



# Ciena Corporation

## Earnings Presentation

Period ended October 29, 2022

December 8, 2022

# 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 impact of supply chain constraints or disruptions; 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; changes in foreign currency exchange rates; factors beyond our control such as natural disasters, climate change, acts of war or terrorism, geopolitical events, including but not limited to the ongoing conflict between Ukraine and Russia, and public health emergencies; 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 8, 2022 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 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 & recent achievements



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



**Leading technology  
and innovation**



**Diversification and  
scale of business**



**Leader in Optical  
markets and disruptor  
in emerging  
opportunities**

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



**Demonstrated track  
record of financial  
performance**



**Flexibility with strong  
balance sheet**

# FY 2022 key achievements

## We are driving the pace of innovation

- Delivering industry-leading coherent technology including the world's most widely deployed 800G, WaveLogic™ 5 Extreme (WL5e), and the widest range of interoperable and performance pluggables with WaveLogic 5 Nano
  - 200+ customers for WL5e with more than 50,000 modems shipped to date
- More than 200 Adaptive IP customers in our Routing and Switching portfolio fueled by momentum in Coherent Routing, Metro aggregation, PON and high-speed business services

## We have a resilient business and financial model

- Despite the challenging supply environment, we have grown order backlog to record levels
- As part of our \$1 billion stock repurchase program, we repurchased approximately 8.4 million shares for \$500 million
- Our balance sheet remains a competitive advantage
  - Ended the fiscal year with approximately \$1.2B in cash and investments
- Leverage remains in line with our target level after a successful \$400M Senior Notes offering

## We are committed to our people and communities

- Achieved our sustainability objectives, including increased participation in our Ciena Cares program, reduced air travel, and corporate-wide diversity and inclusion training
- Volunteered 36,000 hours and raised more than \$3.2 million through employee giving, matched donations, and volunteer rewards
- Advanced toward our goal to be carbon neutral for operational emissions by end of 2023, reducing air travel by 50% from 2019 levels and addressing 75% of our site energy emissions through renewable sources

