

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): December 12, 2019

**Ciena Corporation**

(Exact name of registrant as specified in its charter)

Commission File Number: 001-36250

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

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

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

**Not Applicable**

(Former name or former address, if changed since last report)

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

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

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

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

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

Emerging growth company

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

## ITEM 2.02 – RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On December 12, 2019, Ciena Corporation ("Ciena") issued a press release announcing its financial results for its fourth fiscal quarter ended October 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 fourth fiscal quarter ended October 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](http://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](http://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

<u>Exhibit Number</u>	<u>Description of Document</u>
Exhibit 99.1	<a href="#"><u>Text of Press Release dated December 12, 2019, issued by Ciena Corporation, reporting its results of operations for its fourth fiscal quarter and fiscal year ended October 31, 2019.</u></a>
Exhibit 99.2	<a href="#"><u>Investor Presentation for Ciena Corporation's fourth fiscal quarter and fiscal year ended October 31, 2019.</u></a>
Exhibit 104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

**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: December 12, 2019

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

**FOR IMMEDIATE RELEASE**

**Ciena Reports Fiscal Fourth Quarter 2019 and Year-End Financial Results**

**HANOVER, Md. - December 12, 2019** - [Ciena](#)<sup>®</sup> Corporation (NYSE: CIEN), a networking systems, services and software company, today announced unaudited financial results for its fiscal fourth quarter and year ended October 31, 2019.

- **Q4 Revenue:** \$968.0 million, increasing 7.6% year over year
- **Q4 Net Income per Share:** \$0.51 GAAP; \$0.58 adjusted (non-GAAP)
- **Share Repurchases:** Repurchased approximately 1.0 million shares of common stock for an aggregate price of \$38.2 million during the quarter

"Our outstanding Q4 financial performance rounded out an extraordinary year of industry-leading growth and profitability," said Gary Smith, President and CEO, Ciena. "Our innovation, diversification and scale uniquely position us to continue taking share while delivering improved operating margin and driving sustained EPS growth in 2020."

For the fiscal fourth quarter 2019, Ciena reported revenue of \$968.0 million as compared to \$899.4 million for the fiscal fourth quarter 2018. For fiscal year 2019, Ciena reported revenue of \$3.57 billion, as compared to \$3.09 billion for fiscal year 2018.

Ciena's GAAP net income for the fiscal fourth quarter 2019 was \$80.3 million or \$0.51 per diluted common share, which compares to a GAAP net income of \$64.0 million, or \$0.34 per diluted common share, for the fiscal fourth quarter 2018. For fiscal year 2019, Ciena's GAAP net income was \$253.4 million, or \$1.61 per diluted common share, as compared to a GAAP net loss of \$(344.7) million, or \$(2.49) per diluted common share for fiscal year 2018.

Ciena's adjusted (non-GAAP) net income for the fiscal fourth quarter 2019 was \$90.4 million, or \$0.58 per diluted common share, which compares to an adjusted (non-GAAP) net income of \$81.0 million, or \$0.53 per diluted common share, for the fiscal fourth quarter 2018. For fiscal year 2019, Ciena's adjusted (non-GAAP) net income was \$331.8 million, or \$2.11 per diluted common share, as compared to an adjusted (non-GAAP) net income of \$210.6 million, or \$1.39 per diluted common share for fiscal year 2018.

**Performance Summary for the Fiscal Fourth Quarter and the Year Ended October 31, 2019**

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

**GAAP Results (unaudited)**

	Quarter Ended October 31,			Period Change Y-T-Y*	Year Ended October 31,			Period Change Y-T-Y*
	2019	2018			2019	2018		
	Revenue	\$ 968.0	\$ 899.4		7.6 %	\$ 3,572.1	\$ 3,094.3	
Gross margin	43.4%	44.3%		(0.9)%	43.2%	42.5%		0.7%
Operating expense	\$ 326.5	\$ 302.2		8.0 %	\$ 1,195.3	\$ 1,084.7		10.2%
Operating margin	9.6%	10.7%		(1.1)%	9.7%	7.4%		2.3%

**Non-GAAP Results (unaudited)**

	Quarter Ended October 31,			Period Change Y-T-Y*	Year Ended October 31,			Period Change Y-T-Y*
	2019	2018			2019	2018		
	Revenue	\$ 968.0	\$ 899.4		7.6 %	\$ 3,572.1	\$ 3,094.3	
Adj. gross margin	43.8%	44.7%		(0.9)%	43.7%	43.0%		0.7%
Adj. operating expense	\$ 295.3	\$ 277.7		6.3 %	\$ 1,091.8	\$ 993.6		9.9%
Adj. operating margin	13.3%	13.9%		(0.6)%	13.1%	10.9%		2.2%

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

**Revenue by Segment (unaudited)**

	Quarter Ended October 31,			
	2019		2018	
	Revenue	%**	Revenue	%**
<b>Networking Platforms</b>				
Converged Packet Optical	\$ 665.8	68.8	\$ 646.4	71.9
Packet Networking	131.9	13.6	66.5	7.4
<b>Total Networking Platforms</b>	<b>797.7</b>	<b>82.4</b>	<b>712.9</b>	<b>79.3</b>
<b>Platform Software and Services</b>	<b>41.2</b>	<b>4.3</b>	<b>56.6</b>	<b>6.3</b>
<b>Blue Planet Automation Software and Services</b>	<b>16.6</b>	<b>1.7</b>	<b>10.7</b>	<b>1.2</b>
<b>Global Services</b>				
Maintenance Support and Training	65.3	6.7	67.4	7.5
Installation and Deployment	36.5	3.8	39.3	4.4
Consulting and Network Design	10.7	1.1	12.5	1.3
<b>Total Global Services</b>	<b>112.5</b>	<b>11.6</b>	<b>119.2</b>	<b>13.2</b>
<b>Total</b>	<b>\$ 968.0</b>	<b>100.0</b>	<b>\$ 899.4</b>	<b>100.0</b>

	Revenue by Segment (unaudited)			
	Year Ended October 31,			
	2019		2018	
	Revenue	%**	Revenue	%**
<b>Networking Platforms</b>				
Converged Packet Optical	\$ 2,562.8	71.8	\$ 2,194.6	70.9
Packet Networking	348.5	9.8	283.5	9.2
<b>Total Networking Platforms</b>	<b>2,911.3</b>	<b>81.6</b>	<b>2,478.1</b>	<b>80.1</b>
<b>Platform Software and Services</b>				
Blue Planet Automation Software and Services	155.3	4.3	174.0	5.6
	54.6	1.5	26.7	0.9
<b>Global Services</b>				
Maintenance Support and Training	261.3	7.3	245.1	7.9
Installation and Deployment	148.2	4.1	128.8	4.2
Consulting and Network Design	41.4	1.2	41.6	1.3
<b>Total Global Services</b>	<b>450.9</b>	<b>12.6</b>	<b>415.5</b>	<b>13.4</b>
<b>Total</b>	<b>\$ 3,572.1</b>	<b>100.0</b>	<b>\$ 3,094.3</b>	<b>100.0</b>

