Infinera

THIRD QUARTER
2022 FINANCIAL RESULTS

November 2, 2022

Safe Harbor

Forward-Looking Statements

This presentation contains forward-looking statements, including those related to Infinera's expectations regarding its business model and strategy, market opportunities and trends, competition, and customers; capacity growth; the shift to open architecture; market adoption of coherent optical engines; expectations regarding industry-wide supply chain challenges, the macroeconomic environment and ongoing COVID-19 pandemic impacts; and Infinera's financial outlook for the fourth quarter of 2022. All statements other than statements of historical fact could be deemed forward looking, including, but not limited to, statements made about future market, financial and operating 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 Infinera's business; and any statements of assumptions underlying any of the items mentioned.

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This presentation includes certain non-GAAP financial measures such as non-GAAP revenue, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating margin, non-GAAP diluted EPS and free cash flow. We present non-GAAP financial measures in addition to, and not as a substitute for, financial measures calculated in accordance with generally accepted accounting principles ("GAAP"). Non-GAAP measures should not be considered in isolation or as alternatives to GAAP measures. In addition, the non-GAAP measures we use, as presented, may not be comparable to similar measures used by other companies. Infinera believes these adjustments are appropriate to enhance an overall understanding of its underlying financial performance and also its prospects for the future and are considered by management for the purpose of making operational decisions. See the last two slides in this presentation for reconciliations to the most comparable GAAP financial measures.

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Q3’22 HIGHLIGHTS

FINANCIALS

REVENUE* GROWTH +9% YoY

PRODUCT REVENUE GROWTH +17% YoY

OPERATING MARGIN** EXPANSION >2X YoY

RPO’s*** UP APPROX. $300M YoY

SOLUTIONS

RECORD ICE6 REVENUE
(>30% OF PRODUCT REVENUE IN Q3’22)

YoY GROWTH IN METRO SOLUTIONS

STRONG PERFORMANCE OF 400G ZR+
PLUGGABLES IN TIER 1 CSP FIELD TRIAL

CUSTOMER SUCCESS

CONTINUED GROWTH IN NUMBER OF ICE6 CUSTOMERS

STRENGTH IN USA, ICPs, AND OTHER SERVICE PROVIDERS

EXPANSION OF OPEN XR FORUM; GROWING INTEREST FROM EQUIPMENT VENDORS

VALUE DRIVERS

PROGRESS ON 8 X 4 X 1 STRATEGY

FOCUS ON COMPELLING TARGET BUSINESS MODEL

BUSINESS STRUCTURE ALIGNED WITH STRATEGY

** Non-GAAP Revenue. See reconciliation of GAAP to non-GAAP in the appendix of this slide deck. YoY revenue change compares Q3’22 GAAP to Q3’21 non-GAAP revenue*

*** Non-GAAP Operating Margin. See reconciliation of GAAP to non-GAAP in the appendix of this slide deck*

**** RPO = Remaining Performance Obligations*

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Q3'22 FINANCIALS & COMPARISON TO PRIOR PERIODS

FINANCIAL METRICS (Non-GAAP*)	Q3'21	Q2'22	Q3'22	QoQ CHANGE	YoY CHANGE
Revenue ($M)	$357	$358	$390	9%	9%
Gross Margin %	38.0%	36.1%	37.8%	170bps	-20bps
Opex ($M)	$127	$128	$128	0%	0%
Operating Margin %	2.4%	0.4%	5.2%	480bps	280bps
Diluted EPS	($0.01)	($0.05)	$0.05	$0.10	$0.06

** See reconciliation of GAAP to non-GAAP in the appendix of this slide deck. Q2'22 and Q3'22 revenue in the above table are on a GAAP basis. YoY revenue change compares Q3'22 GAAP to Q3'21 non-GAAP (Q3'21 GAAP revenue was $356M).*

YEAR-OVER-YEAR TRENDS

1. BOOKINGS: CONTINUED AT A STEADY PACE
2. REVENUE: PARTICULAR STRENGTH IN USA AND ICPs FROM ICE6 RAMP & METRO
3. GROSS MARGIN: POSITIVE IMPACT OF ICE6, OFFSET BY HIGHER SUPPLY CHAIN COSTS
4. OPEX: TIGHT CONTROL ON SPENDING, FOCUSED INVESTMENTS IN M&S AND R&D
5. OPERATING MARGIN: HIGHER ON REVENUE GROWTH & TIGHT OPEX CONTROL

