



# Q4 & Fiscal 2019 Performance Highlights

February 25, 2020



# Safe Harbor

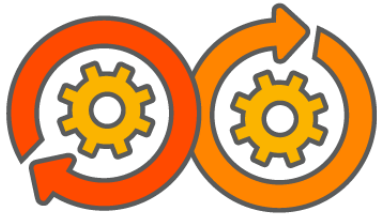
## Forward-Looking Statements

This presentation contains forward-looking statements, including those related to Infinera's expectations regarding its business model, market opportunities and customers; its ability to grow faster than the market; its expectations regarding the timing of its new products being available in the market; its ability to win new customers; and its financial outlook for the first quarter of 2020, including the projected impact of the coronavirus for the first quarter of 2020. All statements other than statements of historical fact could be deemed forward-looking, including, but not limited to, statements made about future market and financial performance; statements regarding future products or technology as well as the timing to market of any such products or technology; any statements about historical results that may suggest trends for our business; and any statements of assumptions underlying any of the items mentioned.

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# Fiscal 2019 Key Highlights

## INTEGRATION



**Operational  
Integration  
Completed**

**2X Synergy  
Commitment  
Achievement**

## FINANCIAL



**Non-GAAP  
Operating  
Profitability in Q4**

**Significant  
Bookings Growth  
& Backlog Build**

## CUSTOMERS



**10 new Tier 1  
Scale Customer  
Wins**

**Strong Performance In  
Key Areas incl 2X+ YoY  
Groove Growth**

## INNOVATION



**Multi-Market,  
Industry-leading  
Innovation Pipeline**

**ICE6/800G  
DRX  
XR Optics**

# Path to Target Business Model

2020

Continued **T1 Scale Customer** wins and growth

Build on **DRX/XTM** success for **5G & DAA**

Insert industry-leading 5<sup>th</sup> Gen Coherent **800G (ICE6)** Solution

Drive **Operational** and **Working Capital Efficiency**

**MARGIN IMPACT 200-400 BPS**

2021

Improving profitability via **Increased Vertical Integration** across portfolio

**Groove/ICE6** ramp-up: DCI, metro, long haul, submarine

5G & DAA solution ramp-up w/ **DRX & XTM**

Launch transformative **XR Optics**

Increase on-demand network **Automation & Transformation**

**MARGIN IMPACT 200-400 BPS**

2022

Achieve non-GAAP **Mid-40% GM** via vertical integration

Continued network evolution to **5<sup>th</sup> Gen Coherent (800G)**

**XR Optics** network transformation

**Non-GAAP GM: MID 40%**

**Non-GAAP OI: 10%+**

# Q4'19 Comparison

<b>NON-GAAP</b> (in \$ Millions except EPS)	<b>Q4'2018</b>	<b>Q4'2019</b>	<b>DELTA</b>
<b>REVENUE</b>	\$336.6	\$386.5	\$49.9
Growth %			15%
<b>GROSS MARGIN %</b>	31.8%	35.2%	3.4%
<b>OPEX</b>	\$142.3	\$127.3	(\$15.0)
<b>OPERATING MARGIN %</b>	(10.5%)	2.3%	12.8%
<b>EPS</b>	(\$0.25)	\$0.03	\$0.28

## SIGNIFICANT YEAR-OVER-YEAR PROGRESS

Higher margins on higher revenue and lower cost structure, driven by synergies

Achieved non-GAAP operating profitability and EPS in Q4'19

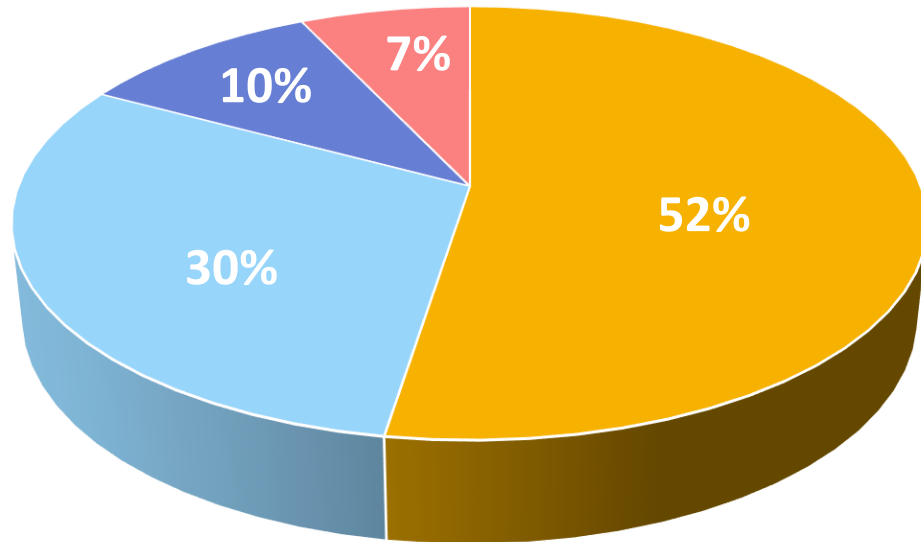
- 1280 basis point improvement in operating margin
- 28 cent improvement in EPS