#### Additional Performance Metrics for Fiscal Fourth Quarter and Year Ended October 31, 2019

	Revenue by Geographic Region (unaudited)			
	Quarter Ended October 31,			
	2019		2018	
	Revenue	%**	Revenue	%**
North America	\$ 672.7	69.5	\$ 555.3	61.7
Europe, Middle East and Africa	153.0	15.8	123.1	13.7
Caribbean and Latin America	43.0	4.4	53.0	5.9
Asia Pacific	99.3	10.3	168.0	18.7
<b>Total</b>	<b>\$ 968.0</b>	<b>100.0</b>	<b>\$ 899.4</b>	<b>100.0</b>

	Revenue by Geographic Region (unaudited)			
	Year Ended October 31,			
	2019		2018	
	Revenue	%**	Revenue	%**
North America	\$ 2,351.3	65.8	\$ 1,886.4	61.0
Europe, Middle East and Africa	566.7	15.9	464.9	15.0
Caribbean and Latin America	152.6	4.3	140.2	4.5
Asia Pacific	501.5	14.0	602.8	19.5
<b>Total</b>	<b>\$ 3,572.1</b>	<b>100.0</b>	<b>\$ 3,094.3</b>	<b>100.0</b>

\*\* Denotes % of total revenue

- One 10%-plus customer represented a total of 15.1% of revenue for the fiscal quarter
- Three 10%-plus customers represented a total of 34.1% of revenue for the fiscal year
- Cash and investments totaled \$1,024.0 million

- Cash flow from operations totaled \$240.0 million and \$413.1 million for the fiscal quarter and year, respectively
- Average days' sales outstanding (DSOs) were 75 and 82 for the fiscal quarter and year, respectively
- Accounts receivable balance was \$724.9 million
- Unbilled contract asset balance was \$84.0 million
- Inventories totaled \$345.0 million, including:
  - Raw materials: \$99.0 million
  - Work in process: \$13.7 million
  - Finished goods: \$226.6 million
  - Deferred cost of sales: \$53.0 million
  - Reserve for excess and obsolescence: \$(47.3) million
- Product inventory turns were 5.4 and 5.0 for the fiscal quarter and year, respectively
- Headcount totaled 6,383

#### **Share Repurchase Program**

During fiscal year 2019, Ciena repurchased approximately 3.8 million shares of its common stock at an average price of \$39.10 per share for an aggregate purchase price of \$150.1 million.

Ciena may purchase shares at management's discretion in the open market, in privately negotiated transactions, in transactions structured through investment banking institutions, or a combination of the foregoing. Ciena may also, from time to time, enter into Rule 10b5-1 plans to facilitate repurchases of its shares under this authorization. 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.

#### **Supplemental Materials and Live Web Broadcast of Unaudited Fiscal Fourth Quarter 2019 Results**

Today, Thursday, December 12, 2019, in conjunction with this announcement, Ciena has posted to the Quarterly Results page of the Investor Relations section of its website certain related supporting materials for its unaudited fiscal fourth quarter and fiscal 2019 results.

Ciena's management will also host a discussion today with investors and financial analysts that will include the Company's outlook. The live audio web broadcast beginning at 8:30 a.m. Eastern will be accessible via [www.ciena.com](http://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: "Our outstanding Q4 financial performance rounded out an extraordinary year of industry-leading growth and profitability."; "Our innovation, diversification and scale uniquely position us to continue taking share while delivering improved operating margin and driving sustained EPS growth in 2020."

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 periodic reports filed with the Securities and Exchange Commission, including its Quarterly Report on Form 10-Q filed with the SEC on September 11, 2019 and its Annual Report on Form 10-K to be filed with the SEC. 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 for the relevant period, 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](http://www.ciena.com).



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

	Quarter Ended October 31,		Year Ended October 31,	
	2019	2018	2019	2018
<b>Revenue:</b>				
Products	\$ 820,007	\$ 743,867	\$ 2,983,815	\$ 2,565,460
Services	147,980	155,489	588,316	528,826
<b>Total revenue</b>	<b>967,987</b>	<b>899,356</b>	<b>3,572,131</b>	<b>3,094,286</b>
<b>Cost of goods sold:</b>				
Products	469,945	421,583	1,716,358	1,507,157
Services	78,346	79,698	313,707	272,439
<b>Total cost of goods sold</b>	<b>548,291</b>	<b>501,281</b>	<b>2,030,065</b>	<b>1,779,596</b>
<b>Gross profit</b>	<b>419,696</b>	<b>398,075</b>	<b>1,542,066</b>	<b>1,314,690</b>
<b>Operating expenses:</b>				
Research and development	141,657	134,983	548,139	491,564
Selling and marketing	117,201	112,791	423,046	394,060
General and administrative	50,307	44,539	174,399	160,133
Amortization of intangible assets	5,222	4,654	21,808	15,737
Acquisition and integration costs	(735)	3,778	3,370	5,111
Significant asset impairments and restructuring costs	12,842	1,460	24,538	18,139
<b>Total operating expenses</b>	<b>326,494</b>	<b>302,205</b>	<b>1,195,300</b>	<b>1,084,744</b>
<b>Income from operations</b>	<b>93,202</b>	<b>95,870</b>	<b>346,766</b>	<b>229,946</b>
<b>Interest and other income (loss), net</b>	<b>(1,183)</b>	<b>(13,357)</b>	<b>3,876</b>	<b>(12,029)</b>
<b>Interest expense</b>	<b>(9,136)</b>	<b>(14,873)</b>	<b>(37,452)</b>	<b>(55,249)</b>
<b>Loss on extinguishment and modification of debt</b>	<b>—</b>	<b>(13,887)</b>	<b>—</b>	<b>(13,887)</b>
<b>Income before income taxes</b>	<b>82,883</b>	<b>53,753</b>	<b>313,190</b>	<b>148,781</b>
<b>Provision (benefit) for income taxes</b>	<b>2,552</b>	<b>(10,224)</b>	<b>59,756</b>	<b>493,471</b>
<b>Net income (loss)</b>	<b>\$ 80,331</b>	<b>\$ 63,977</b>	<b>\$ 253,434</b>	<b>\$ (344,690)</b>
<b>Net Income (Loss) per Common Share</b>				
Basic net income (loss) per common share	\$ 0.52	\$ 0.45	\$ 1.63	\$ (2.40)
Diluted net income (loss) per potential common share <sup>1</sup>	\$ 0.51	\$ 0.34	\$ 1.61	\$ (2.49)
<b>Weighted average basic common shares outstanding</b>	<b>154,852</b>	<b>143,659</b>	<b>155,720</b>	<b>143,738</b>
<b>Weighted average diluted potential common shares outstanding<sup>2</sup></b>	<b>156,612</b>	<b>157,745</b>	<b>157,612</b>	<b>143,738</b>

1. The calculation of GAAP diluted net income per common share for the fourth quarter of fiscal 2018 requires a) adding back interest expense of approximately \$0.4 million associated with Ciena's "Original" 3.75% convertible senior notes, which were converted by holders thereof immediately prior to maturity during the fourth quarter of fiscal 2018 and approximately \$2.8 million associated with Ciena's 4.0% convertible senior notes, which were converted at Ciena's election during the fourth quarter of fiscal 2018, and b) reducing net income by \$12.9 million for a non-cash loss due to a mark to market fair value adjustment related to the outstanding conversion feature of Ciena's "New" 3.75% senior convertible notes, which were converted by holders thereof immediately prior to maturity during the fourth quarter of fiscal 2018, in order to derive the numerator for the diluted earnings per common share calculation.