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REVENUE BY REGION & BY VERTICAL

	Q3'21	Q2'22	Q3'22	QoQ CHANGE	YoY CHANGE
Region					
United States	$ 163.6	$ 181.5	$ 222.1	22%	36%
Other Americas	$ 28.9	$ 32.8	$ 21.5	-34%	-26%
Europe, Middle East and Africa	$ 114.8	$ 103.8	$ 94.2	-9%	-18%
Asia Pacific	$ 48.5	$ 39.8	$ 52.7	32%	9%
Total	**$ 355.8**	**$ 358.0**	**$ 390.5**	**9%**	**10%**
Channel					
Direct	$ 259.3	$ 273.7	$ 287.1	5%	11%
Indirect	$ 96.5	$ 84.3	$ 103.4	23%	7%
Total	**$ 355.8**	**$ 358.0**	**$ 390.5**	**9%**	**10%**
Vertical					
Tier 1	$ 123.3	$ 112.0	$ 123.9	11%	0%
Other Service Provider	$ 137.2	$ 148.0	$ 148.9	1%	9%
ICP	$ 69.9	$ 69.0	$ 99.0	43%	42%
Cable	$ 25.4	$ 29.0	$ 18.7	-36%	-26%
Total	**$ 355.8**	**$ 358.0**	**$ 390.5**	**9%**	**10%**

GAAP revenue in $ millions; totals may not add up exactly due to rounding.

YEAR-OVER-YEAR TRENDS

1. AMERICAS: STRENGTH AT ICPs & US CSPs FROM ICE6 RAMP, METRO WINS
2. EMEA: SEASONALITY, TIMING OF LARGE DEALS, RUSSIA EXIT
3. TIER 1 & CABLE: STABILITY AT TIER 1s, STRONG BOOKINGS WITH CABLE

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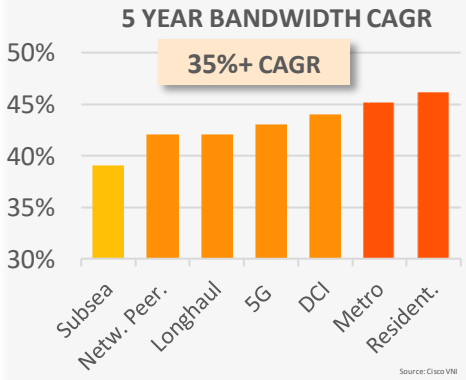
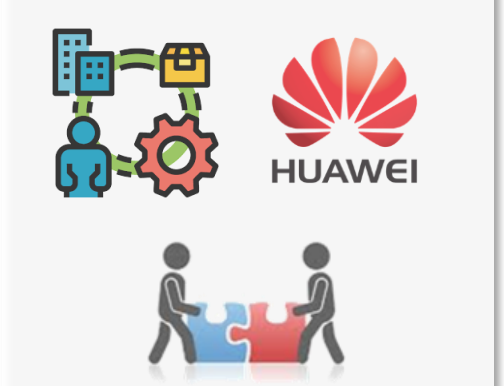
4 KEY DEMAND DRIVERS

