 255,029
Share-based compensation-research and development	3,391	3,255
Share-based compensation-sales and marketing	3,785	3,328
Share-based compensation-general and administrative	5,112	4,474
Amortization of intangible assets	5,528	3,623
Significant asset impairments and restructuring costs	2,273	5,961
Acquisition and integration costs	1,608	—
Legal settlement	137	—
Total adjustments related to operating expense	21,834	20,641
Adjusted (non-GAAP) operating expense	\$ 253,564	\$ 234,388
Income from Operations Reconciliation (GAAP/non-GAAP)		
GAAP income from operations	\$ 47,943	\$ 16,736
Total adjustments related to gross profit	4,825	3,586
Total adjustments related to operating expense	21,834	20,641
Total adjustments related to income from operations	26,659	24,227
Adjusted (non-GAAP) income from operations	\$ 74,602	\$ 40,963
Adjusted (non-GAAP) operating margin percentage	9.6%	6.3%
Net Income (Loss) Reconciliation (GAAP/non-GAAP)		
GAAP net income (loss)	\$ 33,616	\$ (473,363)
Exclude GAAP provision for income taxes	9,139	477,940
Income before income taxes	42,755	4,577
Total adjustments related to income from operations	26,659	24,227
Non-cash interest expense	—	749
Adjusted income before income taxes	69,414	29,553
Non-GAAP tax provision on adjusted income before income taxes	16,590	7,645
Adjusted (non-GAAP) net income	\$ 52,824	\$ 21,908
Weighted average basic common shares outstanding	156,314	143,922
Weighted average dilutive potential common shares outstanding ¹	158,174	145,558
Net Income (Loss) per Common Share		
GAAP diluted net income (loss) per common share	\$ 0.21	\$ (3.29)
Adjusted (non-GAAP) diluted net income per common share	\$ 0.33	\$ 0.15

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 2019 includes 1.9 million shares underlying certain stock options and restricted stock unit awards.

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 2018 includes 0.9 million shares underlying certain stock options and restricted stock unit awards and 0.7 million shares underlying Ciena's "New" 3.75% convertible senior notes, which were converted by holders thereof immediately prior to maturity during the fourth quarter of fiscal 2018.

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

	Quarter Ended January 31,	
	2019	2018
Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)		
Net income (loss) (GAAP)	\$ 33,616	\$ (473,363)
Add: Interest expense	9,441	13,734
Less: Interest and other income (loss), net	4,253	1,575
Add: Provision for income taxes	9,139	477,940
Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	21,513	20,833
Add: Amortization of intangible assets	8,947	5,912
EBITDA	\$ 78,403	\$ 43,481
Add: Shared-based compensation cost	13,755	12,393
Add: Significant asset impairments and restructuring costs	2,273	5,961
Add: Acquisition and integration costs	1,608	—
Add: Legal settlement	137	—
Adjusted EBITDA	\$ 96,176	\$ 61,835

* * *

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

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



Ciena Corporation

Q1 FY 2019 Investor Presentation

Quarterly Period ended January 31, 2019

March 5, 2019

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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; the impact of the Tax Cuts and Jobs Act; and the other risk factors disclosed in Ciena's periodic reports filed with the Securities and Exchange Commission (SEC) including Ciena's Quarterly Report on Form 10-Q to be filed with the SEC and Ciena's Annual Report on Form 10-K filed with the SEC on December 21, 2018.

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

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



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Q1 Fiscal 2019 Key Highlights

1

Diversifying and growing through market share gains

- Non-telco represented over 35% of total revenue
- Direct webscale was a record 22% of total revenue; one >10% webscale customer
- EMEA up 32% YoY
- APAC up 20% YoY

2

Forcing the pace of innovation with next generation solutions

- Announced WaveLogic 5; expected to ship in systems end of 2019
- WaveLogic Ai: 88 total customers
 - 23 new wins in Q1
- Waveserver: 125 customers; added 8 in Q1

3

Delivering shareholder value

- Repurchased approximately 0.6 million shares of common stock for an aggregate price of \$21.2 million
- Q1'19 Total Shareholder Return of 22.7% versus peer¹ return of 3.7%



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1. Peers include ACIA, ADTN, ADVA, CSCO, INFN, JNPR and NOKIA for the period 11/1/18-1/31/19