The calculation of GAAP diluted net loss per common share for fiscal 2018 requires an adjustment of \$12.9 million for a non-cash loss due to a mark to market fair value adjustment related to the outstanding conversion feature of Ciena's "New" 3.75% senior convertible notes to the GAAP net loss in order to derive the numerator for the diluted earnings per common share calculation.

2. Weighted average dilutive potential common shares outstanding used in calculating GAAP diluted net income per common share for the fourth quarter of fiscal 2019 includes 1.8 million shares underlying certain stock option and stock unit awards.

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

Weighted average dilutive potential common shares outstanding used in calculating GAAP diluted net income per common share for the fourth quarter of fiscal 2018 includes 2.0 million shares underlying certain stock option and stock unit awards, 0.7 million and 2.5 million shares underlying Ciena's "New" and "Original" 3.75% convertible senior notes, respectively, and 8.9 million shares underlying Ciena's 4.0% convertible senior notes.

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

	October 31,	
	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 904,045	\$ 745,423
Short-term investments	109,940	148,981
Accounts receivable, net	724,854	786,502
Inventories	345,049	262,751
Prepaid expenses and other	297,914	198,945
Total current assets	2,381,802	2,142,602
Long-term investments	10,014	58,970
Equipment, building, furniture and fixtures, net	286,884	292,067
Goodwill	297,937	297,968
Other intangible assets, net	112,781	148,225
Deferred tax asset, net	714,942	745,039
Other long-term assets	88,986	71,652
Total assets	\$ 3,893,346	\$ 3,756,523
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 344,819	\$ 340,582
Accrued liabilities and other short-term obligations	382,740	340,075
Deferred revenue	111,381	111,134
Current portion of long-term debt	7,000	7,000
Debt conversion liability	—	164,212
Total current liabilities	845,940	963,003
Long-term deferred revenue	45,492	58,323
Other long-term obligations	148,747	119,413
Long-term debt, net	680,406	686,450
Total liabilities	\$ 1,720,585	\$ 1,827,189
Stockholders' equity:		
Preferred stock — par value \$0.01; 20,000,000 shares authorized; zero shares issued and outstanding	—	—
Common stock — par value \$0.01; 290,000,000 shares authorized; 154,403,850 and 154,318,531 shares issued and outstanding	1,544	1,543
Additional paid-in capital	6,837,714	6,881,223
Accumulated other comprehensive loss	(22,084)	(5,780)
Accumulated deficit	(4,644,413)	(4,947,652)
Total stockholders' equity	2,172,761	1,929,334
Total liabilities and stockholders' equity	\$ 3,893,346	\$ 3,756,523

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

	Year Ended October 31,	
	2019	2018
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 253,434	\$ (344,690)
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Loss on extinguishment of debt	—	10,039
Loss on fair value of debt conversion liability	—	12,070
Depreciation of equipment, furniture and fixtures, and amortization of leasehold improvements	87,576	84,214
Share-based compensation costs	59,736	52,972
Amortization of intangible assets	35,136	25,806
Deferred taxes	19,865	463,631
Provision for doubtful accounts	6,740	2,700
Provision for inventory excess and obsolescence	28,085	30,615
Provision for warranty	23,105	20,992
Other	(910)	21,685
<b>Changes in assets and liabilities:</b>		
Accounts receivable	65,712	(168,357)
Inventories	(112,941)	(27,445)
Prepaid expenses and other	(96,618)	(21,425)
Accounts payable, accruals and other obligations	27,740	85,798
Deferred revenue	16,480	(19,344)
Net cash provided by operating activities	413,140	229,261
<b>Cash flows used in investing activities:</b>		
Payments for equipment, furniture, fixtures and intellectual property	(62,579)	(67,616)
Purchase of available for sale securities	(158,074)	(286,824)
Proceeds from maturities of available for sale securities	248,748	410,109
Settlement of foreign currency forward contracts, net	(1,351)	9,385
Purchase of equity investment	(2,667)	(1,767)
Acquisition of businesses, net of cash acquired	—	(82,670)
Net cash provided by (used in) investing activities	24,077	(19,383)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of long-term debt, net	—	305,125
Payment of long-term debt	(7,000)	(292,730)
Payment for debt conversion liability	(111,268)	—
Payment for make-whole provision upon conversion of long-term debt	—	(13,453)
Payment of debt issuance costs	(1,191)	(1,936)
Payment of capital lease obligations	(3,319)	(3,624)
Shares repurchased for tax withholdings on vesting of restricted stock units	(29,059)	(4,757)
Repurchases of common stock - repurchase program	(150,076)	(110,981)
Proceeds from issuance of common stock	22,947	23,127
Net cash used in financing activities	(278,966)	(99,229)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	476	(5,856)
Net increase (decrease) in cash, cash equivalents and restricted cash	158,727	104,793
Cash, cash equivalents and restricted cash at beginning of fiscal year	745,434	640,641
Cash, cash equivalents and restricted cash at end of fiscal year	\$ 904,161	\$ 745,434
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the fiscal year for interest	\$ 39,579	\$ 44,750
Cash paid during the fiscal year for income taxes, net	\$ 33,570	\$ 26,900
<b>Non-cash investing and financing activities</b>		
Purchase of equipment in accounts payable	\$ 16,549	\$ 5,118
Contingent consideration for acquisition of business	\$ —	\$ 10,900
Conversion of 3.75% convertible senior notes, due October 15, 2018 (Original) into 3,038,208 shares of common stock	\$ —	\$ 61,270
Conversion of 4.0% convertible senior notes, due December 15, 2020 into 9,197,943 shares of common stock, net	\$ —	\$ 214,286
Conversion of debt conversion liability into 1,585,140 shares of common stock	\$ 52,944	\$ —