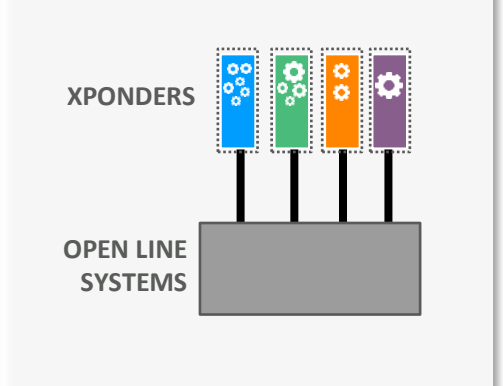
RELENTLESS CAPACITY GROWTH



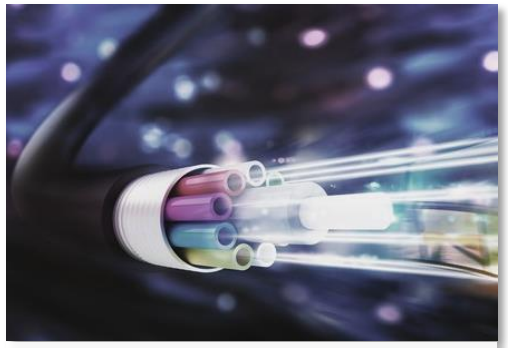
ECOSYSTEM DISRUPTION

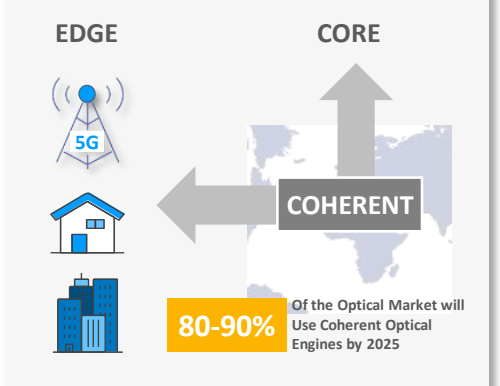


SHIFT TO OPEN



COHERENT OPTICAL ENGINES





***CAGR** = Compound Annual Growth Rate*

Source: Cignal AI, Dell'Oro, Omdia, LightCounting and Infinera

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STRATEGY ALIGNED WITH KEY GROWTH AREAS

800G EMBEDDED	ICP	HUAWEI	OPEN SOLUTIONS	(in optical systems) PLUGGABLES	(outside of optical systems) PLUGGABLES	P2MP
↑ 46%	↑ 6%	NEW	↑ 17%	↑ 9%	NEW	NEW
$3.8B	$2.7B	$1.0B+	$3.4B	$5.0B	$1.0B+	>$1.0B

Market Size & Growth ex. China Through 2025

8 00G+

CORE

INDUSTRY-LEADING PERFORMANCE

Ramped ICE6 to 30%+ of Prod. Rev. in Q3

Secured New Design Wins

4 00G

METRO

VERTICALLY INTEGRATED MODULAR SOLUTIONS

Strength in Metro

New Ramps, Footprint Expansions

1 00G

ACCESS

DISRUPT W/ POINT-TO-MULTIPOINT PLUGGABLES

Further Expansion of the Open XR Forum

Successful Field Trial of 400G Pluggables

UNIQUE CAPABILITIES

VERTICALLY INTEGRATED MONOLITHIC INDIUM PHOSPHIDE BASED PHOTONIC INTEGRATED CIRCUIT

MAXIMUM VALUE

LEADING PERFORMANCE & OPERATIONS, GREATEST MANUFACTURABILITY, UNRIVALED CUSTOMER VALUE

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Source: Cignal AI, Dell'Oro, Omdia, Infinera

FINANCIALS

Q4'22 NON-GAAP* OUTLOOK

REVENUE**	$435 Million +/- $15M	+8% YoY (PRODUCT REV. 10%+ YoY)
GROSS MARGIN %	40% +/- 150bps	+280bps YoY
OPEX	$142 Million +/- $2M	+8% YoY
OPERATING MARGIN %	7.0% +/- 200bps	+270bps YoY

YoY comparisons reference the midpoint of Q4'22 outlook compared to Q4'21 actuals.
**See reconciliation of GAAP to non-GAAP in the appendix of this slide deck.*
***Q4'22 Revenue outlook is on a GAAP basis.*

OUR PRIORITIES

INVEST IN GROWTH & MARGIN-ACCRETIVE TECHNOLOGIES

POSITION TO EXPAND MARKET SHARE

CONTINUE TO DRIVE OPERATIONAL EFFICIENCIES

ENHANCE SHAREHOLDER VALUE THROUGH GROWTH & PROFITABILITY

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APPENDIX

Q3'22 FULLY DILUTED SHARE COUNT & NON-GAAP EPS CALC.

