



# Q2 2019 Performance Highlights

August 2019



# Safe Harbor

## Forward-Looking Statements

This presentation contains forward-looking statements related to Infinera's expectations regarding integration, market opportunities and customers; the level of synergies to be achieved; its ability to return to non-GAAP profitability and positive cash flow in the fourth quarter of 2019; and its financial outlook for the third quarter of 2019. 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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# 2Q19 Results: P&L Metrics Ahead of Guidance Midpoint

	2Q19* Guidance Midpoint	2Q19* Actual	2Q19 Highlights	
REV	\$300M	\$307M	Up 4% Q/Q	Winning multiple Tier 1 customers and ramping ICP business
GM%	30.0%	30.7%	Significant Footprint Expansion	Integration synergies significantly ahead of commitment with integration completion expected in Q4
OM%	(15.0%)	(12.3%)	270 bps ahead of guidance midpoint	
EPS	\$(0.28)	\$(0.24)	Exceeded by \$.04	On track to return to non-GAAP profitability & positive cash flow in 4Q19

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

# Checking the Boxes Mid-2019

## APPROACHING 1 YEAR ANNIVERSARY OF THE NEW INFINERA (INFINERA & CORIANT)



Management Transition – Nancy Erba Hired as CFO Effective August 26th



Enhanced Liquidity for Growth – \$100M ABL for Working Capital Flexibility



Integration – Ahead of Schedule

Exceeding \$100M Synergy Target

Berlin Transition Complete - Fabrinet Ramping Production

SAP Systems Consolidated on August 5<sup>th</sup>

Integration program to be largely complete in Q4



Innovation – Demonstrated During July 17<sup>th</sup> Webcast. ICE6 DSP on track.



Customers – Strong Order & Pipeline Growth in 2019 with multiple Tier 1 and ICP wins.



Financial Outlook – Q4 Non-GAAP Profitability and Positive Cash Flow Remains on Track

# Business Momentum Improving

## MOMENTUM IMPROVING IN THE MARKET



**Order & Pipeline:** Improvement enabled by enhanced scale

**Footprint Expansion:** Sizable footprint expansion recognized in Q2 & 2H reflects customer investment

**Global Tier 1's:** 8 of top 10 bookings customers considered Tier 1 and 7 wins in 2019 T1 scale customers

**ICPs:** Exceeded expectations driven by a new ICP customer deploying Groove

## Q4 NON-GAAP PROFITABILITY & POSITIVE CASH FLOW ON TRACK

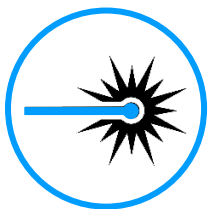


**Backlog:** Building with strong Q2 bookings ramp and projected backlog 2H backlog expansion

**Integration:** Will be substantially complete approximately 1 year post acquisition

**Q4 Targets:** Driven by higher sales volumes and margin expansion

## MAINTAINING TECHNOLOGY INNOVATION



**Vertical Integration** becoming more important as speeds increase and market consolidates

Only vendor with both **600G** and **800G** solutions

One of only two vendors w/ announced **800G roadmap**

- **ICE-6 DSP** on track for Q4/19 with market leading performance and in platforms in 2H/20

Leading the evolution towards **Compact Modular** with Groove traction and **IP Disaggregated Solutions** with

DRX design wins

# 2019 Outlook

TARGETS DRIVEN BY INCREASING SCALE, IMPROVING COST STRUCTURE (NON-GAAP)\*

## REVENUE

3Q'19: \$330M +/- \$10M

2019: ~\$1.3 Billion

## GROSS MARGIN

Q3'19: 32% +/- 200bps

Q4'19 Target: Mid-30s

## OPERATING EXP.

Q3'19: \$130M +/- \$3M

Q4'19: Mid-\$120M's

### ON TRACK TO SIGNIFICANTLY EXCEED \$100M IN COMMITTED SYNERGIES



- Berlin Manufacturing Closure
- SAP Consolidation
- Continue to innovate; maintain R&D

### VERTICAL INTEGRATION BENEFITS RAMP 2020-21



- ICE 6 optical engines on track for inclusion in solutions in 2H 2020 – 800G DSP taped out
- Realize cost synergies by leveraging Infinera optical engines across broader Coriant platforms

**Non-GAAP Q4 Profitability/Cash Generation Remains On-Track**

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

# GAAP to Non-GAAP Reconciliation

## Infinera Corporation

### GAAP to Non-GAAP Reconciliation

(In millions, except percentages and per share data)  
(Unaudited)

	Q2'19 Actual	Q3'19* Outlook
<b>Reconciliation of Revenue:</b>		
U.S. GAAP as reported	\$ 296.3	\$ 328.00
Acquisition-related deferred revenue adjustment	2.5	2
Other customer related charges	8.1	0
Non-GAAP as adjusted	<u>\$ 306.9</u>	<u>\$ 330.0</u>
<b>Reconciliation of Gross Margin:</b>		
U.S. GAAP	26.2%	27%
Stock-based compensation	0.5%	1%
Amortization of acquired intangible assets	2.4%	1%
Acquisition-related deferred revenue adjustment		2%
Restructuring and related	0.0%	1%
Non-GAAP	<u>29.1%</u>	<u>32%</u>
<b>Reconciliation of Operating Expenses:</b>		
U.S. GAAP	\$ 169.6	\$ 150
Stock-based compensation	(11.5)	(9)
Amortization of acquired intangible assets	(6.7)	(5)
Acquisition and integration costs	(12.2)	(5)
Restructuring and related	(3.5)	(1)
Litigation charges	(4.1)	-
Non-GAAP	<u>\$ 131.8</u>	<u>\$ 130</u>
<b>Reconciliation of Operating Margin:</b>		
U.S. GAAP	(36.6)%	(19)%
Acquisition-related deferred revenue adjustment	0.9%	1%
Other customer related charges	2.8%	-
Stock-based compensation	4.5%	3%
Amortization of acquired intangible assets	5.1%	4%
Acquisition and integration costs	7.8%	3%
Restructuring and related	1.8%	1%
Litigation charges	1.4%	-
Non-GAAP	<u>(12.3)%</u>	<u>(7)%</u>
<b>Net Loss per Common Share:</b>		
U.S. GAAP	\$ (0.64)	\$ (0.40)
Acquisition-related deferred revenue adjustment	0.01	0.01
Other customer related charges	0.05	-
Stock-based compensation	0.07	0.06
Amortization of acquired intangible assets	0.08	0.07
Acquisition and integration costs	0.13	0.06
Restructuring and related	0.03	0.01
Litigation charges	0.02	-
Amortization of debt discount	0.02	0.02
Gain/loss on non-marketable equity investment	(0.01)	-
Income tax effects	(0.01)	-
Non-GAAP	<u>\$ (0.24)</u>	<u>\$ (0.17)</u>

\* Note: Amounts represent the midpoint of the expected range.

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Thank You