**APPENDIX A- Reconciliation of Adjusted (Non- GAAP) Measurements (unaudited)**

	Quarter Ended October 31,		Year Ended October 31,	
	2019	2018	2019	2018
<b>Gross Profit Reconciliation (GAAP/non-GAAP)</b>				
GAAP gross profit	\$ 419,696	\$ 398,075	\$ 1,542,066	\$ 1,314,690
Share-based compensation-products	748	705	2,868	2,984
Share-based compensation-services	715	651	3,175	2,616
Amortization of intangible assets	3,303	2,957	13,327	10,069
Total adjustments related to gross profit	4,766	4,313	19,370	15,669
Adjusted (non-GAAP) gross profit	\$ 424,462	\$ 402,388	\$ 1,561,436	\$ 1,330,359
Adjusted (non-GAAP) gross profit percentage	43.8%	44.7%	43.7%	43.0%
<b>Operating Expense Reconciliation (GAAP/non-GAAP)</b>				
GAAP operating expense	\$ 326,494	\$ 302,205	\$ 1,195,300	\$ 1,084,744
Share-based compensation-research and development	3,287	3,385	14,321	13,518
Share-based compensation-sales and marketing	4,151	3,741	16,474	14,246
Share-based compensation-general and administrative	6,425	5,588	22,841	19,709
Amortization of intangible assets	5,222	4,654	21,808	15,737
Acquisition and integration costs	(735)	3,778	3,370	5,111
Significant asset impairments and restructuring costs	12,842	1,460	24,538	18,139
Legal settlements	—	1,929	137	4,682
Total adjustments related to operating expense	\$ 31,192	\$ 24,535	\$ 103,489	\$ 91,142
Adjusted (non-GAAP) operating expense	\$ 295,302	\$ 277,670	\$ 1,091,811	\$ 993,602
<b>Income from Operations Reconciliation (GAAP/non-GAAP)</b>				
GAAP income from operations	\$ 93,202	\$ 95,870	\$ 346,766	\$ 229,946
Total adjustments related to gross profit	4,766	4,313	19,370	15,669
Total adjustments related to operating expense	31,192	24,535	103,489	91,142
Total adjustments related to income from operations	35,958	28,848	122,859	106,811
Adjusted (non-GAAP) income from operations	\$ 129,160	\$ 124,718	\$ 469,625	\$ 336,757
Adjusted (non-GAAP) operating margin percentage	13.3%	13.9%	13.1%	10.9%

**APPENDIX A- Reconciliation of Adjusted (Non- GAAP) Measurements (unaudited)**

	Quarter Ended October 31,		Year Ended October 31,	
	2019	2018	2019	2018
<b>Net Income (Loss) Reconciliation (GAAP/non-GAAP)</b>				
GAAP net income (loss)	\$ 80,331	\$ 63,977	\$ 253,434	\$ (344,690)
Exclude GAAP provision (benefit) for income taxes	2,552	(10,224)	59,756	493,471
Income before income taxes	82,883	53,753	313,190	148,781
Total adjustments related to income from operations	35,958	28,848	122,859	106,811
Loss on extinguishment and modification of debt	—	13,887	—	13,887
Non-cash interest expense	—	727	—	2,579
Change in fair value of debt conversion liability	—	12,070	—	12,070
Adjusted income before income taxes	118,841	109,285	436,049	284,128
Non-GAAP tax provision on adjusted income before income taxes	28,403	28,272	104,216	73,504
Adjusted (non-GAAP) net income	\$ 90,438	\$ 81,013	\$ 331,833	\$ 210,624
Weighted average basic common shares outstanding	154,852	143,659	155,720	143,738
Weighted average dilutive potential common shares outstanding <sup>1</sup>	156,612	157,745	157,612	158,884
<b>Net Income (Loss) per Common Share</b>				
GAAP diluted net income (loss) per common share	\$ 0.51	\$ 0.34	\$ 1.61	\$ (2.49)
Adjusted (non-GAAP) diluted net income per common share <sup>2</sup>	\$ 0.58	\$ 0.53	\$ 2.11	\$ 1.39

1. Weighted average dilutive potential common shares outstanding used in calculating adjusted (non-GAAP) diluted net income per common share for the fourth quarter of fiscal 2019 includes 1.8 million shares underlying certain stock option and stock unit awards.

Weighted average dilutive potential common shares outstanding used in calculating adjusted (non-GAAP) diluted net income per common share for fiscal 2019 includes 1.9 million shares underlying certain stock option and stock unit awards.

Weighted average dilutive potential common shares outstanding used in calculating adjusted (non-GAAP) diluted net income per common share for the fourth quarter of fiscal 2018 includes 2.0 million shares underlying certain stock option and stock unit awards, 0.7 million and 2.5 million shares underlying Ciena's "New" and "Original" 3.75% convertible senior notes, respectively, which were converted by holders thereof immediately prior to maturity during the fourth quarter of fiscal 2018, and 8.9 million shares underlying Ciena's 4.0% convertible senior notes, which were converted at Ciena's election during the fourth quarter of fiscal 2018.

Weighted average dilutive potential common shares outstanding used in calculating adjusted (non-GAAP) diluted net income per common share for fiscal 2018 includes 1.4 million shares underlying certain stock option and stock unit awards, 1.8 million and 2.9 million shares underlying Ciena's "New" and "Original" 3.75% convertible senior notes, respectively, and 9.1 million shares underlying Ciena's 4.0% convertible senior notes.

2. The calculation of adjusted (non-GAAP) diluted net income per common share for the fourth quarter of fiscal 2018 requires adding back interest expense of approximately \$0.4 million associated with Ciena's "Original" 3.75% convertible senior notes and approximately \$2.3 million associated with Ciena's 4.0% convertible senior notes to the adjusted (non-GAAP) net income in order to derive the numerator for the adjusted (non-GAAP) earnings per common share calculation.

The calculation of adjusted (non-GAAP) diluted net income per common share for fiscal 2018 requires adding back interest expense of approximately \$1.8 million associated with Ciena's "Original" 3.75% convertible senior notes and approximately \$8.7 million associated with Ciena's 4.0% convertible senior notes to the adjusted (non-GAAP) net income in order to derive the numerator for the adjusted (non-GAAP) earnings per common share calculation.

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

	Quarter Ended October 31,		Year Ended October 31,	
	2019	2018	2019	2018
<b>Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)</b>				
Net income (loss) (GAAP)	\$ 80,331	\$ 63,977	\$ 253,434	\$ (344,690)
Add: Interest expense	9,136	14,873	37,452	55,249
Less: Interest and other income (loss), net	(1,183)	(13,357)	3,876	(12,029)
Add: Loss on extinguishment and modification of debt	—	(13,887)	—	(13,887)
Add: Provision (benefit) for income taxes	2,552	(10,224)	59,756	493,471
Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	22,505	21,110	87,576	84,214
Add: Amortization of intangible assets	8,525	7,611	35,136	25,806
<b>EBITDA</b>	<b>\$ 124,232</b>	<b>\$ 124,591</b>	<b>\$ 469,478</b>	<b>\$ 339,966</b>
Add: Share-based compensation cost	15,290	14,076	59,736	52,972
Add: Significant asset impairments and restructuring costs	12,842	1,460	24,538	18,139
Add: Acquisition and integration costs	(735)	3,778	3,370	5,111
Add: Legal settlement	—	1,929	137	4,682
<b>Adjusted EBITDA</b>	<b>\$ 151,629</b>	<b>\$ 145,834</b>	<b>\$ 557,259</b>	<b>\$ 420,870</b>

