



Ciena Corporation

Earnings Presentation

Period ended October 31, 2020

December 10, 2020

Forward-looking statements and non-GAAP measures

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

Ciena's actual results, performance or events may differ materially from these forward-looking statements made or implied due to a number of risks and uncertainties relating to Ciena's business, including: the effect of broader economic and market conditions on our customers and their business; our ability to execute our business and growth strategies; the duration and severity of the COVID-19 pandemic and the impact of countermeasures taken to mitigate its spread on macroeconomic conditions, economic activity, demand for our technology solutions, short- and long-term changes in customer or end user needs, continuity of supply chain, our business operations, liquidity and financial results; changes in network spending or network strategy by our customers; seasonality and the timing and size of customer orders, including our ability to recognize revenue relating to such sales; the level of competitive pressure we encounter; the product, customer and geographic mix of sales within the period; supply chain disruptions and the level of success relating to efforts to optimize Ciena's operations; changes in foreign currency exchange rates affecting revenue and operating expense; factors beyond our control such as natural disasters, acts of war or terrorism, and public health emergencies, including the COVID-19 pandemic; the impact of the Tax Cuts and Jobs Act; changes in tax or trade regulations, including the imposition of tariffs, duties or efforts to withdraw from or materially modify international trade agreements; and the other risk factors disclosed in Ciena's periodic reports filed with the Securities and Exchange Commission (SEC) including Ciena's Quarterly Report on Form 10-Q filed with the SEC on September 9, 2020 and Ciena's Annual Report on Form 10-K to be filed with the SEC.

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

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

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

COVID-19 response

Safety and community

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

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

Business continuity

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

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

Financial strength

- We have a strong balance sheet and solid cash flow generation
- In light of our confidence around our cash generation, we will be reinstating our share repurchase plan starting in the first quarter of 2021

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

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

Fiscal 2020 results

FY 2020 key achievements

We are forcing the pace of innovation with the Adaptive Network

- WL5 Extreme became the first GA 800g product, and we have 65 customers
- Blue Planet added new customers and expanded relationships with existing customers
- Significant architectural win with a major webscale player
- Secured a series of awards including 7 deployments for our Adaptive IP solution

Our balance sheet is strong

- Despite headwinds from COVID-19 our profitability and cash metrics remained strong
 - Adj. operating margin was 17.6%
 - Free cash flow resulted in \$411M or 66.3% of adjusted operating income
 - Ended the year with over \$1.3B in cash and investments
 - Leverage remains below our target level

Our people promise and ecosystem engagements

- Instituted a range of volunteering and charitable actions
- Supported our employees through empowering programs and dedication to inclusion & diversity
- Introduced a digital inclusion initiative aimed at increasing opportunities for underserved students
- Implemented virtual capabilities across our ecosystem to engage and train including VR and AR technologies

Despite this challenging period we have continued to force the pace of innovation and demonstrate the resiliency in our financials and our people

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

FY 2020 comparative financial highlights

	FY 2020	FY 2019
Revenue	\$3.53B	\$3.57B
Adjusted Gross Margin*	47.4%	43.7%
Adjusted Operating Expense*	\$1.1B 29.9% / total revenue	\$1.1B 30.6% / total revenue
Adjusted Operating Margin*	17.6%	13.1%
Adjusted EBITDA*	\$714M	\$557M
Adjusted EPS*	\$2.95	\$2.11

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

FY 2020 comparative operating metrics

	FY 2020	FY 2019
Cash and Investments	\$1.3B	\$1.0B
Cash Flow from Operations	\$494M	\$413M
DSO	82	82
Inventory Turns	4.6	5.0

Market context



Market leadership



#1 GLOBALLY

- DATA CENTER INTERCONNECT
- DATA CENTER INTERCONNECT FOR ICP/CNPs
- PURPOSE-BUILT/COMPACT MODULAR DCI
- OPTICAL NETWORKING FOR ICP/CNPs
- OPTICAL NETWORK HARDWARE VENDOR SCORECARD
- OPTICAL EQUIPMENT VENDOR LEADERSHIP SP SURVEY
- SLTE WDM
- SLTE NEW BUILD
- ACCESS SWITCHING & ETHERNET DEMARCATION

#1 N. AMERICA

- TOTAL OPTICAL NETWORKING
- DATA CENTER INTERCONNECT
- LH WDM
- METRO WDM
- ACCESS SWITCHING & ETHERNET DEMARCATION

#2 GLOBALLY

- TOTAL OPTICAL NETWORKING
- LH WDM
- METRO WDM

#1 GLOBALLY

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

#1 N. AMERICA

- TOTAL OPTICAL NETWORKING
- PURPOSE-BUILT/COMPACT MODULAR DCI
- LH WDM
- METRO WDM

#2 GLOBALLY

- TOTAL OPTICAL NETWORKING
- METRO WDM

#1 GLOBALLY

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

#1 N. AMERICA

- TOTAL OPTICAL NETWORKING
- DATA CENTER INTERCONNECT
- PACKET OPTICAL
- LH WDM
- METRO WDM

#2 GLOBALLY

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

Optical Networks Report, 2Q20
Data Center Interconnect Market Share Report, 2Q20
Optical Network HW Vendor Scorecard, Jun 2020
Optical Equipment Vendor Leadership Global Service Provider Survey, Dec 2019
Access Switching & Ethernet Demarcation Report, 2Q20