Q1 Fiscal 2019 Financial Highlights

Key Takeaways

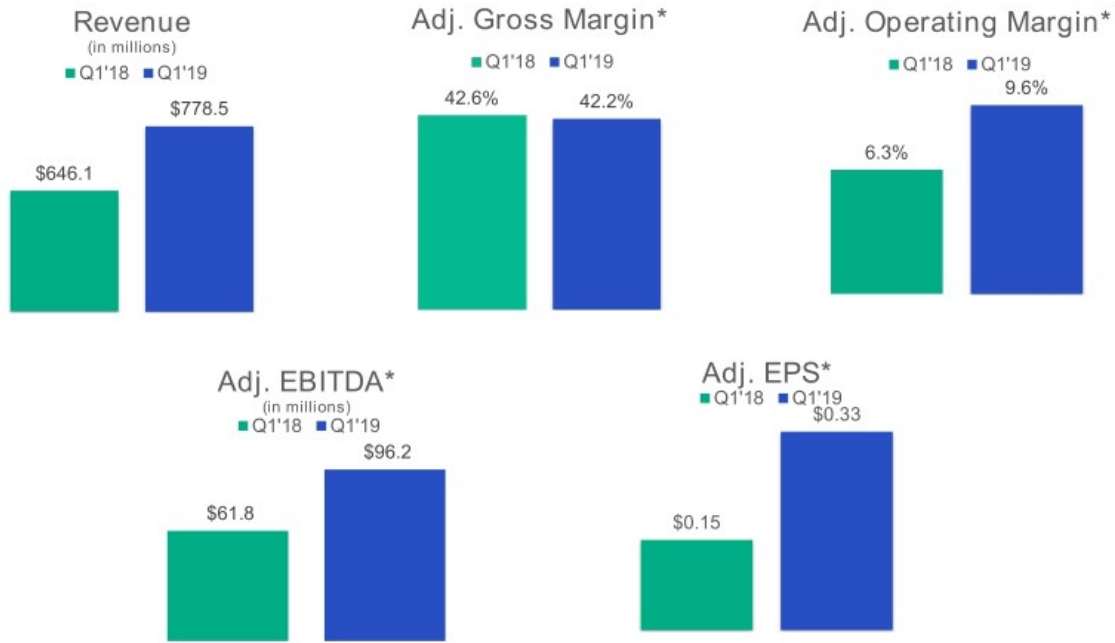
- 1 Revenue of \$778.5 million
- 2 Adjusted Gross Margin of 42.2%*
- 3 Adjusted Operating Margin of 9.6%*
- 4 Adjusted EBITDA of \$96.2 million*
- 5 Adjusted EPS of \$0.33*

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

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Q1 Fiscal 2019 Comparisons (Year-over-Year)



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Revenue by Segment (Amounts in millions)



	Q1 FY 2019		Q1 FY 2018	
	Revenue	%**	Revenue	%**
Networking Platforms				
Converged Packet Optical	\$548.9	70.5	\$427.4	66.1
Packet Networking	71.6	9.2	68.6	10.6
Total Networking Platforms	620.5	79.7	496.0	76.7
Software & Software-Related Services				
Platform Software and Services	41.6	5.3	44.1	6.8
Blue Planet Automation Software and Services	15.0	1.9	9.4	1.5
Total Software & Software-Related Services	56.6	7.2	53.5	8.3
Global Services				
Maintenance Support and Training	61.3	8.0	56.0	8.7
Installation and Deployment	30.6	3.9	30.0	4.7
Consulting and Network Design	9.5	1.2	10.6	1.6
Total Global Services	101.4	13.1	96.6	15.0
Total	\$778.5	100.0%	\$646.1	100.0%

