



# Q3 2019 Performance Highlights

November 12, 2019



# Safe Harbor

## Forward-Looking Statements

This presentation contains forward-looking statements related to Infinera's expectations regarding integration, market opportunities, growth opportunities, products 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; its ability to deliver 800G products in 2020; and its financial outlook for the fourth 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.

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 combined company's ability to successfully complete the integration of the businesses; Infinera's ability to realize synergies in a timely manner; 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; market acceptance of Infinera's end-to-end portfolio; 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; delays in the development and introduction of new products or updates to existing products and market acceptance of these products; 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; Infinera's reliance on single and limited source suppliers; the effects of customer consolidation; Infinera's ability to protect Infinera's intellectual property; claims by others that Infinera infringes their intellectual property; the effect of global macroeconomic conditions, including tariffs, on Infinera's business; 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 Quarterly Report on Form 10-Q for the quarter ended on June 29, 2019 as filed with the SEC on August 8, 2019, 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](http://www.infinera.com) and the SEC's website at [www.sec.gov](http://www.sec.gov). Infinera assumes no obligation to, and does not currently intend to, update any such forward-looking statements.

# Q3'19 Key Highlights

## COMPLETE INTEGRATION



**\$200M of Synergies**  
(2X original goal)



**50% Supply Chain Simplification**  
*(fixed to variable)*



**Target non-GAAP Operating Profitability in Q4**

Integration Completion Target  
NOV-2019

## CONTINUE INNOVATING



### OPTICAL INNOVATION

- 600G in deployments
- 800G on-track for 2H20 (ICE6)
- Edge disruption (XR optics)



### OPEN DISAGGREGATION

- Growing moment w/ disaggregated router (DRX)
- Strong growth in CM revenue (Groove/XT)



### PRACTICAL AUTOMATION

- Gaining traction with innovated app-based approach & multi-layer capabilities
- Several key customer wins

## GROW



**10 New T1 Scale Customers YTD**



**Book to bill > 1.0 – Record Q3 bookings**  
4<sup>th</sup> consecutive quarter of growing backlog



**Continued process improvements**

# Q3'19 Results

	Q1'19 Actual	Q2'19 Actual	Q3'19 Guidance	Q3'19 Actual	Q3'19 Performance
<b>REV</b>	\$296	\$307	\$320- \$340	\$328	In Guidance
<b>GM%</b>	35.3%	30.7%	30-34%	33.1%	Beat Mid-point
<b>OM%</b>	(11.9%)	(12.3%)	(7%)	(5.7%)	Exceeded by 19%
<b>EPS</b>	\$(0.23)	\$(0.24)	(\$0.15)- (\$0.19)	\$(0.17)	Met Midpoint

## FINANCIAL HIGHLIGHTS

Met or Exceeded Guidance in all Areas

Continue To Build Substantial Backlog – Record Q3 Bookings

Continue To Win Tier 1 Customers – 10 YTD

Target Q4 Non-GAAP Operating Profitability & Positive Cash Flow

Integration synergies 2x original target with completion of integration expected in Nov. 2019

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

# Geographic & Vertical Mix

	4Q18	1Q19	2Q19	3Q19
North America	39%	45%	45%	49%
EMEA	39%	34%	31%	35%
APAC	14%	16%	14%	10%
Other Americas	8%	5%	10%	6%
Tier 1's	47%	43%	48%	44%
ICPs	9%	7%	9%	13%
Cable	8%	11%	6%	5%
Other Service Providers	36%	39%	37%	38%
10% Customers	2	1	1	1



# Q4'19 Outlook

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

**REVENUE**

Q4'19: \$365M +/- \$10M

**GROSS MARGIN**

Q4'19: 35% +/- 100bps

**OPERATING EXP.**

Q4'19: \$127M +/- \$2M

## ON TRACK TO EXCEED \$200M IN SYNERGIES



- Supply Chain Improvement
- 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

**Target Q4 Non-GAAP Operating Profitability and Positive Cash Flow**

\* 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)**

	Q3'19 Actual		Q4'19 Outlook
<b>Reconciliation of Revenue:</b>			
U.S. GAAP as reported	\$ 325.3		363
Acquisition-related deferred revenue adjustment	\$ 2.3		2
Non-GAAP as adjusted	<u>\$ 327.6</u>		<u>\$ 365</u>
<b>Reconciliation of Gross Margin:</b>			
U.S. GAAP	\$ 86.8	26.7%	32%
Stock-based compensation	\$ 1.8		-
Amortization of acquired intangible assets	\$ 7.8		2%
Acquisition and integration costs	\$ 8.4		-
Acquisition-related deferred revenue adjustment	\$ 2.3		1%
Restructuring and related	\$ 1.2		-
Non-GAAP	<u>\$ 108.4</u>	33.1%	<u>35%</u>
<b>Reconciliation of Operating Expenses:</b>			
U.S. GAAP	\$ 156.1		151
Stock-based compensation	\$ (8.2)		(9)
Amortization of acquired intangible assets	\$ (6.9)		(7)
Acquisition and integration costs	\$ (12.0)		(7)
Restructuring and related	\$ (2.2)		(1)
Litigation charges	\$ (0.1)		-
Non-GAAP	<u>\$ 126.9</u>		<u>\$ 127</u>
<b>Reconciliation of Operating margin:</b>			
U.S. GAAP	\$ (69,287)	(21.3%)	(10%)
Acquisition-related deferred revenue adjustment	2305		1%
Stock-based compensation	9,946		2%
Amortization of acquired intangible assets	14,657		5%
Acquisition and integration costs	20,409		2%
Restructuring and related	3,366		1%
Litigation charges	50		0%
Non-GAAP	<u>\$ (18,554)</u>	(5.7%)	<u>1%</u>
<b>Net Loss per Common Share:</b>			
U.S. GAAP	\$ (0.47)		\$ (0.26)
Acquisition-related deferred revenue adjustment	0.01		0.01
Stock-based compensation	0.08		0.06
Amortization of acquired intangible assets	0.08		0.08
Acquisition and integration costs	0.11		0.04
Restructuring and related	0.02		0.02
Amortization of debt discount	-		0.02
Non-GAAP	<u>\$ (0.17)</u>		<u>\$ (0.03)</u>

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

Thank You