# Market context and our portfolio

# Six mega trends and the innovations that will enable them

Cloud



Data Center



IoT & Connected Objects



Digital Transformation & Automation



Mobility & 5G



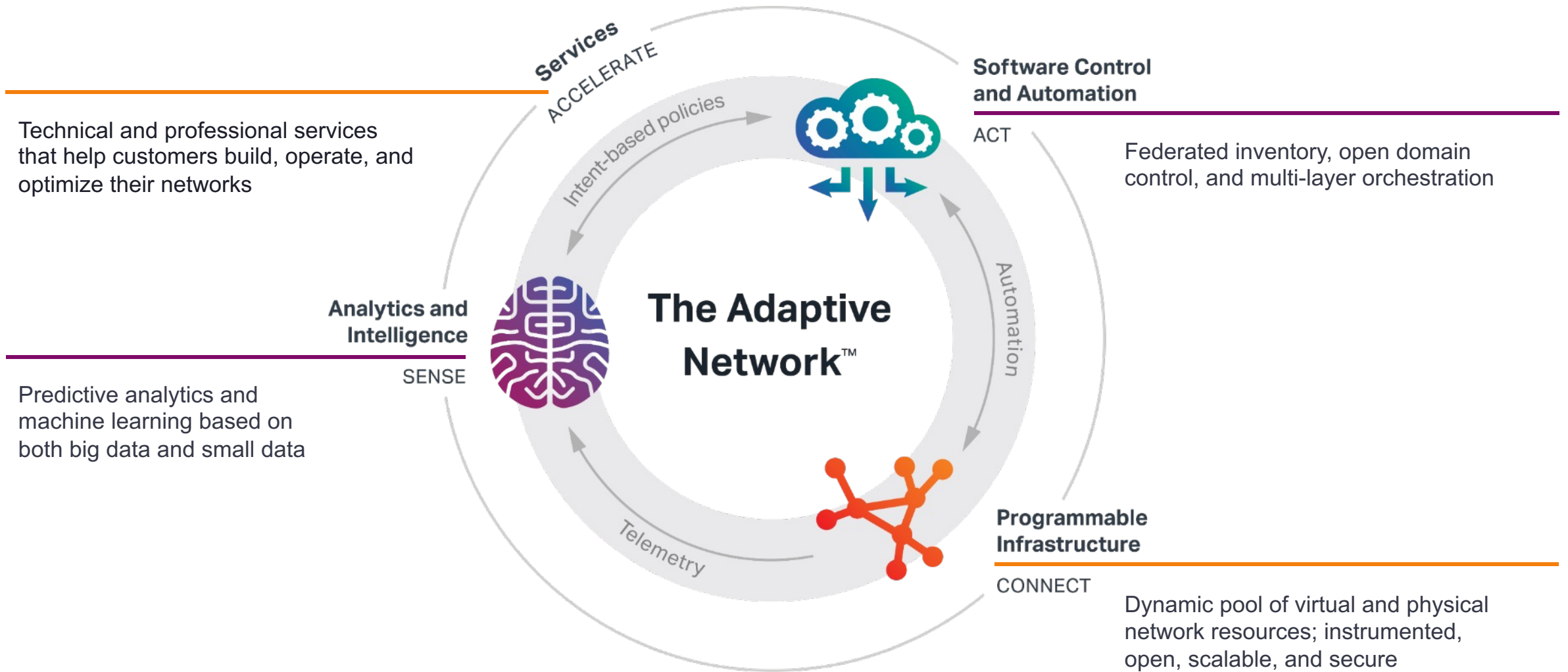
Virtual & Hybrid Lifestyles





# Our vision for a new network end-state

How it works



# Our market leadership



## #1 GLOBALLY

- DATA CENTER INTERCONNECT
- DATA CENTER INTERCONNECT FOR ICP/CNPs
- SLTE WDM
- ACCESS SWITCHING

## #1 N. AMERICA

- TOTAL OPTICAL NETWORKING
- DATA CENTER INTERCONNECT
- ACCESS SWITCHING

## #2 GLOBALLY

- TOTAL OPTICAL NETWORKING
- PURPOSE-BUILT/COMPACT MODULAR DCI

## #1 GLOBALLY

- PURPOSE-BUILT/COMPACT MODULAR DCI
- OPTICAL FOR CLOUD & COLO
- SLTE WDM
- PACKET ACCESS

## #1 N. AMERICA

- TOTAL OPTICAL NETWORKING
- PURPOSE-BUILT/COMPACT MODULAR DCI
- OPTICAL FOR CLOUD & COLO
- PACKET ACCESS

## #2 GLOBALLY

- TOTAL OPTICAL NETWORKING
- OPTICAL FOR SERVICE PROVIDER
- OPTICAL FOR ENTERPRISE & GOVERNMENT

## #1 GLOBALLY

- DATA CENTER INTERCONNECT
- OPTICAL FOR INTERNET CONTENT PROVIDER CUSTOMERS
- OPTICAL FOR CABLE MSO CUSTOMERS

## #1 N. AMERICA

- DATA CENTER INTERCONNECT
- TOTAL OPTICAL NETWORKING
- OPTICAL PACKET

## #2 GLOBALLY

- TOTAL OPTICAL NETWORKING
- OPTICAL PACKET
- PURPOSE-BUILT/COMPACT MODULAR DCI

Optical Networking Report, 3Q22  
Data Center Interconnect Market Share Report, 2Q22  
Service Provider Switching & Routing Report, 3Q22

Transport Hardware Report, 3Q22  
Transport Customer Markets Report, 3Q22  
Transport Applications Report, 2Q22

Optical Transport Report, 3Q22

# Fiscal 2022 results

# FY 2022 comparative financial highlights

	FY 2022	FY 2021
<b>Revenue</b>	\$3.63B	\$3.62B
<b>Adjusted Gross Margin*</b>	43.6%	47.9%
<b>Adjusted Operating Expense*</b>	\$1.18B	\$1.13B
<b>Adjusted Operating Margin*</b>	11.2%	16.8%
<b>Adjusted EBITDA*</b>	\$502M	\$703M
<b>Adjusted EPS*</b>	\$1.90	\$2.91

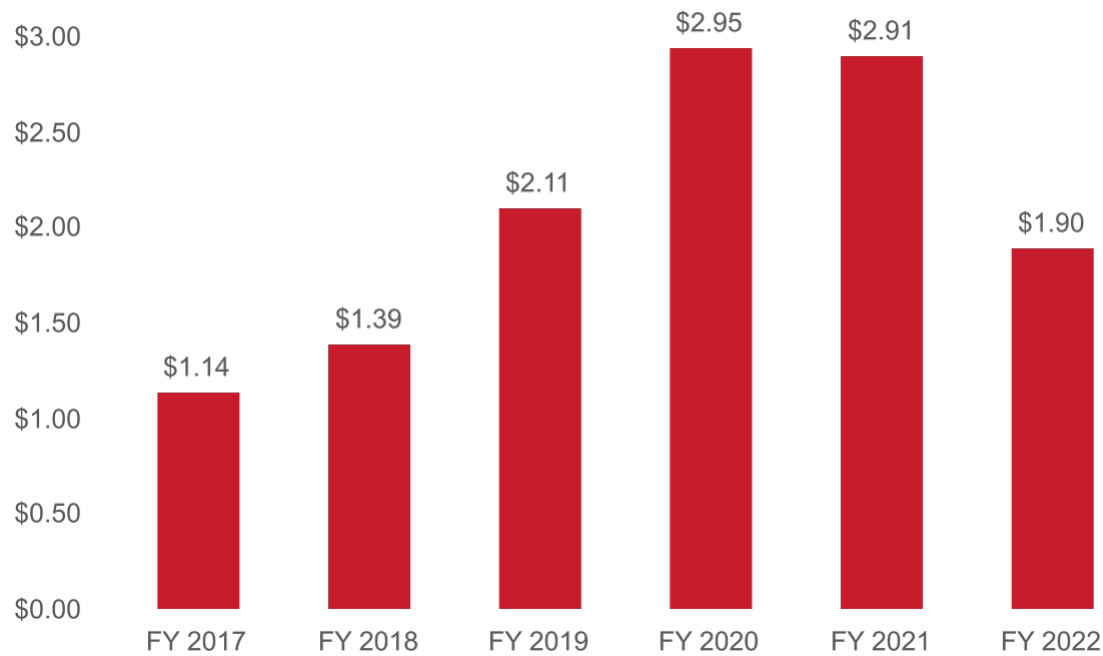
\* A reconciliation of these non-GAAP measures to our GAAP results is included in the press release for the relative period.

