



# Ciena Corporation

Fiscal Q1 2024 Earnings Presentation  
Period ended January 27, 2024

March 7, 2024

# Forward-looking statements and non-GAAP measures

You are encouraged to review the Investors section of our website, where we routinely post press releases, Securities and Exchange Commission (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. You are encouraged to review the Investors section of our website, where we routinely post press releases, Securities and Exchange Commission ("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.

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, their spending and their businesses and markets; our ability to execute our business and growth strategies; the impact of macroeconomic conditions and global supply chain constraints or disruptions including increased supply costs and lead times; the impact of the introduction of new technologies by us or our competitors; seasonality and the timing and size of customer orders, their delivery dates and 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; changes in foreign currency exchange rates; factors beyond our control such as natural disasters, climate change, acts of war or terrorism, geopolitical tensions or events, including but not limited to the ongoing conflicts between Ukraine and Russia, and Israel and Hamas, and public health emergencies or epidemics, including the COVID-19 pandemic; changes in tax or trade regulations, including the imposition of tariffs, duties or efforts to withdraw from or materially modify international trade agreements; cyberattacks, data breaches or other security incidents involving our enterprise network environment or our products; regulatory changes, litigation involving our intellectual property or government investigations; and the other risk factors disclosed in Ciena's periodic reports filed with the Securities and Exchange Commission (SEC) including its Annual Report on Form 10-K filed with the SEC on December 15, 2023 and included in its Quarterly Report on Form 10-Q for the first quarter of fiscal 2024 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 margin, EBITDA, 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 and Form 10K 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.