*All financial figures are non-GAAP. See reconciliation of GAAP to non-GAAP on last page of slide deck*



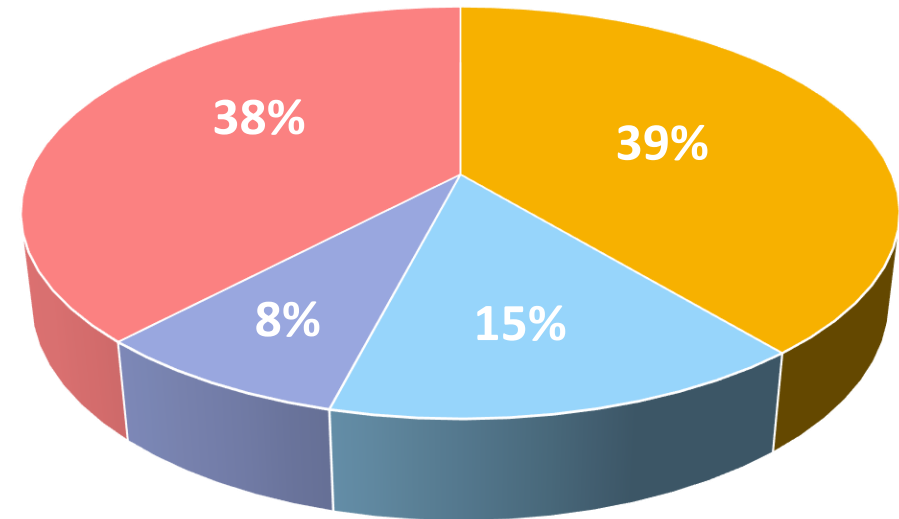
# Q4'19 Revenue By Region & Revenue by Vertical

## BY REGION



■ North America ■ EMEA ■ APAC ■ Other America

## BY VERTICAL



■ Tier 1 ■ ICP ■ Cable ■ Other Service Provider

*Totals may not foot to 100% due to rounding*

# Fiscal 2019 Non-GAAP Financial Results

Non-GAAP in \$ Thousands (except per share data)	Q1'2019	Q2'2019	Q3'2019	Q4'2019	Total 2019
Product	223,007	234,966	253,754	307,861	1,019,588
Services	72,605	71,914	73,892	78,597	297,008
<b>Total revenue</b>	<b>295,612</b>	<b>306,880</b>	<b>327,646</b>	<b>386,458</b>	<b>1,316,596</b>
Cost of product	154,735	176,009	184,957	212,336	728,037
Cost of services	36,652	36,732	34,336	37,991	145,711
Total cost of revenue	191,387	212,741	219,293	250,327	873,749
<b>Gross profit</b>	<b>104,225</b>	<b>94,139</b>	<b>108,353</b>	<b>136,131</b>	<b>442,848</b>
<b>Gross Margin %</b>	<b>35.3%</b>	<b>30.7%</b>	<b>33.1%</b>	<b>35.2%</b>	<b>33.6%</b>
Total operating expenses	139,356	131,754	126,907	127,304	525,322
<b>Income (loss) from operations</b>	<b>(35,131)</b>	<b>(37,615)</b>	<b>(18,554)</b>	<b>8,827</b>	<b>(82,474)</b>
<b>Operating Margin %</b>	<b>-11.9%</b>	<b>-12.3%</b>	<b>-5.7%</b>	<b>2.3%</b>	<b>-6.3%</b>
Total other income (expense), net	(5,479)	(548)	(9,476)	(1,319)	(16,822)
Income (loss) before income taxes	(40,610)	(38,163)	(28,030)	7,508	(99,296)
Provision for (benefit from) income taxes	619	3,855	2,421	1,105	8,000
<b>Net income (loss)</b>	<b>(41,229)</b>	<b>(34,308)</b>	<b>(30,451)</b>	<b>6,403</b>	<b>(107,296)</b>
<b>EPS*</b>	<b>(0.23)</b>	<b>(0.24)</b>	<b>(0.17)</b>	<b>0.03</b>	<b>(0.60)</b>

**Revenue growth** over course of year

**Improvement in gross margin and operating margin** in 2<sup>nd</sup> half of FY19

**Non-GAAP operating profitability and positive EPS achieved in Q4**

\* For EPS: Net loss quarters calculated on basic shares and net income quarters calculated on diluted shares; Full Year is net loss and thus calculated using basic shares

All financial figures are non-GAAP. See reconciliation of GAAP to non-GAAP on last page of slide deck

# Q1'20 Outlook

## NON-GAAP Q1'20 OUTLOOK

<b>REVENUE</b>	\$315 Million - \$335 Million
Growth %*	+10% vs Q1'19; (16%) vs Q4'19
<b>GROSS MARGIN %</b>	31% - 34%
<b>OPEX</b>	\$128 Million - \$132 Million
<b>OPERATING MARGIN %</b>	(8%) +/- 200 bps
<b>EPS</b>	(\$0.21) – (\$0.15) per share

