



First Quarter 2020 Financial Results

May 12, 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 expectations regarding the timing of its new products being available in the market; its ability to win new customers; its visibility into the performance of its business in future quarters based on the unpredictability of the macro-economic environment; and its financial outlook for the second quarter of 2020, including the projected revenue impact of the coronavirus for the second 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.

These statements are based on estimates and information available to us at the time of this presentation and are not guarantees of future performance. These statements are based on information available to Infinera as of the date hereof and actual results could differ materially from those stated or implied due to risks and uncertainties. The risks and uncertainties that could cause Infinera's results to differ materially from those expressed or implied by such forward-looking statements include, the effect of the COVID-19 pandemic on Infinera's business, results of operations, financial condition, and stock price; the effect of global and regional economic conditions on Infinera's business, including effects on purchasing decisions by customers; Infinera's future capital needs and its ability to generate the cash flow or otherwise secure the capital necessary to make anticipated capital expenditures; Infinera's ability to service its debt obligations and pursue its strategic plan; delays in the development and introduction of new products or updates to existing products; market acceptance of Infinera's end-to-end portfolio; Infinera's reliance on single and limited source suppliers; Infinera's ability to successfully integrate its enterprise resource planning system and other management systems; the diversion of management time on issues related to the integration and the implementation of its enterprise resource planning system; fluctuations in demand, sales cycles and prices for products and services, including discounts given in response to competitive pricing pressures, as well as the timing of purchases by Infinera's key customers; the effect that changes in product pricing or mix, and/or increases in component costs could have on Infinera's gross margin; Infinera's ability to respond to rapid technological changes; aggressive business tactics by Infinera's competitors; the effects of customer consolidation; the impacts of foreign currency fluctuations; Infinera's ability to protect Infinera's intellectual property; claims by others that Infinera infringes their intellectual property; war, terrorism, public health issues, natural disasters and other circumstances that could disrupt the supply, delivery or demand of Infinera's products; and other risks and uncertainties detailed in Infinera's SEC filings from time to time. More information on potential factors that may impact Infinera's business are set forth in its Annual Report on Form 10-K for the year ended on December 28, 2019 as filed with the SEC on March 4, 2020, as well as subsequent reports filed with or furnished to the SEC from time to time. These reports are available on Infinera's website at www.infinera.com and the SEC's website at www.sec.gov. Infinera assumes no obligation to, and does not currently intend to, update any such forward-looking statements set forth in this presentation.

Q1'20 Key Highlights

FINANCIAL



Year-over-year
growth in revenue and bookings

Year-over-year
decreased operating expenses

Initiated multi-quarter working
capital improvement plan to target
\$80M positive cash impact

MARKET



Macro-economic uncertainty
due to COVID-19 pandemic

Fundamental demand
strong post COVID-19
uncertainty

Continued focus on delivering
differentiated solutions to
fastest growing market
segments

OPERATIONS



Managed supply chain
challenges

Initial \$20M reduction in
inventory achieved

Incurred incremental one-time
COVID-19 related costs

Q1'20 Key Highlights

CUSTOMERS



Increased demand by certain operators in Q1 to address COVID-19 driven bandwidth

Continued 2019 customer momentum with several significant new awards

Strength in Tier 1 & Tier 2 North America & EMEA operators

Completed Tier 1 initial deployment of 19-country subsea consortium network - expected higher margin capacity growth in 2H'20

PRODUCTS & INNOVATION



Continued strong demand for Groove with substantial year-over-year bookings growth

Demonstrated superior performance with ICE6 800G solution providing >25% network savings over other 800G solutions

ICE6 800G product on track for delivery in 2H'20

Continued traction with 600G Groove – product shipped to 11 customers

Record bookings for XTM metro product

Continued progress with disruptive XR optics pluggables

Q1'20 Year-over-Year Summary

NON-GAAP (in \$ Millions except EPS)	Q1'2019	Q1'2020	DELTA
REVENUE	\$295.6	\$331.4	\$35.8
Growth %			12%
GROSS MARGIN %	35.3%	28.3%	(7.0%)
OPEX	\$139.4	\$124.9	(\$14.5)
OPERATING MARGIN %	(11.9%)	(9.4%)	2.5%
EPS	(\$0.23)	(\$0.27)	(\$0.04)

See reconciliation of GAAP to non-GAAP on last page of slide deck

KEY DRIVERS

REVENUE UP based on traction with new customers and solutions

GROSS MARGIN IMPACTS:

- Year-over-year primarily lower vertical integration
- Quarter-over-quarter: >500 bps in Tier 1 subsea deal, 200G merchant optics, COVID-19 freight and logistics

OPERATING EXPENSE DOWN due to improved operational efficiencies

FOREIGN EXCHANGE (FX):

- \$12.9M negative FX impact in Q1 due primarily to LATAM currency devaluations
- Excluding FX, non-GAAP EPS in Q1'20 would have been (\$0.20)