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# Overview



# Ciena is an industry-leading global networking systems, services, and software company

Leading technology and innovation



Diversification and scale of business



Leader in Optical market and disruptor in emerging opportunities



Demonstrated track record of strong financial performance

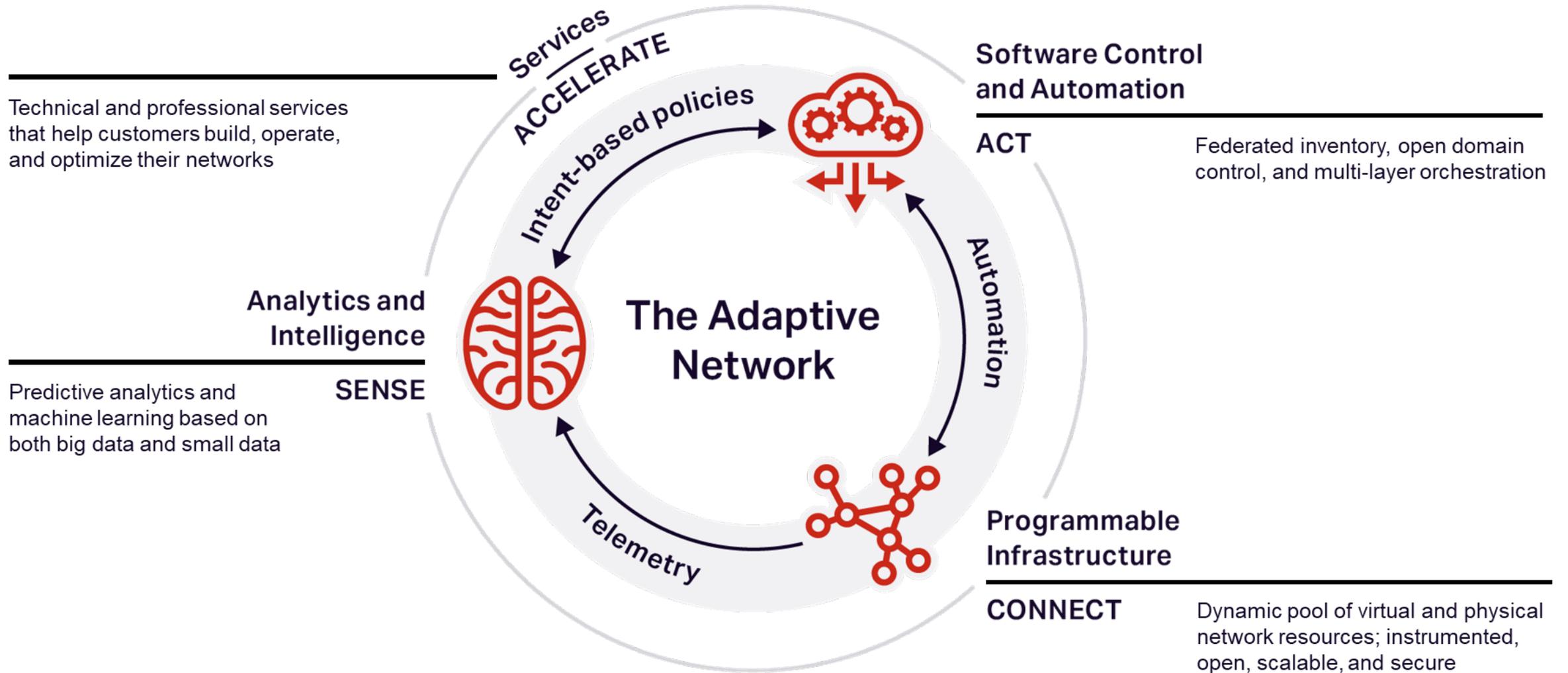


Flexibility with strong balance sheet



... with a strong track record of creating shareholder value

# The Adaptive Network enables open, programmable, and sustainable networks



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# Market context



# Mega-trends driving persistent network traffic growth

AI & Cloud



Data Center



IoT and Connected Objects



Digital Transformation & Automation



Mobility & 5G



Virtual & Hybrid Lifestyles



# Our market leadership



## #1 Globally

- Purpose-built/compact modular DCI
- SLTE WDM
- Access switching

## #1 N. America

- Total optical networking
- Purpose-built/compact modular DCI
- Access switching

## #2 Globally

- Total optical networking

Optical Networking Report, 3Q23  
Service Provider Switching & Routing Report, 3Q23



## #1 Globally

- Purpose-built/compact modular DCI
- Optical for cloud and colo
- SLTE WDM
- Routing/Access

## #1 N. America

- Total optical networking
- Purpose-built/compact modular DCI
- Optical for cloud and colo
- Routing/Access

## #2 Globally

- Total optical networking
- Optical for enterprise and government

Transport Hardware Report, 4Q23



## #1 Globally

- Data center interconnect
- Optical for internet content provider customers

## #1 N. America

- Data center interconnect
- Total optical networking
- Optical packet

## #2 Globally

- Total optical networking
- Purpose-built/compact modular DCI
- Optical for cable MSO customers

Optical Transport Report, 4Q23

# Next-Gen Metro and Edge is a strategic growth segment

Fiber Broadband Access is a key driver in this space

## Core Transport

**\$6B → \$7B**  
2020 Future

- High Capacity Converged Packet-Optical Transport
  - Data Center Interconnect
  - Long Haul
  - Subsea

