

# Intent to Acquire Coriant

## INVESTOR PRESENTATION

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July 23, 2018

 **Infinera**<sup>®</sup>



# Safe Harbor

## Forward-Looking Statements

This presentation contains forward-looking statements related to the Infinera, Coriant and the acquisition of Coriant by the Infinera that involves substantial risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed or implied by such statements. All statements other than statements of historical fact could be deemed forward-looking, including, but not limited to, any statements about future market and financial performance and similar statements; statement regarding future products or technology as well as the timing to market of any such products or technology; any projections of financial information or related to synergies; any statements about historical results that may suggest trends for our business; any statements of the plans, strategies, and objectives of management for future operations; any statements of expectation or belief regarding future events, potential markets or market size, technology developments, or enforceability of our intellectual property rights; 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 risks and uncertainties include, but are not limited to, the following: the timing to consummate the proposed acquisition; the risk that a condition to closing of the proposed acquisition may not be satisfied; the risk that a regulatory approval that may be required for the proposed acquisition is not obtained or is obtained subject to conditions that are not anticipated; the parties' ability to achieve the synergies and value creation contemplated by the proposed acquisition; the parties' ability to promptly and effectively integrate the businesses of Infinera and Coriant, including unexpected transaction costs, and the costs of integrating operations, severance, professional fees and other expenses; the diversion of management time on issues related to the acquisition; the failure to consummate or any delay in consummating the acquisition for other reasons; changes in laws or regulations; the risks of customer and employee loss and business disruption, including, without limitation, as the result of difficulties in maintaining relationships with employees; increased competitive pressures and solicitations of customers and employees by competitors; the difficulties and risks inherent with entering new markets; and changes in general economic conditions. For additional information concerning factors that could cause actual conditions, events or results to materially differ from those described in the forward-looking statements, please refer to the factors set forth under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Infinera's most recent Annual Report on Form 10-K, filed with the SEC on February 28, 2018 and its Quarterly Report on Form 10-Q filed with the SEC on May 10, 2018. Additional information will also be set forth in Infinera's future quarterly reports on Form 10-Q, annual reports on Form 10-K and other filings that Infinera makes with the SEC. Infinera disclaims any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.

# Infinera + Coriant: Compelling Combination

## Doubles Infinera's Revenue – Creating Significant Operating Leverage

- Amplifies financial benefit of Infinera's unique vertical integration capability
- Scale expansion creates significant operating leverage
- Drives faster than market growth and margin expansion

## Significant Customer & Market Expansion

- Dramatically expands presence: 9 of top 10 global Tier 1s; Top 6 global ICPs
- Solidifies our #1 position in open, disaggregated transponders
- Expanded portfolio drives multi-billion opportunity - IP, Metro Core, 5G, and automation in Tier 1s

## Financially Attractive Deal

- Compelling valuation (~0.5x deal / revenue)
- Immediate synergies (\$100m in 2019), accretive in 2019 : \$250m in synergies over 3 years
- Generates significant cash, deal payback in under 3 years
- Step function margin acceleration starts in 2020 from vertical integration into Coriant platforms

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## Target Business Model

Growing faster than market  
50% non-GAAP Gross Margin  
15% non-GAAP Operating Margin

# Deal at a Glance

## TRANSACTION

### **\$430M\* Purchase Consideration**

53% cash (\$230M)  
47% stock (\$200M)

### **Valuation**

~0.5x Deal price to Revenue

### **Anticipated Close**

Third quarter 2018 subject to regulatory requirements in US, Germany and Russia

### **Financing**

Commitment letter in place from lender  
Evaluating debt financing options to cover the transaction and working capital requirements;

## IMPACT

### **Financial Impact**

~Doubles Infinera revenue to \$1.6B+  
EPS accretive in 2019  
\$100M+ committed synergies in 2019  
\$250M+ total synergy opportunity by 2021

### **Coriant Revenue Overview**

#### **2017 revenue ~\$750M**

~\$525M product  
~\$225M services

~60% international; ~40% U.S.

\* Note as of announcement, we estimate ~\$150M cash will be paid out at close; Number of shares based on 30-day VWAP at announce, equates to ~21M shares at \$9.535 per share

# Companies at a Glance

 **infinera**<sup>®</sup>

**coriant**

**600+**

Customers worldwide

**18+**

Years of vertical integration and transport systems experience

**~\$800M**

Annual revenues

**~2100**

Employees worldwide

**572**

Patents and applications



**500+**

Customers worldwide

**35+**

Years of packet-optical transport and software experience

**~\$750M**

Annual revenues (2017)

**~2100**

Employees worldwide

**1598**

Patents and applications

# Capabilities at a Glance

 **infinera**<sup>®</sup>

**coriant**



\$800M+ R&D 2013-2017,  
refreshed portfolio



Vertical integration, terabit  
optical engine in transport  
systems



Industry's only Instant  
Bandwidth model



First to market with  
disaggregated platform



Unique strengths in L0-L1/L2,  
advanced coherent



Renowned Infinera Experience



~\$1B R&D investment from  
2013-2017, refreshed portfolio



35+ years of Tier 1 experience,  
programmable packet platform



Industry innovation in automation:  
orchestration



3/4/5G Mobile, IP solutions



Strong L2/L3, open &  
disaggregated systems



Passion for customer success

# We are paying \$430M for:

## FINANCIAL STATEMENT

### ~\$525M Product Revenue

\*New product revenue ~70% of total in 2017, growing 2x market, tracking to ~80% of total in second half 2018