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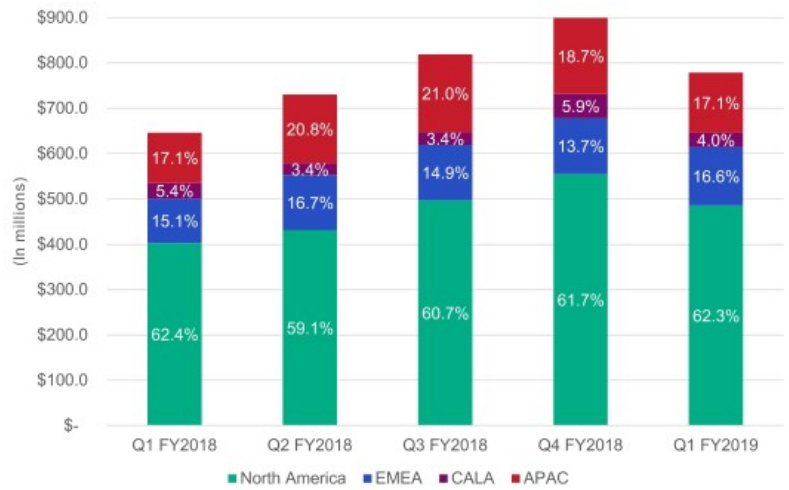
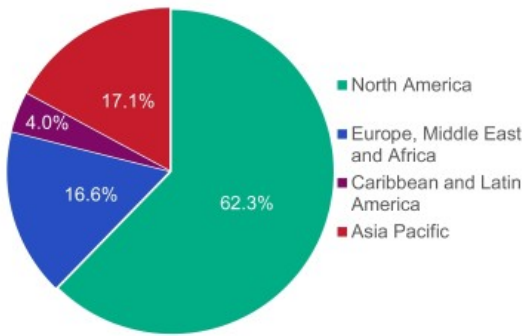
** Denotes % of total revenue

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Revenue by Geographic Region

Q1 2019



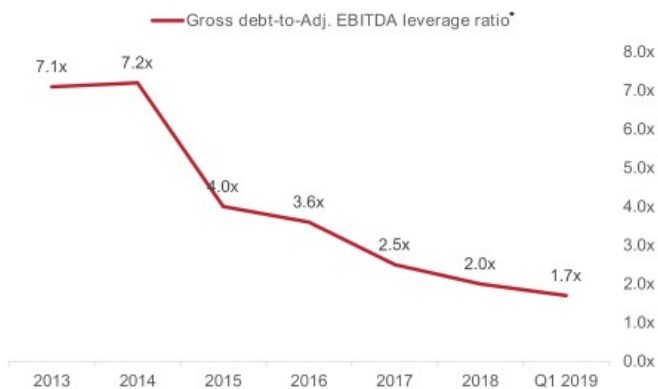
Q1 Fiscal 2019 Balance Sheet and Operating Metrics

Cash and Investments	\$788.0 million
Cash Flow From Operations	(\$14.1) million
DSO	93 Days
Inventory Turns	4.7

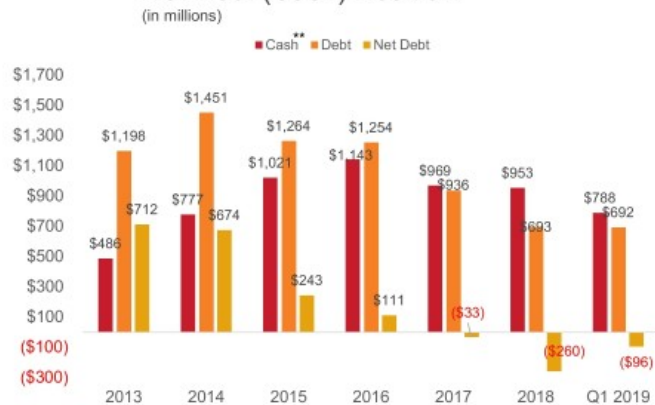


Strengthening balance sheet

Leverage Trend



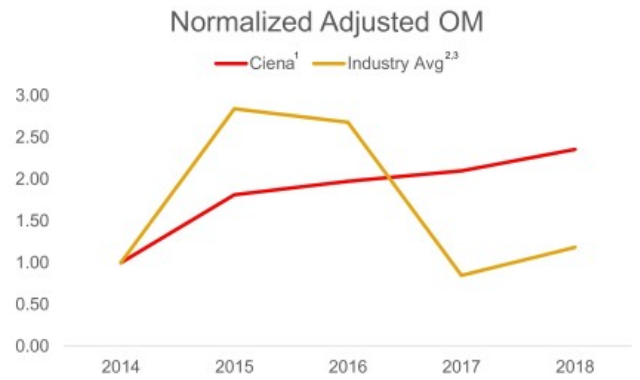
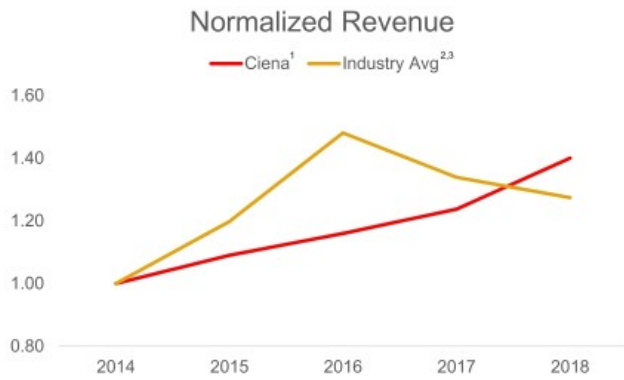
Net Debt (Cash) Position