<b>REVENUE</b>	Down sequentially based on seasonality and projected \$15M coronavirus impact
<b>GROSS MARGIN</b>	Impacted by initial low margin footprint and supply chain impact of coronavirus risk
<b>OPEX</b>	R&D investments in innovation pipeline

\* Growth % at midpoint of Q1'20 guidance compared to actuals of prior periods

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# GAAP to Non-GAAP Reconciliation

(in millions, except percentages and per share data)

	Q4'18 Actual	Q4'19 Actual	FY'19 Actuals	Q1'20 Outlook
<b>Reconciliation of Revenue:</b>				
U.S. GAAP as reported	\$ 332.1	\$ 384.6	\$ 1,298.9	323
Acquisition-related deferred revenue adjustment	\$ 4.6	\$ 1.9	\$ 17.7	2
<b>Non-GAAP as adjusted</b>	<b>\$ 336.6</b>	<b>\$ 386.5</b>	<b>\$ 1,316.6</b>	<b>\$ 325</b>
<b>Reconciliation of Gross Margin:</b>				
U.S. GAAP	25.4%	29.0%	25.1%	29%
Stock-based compensation	0.5%	0.5%	0.5%	0%
Amortization of acquired intangible assets	3.2%	2.2%	2.5%	2%
Acquisition and integration costs	0.0%	1.9%	2.2%	0%
Acquisition-related deferred revenue adjustment	1.6%	0.5%	1.2%	1%
Restructuring and related	1.0%	1.2%	2.1%	0.5%
<b>Non-GAAP</b>	<b>31.8%</b>	<b>35.2%</b>	<b>33.6%</b>	<b>32.5%</b>
<b>Reconciliation of Operating Expenses:</b>				
U.S. GAAP	\$ 198.7	\$ 172.3	\$ 676.2	\$ 153
Stock-based compensation	\$ (7.4)	\$ (9.3)	\$ (36.3)	\$ (9)
Amortization of acquired intangible assets	\$ (24.7)	\$ (6.6)	\$ (27.3)	\$ (5)
Acquisition and integration costs	\$ (13.5)	\$ (11.0)	\$ (42.3)	\$ (7)
Restructuring and related	\$ (10.8)	\$ (18.0)	\$ (45.0)	\$ (2)
<b>Non-GAAP</b>	<b>\$ 142.3</b>	<b>\$ 127.4</b>	<b>\$ 525.3</b>	<b>\$ 130</b>

(in millions, except percentages and per share data)

	Q4'18 Actual	Q4'19 Actual	FY'19 Actuals	Q1'20 Outlook
<b>Reconciliation of Operating margin:</b>				
U.S. GAAP	(34.4%)	(15.8%)	(27.0%)	-18%
Acquisition-related deferred revenue adjustment	2.9%	0.5%	0.6%	1%
Stock-based compensation	2.7%	2.9%	3.3%	3%
Amortization of acquired intangible assets	10.0%	3.9%	4.6%	3%
Acquisition and integration costs	4.1%	4.7%	5.4%	2%
Restructuring and related	4.0%	6.1%	6.4%	1%
Litigation charges			0.3%	0%
<b>Non-GAAP</b>	<b>(10.5%)</b>	<b>2.3%</b>	<b>(6.3%)</b>	<b>-8%</b>
<b>Net Loss per Common Share:</b>				
U.S. GAAP	\$ (0.76)	\$ (0.37)	\$ (2.16)	\$ (0.38)
Acquisition-related deferred revenue adjustment	\$ 0.09	\$ 0.01	\$ 0.04	\$ 0.01
Stock-based compensation	\$ 0.05	\$ 0.09	\$ 0.27	\$ 0.05
Amortization of acquired intangible assets	\$ 0.22	\$ 0.08	\$ 0.38	\$ 0.07
Acquisition and integration costs	\$ 0.08	\$ 0.10	\$ 0.40	\$ 0.04
Restructuring and related	\$ 0.08	\$ 0.12	\$ 0.40	\$ 0.01
Litigation charges		\$ 0.00	\$ 0.02	
Amortization of debt discount		\$ 0.03	\$ 0.03	\$ 0.02
Gain/Loss on non-marketable equity investment			\$ 0.01	
SLA			\$ 0.05	
Tax effects		(0.01)	(0.01)	-
<b>Non-GAAP</b>	<b>\$ (0.25)</b>	<b>\$ 0.03</b>	<b>\$ (0.60)</b>	<b>\$ (0.18)</b>

## Notes:

1. Totals may not foot due to rounding
2. Amounts for Q1'20 Outlook represent the midpoint of the expected range
3. For a complete reconciliation of GAAP to non-GAAP results, please refer to our earnings release published on February 25, 2020

Thank You