Optical Transport Hardware Report, 2Q20
Transport Customer Markets Tracker, 2Q20
Transport Applications Tracker, 2Q20

Optical Transport Report, 2Q20

Several mega trends and the innovations that will enable them

Cloud



Data Center



IoT & Connected Objects



Fiber Deep
(Cable/MSO)



Mobility & 5G



Q4 Fiscal 2020 results

Q4 FY 2020 key highlights

Achieving balanced growth

- Non-telco represented 39% of total revenue
- Direct web-scale contributed 22% of total revenue
- APAC contributed 17% of total revenue
- Blue Planet was up 26% YoY

Driving the pace of innovation

- TTM Adjusted R&D* investment was \$513M
- 579 100G+ total customers, which includes 28 new wins on WaveLogic Ai and 34 new wins on WaveLogic 5e in Q4
- Shipped WL 5 Extreme to almost 57 customers, and the technology is live and carrying traffic in several networks

Delivering shareholder value

- YTD¹ total stockholder return of 5%
- Adjusted EPS* growth of 3% YoY
- Adjusted operating margin* improved by 250bps YoY
- Balance sheet strength:
 - FCF was \$166M
 - Cashflow from operations was \$187M

Despite this challenging period we have continued to force the pace of innovation and demonstrate the resiliency in our financials and our people

¹ Source: Capital IQ 12/31/19-11/30/20

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

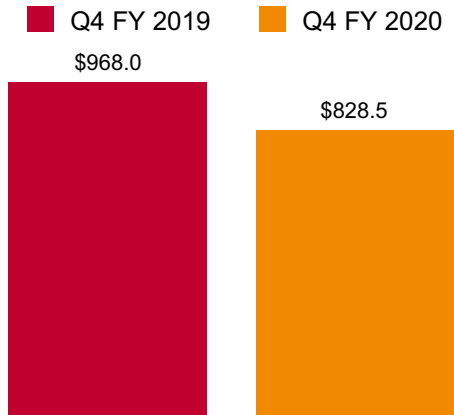
Q4 FY 2020 financial highlights*

Revenue	\$828M
Adjusted Gross Margin*	49.5%
Adjusted Operating Margin*	15.8%
Adjusted Operating Expense*	\$279M
Adjusted EBITDA*	\$155M
Adjusted EPS*	\$0.60

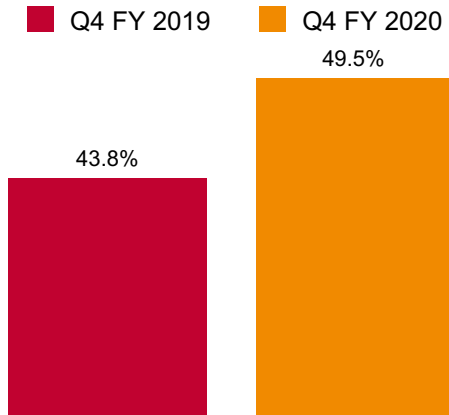
* A reconciliation of these non-GAAP measures to our GAAP results is included in the appendix to this presentation.

Q4 FY 2020 comparisons (year-over-year)

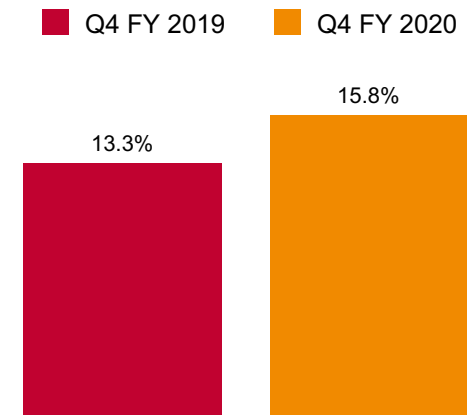
Revenue (in millions)



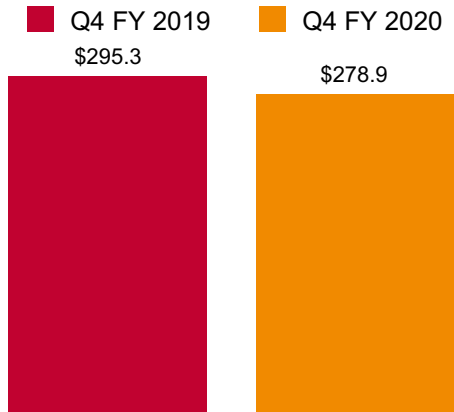
Adj. Gross Margin*



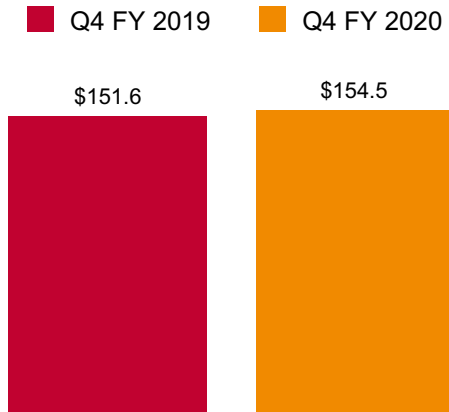
Adj. Operating Margin*



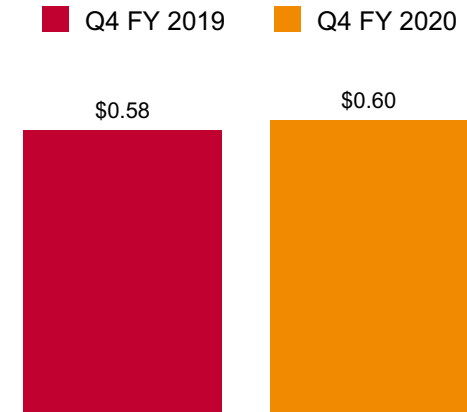
Adj. OpEx* (in millions)