## Software and Related Services

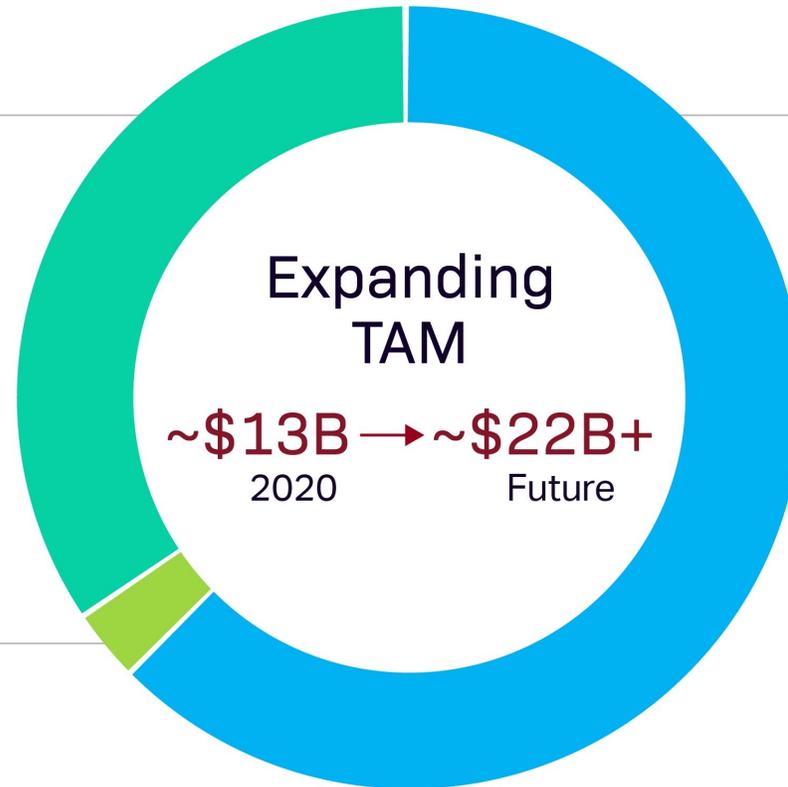
**\$1B+**

- Intelligent Automation
  - Orchestration: MDSO and NFV
  - Order management
  - Inventory
  - Assurance and Analytics

## Next-Generation Metro and Edge

**~\$6B → ~\$14B**  
2020 Future

- Fiber Broadband Access
  - Residential
  - Enterprise services
  - Fixed-mobile access
- Cloud Connectivity
- xHaul Solutions
- Converged IP/Optical Infrastructures
- Software Defined Edge
- Ethernet Data Services



\* Market data excludes China, and is based on Omdia, Dell'Oro, Signal AI, and Ciena analysis

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# Q1 FY 2024 results



# Q1 FY 2024 key highlights

## Achieving balanced growth

- Non-telco represented a record high 54% of total revenue
  - Direct Cloud Provider revenue was up 38% YoY
- Subsea revenue grew nearly 49% YoY
- EMEA revenue increased 36% YoY
- Global Services revenue grew 13% YoY

## Driving the pace of innovation

- Customer traction continues with WL5e 800G technology, reaching 270 customers
- For our WL5n 400ZR/ZR+ pluggables, we have 86 customers, 19 new this quarter
- Three new customer orders for WaveLogic 6 Extreme
- Surpassed 2,000 x 81xx platforms delivered to over 50 customers as we continue to scale our Metro & Coherent Routing capabilities around the globe
- Increased the breadth of our Broadband Access portfolio with the 3806 10GXGS PON extended temp ONU for outdoor locations

## Prioritizing long term shareholder value

- Total shareholder return five-year CAGR of 7%<sup>1</sup>
- Under our authorized \$1 billion stock repurchase program, repurchased ~0.7 million shares for \$32 million, and are targeting \$250 million for FY 2024 to complete the \$1 billion authorized plan

<sup>1</sup> Based on closing share price between 2/13/2019 to 2/13/2024

# Q1 FY 2024 comparative financial highlights

	Q1 FY 2024	Q1 FY 2023
<b>Revenue</b>	\$1,037.7M	\$1,056.5M
<b>Adjusted Gross Margin*</b>	45.7%	43.7%
<b>Adjusted Operating Expense*</b>	\$336.8M	\$329.3M
<b>Adjusted Operating Margin*</b>	13.2%	12.6%
<b>Adjusted EBITDA*</b>	\$160.0M	\$155.1M
<b>Adjusted EPS*</b>	\$0.66	\$0.64