## FY 2022 comparative operating metrics

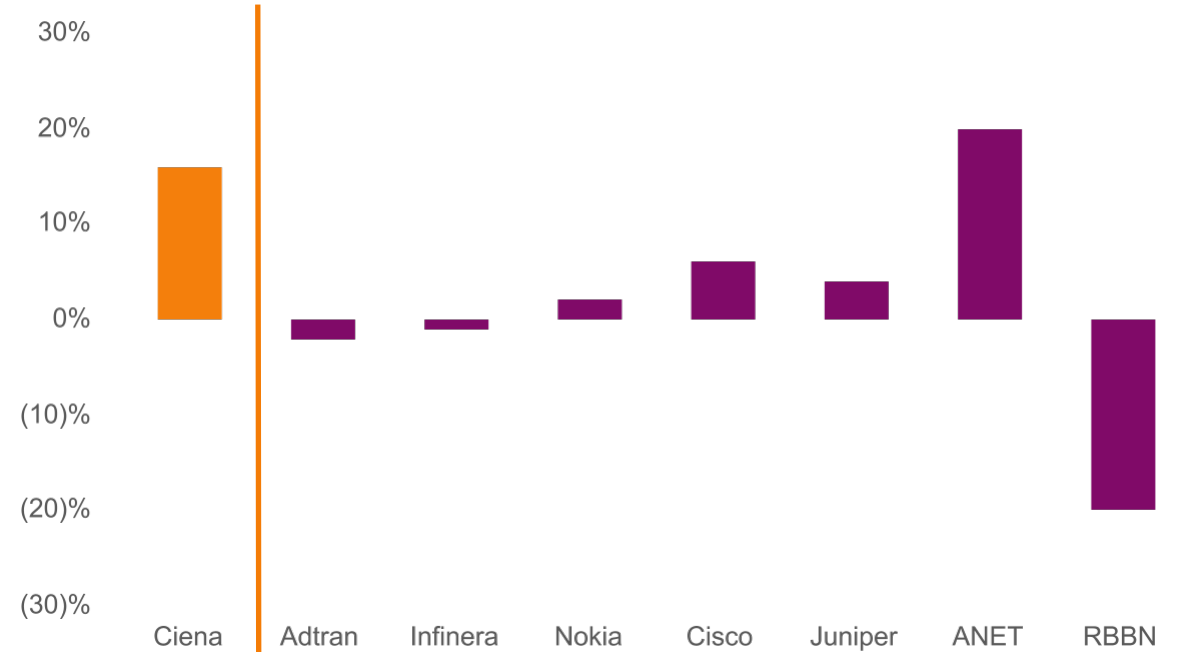
	FY 2022	FY 2021
<b>Cash and investments</b>	\$1.18B	\$1.67B
<b>Cash from (used in) operations</b>	\$(168)M	\$542M
<b>DSO</b>	107	98
<b>Inventory Turns</b>	1.8	4.1
<b>Gross Leverage</b>	2.25x	1.10x
<b>Net Cash</b>	\$51M	\$927M

# Delivering profitability and total shareholder return

Adj. EPS \*



Total Share Return - 5 Year CAGR \*\*



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

\*\*Source: company disclosures and S&P Capital IQ. Represents 12/1/2017-11/30/2022

# Q4 FY 2022 results

# Recent key highlights

## Achieving balanced growth

- Non-telco represented 38% of total revenue in fiscal Q4 2022
- Routing and Switching revenue increased 39% YoY in fiscal Q4 2022, reflecting strong contribution from the recently acquired Vyatta platform and organic portfolio enhancements
- Platform Software and Services increased 8% YoY in fiscal Q4 2022, representing 7% of total revenue