Adj. EBITDA* (in millions)

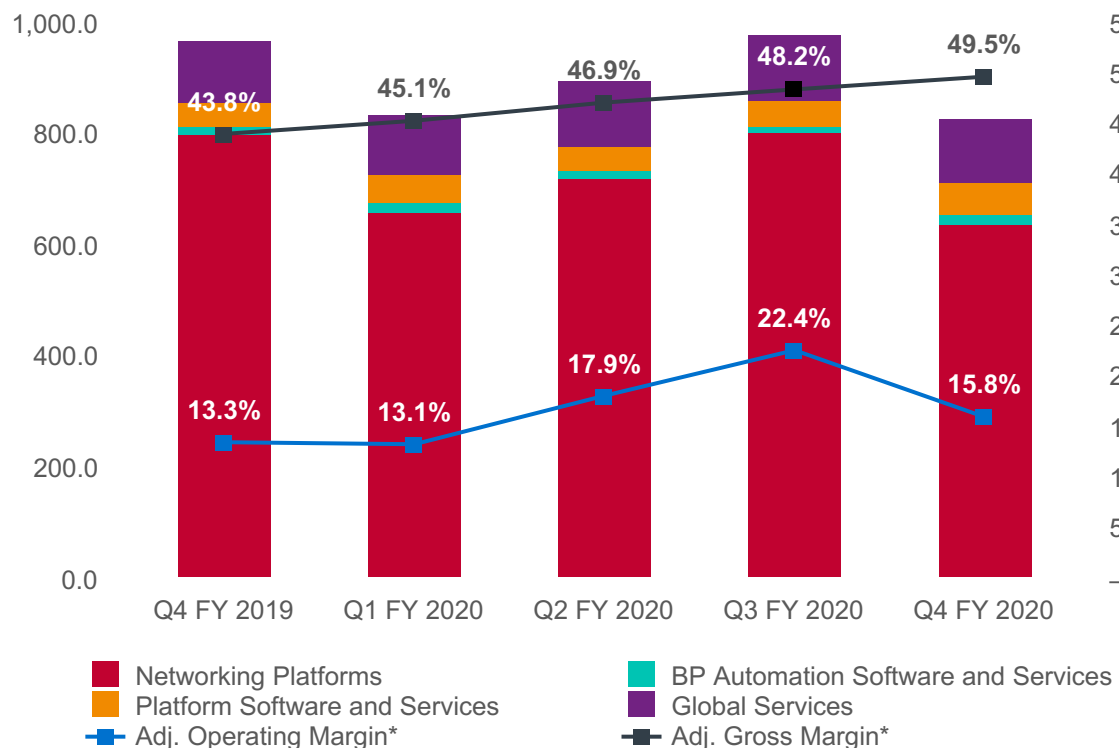


Adj. EPS*



Revenue by segment

(Amounts in millions)



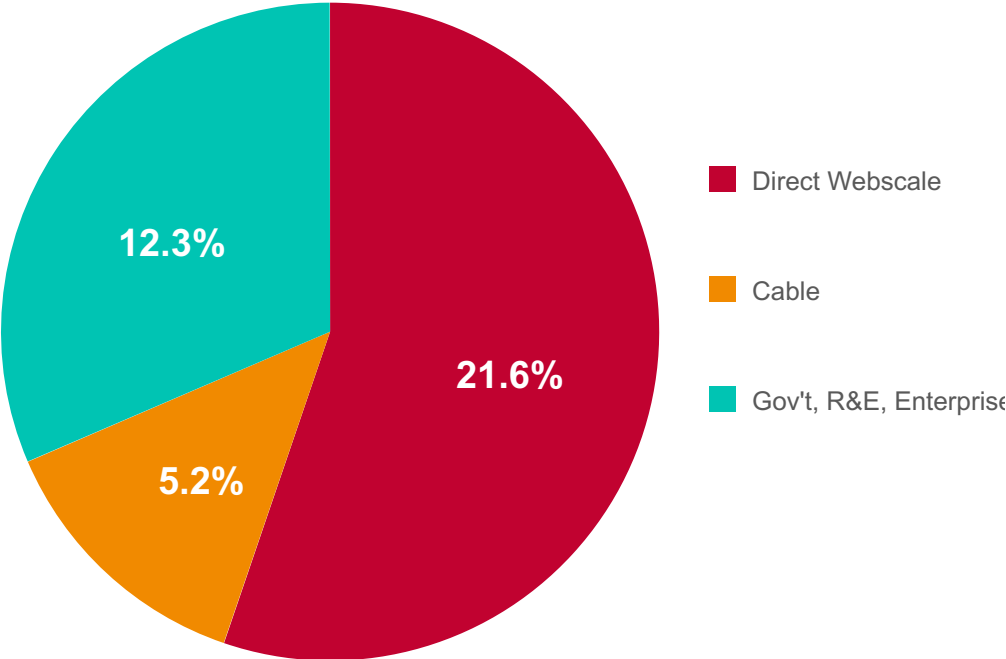
	Q4 FY 2020		Q4 FY 2019	
	Revenue	%**	Revenue	%**
Networking Platforms				
Converged Packet Optical	579.3	69.9	665.8	68.8
Packet Networking	56.0	6.8	131.9	13.6
Total Networking Platforms	635.3	76.7	797.7	82.4
Platform Software and Services	54.5	6.6	41.2	4.3
Blue Planet Automation Software and Services	20.9	2.5	16.6	1.7
Global Services				
Maintenance Support and Training	67.0	8.1	65.3	6.7
Installation and Deployment	43.0	5.2	36.5	3.8
Consulting and Network Design	7.8	0.9	10.7	1.1
Total Global Services	117.8	14.2	112.5	11.6
Total	\$828.5	100.0 %	\$968.0	100.0 %