Q3'22 FULLY DILUTED SHARE COUNT CALCULATION

	Gross Shares (Millions)	Comment
Q3'22 Basic Shares	217.6	
Shares underlying remaining 2024 Notes	10.4	$102.652M outstanding principal at a conversion price of $9.87350
Shares underlying 2027 Notes	26.1	$200M outstanding principal at a conversion price of $7.65700
Shares underlying repurchased 2024 Notes (partial quarter)	13.3	$299.848M of shares repurchased at a conversion price of $9.87350, for a gross share impact of 30.4M. However, shares were outstanding for 40 days only (out of 91 days in period)
RSU, PSU, ESPP SH	1.4	
Q3'22 Fully Diluted Shares	**268.9***	

Totals may not add up exactly due to rounding

** Q4'22 fully diluted share count estimate of 260M shares*

Q3'22 DILUTED EPS CALCULATION

		Comment
Non-GAAP Net Income	$9.92M	
Add interest expense, net of tax (2024 Notes)	$1.14M	$402.5M principal at an interest rate of 2.125%
Add interest expense, net of tax (2027 Notes)	$1.11M	$200M outstanding principal at an interest rate of 2.5%
Non-GAAP Net Income used in computing Diluted EPS	**$12.17M**	
Fully Diluted Shares	268.9M	
Diluted EPS	**$0.05**	

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GAAP TO NON-GAAP RECONCILIATION

	Q3'21 Actual	Q4'21 Actual	Q1'22 Actual	Q2'22 Actual	Q3'22 Actual	Q4'22 Outlook	Press Release Outlook
Reconciliation of Revenue:							
U.S. GAAP as reported	**$ 355.8**	**$ 400.3**	**$ 338.9**	**$ 358.0**	**$ 390.4**	**$ 435.0**	**$435M +/- $15M**
Acquisition-related deferred revenue adjustment	$ 1.0	$ 1.0	$ -	$ -	$ -	$ -	
Non-GAAP as adjusted	**$ 356.8**	**$ 401.2**	**$ 338.9**	**$ 358.0**	**$ 390.4**	**$ 435.0**	**$435M +/- $15M**
Reconciliation of Gross Margin:							
U.S. GAAP as reported	**33.2%**	**35.6%**	**32.9%**	**30.5%**	**34.4%**	**38.0%**	**38% +/- 1.5%**
Acquisition-related deferred revenue adjustment	0.3%	0.2%	-	-	-	-	
Stock-based compensation expense	0.4%	0.5%	0.7%	0.7%	0.6%	0.6%	
Amortization of acquired intangible assets	1.3%	1.4%	1.8%	1.8%	1.6%	1.4%	
Restructuring and other related costs	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	
Inventory related charges	2.3%	-0.5%	0.8%	3.1%	0.2%	-	
Global distribution center transition costs	-	-	-	-	0.4%	-	
Warehouse fire loss	-	-	-	-	0.6%	-	
Non-GAAP as adjusted	**38.0%**	**37.2%**	**36.2%**	**36.1%**	**37.8%**	**40.0%**	**40% +/- 1.5%**
Reconciliation of Operating Expenses:							
U.S. GAAP as reported	**$ 149.1**	**$ 152.6**	**$ 148.1**	**$ 148.9**	**$ 143.7**	**$ 160.0**	**$160M +/-$2M**
Stock-based compensation expense	$ (11.7)	$ (11.2)	$ (11.0)	$ (15.1)	$ (11.5)	$ (14.0)	
Amortization of acquired intangible assets	$ (4.4)	$ (4.3)	$ (3.7)	$ (3.7)	$ (3.6)	$ (3.9)	
Restructuring and other related costs	$ (6.5)	$ (5.1)	$ (7.3)	$ (1.1)	$ (1.1)	$ (0.1)	
Litigation charges	$ 0.6	$ -	$ -	$ (1.4)	$ -	$ -	
Non-GAAP as adjusted	**$ 127.1**	**$ 132.0**	**$ 126.1**	**$ 127.6**	**$ 127.5**	**$ 142.0**	**$142M +/- $2M**
Reconciliation of Operating Margin:							
U.S. GAAP as reported	**-8.7%**	**-2.5%**	**-10.8%**	**-11.1%**	**-2.4%**	**1.0%**	**1% +/- 2%**
Acquisition-related deferred revenue adjustment	0.3%	0.2%	-	-	-	-	
Stock-based compensation expense	3.9%	3.4%	3.9%	5.0%	3.5%	3.8%	
Amortization of acquired intangible assets	2.5%	2.5%	2.9%	2.7%	2.6%	2.2%	
Restructuring and other related costs	2.3%	1.2%	2.2%	0.3%	0.3%	0.0%	
Inventory related charges	2.3%	-0.5%	0.8%	3.1%	0.2%	-	
Global distribution center transition costs	-	-	-	-	0.4%	-	
Warehouse fire loss	-	-	-	-	0.6%	-	
Litigation charges	-0.2%	0.0%	-	0.4%	0.0%	-	
Non-GAAP as adjusted	**2.4%**	**4.3%**	**-1.0%**	**0.4%**	**5.2%**	**7.0%**	**7.0% +/- 2%**
Reconciliation of Net Income/(Loss) per Common Share:							
U.S. GAAP as reported	**$ (0.26)**	**$ (0.16)**	**$ (0.20)**	**$ (0.26)**	**$ (0.05)**		
Acquisition-related deferred revenue adjustment	$ 0.00	$ -	$ -	$ -	$ -		
Stock-based compensation expense	$ 0.07	$ 0.06	$ 0.07	$ 0.07	$ 0.06		
Amortization of acquired intangible assets	$ 0.04	$ 0.05	$ 0.05	$ 0.05	$ 0.05		
Restructuring and other related costs	$ 0.04	$ 0.02	$ 0.03	$ 0.01	$ 0.01		
Inventory related charges	$ 0.04	$ (0.01)	$ 0.01	$ 0.05	$ -		
Global distribution center transition costs	$ -	$ -	$ -	$ -	$ 0.01		
Warehouse fire loss	$ -	$ -	$ -	$ -	$ 0.01		
Litigation charges	$ (0.00)	$ -	$ -	$ 0.01	$ -		
Amortization of debt discount on Infinera's convertible senior notes	$ 0.04	$ 0.05	$ -	$ -	$ -		
Gain on extinguishment of debt	$ -	$ -	$ -	$ -	$ (0.07)		
Foreign exchange (gains) losses, net	$ 0.02	$ 0.02	$ (0.03)	$ 0.02	$ 0.03		
Income tax effects	$ (0.00)	$ -	$ -	$ -	$ -		
Non-GAAP as adjusted	**$ (0.01)**	**$ 0.03**	**$ (0.07)**	**$ (0.05)**	**$ 0.05**		