## Driving the pace of innovation

- GAAP R&D investment was approximately 17.2% of total revenue in fiscal Q4 2022
- 776 100G+ total customers, which includes 17 new wins on WaveLogic Ai and 15 new wins on WaveLogic 5 Extreme
- Further expanded our Coherent Routing offering with the introduction and initial orders for our new 14.4T 8190 Coherent Aggregation Router

## Prioritizing long term shareholder value

- Total shareholder return five year CAGR of 16%<sup>1</sup>
- Made strategic investments to expand our addressable market
- Entered into agreement to acquire Tibit Communications, Inc., a provider of passive optical network solutions
- Completed the acquisition of Benu Networks, Inc., a provider of broadband network gateway software

<sup>1</sup> Based on closing share price between 12/1//2017 to 11/30/2022



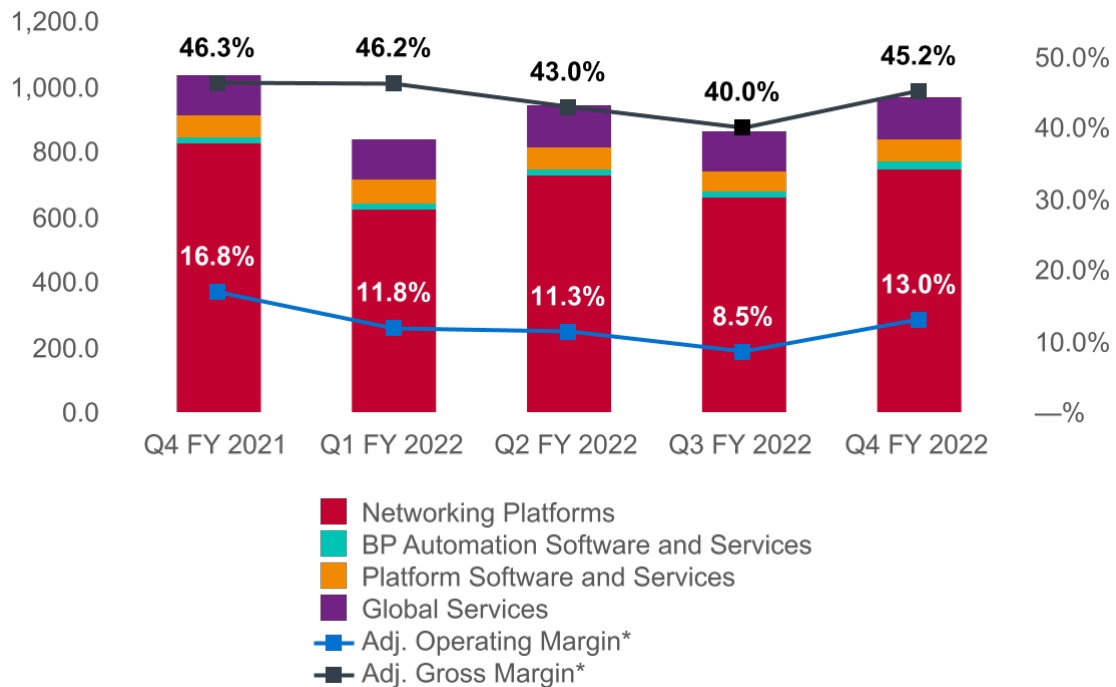
## Q4 FY 2022 comparative financial highlights

	Q4 FY 2022	Q4 FY 2021
<b>Revenue</b>	\$971.0M	\$1,041.5M
<b>Adjusted Gross Margin*</b>	45.2%	46.3%
<b>Adjusted Operating Expense*</b>	\$312.8M	\$307.1M
<b>Adjusted Operating Margin*</b>	13.0%	16.8%
<b>Adjusted EBITDA*</b>	\$153.5M	\$199.2M
<b>Adjusted EPS*</b>	\$0.61	\$0.85

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

# Revenue by segment

(Amounts in millions)