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

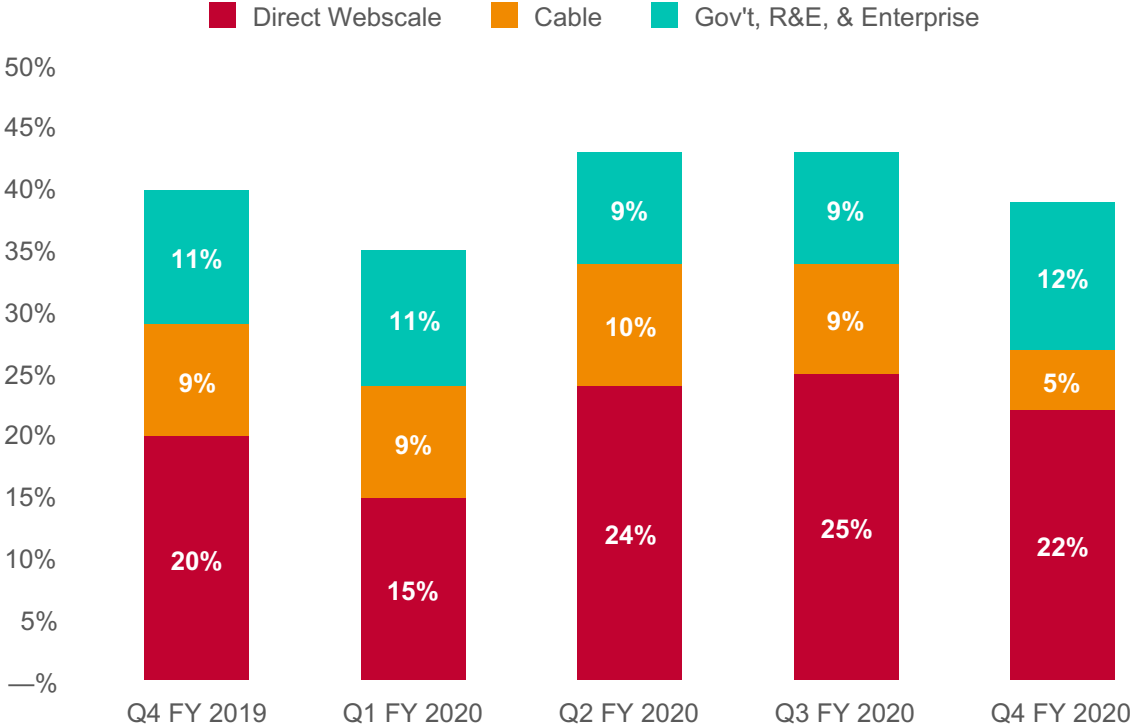
** Denotes % of total revenue

Continued