*A reconciliation of these non-GAAP measures to our GAAP results is included in the appendix to this presentation
 **Cash & cash equivalents



Delivering consistent and differentiated financial performance



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

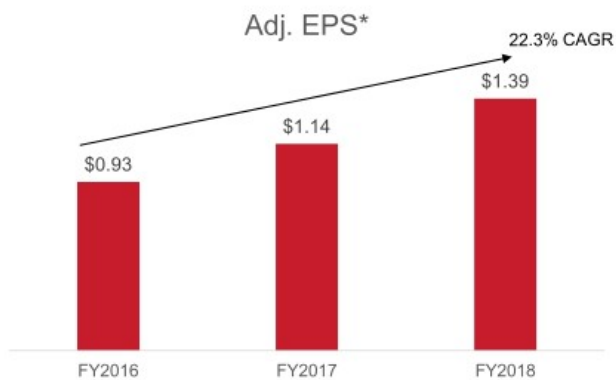
1. 2018 includes mid-point of Q1'19 guidance
2. 2018 includes mid-point of Q4'18 guidance
3. INFN Q4 revenue is based on consensus as of 10/1/18 and excludes Coriant however adjusted OM is based on INFN's forecast and includes Coriant



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Delivering profitability and stock outperformance



*A reconciliation of these non-GAAP measures to our GAAP results is included in the press release for the relative period.



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Long-Term Targets

New long-term financial targets*

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

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

*Projections or outlook with respect to future operating results are only as of December 13, 2018, the date presented on the related earnings call. Actual results may differ materially from these forward looking statements. Ciena assumes no obligation to update this information, whether as a result of new information, future events or otherwise.



New long-term financial targets*

Three-year annual revenue growth targets	
Optical Systems	Approximately 4-6%
Attached Services	Approximately 4-6%
Packet Networking	Approximately 8-10%
Blue Planet	Approximately \$100M-\$120M ¹

*Projections or outlook with respect to future operating results are only as of December 13, 2018, the date presented on the related earnings call. Actual results may differ materially from these forward looking statements. Ciena assumes no obligation to update this information, whether as a result of new information, future events or otherwise.

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



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Q1 Fiscal 2019 Appendix



Gross Profit Reconciliation (Amounts in thousands)

	Q1 FY 2019	Q4 FY 2018	Q3 FY 2018	Q2 FY 2018	Q1 FY 2018
GAAP gross profit	\$323,341	\$398,075	\$351,543	\$293,307	\$271,765
Share-based compensation-products	637	705	783	824	672
Share-based compensation-services	770	651	618	722	625
Amortization of intangible assets	3,418	2,957	2,534	2,289	2,289
Total adjustments related to gross profit	4,825	4,313	3,935	3,835	3,586
Adjusted (non-GAAP) gross profit	\$328,166	\$402,388	\$355,478	\$297,142	\$275,351
Adjusted (non-GAAP) gross margin	42.2%	44.7%	43.4%	40.7%	42.6%

Operating Expense Reconciliation (Amounts in thousands)

	Q1 FY 2019	Q4 FY 2018	Q3 FY 2018	Q2 FY 2018	Q1 FY 2018
GAAP operating expense	\$275,398	\$302,205	\$266,269	\$261,241	\$255,029
Share-based compensation-research and development	3,391	3,385	3,082	3,796	3,255
Share-based compensation-sales and marketing	3,785	3,741	3,417	3,760	3,328
Share-based compensation-general and administrative	5,112	5,588	4,538	5,109	4,474
Significant asset impairments and restructuring costs	2,273	1,460	6,359	4,359	5,961
Amortization of intangible assets	5,528	4,654	3,837	3,623	3,623
Acquisition and integration costs, excluding share-based compensation	1,608	3,778	1,333	-	-
Legal settlement	137	1,929	2,753	-	-
Total adjustments related to operating expense	\$21,834	\$24,535	\$25,319	\$20,647	\$20,641
Adjusted (non-GAAP) operating expense	\$253,564	\$277,670	\$240,950	\$240,594	\$234,388