\* \* \*

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

- *Share-based compensation* - a non-cash expense incurred in accordance with share-based compensation accounting guidance.
- *Amortization of intangible assets* - a non-cash expense arising from the acquisition of intangible assets, principally developed technologies and customer-related intangibles, that Ciena is required to amortize over its expected useful life.
- *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. Ciena does not believe that these costs are reflective of its ongoing operating expense following its completion of these integration activities.
- *Significant asset impairments and restructuring costs* - costs incurred as a result of restructuring activities taken to align resources with perceived market opportunities.
- *Legal settlements* - costs incurred as a result of settlements, during the first quarter of fiscal 2019, the third quarter of fiscal 2018 and the fourth quarter of fiscal 2018.
- *Loss on extinguishment and modification of debt* - reflects extinguishment of debt costs related to our conversion of Ciena's 4.0% convertible senior notes and debt modification expenses related to refinancing our then existing term loan, both of which occurred during the fourth quarter of fiscal 2018.
- *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.
- *Change in fair value of debt conversion liability* - a non-cash loss reflective of a mark to market fair value adjustment related to the outstanding conversion feature of Ciena's "New" 3.75% senior 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 fiscal 2019, and 25.9% for fiscal 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

## Earnings Presentation

Period ended October 31, 2019

December 12, 2019

# Forward-looking statements and non-GAAP measures

Information in this presentation and related comments of presenters contain a number of forward-looking statements. These statements are based on current expectations, forecasts, assumptions and other information available to the Company as of the date hereof. Forward-looking statements include Ciena's long-term financial targets, projected 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 strategy; 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 effort relating to efforts to optimize Ciena's operations; changes in foreign currency exchange rates affecting revenue and operating expense; the impact of the Tax Cuts and Jobs Act changes in tax or trade regulations, including the imposition of tariffs and duties; 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 to be filed with the SEC and Ciena's Quarterly Report on Form 10-Q filed with the SEC on September 11, 2019.

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, 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.

# Fiscal 2019 results

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## FY 2019 key achievements

### We are taking market share and outperforming the competition

- Annual revenue growth significantly greater than the market at 15%
- Adjusted EPS growth of over 50%
- Expect to have gained at least 3% of global market share
- Top 10 customers include service providers, cable and web-scale spanning across three different regions

### Our balance sheet is strong

- Free cash flow resulted in \$351M or 75% of adjusted operating income
- Ended the year with over \$1B in cash and investments
- Significant return of capital to shareholders with \$150M used to repurchase shares during the year
- Ratings agency upgrades from Moody's and S&P

### We are forcing the pace of innovation with the Adaptive Network

- WaveLogic roadmap extends beyond 400G and with multiple form factors
- Adaptive IP capabilities for Packet Networking to address fiber densification (5G & Fiber Deep)
- Blue Planet Automation Software portfolio and closed-loop automation capability strengthened with recent acquisition of Centina

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

## FY 2019 financial highlights

	FY'19	FY'18
Revenue	\$3.57B	\$3.09B
Adjusted Gross Margin*	43.7%	43.0%
Adjusted Operating Expense*	\$1,092M 30.6% / total revenue	\$994M 32.1% / total revenue
Adjusted Operating Margin*	13.1%	10.9%
Adjusted EBITDA*	\$557M	\$421M
Adjusted EPS*	\$2.11	\$1.39

\* 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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## FY 2019 operating metrics

	FY'19	FY'18
Cash and Investments	\$1,024M	\$953M
Cash Flow from Operations	\$413M	\$229M
DSO	82 days	92 days
Inventory Turns	5.0	5.7

## Long-term financial targets score card

	Long-term target <sup>1</sup>	FY'19 Actual
Revenue	Approximately 6% to 8% annual growth over the next three years	15.5%
Adjusted Operating Margin	15% for fiscal 2020; at least 15% in fiscal 2021	13.1%*
Adjusted EPS	Over 20% annual growth per year over the next three years	>50%*
Free cash flow	Approximately 60-70% of adjusted operating income in each of the next three years	75%

<sup>1</sup> 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.

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

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

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

All the above resulted in intensified share gains



## Market context

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# Market leadership



TMT intelligence | informa



IHS Markit



Active Insight



DELL'OR GROUP

## #1 GLOBALLY

- DATA CENTER INTERCONNECT
- DATA CENTER INTERCONNECT for ICPs
- PURPOSE-BUILT/COMPACT MODULAR DCI
- SLTE WDM MARKET

## #1 N. AMERICA

- TOTAL OPTICAL NETWORKING
- LH WDM
- METRO WDM

## #2 GLOBALLY

- TOTAL OPTICAL NETWORKING
- LH WDM
- METRO WDM

## #1 GLOBALLY

- OPTICAL EQUIPMENT VENDOR LEADERSHIP SP SURVEY
- OPTICAL NETWORK HARDWARE VENDOR SCORECARD
- CARRIER ETHERNET ACCESS DEVICES
- DATA CENTER INTERCONNECT
- PURPOSE-BUILT/COMPACT MODULAR DCI
- SLTE WDM MARKET

## #1 N. AMERICA

- TOTAL OPTICAL NETWORKING
- CARRIER ETHERNET ACCESS DEVICES
- LH WDM
- METRO WDM

## #2 GLOBALLY

- TOTAL OPTICAL NETWORKING
- LH WDM
- METRO WDM

## #1 GLOBALLY

- PURPOSE-BUILT/COMPACT MODULAR DCI
- CLOUD & COLO MARKET
- SLTE WDM MARKET

## #1 N. AMERICA

- TOTAL OPTICAL NETWORKING
- LH WDM
- METRO WDM

## #2 GLOBALLY

- TOTAL OPTICAL NETWORKING
- LH WDM
- METRO WDM

## #1 GLOBALLY

- DATA CENTER INTERCONNECT
- DATA CENTER INTERCONNECT for ICPs
- PURPOSE-BUILT/COMPACT MODULAR DCI

## #1 N. AMERICA

- TOTAL OPTICAL NETWORKING
- PACKET OPTICAL
- LH WDM
- METRO WDM

## #2 GLOBALLY

- TOTAL OPTICAL NETWORKING
- NEXT-GEN OPTICAL
- PACKET OPTICAL
- LH WDM

Optical Networks Report, 3Q19  
Data Center Interconnect Market Share Report, 3Q19

Optical Networks Report, 3Q19  
DCI Market Tracker, September 2019  
Ethernet Access Devices Tracker, September 2019  
Optical Network HW Vendor Scorecard, June 2019  
Optical Equipment Vendor Leadership Global Service Provider Survey January 2019

Optical Hardware Report, 3Q19  
Optical Customer Markets Report, 3Q19  
Optical Hardware Applications Report, 3Q19

Optical Networks Report, 3Q19

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# Several mega trends and the innovations that will enable them

Cloud



Data Center



IoT & Connected Objects



Fiber Deep  
(Cable/MSO)