strength derived from non-telco revenue*

Q4 FY 2020

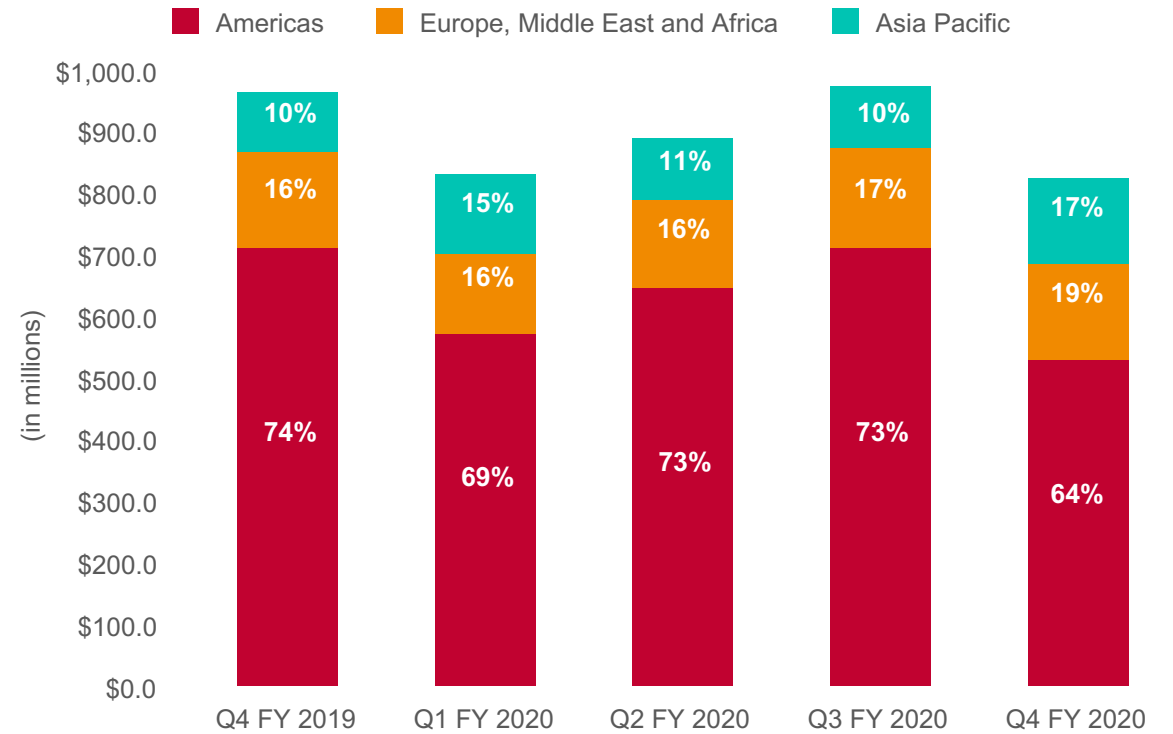
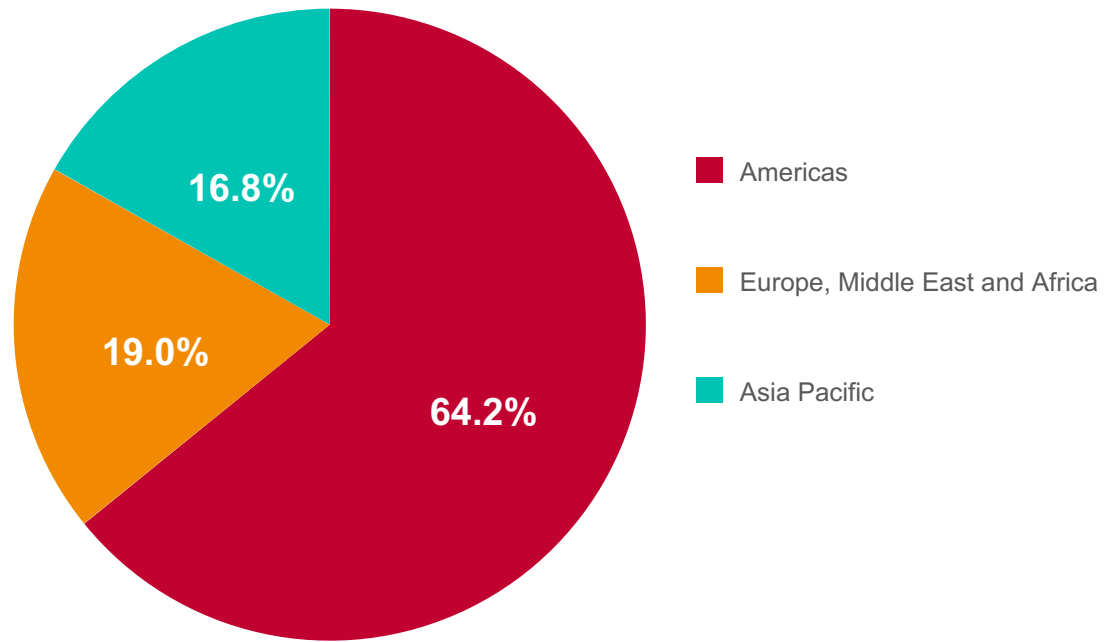