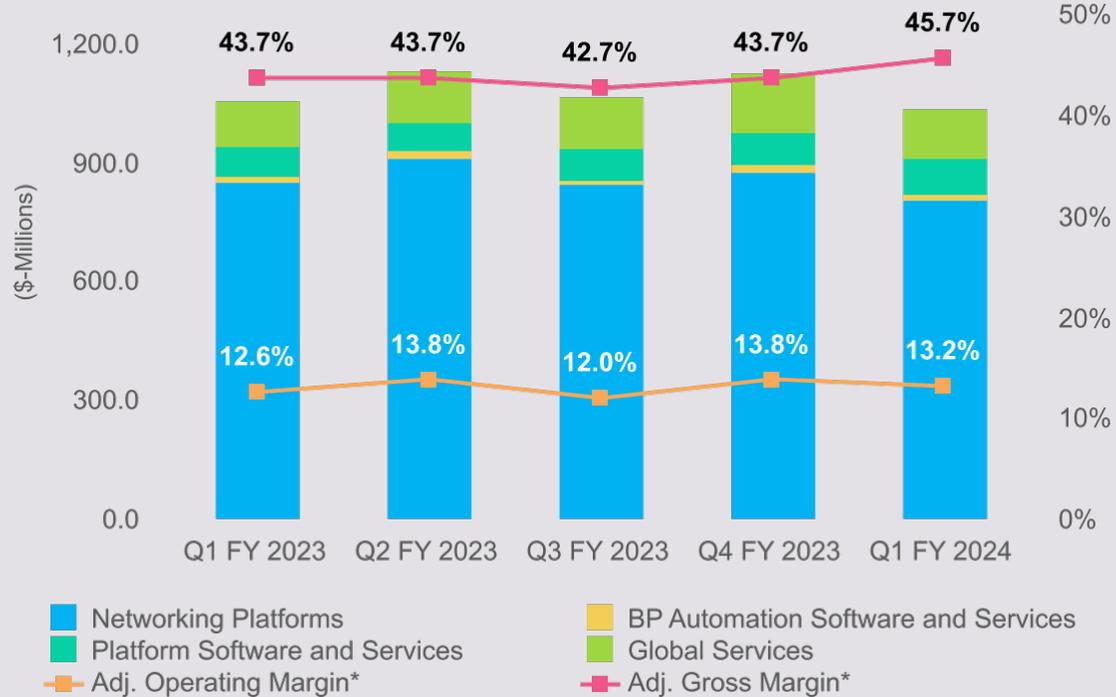
\* Reconciliations of these non-GAAP measures to our GAAP results are included in the Appendix and in the press release for the relative period.

# Q1 FY 2024 comparative operating metrics

	Q1 FY 2024	Q1 FY 2023
<b>Cash and investments</b>	\$1.48B	\$1.16B
<b>Cash provided by (used in) operations</b>	\$266M	\$(266)M
<b>DSO</b>	88.0	103.0
<b>Inventory Turns</b>	1.9	1.7
<b>Gross Leverage</b>	2.42x	3.05x
<b>Net Debt</b>	\$148M	\$471M

# Revenue by segment

(Amounts in millions)