NOTES

1. TOTALS MAY NOT ADD UP DUE TO ROUNDING.
2. Q4'22 OUTLOOK REPRESENTS 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.

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GAAP TO NON-GAAP and FREE CASH FLOW RECONCILIATION

	Q3'21 Actual	Q4'21 Actual	Q1'22 Actual	Q2'22 Actual	Q3'22 Actual
Reconciliation of Adjusted EBITDA:					
Non-GAAP Net Income (Loss)	**$ (3.0)**	**$ 5.7**	**$ (14.0)**	**$ (10.1)**	**$ 9.9**
Non-GAAP Interest expense	$ 5.2	$ 5.0	$ 5.0	$ 7.3	$ 6.6
Non-GAAP Income tax effects	$ 5.9	$ 3.2	$ 6.0	$ 4.7	$ 4.2
Non-GAAP Depreciation and Amortization	$ 12.0	$ 13.3	$ 11.6	$ 11.2	$ 11.5
Non-GAAP as adjusted	**$ 20.0**	**$ 27.1**	**$ 8.6**	**$ 13.1**	**$ 32.2**
Reconciliation of Free Cash Flow					
U.S. GAAP: Net cash provided by (used in) operating activities	**$ (13.2)**	**$ 1.4**	**$ 15.8**	**$ (72.4)**	**$ 19.6**
Purchase of property and equipment, net	$ (6.5)	$ (9.1)	$ (16.1)	$ (10.6)	$ (11.0)
Free Cash Flow	**$ (19.7)**	**$ (7.7)**	**$ (0.3)**	**$ (83.0)**	**$ 8.6**

NOTES

1. TOTALS MAY NOT ADD UP DUE TO ROUNDING.
2. NON-GAAP METRICS ARE RECONCILED TO THE MOST DIRECTLY COMPARABLE GAAP FINANCIAL METRIC.
3. WE DEFINE FREE CASH FLOW AS NET CASH PROVIDED BY OPERATING ACTIVITIES IN THE PERIOD MINUS THE PURCHASE OF PROPERTY AND EQUIPMENT, NET MADE IN THE PERIOD.
4. FOR A COMPLETE RECONCILIATION OF OTHER PERIOD RESULTS, SEE PRIOR QUARTERLY EARNINGS RELEASES.

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Thank You