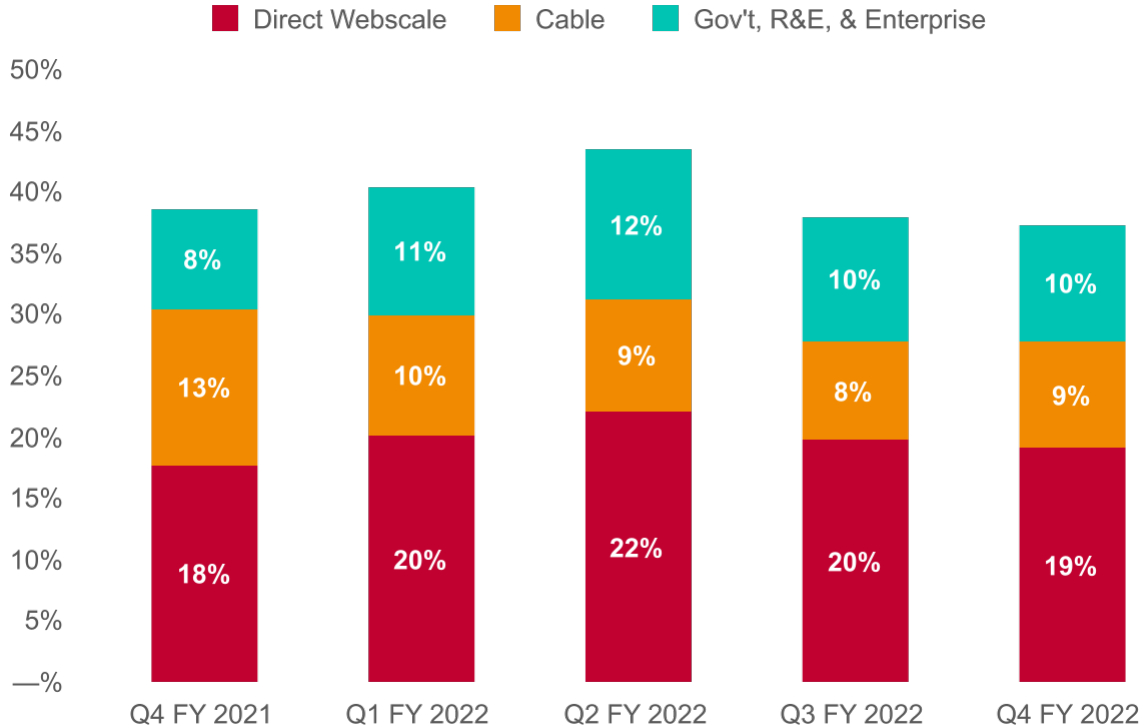
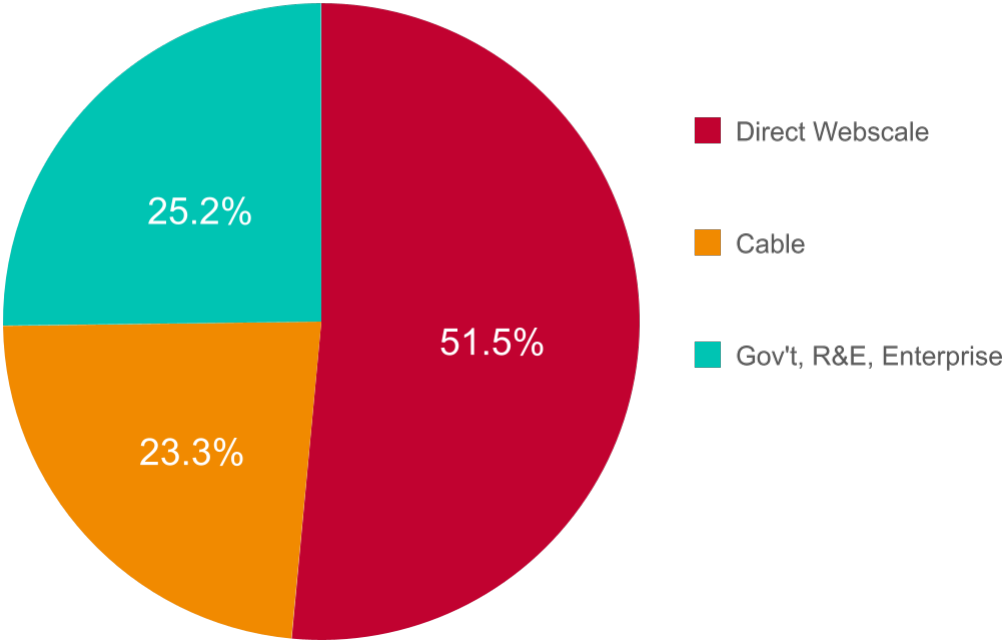
	Q4 FY 2022		Q4 FY 2021	
	Revenue	%**	Revenue	%**
<b>Networking Platforms</b>				
Converged Packet Optical	\$649.9	66.9	\$754.6	72.5
Routing and Switching	102.8	10.6	74.2	7.1
<b>Total Networking Platforms</b>	<b>752.7</b>	<b>77.5</b>	<b>828.8</b>	<b>79.6</b>
<b>Platform Software and Services</b>	<b>71.6</b>	<b>7.4</b>	<b>66.1</b>	<b>6.3</b>
<b>Blue Planet Automation Software and Services</b>	<b>21.2</b>	<b>2.2</b>	<b>19.8</b>	<b>1.9</b>
<b>Global Services</b>				
Maintenance Support and Training	73.1	7.5	71.3	6.9
Installation and Deployment	36.9	3.8	47.2	4.5
Consulting and Network Design	15.5	1.6	8.3	0.8
<b>Total Global Services</b>	<b>125.5</b>	<b>12.9</b>	<b>126.8</b>	<b>12.2</b>
<b>Total</b>	<b>\$971.0</b>	<b>100.0</b>	<b>\$1,041.5</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