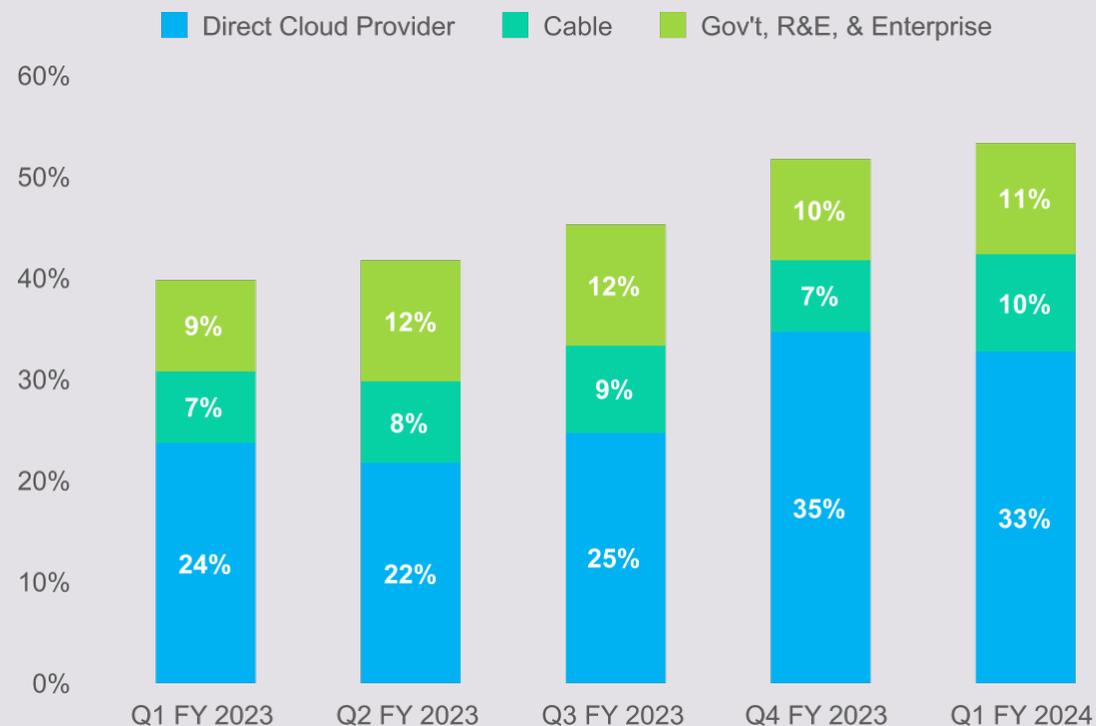
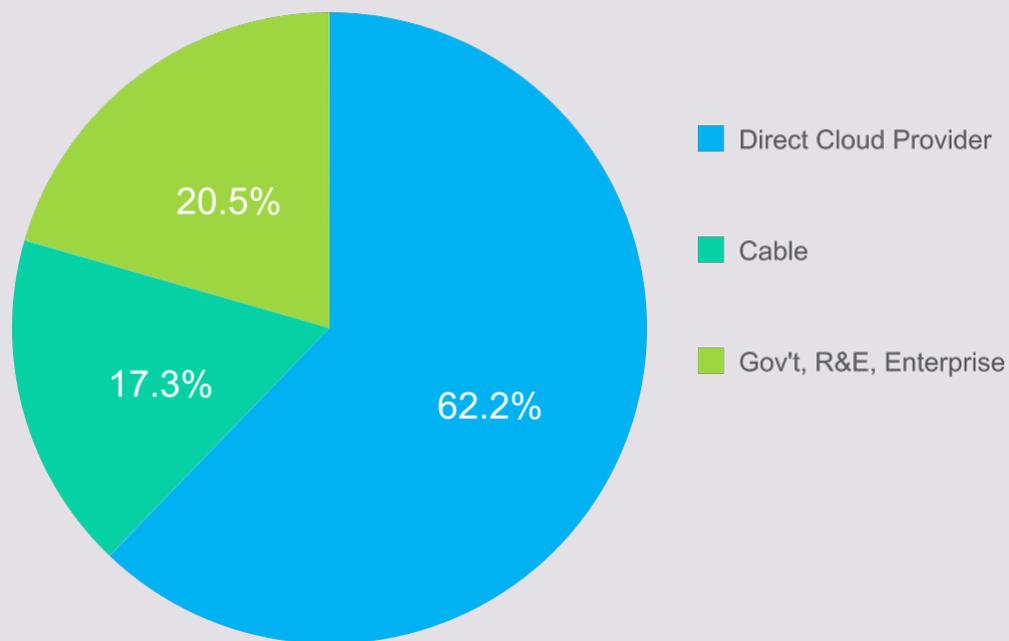
	Q1 FY 2024		Q1 FY 2023	
	Revenue	%**	Revenue	%**
<b>Networking Platforms</b>				
Optical Networking	\$695.8	67.1	\$735.6	69.6
Routing and Switching	111.4	10.7	119.5	11.3
<b>Total Networking Platforms</b>	<b>807.2</b>	<b>77.8</b>	<b>855.1</b>	<b>80.9</b>
<b>Platform Software and Services</b>	<b>89.7</b>	<b>8.6</b>	<b>73.4</b>	<b>6.9</b>
<b>Blue Planet Automation Software and Services</b>	<b>14.0</b>	<b>1.4</b>	<b>15.4</b>	<b>1.5</b>
<b>Global Services</b>				
Maintenance Support and Training	74.1	7.1	67.9	6.4
Installation and Deployment	42.7	4.1	34.6	3.3
Consulting and Network Design	10.0	1.0	10.1	1.0
<b>Total Global Services</b>	<b>126.8</b>	<b>12.2</b>	<b>112.6</b>	<b>10.7</b>
<b>Total</b>	<b>\$1,037.7</b>	<b>100.0</b>	<b>\$1,056.5</b>	<b>100.0</b>