*represents 39.1% of total revenue in Q4 FY 2020



Revenue by geographic region

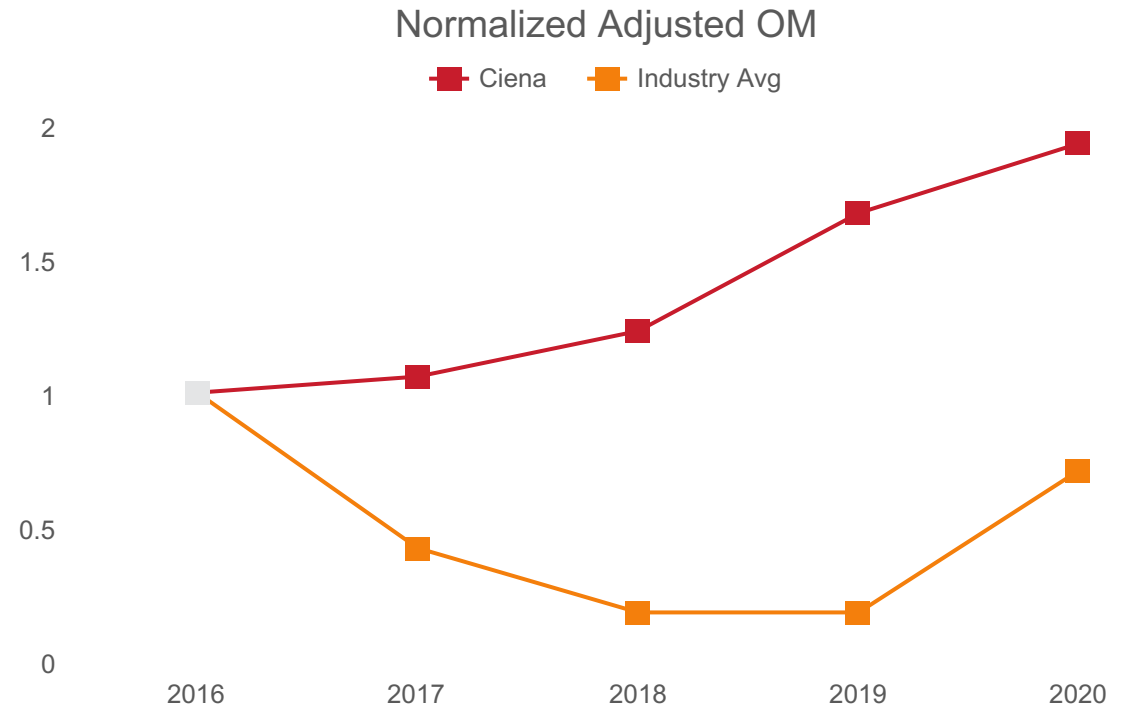
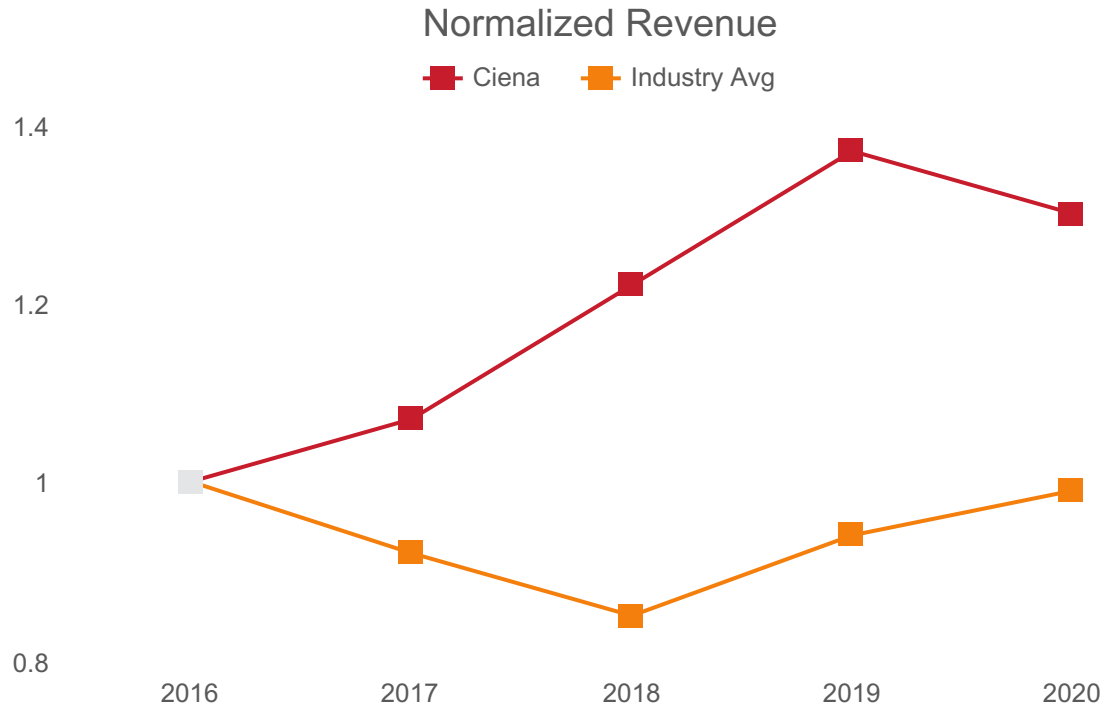
Q4 FY 2020



Q4 FY 2020 balance sheet and operating metrics

Cash and Investments	\$1.3B
Cash Flow From Operations	\$187M
Free Cash Flow	\$166M
Inventory Turns	4.0
Leverage	1.1x
Net Debt	\$569M