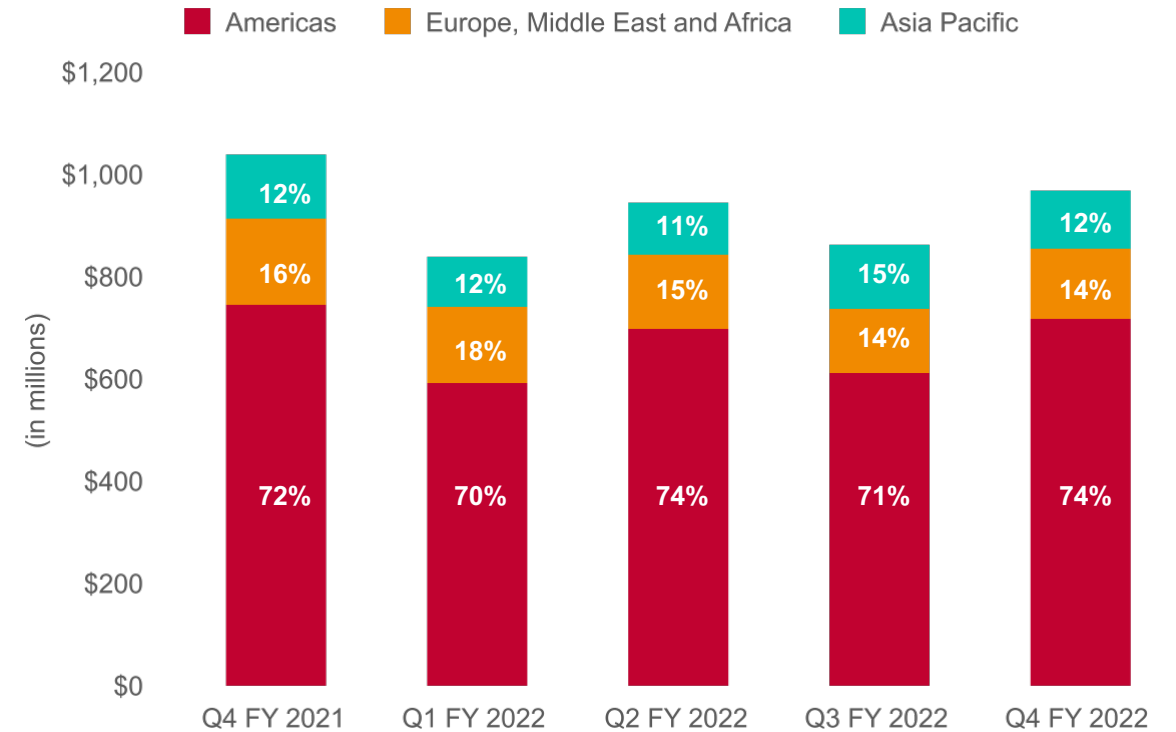
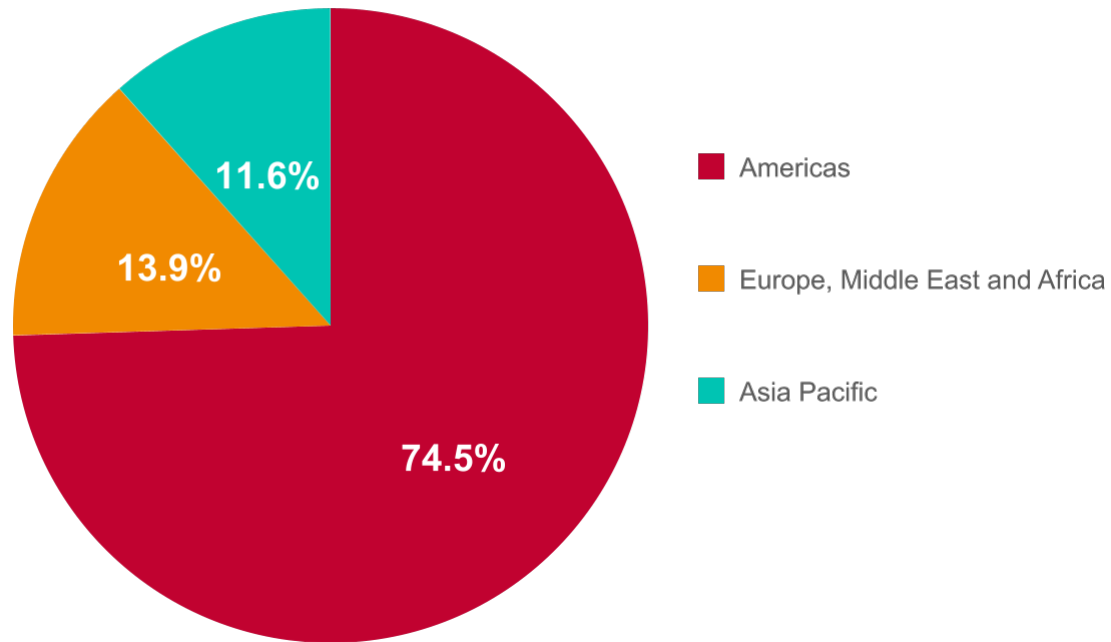
# Continued revenue strength derived from non-telco customers