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

\*\* Denotes % of total revenue

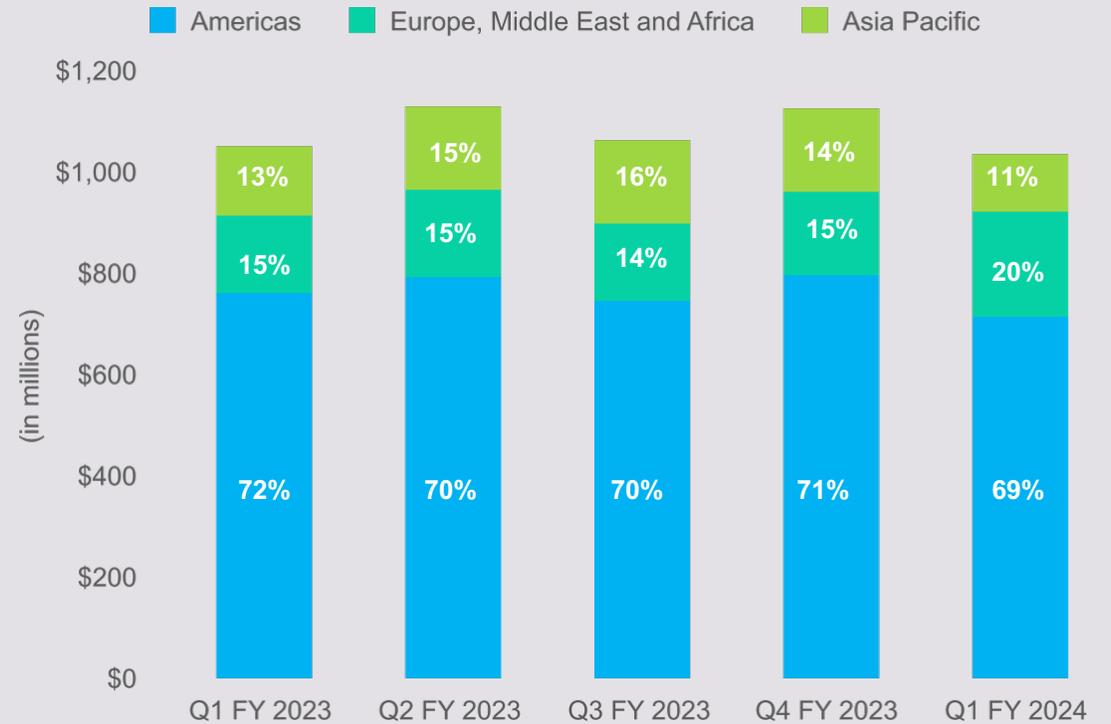
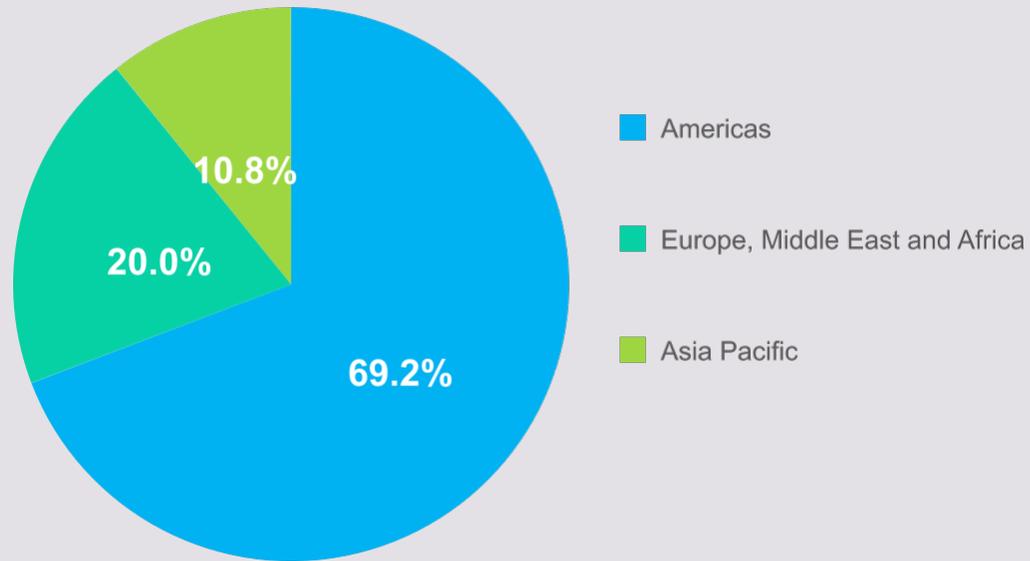
# Record revenue derived from non-telco customers