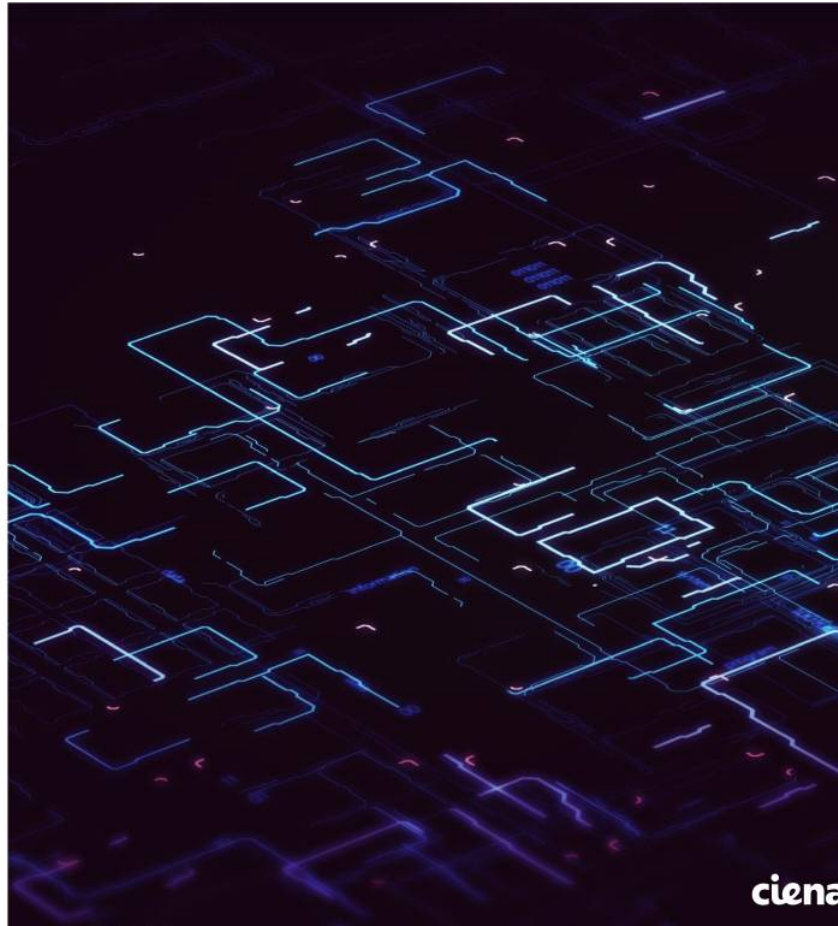


Mobility & 5G



# Q4 fiscal 2019 results and competitive performance

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## Q4 FY 2019 key highlights

### Achieving balanced growth

- Non-telco represented 39% of total revenue
- Direct web-scale contributed 20% of total revenue
- EMEA revenue up 24% YoY
- NA revenue up 21% YoY

### Driving the pace of innovation

- TTM Adjusted R&D\* investment was \$534M
- WaveLogic Ai has 146 total customers with 18 new wins in Q4
- Waveserver has 155 customers with 13 new wins in Q4

### Delivering shareholder value

- Repurchased approximately 1.0 million shares of common stock for an aggregate price of \$38.2 million
- Revenue growth of 8% YoY
- Adjusted EPS\* growth of 9% YoY

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

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## Q4 FY 2019 financial highlights

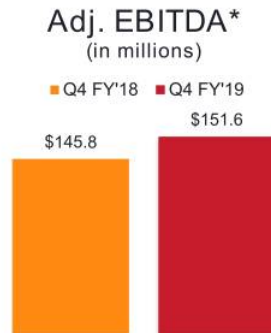
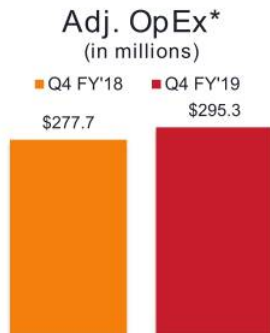
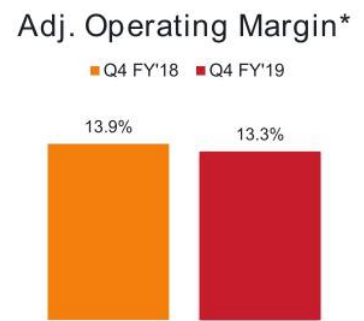
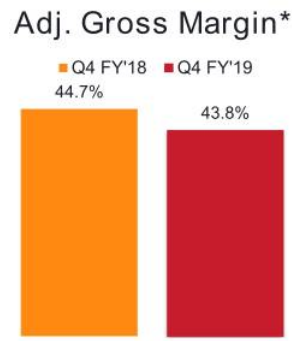
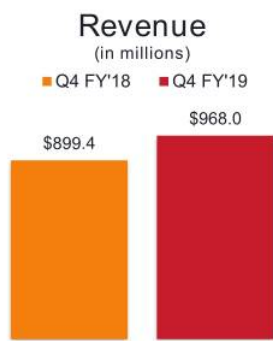
Revenue	\$968M
Adjusted Gross Margin*	43.8%
Adjusted Operating Expense*	\$295M
Adjusted Operating Margin*	13.3%
Adjusted EBITDA*	\$152M
Adjusted EPS*	\$0.58

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

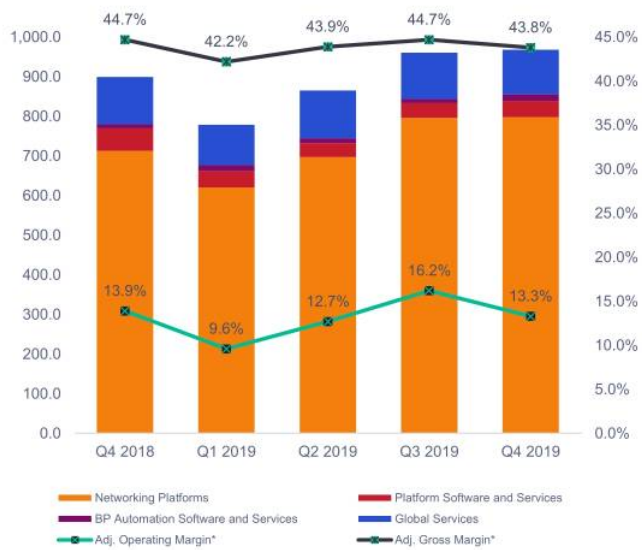
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## Q4 FY 2019 comparisons (year-over-year)