Q4 FY 2022  
 Approx. 38% of total revenue



# Revenue by geographic region

Q4 FY 2022



# Business outlook



# Economic considerations and assumptions in our fiscal 2023 outlook

## Business Assumptions

- Macro environment does not significantly worsen and any adverse effects on our business, including with respect to our customers' capex and their ability to take delivery of product during the year, remain immaterial
- Longer-term fundamental industry demand drivers – including increasing demand for bandwidth, adoption of cloud architectures and network automation requirements – will drive customers to prioritize network capex to address this demand
- Huawei displacement opportunities and government infrastructure spending provide growth tailwinds
- We continue to benefit from strong demand dynamics in our industry given our distinct competitive advantages

## Revenue Assumptions

- Supply chain conditions remain volatile, but continue to improve gradually throughout the year
- Component suppliers largely deliver on their supply commitments and we do not encounter any substantial decommits that we cannot successfully mitigate
- Covid-related lockdowns in China do not continue to exacerbate an already challenging supply environment

## Profitability Assumptions

- Supply and logistics costs remain elevated but begin to ease throughout the year
- As new wins and early deployments accelerate with supply chain improvements, we expect our product mix to include a larger proportion of lower-margin common equipment
- Operating expense increases to fund strategic investments as we expand our addressable market and aim to capture opportunities that advance our position in key growth areas

# Business outlook<sup>1</sup>

## Q1 FY 2023

**Revenue** \$910M to \$990M

**Adjusted Gross Margin** Low 40s%

**Adjusted Operating Expense** \$320M to \$325M

## FY 2023

**Revenue Growth** 16% to 18%

**Adjusted Gross Margin** 42% to 44%

**Adjusted Operating Expense** Approximately \$325 per quarter

<sup>1</sup> Projections or outlook with respect to future operating results are only as of December 8, 2022, the date presented on the related earnings call. Actual results may differ materially from these forward-looking statements. Ciena assumes no obligation to update this information, whether as a result of new information, future events or otherwise.

# Long-term financial targets<sup>1</sup>

<b>Revenue</b>	<b>Adjusted Gross Margin</b>
<b>3 year CAGR through 2025 of 10% to 12%</b>	<b>Mid-40's%</b>

<sup>1</sup> Projections or outlook with respect to future operating results are only as of December 8, 2022, 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.



# Q4 FY 2022 appendix

## Gross Profit Reconciliation (Amounts in thousands)

	Q4 FY 2022	Q3 FY 2022	Q2 FY 2022	Q1 FY 2022	Q4 FY 2021
GAAP gross profit	\$433,597	\$340,779	\$401,781	\$384,187	\$477,119
Share-based compensation-products	907	1,002	1,058	900	920
Share-based compensation-services	2,066	1,940	1,943	1,584	1,240
Amortization of intangible assets	2,005	3,140	3,313	3,312	2,856
Total adjustments related to gross profit	4,978	6,082	6,314	5,796	5,016
<b>Adjusted (non-GAAP) gross profit</b>	<b>\$438,575</b>	<b>\$346,861</b>	<b>\$408,095</b>	<b>\$389,983</b>	<b>\$482,135</b>
<b>Adjusted (non-GAAP) gross profit percentage</b>	<b>45.2 %</b>	<b>40.0 %</b>	<b>43.0 %</b>	<b>46.2 %</b>	<b>46.3 %</b>