Q1 FY 2024 Non-Telco Revenue  
Approx. 54% of total



# Revenue by geographic region

Q1 FY 2024





# Business outlook

# Economic considerations and assumptions in our fiscal 2024 outlook

## Business Assumptions

- Macro environment does not significantly worsen or result in any adverse effects on our business, including with respect to our customers' capex priorities or spending in our major geographies
- Longer-term fundamental industry demand drivers – including increasing demand for bandwidth, adoption of cloud architectures, network automation requirements, and AI-related expansions – will drive customers to prioritize network capex to address this demand
- Huawei displacement opportunities and government infrastructure spending provide growth tailwinds over time

## Revenue Assumptions

- We secure increased orders, particularly from our Service Providers, as they absorb their existing high inventory levels and return to more typical order levels
- We do not experience significant deferrals of delivery of our existing backlog and our Service Provider customers are able to absorb existing equipment orders
- We are able to deliver new products according to our roadmap and customer adoption of these products continues to be consistent with our expectations
- Given our distinct competitive and technology advantages, we continue to benefit disproportionately as order flow dynamics return to more typical levels

## Profitability Assumptions

- Operating expense increases moderately to fund strategic investments as we continue to innovate and expand our addressable market to capture opportunities that advance our position in key growth areas
- We expect quarterly variability in margins due to revenue mix

# Business outlook<sup>1</sup>

## Q2 FY 2024

**Revenue** \$850M to \$930M

**Adjusted Gross Margin** Low-40s%

**Adjusted Operating Expense** Approximately \$340M to \$345M

## Fiscal full year 2024

**Revenue** \$4.0B to \$4.3B

**Adjusted Gross Margin** Mid-40s%

**Adjusted Operating Expense** Average \$340M to \$345M per quarter

<sup>1</sup> Projections or outlook with respect to future operating results are only as of March 7, 2024, the date presented on the related earnings call. Actual results may differ materially from these forward-looking statements. Ciena assumes no obligation to update this information, whether as a result of new information, future events or otherwise.



# Q1 FY 2024 appendix

## Gross Profit Reconciliation (Amounts in thousands)

	Q1 FY 2024	Q4 FY 2023	Q3 FY 2023	Q2 FY 2023	Q1 FY 2023
GAAP gross profit	\$466,962	\$486,281	\$448,941	\$487,683	\$455,946
Share-based compensation-products	1,318	1,194	1,118	1,155	1,051
Share-based compensation-services	3,020	2,827	2,687	2,659	2,297
Amortization of intangible assets	2,764	2,763	3,187	3,431	2,883
Total adjustments related to gross profit	7,102	6,784	6,992	7,245	6,231
<b>Adjusted (non-GAAP) gross profit</b>	<b>\$474,064</b>	<b>\$493,065</b>	<b>\$455,933</b>	<b>\$494,928</b>	<b>\$462,177</b>
<b>Adjusted (non-GAAP) gross profit percentage</b>	<b>45.7 %</b>	<b>43.7 %</b>	<b>42.7 %</b>	<b>43.7 %</b>	<b>43.7 %</b>

## Operating Expense Reconciliation (Amounts in thousands)

	Q1 FY 2024	Q4 FY 2023	Q3 FY 2023	Q2 FY 2023	Q1 FY 2023
GAAP operating expense	\$382,333	\$394,979	\$370,727	\$384,870	\$370,730
Share-based compensation-research and development	12,880	11,412	10,954	10,731	9,234
Share-based compensation-sales and marketing	10,305	9,187	8,770	8,755	8,424
Share-based compensation-general and administrative	10,079	10,274	9,377	8,468	9,468
Significant asset impairments and restructuring costs	4,971	7,209	4,174	8,153	4,298
Amortization of intangible assets	7,252	10,578	9,487	9,845	7,441
Acquisition and integration costs	—	—	59	857	2,558
Legal Settlement	—	8,750	—	—	—
Total adjustments related to operating expense	45,487	57,410	42,821	46,809	41,423
<b>Adjusted (non-GAAP) operating expense</b>	<b>\$336,846</b>	<b>\$337,569</b>	<b>\$327,906</b>	<b>\$338,061</b>	<b>\$329,307</b>