## Revenue by segment (Amounts in millions)



	Q4 FY 2019		Q4 FY 2018	
	Revenue	%**	Revenue	%
<b>Networking Platforms</b>				
Converged Packet Optical	\$665.8	68.8	\$646.4	71.1
Packet Networking	131.9	13.6	66.5	7.4
<b>Total Networking Platforms</b>	<b>797.7</b>	<b>82.4</b>	<b>712.9</b>	<b>79.0</b>
<b>Platform Software and Services</b>	<b>41.2</b>	<b>4.3</b>	<b>56.6</b>	<b>6.3</b>
<b>Blue Planet Automation Software and Services</b>	<b>16.6</b>	<b>1.7</b>	<b>10.7</b>	<b>1.2</b>
<b>Global Services</b>				
Maintenance Support and Training	65.3	6.7	67.4	7.5
Installation and Deployment	36.5	3.8	39.3	4.4
Consulting and Network Design	10.7	1.1	12.5	1.4
<b>Total Global Services</b>	<b>112.5</b>	<b>11.6</b>	<b>119.2</b>	<b>13.3</b>
<b>Total</b>	<b>\$968.0</b>	<b>100.0%</b>	<b>\$899.4</b>	<b>100.0%</b>

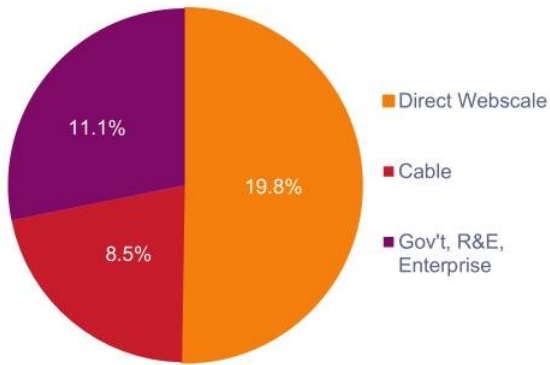
\* A reconciliation of these non-GAAP measures to our GAAP results is included in the appendix to this presentation.

\*\* Denotes % of total revenue

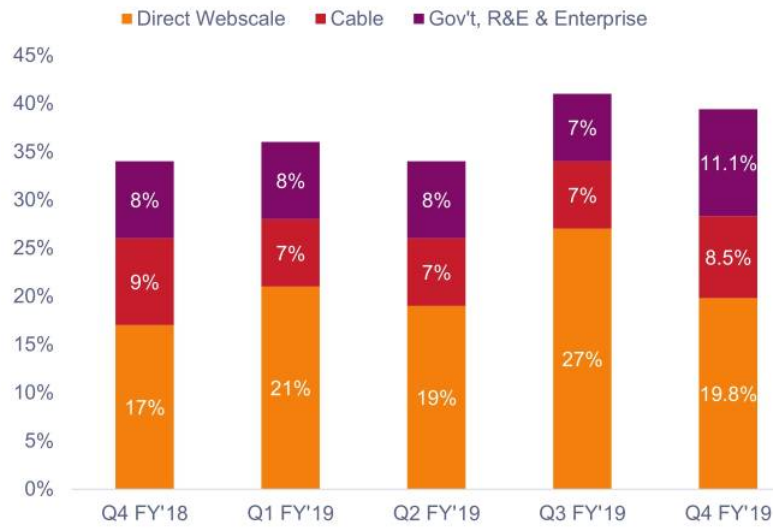


# Continued strength derived from non-telco revenue\*

Q4 FY 2019

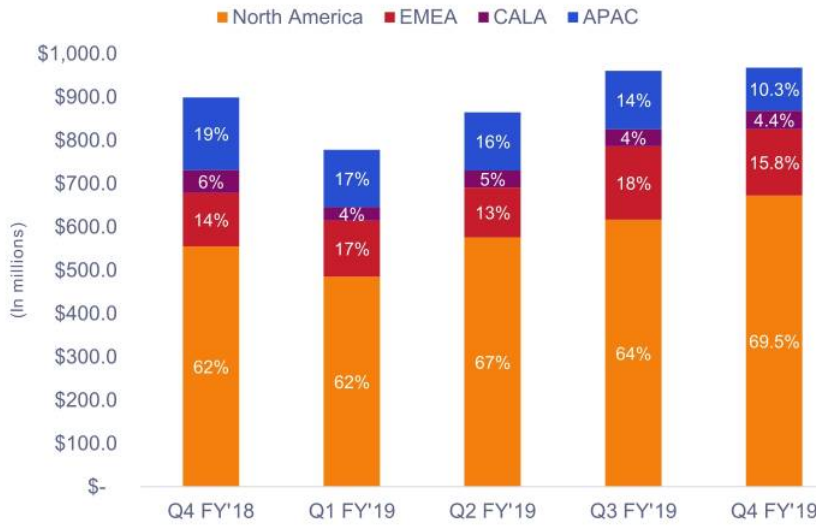
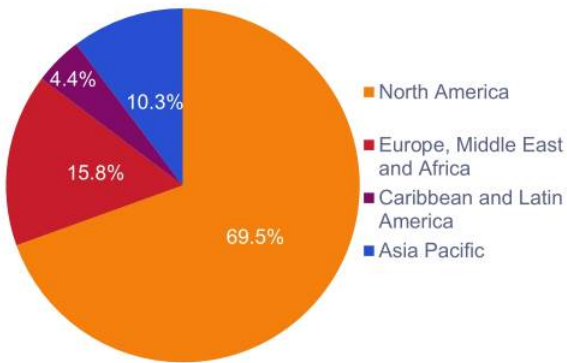


\*represents 39.4% of total revenue in Q4 FY'19



# Revenue by geographic region

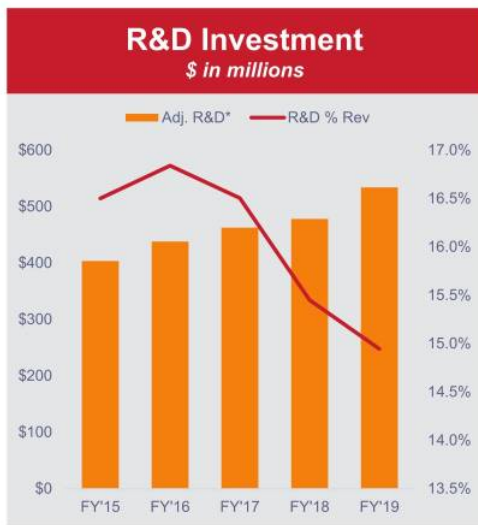
Q4 FY 2019



## Q4 FY 2019 balance sheet and operating metrics

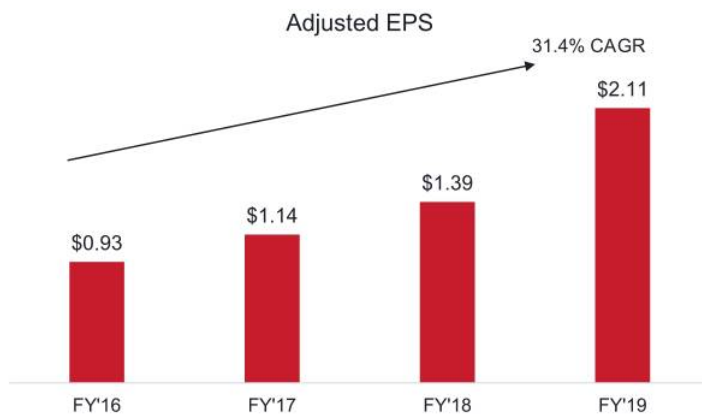
Cash and Investments	\$1.0B
Cash Flow From Operations	\$240M
DSO	75 Days
Inventory Turns	5.4
Leverage	1.4x
Net Cash	\$263.0