## Operating Expense Reconciliation (Amounts in thousands)

	Q4 FY 2022	Q3 FY 2022	Q2 FY 2022	Q1 FY 2022	Q4 FY 2021
GAAP operating expense	\$356,329	\$313,672	\$343,352	\$324,183	\$339,710
Share-based compensation-research and development	8,507	8,233	8,309	6,830	5,684
Share-based compensation-sales and marketing	8,084	8,075	8,061	7,060	6,192
Share-based compensation-general and administrative	7,610	7,579	7,334	7,912	7,466
Significant asset impairments and restructuring costs	13,621	7,692	9,102	3,409	5,700
Amortization of intangible assets	5,754	8,919	8,920	8,918	5,836
Acquisition and integration costs	—	35	495	68	1,712
Total adjustments related to operating expense	43,576	40,533	42,221	34,197	32,590
<b>Adjusted (non-GAAP) operating expense</b>	<b>\$312,753</b>	<b>\$273,139</b>	<b>\$301,131</b>	<b>\$289,986</b>	<b>\$307,120</b>

## Income from Operations Reconciliation (Amounts in thousands)

	Q4 FY 2022	Q3 FY 2022	Q2 FY 2022	Q1 FY 2022	Q4 FY 2021
GAAP income from operations	\$77,268	\$27,107	\$58,429	\$60,004	\$137,409
Total adjustments related to gross profit	4,978	6,082	6,314	5,796	5,016
Total adjustments related to operating expense	43,576	40,533	42,221	34,197	32,590
Total adjustments related to income from operations	48,554	46,615	48,535	39,993	37,606
<b>Adjusted (non-GAAP) income from operations</b>	<b>\$125,822</b>	<b>\$73,722</b>	<b>\$106,964</b>	<b>\$99,997</b>	<b>\$175,015</b>
<b>Adjusted (non-GAAP) operating margin percentage</b>	<b>13.0 %</b>	<b>8.5 %</b>	<b>11.3 %</b>	<b>11.8 %</b>	<b>16.8 %</b>

## Net Income Reconciliation (Amounts in thousands)

	Q4 FY 2022	Q3 FY 2022	Q2 FY 2022	Q1 FY 2022	Q4 FY 2021
GAAP net income	\$57,645	\$10,512	\$38,922	\$45,823	\$103,499
Exclude GAAP provision for income taxes	7,735	4,319	8,330	9,219	25,826
Income before income taxes	65,380	14,831	47,252	55,042	129,325
Total adjustments related to income from operations	48,554	46,615	48,535	39,993	37,606
Unrealized gain on cost method equity investment	—	—	—	(4,120)	—
Adjusted income before income taxes	113,934	61,446	95,787	90,915	166,931
Non-GAAP tax provision on adjusted income before income taxes	23,015	12,412	19,349	18,365	34,221
<b>Adjusted (non-GAAP) net income</b>	<b>\$90,919</b>	<b>\$49,034</b>	<b>\$76,438</b>	<b>\$72,550</b>	<b>\$132,710</b>
Weighted average basic common shares outstanding	148,548	149,862	152,197	154,151	155,232
Weighted average diluted potential common shares outstanding <sup>(1)</sup>	149,111	150,463	153,344	155,807	156,689

## Net Income per Common Share

	Q4 FY 2022	Q3 FY 2022	Q2 FY 2022	Q1 FY 2022	Q4 FY 2021
GAAP diluted net income per potential common share	\$ 0.39	\$ 0.07	\$ 0.25	\$ 0.29	0.66
<b>Adjusted (non-GAAP) diluted net income per potential common share</b>	<b>\$ 0.61</b>	<b>\$ 0.33</b>	<b>\$ 0.50</b>	<b>\$ 0.47</b>	<b>0.85</b>

1. Weighted average dilutive potential common shares outstanding used in calculating Adjusted (non-GAAP) diluted net income per potential common share for the fourth quarter of fiscal 2022 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)	Q4 FY 2022	Q3 FY 2022	Q2 FY 2022	Q1 FY 2022	Q4 FY 2021
Net income (GAAP)	\$57,645	\$10,512	\$38,922	\$45,823	\$103,499
Add: Interest expense	13,775	12,642	11,985	8,648	7,916
Less: Interest and other income (loss), net	1,887	366	808	3,686	(168)
Add: Provision for income taxes	7,735	4,319	8,330	9,219	25,826
Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	27,642	22,250	22,377	23,653	24,315
Add: Amortization of intangible assets	7,759	12,059	12,233	12,230	8,692
<b>EBITDA</b>	<b>\$112,669</b>	<b>\$61,416</b>	<b>\$93,039</b>	<b>\$95,887</b>	<b>\$170,416</b>
Add: Share-based compensation cost	27,174	26,857	26,673	24,297	21,366
Add: Significant asset impairments and restructuring costs	13,621	7,692	9,102	3,409	5,700
Add: Acquisition and integration costs	—	35	495	68	1,712
<b>Adjusted EBITDA</b>	<b>\$153,464</b>	<b>\$96,000</b>	<b>\$129,309</b>	<b>\$123,661</b>	<b>\$199,194</b>



**Thank You**