Q1'20 Non-GAAP Financial Results

Non-GAAP (In Thousands)	Q1'2019	Q2'2019	Q3'2019	Q4'2019	Total 2019	Q1'2020
Product	223,007	234,966	253,754	307,861	1,019,588	255,192
Services	72,605	71,914	73,892	78,597	297,008	76,191
Total revenue	295,612	306,880	327,646	386,458	1,316,596	331,383
Cost of product	154,735	176,009	184,957	212,336	728,037	197,435
Cost of services	36,652	36,732	34,336	37,991	145,711	40,070
Total cost of revenue	191,387	212,741	219,293	250,327	873,748	237,505
Gross profit	104,225	94,139	108,353	136,131	442,848	93,878
Gross Margin %	35.3%	30.7%	33.1%	35.2%	33.6%	28.3%
Total operating expenses	139,356	131,754	126,907	127,304	525,321	124,888
Income (loss) from operations	(35,131)	(37,615)	(18,554)	8,827	(82,473)	(31,010)
Operating Margin %	-11.9%	-12.3%	-5.7%	2.3%	-6.3%	-9.4%
Total other income (expense), net	(5,479)	(548)	(9,476)	(1,319)	(16,822)	(16,331)
Income (loss) before income taxes	(40,610)	(38,163)	(28,030)	7,508	(99,295)	(47,341)
Provision for (benefit from) income taxes	619	3,855	2,421	1,105	8,000	2,106
Net income (loss)	(41,229)	(34,308)	(30,451)	6,403	(107,295)	(49,447)
EPS	(0.23)	(0.24)	(0.17)	0.03	(0.60)	(0.27)

REVENUE GROWTH year over year and seasonally lower sequentially

GROSS MARGIN lower primarily due to customer mix

OPERATING MARGIN lower due to lower GM%, offset by reduced OpEx

NON-GAAP EPS impacted by \$12.9M FX loss (7 cent impact to EPS)

See reconciliation of GAAP to non-GAAP on last page of slide deck

* 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.

Revenue by Region & Revenue by Vertical

BY REGION

	Q1'19	Q2'19	Q3'19	Q4'19	Total FY'19	Q1'20
AMERICAS	45%	45%	49%	52%	48%	52%
APJ	16%	15%	9%	10%	10%	16%
EMEA	34%	31%	35%	30%	32%	27%
OTHER AMERICAS	5%	10%	6%	7%	9%	6%
Grand Total	100%	100%	100%	100%	100%	100%

BY VERTICAL

	Q1'19	Q2'19	Q3'19	Q4'19	Total FY'19	Q1'20
Tier 1	40%	42%	44%	39%	41%	47%
Other Service Provider	44%	43%	37%	40%	41%	33%
ICP	6%	9%	13%	13%	10%	16%
Cable	10%	6%	6%	8%	8%	4%
Grand Total	100%	100%	100%	100%	100%	100%

GAAP revenue; totals may not foot to 100% due to rounding.

Q2'20 Outlook

NON-GAAP Q2'20 OUTLOOK

REVENUE	\$310 Million - \$330 Million
Growth %*	+4% vs Q2'19; (3%) vs Q1'20
GROSS MARGIN %	31% - 35%
OPEX	\$120 Million - \$124 Million
OPERATING MARGIN %	(4%) +/- 300 bps

REVENUE | Flat to down sequentially

GROSS MARGIN | Improvement on better mix. Range considers supply chain impact of COVID-19 risk

OPEX | Streamlining OpEx while maintaining R&D investments in innovation pipeline

* Growth % at midpoint of Q2'20 guidance compared to actuals of prior periods

See reconciliation of GAAP to non-GAAP on last page of slide deck

GAAP to Non-GAAP Reconciliation

(Unaudited)

(in millions, except percentages and per share data)