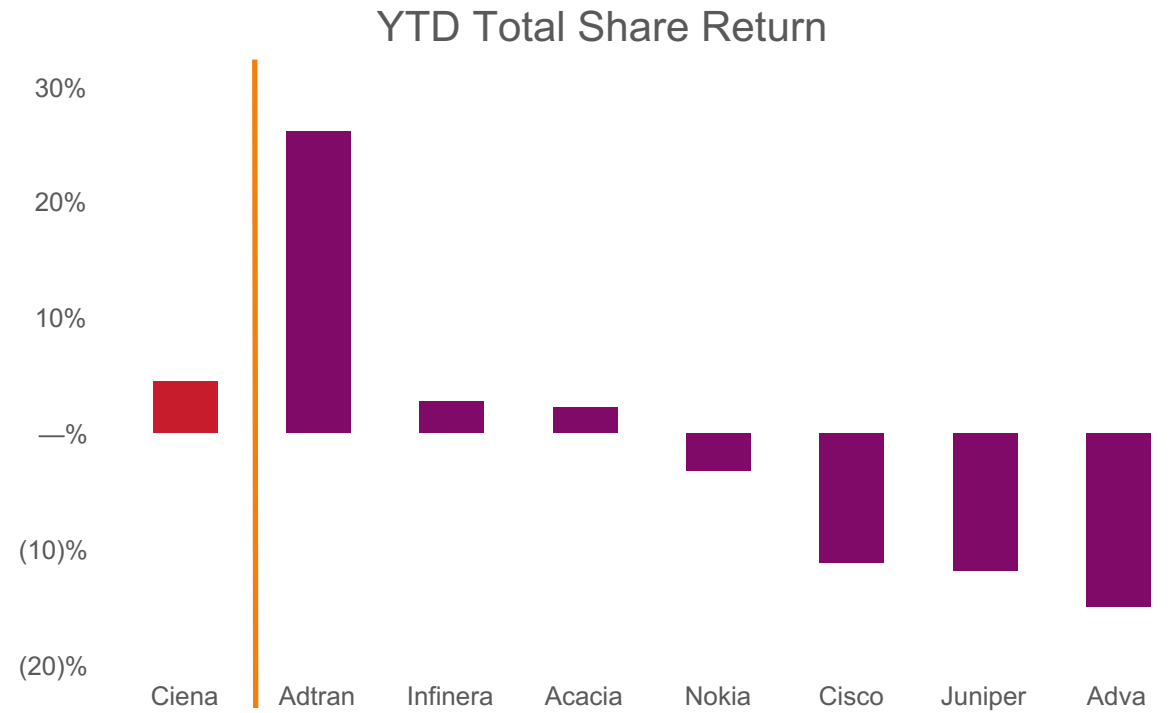
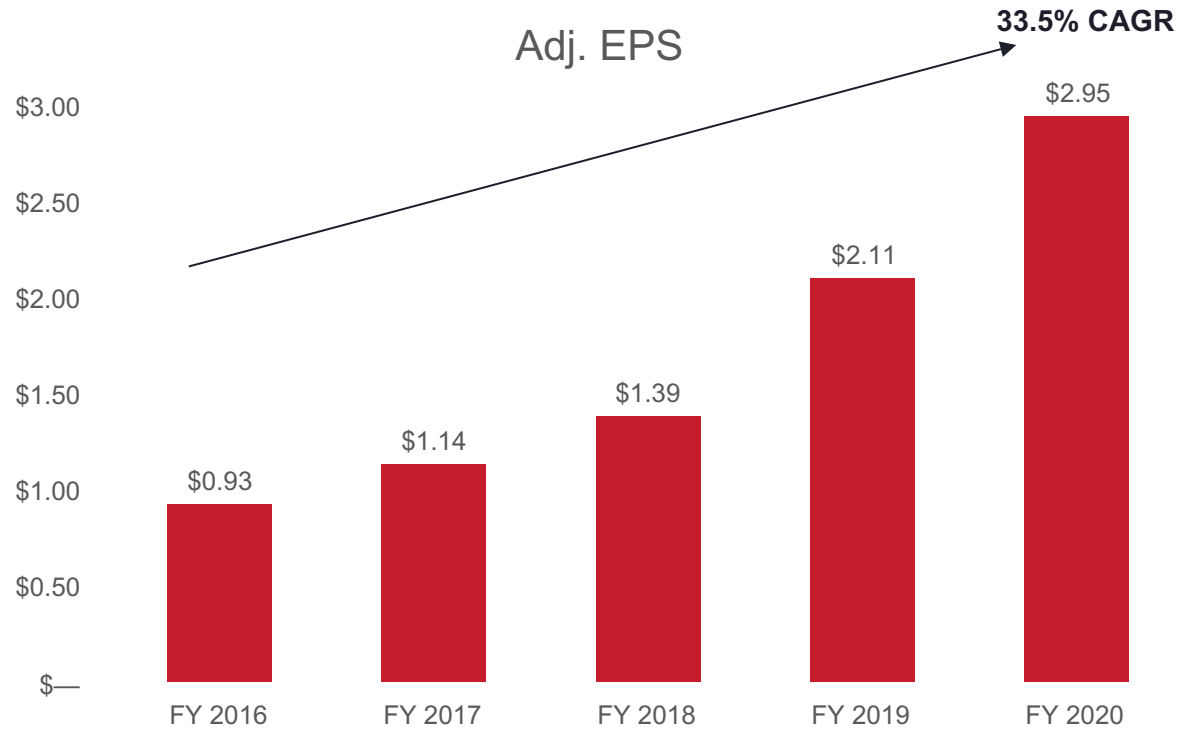
Delivering consistent financial performance



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

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

Delivering profitability and total shareholder return



Source: company disclosures and S&P Capital IQ
 *YTD represents 12/31/19-11/30/20

Business outlook



Business Outlook¹

Q1' 21

Revenue \$735M to \$765M

Adjusted Gross Margin 47%-49%

Adjusted Operating Expense \$265M to \$270M

FY 2021

Revenue Growth 0%-3%

Adjusted Gross Margin 45%-47%

Adjusted Operating Expense \$270M to \$275M average per quarter

Adjusted Operating Margin 15%-16%

¹ Projections or outlook with respect to future operating results are only as of December 10, 2020, the date presented on the related earnings call. Actual results may differ materially from these forward-looking statements. Ciena assumes no obligation to update this information, whether as a result of new information, future events or otherwise.
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COVID-19 and economic considerations in our outlook

Revenue Assumptions

- Industry and economic conditions improve as we move through the year, enabling relatively stronger second half performance
- Spend from service providers globally returns to pre-pandemic levels with a more balanced approach on edge and access
- Customers rebalance spend, prioritizing new architectures and deployments, which enables us to monetize our design wins

Profitability Assumptions

- COVID-19 related impacts have a continued short-term positive effect on gross margin
- As conditions improve and revenue reflects a more typical mix of existing and new business, gross margin moderates
- Strategic investments in our people and portfolio drive operating expense to pre-pandemic levels

Business Assumptions

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

Q4 fiscal 2020 appendix

Gross Profit Reconciliation (Amounts in thousands)