Income from Operations Reconciliation (Amounts in thousands)

	Q1 FY 2019	Q4 FY 2018	Q3 FY 2018	Q2 FY 2018	Q1 FY 2018
GAAP income from operations	\$47,943	\$95,870	\$85,274	\$32,066	\$16,736
Total adjustments related to gross profit	4,825	4,313	3,935	3,835	3,586
Total adjustments related to operating expense	21,834	24,535	25,319	20,647	20,641
Total adjustments related to income from operations	26,659	28,848	29,254	24,482	24,227
Adjusted (non-GAAP) income from operations	\$74,602	\$124,718	\$114,528	\$56,548	\$40,963
Adjusted (non-GAAP) operating margin	9.6%	13.9%	14.0%	7.7%	6.3%



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Net Income (loss) Reconciliation (Amounts in thousands)

	Q1 FY 2019	Q4 FY 2018	Q3 FY 2018	Q2 FY 2018	Q1 FY 2018
GAAP net income (loss)	\$33,616	\$63,977	\$50,840	\$13,856	(\$473,363)
Exclude GAAP provision (benefit) for income taxes	9,139	(10,224)	19,280	6,475	477,940
Income before income taxes	42,755	53,753	70,120	20,331	4,577
Total adjustments related to income from operations	26,659	28,848	29,254	24,482	24,227
Loss on extinguishment and modification of debt	-	13,887	-	-	-
Non-cash interest expense	-	727	793	759	749
Change in fair value of debt conversion liability	-	12,070	-	-	-
Adjusted income before income taxes	69,414	109,285	100,167	45,572	29,553
Non-GAAP tax provision on adjusted income before income taxes	16,590	28,272	25,913	11,789	7,645
Adjusted (non-GAAP) net income	\$52,824	\$81,013	\$74,254	\$33,783	\$21,908
Weighted average basic common shares outstanding	156,314	143,659	143,400	143,975	143,922
Weighted average dilutive potential common shares outstanding ¹	158,174	157,745	159,998	151,011	145,558

Net Income (loss) per Common Share

	Q1 FY 2019	Q4 FY 2018	Q3 FY 2018	Q2 FY 2018	Q1 FY 2018
GAAP diluted net income (loss) per common share	\$ 0.21	\$ 0.34	\$ 0.34	\$ 0.09	\$ (3.29)
Adjusted (Non-GAAP) diluted net income per common share	\$ 0.33	\$ 0.53	\$ 0.48	\$ 0.23	\$ 0.15

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 2019 includes 1.9 million shares underlying certain stock options and stock unit awards.



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

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)	Q1 FY 2019	Q4 FY 2018	Q3 FY 2018	Q2 FY 2018	Q1 FY 2018
Net income (loss) (GAAP)	\$ 33,616	\$ 63,977	\$ 50,840	\$ 13,856	\$ (473,363)
Add: Interest expense	9,441	14,873	13,611	13,031	13,734
Less: Interest and other income (loss), net	4,253	(13,357)	(1,543)	1,296	1,575
Add: Loss on extinguishment and modification of debt	-	(13,887)	-	-	-
Add: Provision (benefit) for income taxes	9,139	(10,224)	19,280	6,475	477,940
Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	21,513	21,110	21,704	20,567	20,833
Add: Amortization of intangible assets	8,947	7,611	6,371	5,912	5,912
EBITDA	\$ 78,403	\$ 124,591	\$ 113,349	\$ 58,545	\$ 43,481
Add: Shared-based compensation cost	13,755	14,076	12,337	14,166	12,393
Add: Significant asset impairments and restructuring costs	2,273	1,460	6,359	4,359	5,961
Add: Acquisition and integration costs	1,608	3,778	1,333	-	-
Add: Legal settlement	137	1,929	2,753	-	-
Adjusted EBITDA	\$ 96,176	\$ 145,834	\$ 136,131	\$ 77,070	\$ 61,835