	Q1'19 Actual	Q2'19 Actual	Q3'19 Actual	Q4'19 Actual	FY'19 Actuals	Q1'20 Actuals	Q2'20 Outlook
Reconciliation of Revenue:							
U.S. GAAP as reported	\$ 292.7	\$ 296.3	\$ 325.3	\$ 384.6	\$ 1,298.9	\$ 330.3	\$ 319.0
Acquisition-related deferred revenue adjustment	\$ 2.9	\$ 2.5	\$ 2.3	\$ 1.9	\$ 9.6	\$ 1.1	\$ 1.0
Other customer related charges	\$ -	\$ 8.1	\$ -	\$ -	\$ 8.1	\$ -	\$ -
Non-GAAP as adjusted	\$ 295.6	\$ 306.9	\$ 327.6	\$ 386.5	\$ 1,316.6	\$ 331.4	\$ 320.0
Reconciliation of Gross Margin:							
U.S. GAAP	22.7%	20.7%	26.7%	29.0%	25.1%	23.3%	29.0%
Stock-based compensation	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Amortization of acquired intangible assets	2.7%	2.4%	2.3%	2.2%	2.3%	2.6%	3.0%
Acquisition and integration costs	1.3%	3.2%	2.5%	1.9%	2.1%	0.3%	-
Acquisition-related deferred revenue adjustment	1.0%	0.8%	0.7%	0.5%	0.7%	0.3%	0.5%
Other customer related charges	-	2.4%	-	-	0.6%	-	-
Restructuring and related	7.1%	0.6%	0.4%	1.2%	2.2%	1.2%	0.0%
Non-GAAP	35.3%	30.7%	33.1%	35.2%	33.6%	28.3%	33.0%
Reconciliation of Operating Expenses:							
U.S. GAAP	\$ 178.1	\$ 169.6	\$ 156.1	\$ 172.3	\$ 676.2	\$ 153.8	\$ 142.0
Stock-based compensation	\$ (7.4)	\$ (11.5)	\$ (8.2)	\$ (9.3)	\$ (36.3)	\$ (9.6)	\$ (11.0)
Amortization of acquired intangible assets	\$ (7.1)	\$ (6.7)	\$ (6.9)	\$ (6.6)	\$ (27.3)	\$ (4.6)	\$ (4.0)
Acquisition and integration costs	\$ (7.1)	\$ (12.2)	\$ (12.0)	\$ (11.0)	\$ (42.3)	\$ (9.2)	\$ (4.0)
Restructuring and related	\$ (17.2)	\$ (3.5)	\$ (2.2)	\$ (18.0)	\$ (40.9)	\$ (5.6)	\$ (1.0)
Litigation Charges	\$ -	\$ (4.1)	\$ (0.1)	\$ -	\$ (4.1)	\$ -	\$ -
Non-GAAP	\$ 139.3	\$ 131.8	\$ 126.9	\$ 127.4	\$ 525.3	\$ 124.9	\$ 122.0
Reconciliation of Operating Margin:							
U.S. GAAP	(38.2%)	(36.6%)	(21.3%)	(15.8%)	(27.0%)	(23.3%)	(15.5%)
Acquisition-related deferred revenue adjustment	1.0%	0.3%	0.7%	0.5%	0.7%	0.3%	0.5%
Other customer related charges	-	2.8%	-	-	0.6%	-	-
Stock-based compensation	3.1%	4.5%	3.1%	2.9%	3.3%	3.5%	4.5%
Amortization of acquired intangible assets	5.2%	5.1%	4.5%	3.9%	4.6%	4.0%	4.5%
Acquisition and integration costs	3.7%	7.8%	6.3%	4.7%	5.6%	3.1%	1.5%
Restructuring and related	13.2%	1.8%	1.0%	6.1%	5.1%	2.0%	0.5%
Litigation charges	-	1.4%	-	-	0.3%	-	-
COVID-19 and Related	-	-	-	-	-	0.9%	-
Litigation charges	-	-	-	-	0.3%	-	-
Non-GAAP	(11.9%)	(12.3%)	(5.7%)	2.3%	(6.3%)	(9.4%)	(4.0%)
Net Loss per Common Share:							
U.S. GAAP	\$ (0.69)	\$ (0.64)	\$ (0.47)	\$ (0.37)	\$ (2.16)	\$ (0.55)	\$ (0.55)
Acquisition-related deferred revenue adjustment	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.04	\$ 0.01	\$ 0.01
Stock-based compensation	\$ 0.05	\$ 0.07	\$ 0.06	\$ 0.08	\$ 0.27	\$ 0.06	\$ 0.06
Amortization of acquired intangible assets	\$ 0.09	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.38	\$ 0.07	\$ 0.07
Acquisition and integration costs	\$ 0.06	\$ 0.13	\$ 0.11	\$ 0.10	\$ 0.40	\$ 0.06	\$ 0.06
Restructuring and related	\$ 0.22	\$ 0.03	\$ 0.02	\$ 0.11	\$ 0.40	\$ 0.04	\$ 0.04
Litigation charges	\$ -	\$ 0.02	\$ 0.00	\$ -	\$ 0.02	\$ -	\$ -
Amortization of debt discount	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03
Gain/Loss on non-marketable equity investment	\$ -	\$ (0.01)	\$ -	\$ -	\$ 0.01	\$ -	\$ -
Other customer related charges	\$ -	\$ 0.05	\$ -	\$ -	\$ 0.05	\$ -	\$ -
COVID	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.02	\$ 0.02
Tax effects	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Non-GAAP	\$ (0.23)	\$ (0.24)	\$ (0.17)	\$ 0.03	\$ (0.60)	\$ (0.27)	\$ (0.27)

NOTES:

1. Totals may not foot due to rounding
2. Amounts for Q2'20 outlook represent the midpoint of the expected ranges
3. Non-GAAP metrics are reconciled to the most directly comparable GAAP financial metric
4. For a complete reconciliation of other period results, see prior quarterly earnings releases

Thank You