## Income from Operations Reconciliation (Amounts in thousands)

	Q1 FY 2024	Q4 FY 2023	Q3 FY 2023	Q2 FY 2023	Q1 FY 2023
GAAP income from operations	\$84,629	\$91,302	\$78,214	\$102,813	\$85,216
Total adjustments related to gross profit	7,102	6,784	6,992	7,245	6,231
Total adjustments related to operating expense	45,487	57,410	42,821	46,809	41,423
Total adjustments related to income from operations	52,589	64,194	49,813	54,054	47,654
<b>Adjusted (non-GAAP) income from operations</b>	<b>\$137,218</b>	<b>\$155,496</b>	<b>\$128,027</b>	<b>\$156,867</b>	<b>\$132,870</b>
<b>Adjusted (non-GAAP) operating margin percentage</b>	<b>13.2 %</b>	<b>13.8 %</b>	<b>12.0 %</b>	<b>13.8 %</b>	<b>12.6 %</b>

## Net Income Reconciliation (Amounts in thousands)

	Q1 FY 2024	Q4 FY 2023	Q3 FY 2023	Q2 FY 2023	Q1 FY 2023
GAAP net income	\$49,547	\$91,199	\$29,733	\$57,654	\$76,241
Exclude GAAP provision (benefit) for income taxes	21,956	(20,681)	34,608	29,821	25,078
Income before income taxes	71,503	70,518	64,341	87,475	101,319
Total adjustments related to income from operations	52,589	64,194	49,813	54,054	47,654
Loss on extinguishment and modification of debt	—	7,874	—	—	—
(Gain) loss on cost method equity investment	—	—	87	—	(26,455)
Adjusted income before income taxes	124,092	142,586	114,241	141,529	122,518
Non-GAAP tax provision on adjusted income before income taxes	27,300	31,369	25,133	31,136	26,954
<b>Adjusted (non-GAAP) net income</b>	<b>\$96,792</b>	<b>\$111,217</b>	<b>\$89,108</b>	<b>\$110,393</b>	<b>\$95,564</b>
Weighted average basic common shares outstanding	145,291	147,437	149,690	149,616	149,081
Weighted average diluted potential common shares outstanding <sup>(1)</sup>	145,848	147,891	149,977	150,147	149,551

## Net Income per Common Share

	Q1 FY 2024	Q4 FY 2023	Q3 FY 2023	Q2 FY 2023	Q1 FY 2023
GAAP diluted net income per potential common share	\$ 0.34	\$ 0.62	\$ 0.20	\$ 0.38	\$ 0.51
<b>Adjusted (non-GAAP) diluted net income per potential common share</b>	<b>\$ 0.66</b>	<b>\$ 0.75</b>	<b>\$ 0.59</b>	<b>\$ 0.74</b>	<b>\$ 0.64</b>

1. Weighted average dilutive potential common shares outstanding used in calculating Adjusted (non-GAAP) diluted net income per potential common share for the first quarter of fiscal 2024 includes 0.6 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)	Q1 FY 2024	Q4 FY 2023	Q3 FY 2023	Q2 FY 2023	Q1 FY 2023
Net income (GAAP)	\$49,547	\$91,199	\$29,733	\$57,654	\$76,241
Add: Interest expense	23,776	24,207	24,060	23,889	15,870
Less: Interest and other income, net	10,650	11,297	10,187	8,551	31,973
Add: Loss on extinguishment and modification of debt	—	7,874	—	—	—
Add: Provision (benefit) for income taxes	21,956	(20,681)	34,608	29,821	25,078
Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	22,808	23,351	23,310	23,695	22,208
Add: Amortization of intangible assets	10,016	13,342	12,674	13,275	10,325
<b>EBITDA</b>	<b>\$117,453</b>	<b>\$127,995</b>	<b>\$114,198</b>	<b>\$139,783</b>	<b>\$117,749</b>
Add: Share-based compensation cost	37,602	34,894	32,906	31,768	30,474
Add: Significant asset impairments and restructuring costs	4,971	7,209	4,174	8,153	4,298
Add: Acquisition and integration costs	—	—	59	857	2,558
Add: Legal settlement	—	8,750	—	—	—
<b>Adjusted EBITDA</b>	<b>\$160,026</b>	<b>\$178,848</b>	<b>\$151,337</b>	<b>\$180,561</b>	<b>\$155,079</b>

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**Thank You**