	Q4 FY 2020	Q3 FY 2020	Q2 FY 2020	Q1 FY 2020	Q4 FY 2019
GAAP gross profit	\$404,349	\$464,681	\$413,326	\$370,535	\$419,696
Share-based compensation-products	724	960	827	671	748
Share-based compensation-services	968	1,007	1,036	842	715
Amortization of intangible assets	3,732	3,834	3,835	3,834	3,303
Total adjustments related to gross profit	5,424	5,801	5,698	5,347	4,766
Adjusted (non-GAAP) gross profit	\$409,773	\$470,482	\$419,024	\$375,882	\$424,462
Adjusted (non-GAAP) gross profit percentage	49.5 %	48.2 %	46.9 %	45.1 %	43.8 %

Operating Expense Reconciliation (Amounts in thousands)

	Q4 FY 2020	Q3 FY 2020	Q2 FY 2020	Q1 FY 2020	Q4 FY 2019
GAAP operating expense	\$310,866	\$276,645	\$285,838	\$292,578	\$326,494
Share-based compensation-research and development	4,030	4,286	4,822	3,849	3,287
Share-based compensation-sales and marketing	5,137	5,180	5,264	4,613	4,151
Share-based compensation-general and administrative	5,982	5,940	5,975	5,527	6,425
Amortization of intangible assets	5,851	5,840	5,839	5,853	5,222
Significant asset impairments and restructuring costs	7,854	6,515	3,811	4,472	12,842
Acquisition and integration costs (recoveries)	3,127	(2,329)	1,414	1,819	(735)
Total adjustments related to operating expense	31,981	25,432	27,125	26,133	31,192
Adjusted (non-GAAP) operating expense	\$278,885	\$251,213	\$258,713	\$266,445	\$295,302

Income from Operations Reconciliation (Amounts in thousands)

	Q4 FY 2020	Q3 FY 2020	Q2 FY 2020	Q1 FY 2020	Q4 FY 2019
GAAP income from operations	\$93,483	\$188,036	\$127,488	\$77,957	\$93,202
Total adjustments related to gross profit	5,424	5,801	5,698	5,347	4,766
Total adjustments related to operating expense	31,981	25,432	27,125	26,133	31,192
Total adjustments related to income from operations	37,405	31,233	32,823	31,480	35,958
Adjusted (non-GAAP) income from operations	\$130,888	\$219,269	\$160,311	\$109,437	\$129,160
Adjusted (non-GAAP) operating margin percentage	15.8 %	22.4 %	17.9 %	13.1 %	13.3 %

Net Income Reconciliation (Amounts in thousands)

	Q4 FY 2020	Q3 FY 2020	Q2 FY 2020	Q1 FY 2020	Q4 FY 2019
GAAP net income	\$65,041	\$142,267	\$91,655	\$62,328	\$80,331
Exclude GAAP provision for income taxes	20,798	38,750	25,308	9,814	2,552
Income before income taxes	85,839	181,017	116,963	72,142	82,883
Total adjustments related to income from operations	37,405	31,233	32,823	31,480	35,958
Unrealized gain on equity investment	(2,681)	—	—	—	—
Loss on extinguishment and modification of debt	—	—	—	646	—
Adjusted income before income taxes	120,563	212,250	149,786	104,268	118,841
Non-GAAP tax provision on adjusted income before income taxes	26,042	45,846	32,354	22,522	28,403
Adjusted (non-GAAP) net income	\$94,521	\$166,404	\$117,432	\$81,746	\$90,438
Weighted average basic common shares outstanding	154,706	154,184	153,858	154,334	154,852
Weighted average diluted potential common shares outstanding ⁽¹⁾	156,563	156,318	155,141	155,738	156,612

Net Income per Common Share

	Q4 FY 2020	Q3 FY 2020	Q2 FY 2020	Q1 FY 2020	Q4 FY 2019
GAAP diluted net income per potential common share	\$ 0.42	\$ 0.91	\$ 0.59	\$ 0.40	\$ 0.51
Adjusted (non-GAAP) diluted net income per potential common share	\$ 0.60	\$ 1.06	\$ 0.76	\$ 0.52	\$ 0.58

1. Weighted average diluted potential common shares outstanding used in calculating Adjusted (non-GAAP) diluted net income per potential common share for the fourth quarter of fiscal 2020 includes 1.9 million shares underlying certain stock option 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 2020	Q3 FY 2020	Q2 FY 2020	Q1 FY 2020	Q4 FY 2019
Net income (GAAP)	\$65,041	\$142,267	\$91,655	\$62,328	\$80,331
Add: Interest expense	7,395	7,251	7,860	8,815	9,136
Less: Interest and other income (loss), net	(249)	232	(2,665)	3,646	(1,183)
Add: Loss on extinguishment and modification of debt	—	—	—	646	—
Add: Provision for income taxes	20,798	38,750	25,308	9,814	2,552
Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	23,538	21,989	22,599	25,782	22,505
Add: Amortization of intangible assets	9,584	9,674	9,674	9,687	8,525
EBITDA	\$126,605	\$219,699	\$159,761	\$113,426	\$124,232
Add: Share-based compensation cost	16,920	17,259	17,977	15,602	15,290
Add: Significant asset impairments and restructuring costs	7,854	6,515	3,811	4,472	12,842
Add: Acquisition and integration costs (recoveries)	3,127	(2,329)	1,414	1,819	(735)
Adjusted EBITDA	\$154,506	\$241,144	\$182,963	\$135,319	\$151,629



Thank You