# Returning value to shareholders through strong capital allocation priorities



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

# Delivering profitability and total shareholder return



Source: company disclosures and S&P Capital IQ  
\*1 year represents 11/1/18-10/31/19

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# Q4 fiscal 2019 appendix

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## Gross Profit Reconciliation (Amounts in thousands)

	Q4 FY 2019	Q3 FY 2019	Q2 FY 2019	Q1 FY 2019	Q4 FY 2018
GAAP gross profit	\$419,696	\$424,352	\$374,677	\$323,341	\$311,100
Share-based compensation-products	748	781	702	637	637
Share-based compensation-services	715	783	907	770	770
Amortization of intangible assets	3,303	3,303	3,303	3,418	3,418
Total adjustments related to gross profit	4,766	4,867	4,912	4,825	4,543
<b>Adjusted (non-GAAP) gross profit</b>	<b>\$424,462</b>	<b>\$429,219</b>	<b>\$379,589</b>	<b>\$328,166</b>	<b>\$315,643</b>
<b>Adjusted (non-GAAP) gross margin</b>	<b>43.8%</b>	<b>44.7%</b>	<b>43.9%</b>	<b>42.2%</b>	<b>42.0%</b>

## Operating Expense Reconciliation (Amounts in thousands)

	Q4 FY 2019	Q3 FY 2019	Q2 FY 2019	Q1 FY 2019	Q4 FY 2018
GAAP operating expense	\$326,494	\$299,051	\$294,357	\$275,398	\$302,311
Share-based compensation-research and development	3,287	3,560	4,083	3,391	3,391
Share-based compensation-sales and marketing	4,151	4,192	4,346	3,785	3,785
Share-based compensation-general and administrative	6,425	5,813	5,491	5,112	5,112
Amortization of intangible assets	5,222	5,529	5,529	5,528	5,528
Significant asset impairments and restructuring costs	12,842	5,355	4,068	2,273	2,273
Acquisition and integration costs, excluding share-based compensation	(735)	1,362	1,135	1,608	1,608
Legal settlement	-	-	-	137	137
Total adjustments related to operating expense	\$31,192	25,811	\$24,652	\$21,834	\$24,652
<b>Adjusted (non-GAAP) operating expense</b>	<b>\$295,302</b>	<b>\$273,240</b>	<b>\$269,705</b>	<b>\$253,564</b>	<b>\$277,659</b>

## Income from Operations Reconciliation (Amounts in thousands)

	Q4 FY 2019	Q3 FY 2019	Q2 FY 2019	Q1 FY 2019	Q4 FY 2018
GAAP income from operations	\$93,202	\$125,301	\$80,320	\$47,943	\$95,111
Total adjustments related to gross profit	4,766	4,867	4,912	4,825	4,825
Total adjustments related to operating expense	31,192	25,811	24,652	21,834	24,652
Total adjustments related to income from operations	35,958	30,678	29,564	26,659	29,477
<b>Adjusted (non-GAAP) income from operations</b>	<b>\$129,160</b>	<b>\$155,979</b>	<b>\$109,884</b>	<b>\$74,602</b>	<b>\$124,588</b>
<b>Adjusted (non-GAAP) operating margin</b>	<b>13.3%</b>	<b>16.2%</b>	<b>12.7%</b>	<b>9.6%</b>	<b>11.7%</b>



## Net Income Reconciliation (Amounts in thousands)

	Q4 FY 2019	Q3 FY 2019	Q2 FY 2019	Q1 FY 2019	Q4 FY 2018
GAAP net income	\$80,331	\$86,749	\$52,738	\$33,616	\$
Exclude GAAP provision (benefit) for income taxes	2,552	30,198	17,867	9,139	(1)
Income before income taxes	82,883	116,947	70,605	42,755	
Total adjustments related to income from operations	35,958	30,678	29,564	26,659	
Loss on extinguishment and modification of debt	-	-	-	-	
Non-cash interest expense	-	-	-	-	
Change in fair value of debt conversion liability	-	-	-	-	
Adjusted income before income taxes	118,841	147,625	100,169	69,414	1
Non-GAAP tax provision on adjusted income before income taxes	28,403	35,282	23,940	16,590	
<b>Adjusted (non-GAAP) net income</b>	<b>\$90,438</b>	<b>\$112,343</b>	<b>\$76,229</b>	<b>\$52,824</b>	<b>\$</b>
Weighted average basic common shares outstanding	154,852	155,488	156,170	156,314	1
Weighted average dilutive potential common shares outstanding <sup>1</sup>	156,612	157,455	158,289	158,174	1

## Net Income per Common Share

	Q4 FY 2019	Q3 FY 2019	Q2 FY 2019	Q1 FY 2019	Q4 FY 2018
GAAP diluted net income per common share	\$ 0.51	\$ 0.55	\$ 0.33	\$ 0.21	\$
<b>Adjusted (Non-GAAP) diluted net income per common share</b>	<b>\$ 0.58</b>	<b>\$ 0.71</b>	<b>\$ 0.48</b>	<b>\$ 0.33</b>	<b>\$</b>

1. Weighted average dilutive potential common shares outstanding used in calculating adjusted (non-GAAP) diluted net income per common share for the fourth quarter of fiscal 2019 includes 1.8 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)	Q4 FY 2019	Q3 FY 2019	Q2 FY 2019	Q1 FY 2019	Q4 FY 2018
Net income (GAAP)	\$ 80,331	\$ 86,749	\$ 52,738	\$ 33,616	\$ 10,000
Add: Interest expense	9,136	9,404	9,471	9,441	9,441
Less: Interest and other income (loss), net	(1,183)	1,050	(244)	4,253	(1,183)
Add: Loss on extinguishment and modification of debt	-	-	-	-	(1,183)
Add: Provision (benefit) for income taxes	2,552	30,198	17,867	9,139	(1,183)
Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	22,505	22,076	21,482	21,513	21,513
Add: Amortization of intangible assets	8,525	8,832	8,832	8,947	8,947
<b>EBITDA</b>	<b>\$ 124,232</b>	<b>\$ 156,209</b>	<b>\$ 110,634</b>	<b>\$ 78,403</b>	<b>\$ 10,000</b>
Add: Shared-based compensation cost	15,290	15,084	15,607	13,755	13,755
Add: Significant asset impairments and restructuring costs	12,842	5,355	4,068	2,273	2,273
Add: Acquisition and integration costs	(735)	1,362	1,135	1,608	1,608
Add: Legal settlement	-	-	-	137	137
<b>Adjusted EBITDA</b>	<b>\$ 151,629</b>	<b>\$ 178,010</b>	<b>\$ 131,444</b>	<b>\$ 96,176</b>	<b>\$ 10,000</b>