### ~\$225M Services Revenue

~\$100M positive cash flow on annual basis  
Future network upgrade opportunities

### ~\$150M Net Assets

~\$350M A/R, inventory, fixed assets  
~\$150M of other assets  
Liabilities ~\$350M  
No debt

## DEAL VALUE

### Incremental Customers/Revenue

Incumbency in Tier-1s creates significant opportunity for growth

Avoids significant upfront costs to break in at new customers

### Fully Refreshed Portfolio

Strong, refreshed portfolio covering Metro, LH, DCI, Mobile, IP, SDN

Benefit of \$1B of recent R&D spend (over last 5 years)

### \$250M+ Annual Synergies by 2021

\$100M+ savings in 2019

Driven by operational integration

Additional \$75M+ savings in 2020

Further operational integration and early vertical integration benefits

Additional \$75M+ savings in 2021

Step function impact from vertical integration

\* Products that have been released or refreshed in the last 3 years

# Scale + Vertical Integration: A Powerful Combination



- Vertical integration –
  - Step function improvement in Coriant gross margins
  - Incremental benefit from driving additional volume into Infinera's fab facility, which will improve cost of all products
- Improved purchasing power – Ability to order in larger volume and make commitments with strategic suppliers lowers prices with suppliers
- Operating leverage - Higher revenue enables ability to sufficiently invest in R&D and achieve 15% non-GAAP operating margin
- Technology leadership and financial stability give customers confidence to make long term commitments
- Incumbency at large customers provides significant growth opportunities



# Significant Customer Expansion Opportunity

## Accelerates Timing, Avoids Break-in Costs

- Skips multi-year process required to win new Tier-1 customers
- Avoids customer acquisition break-in costs which can be \$10-20 million per customer

## Complementary Customer Bases

- 9 of 10 largest carriers; 6 of 6 largest web-scale ICPs
- 9 of each company's top 10 customers are unique
- Minimal overall customer overlap

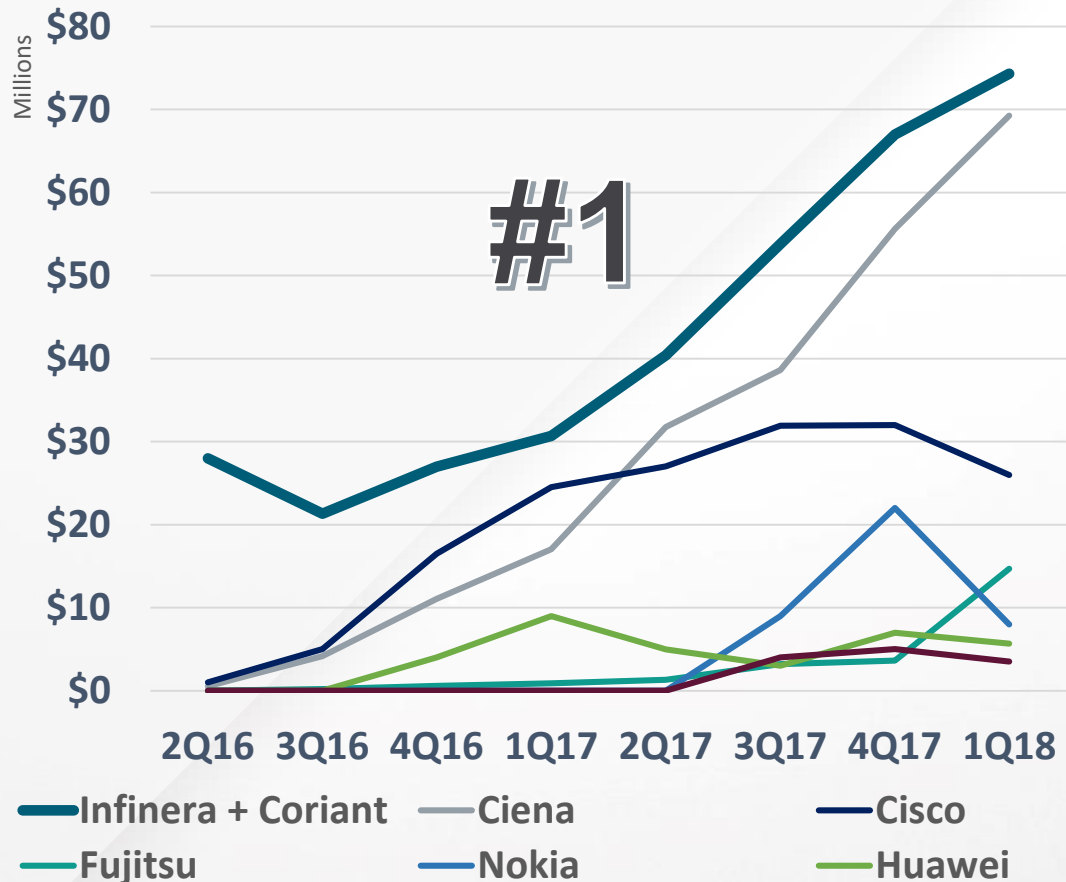
## Diversifies Revenue Base

- Combined company revenue split 50/50% US/International
- Significantly reduces top 10 customer concentration from ~60% to ~45%

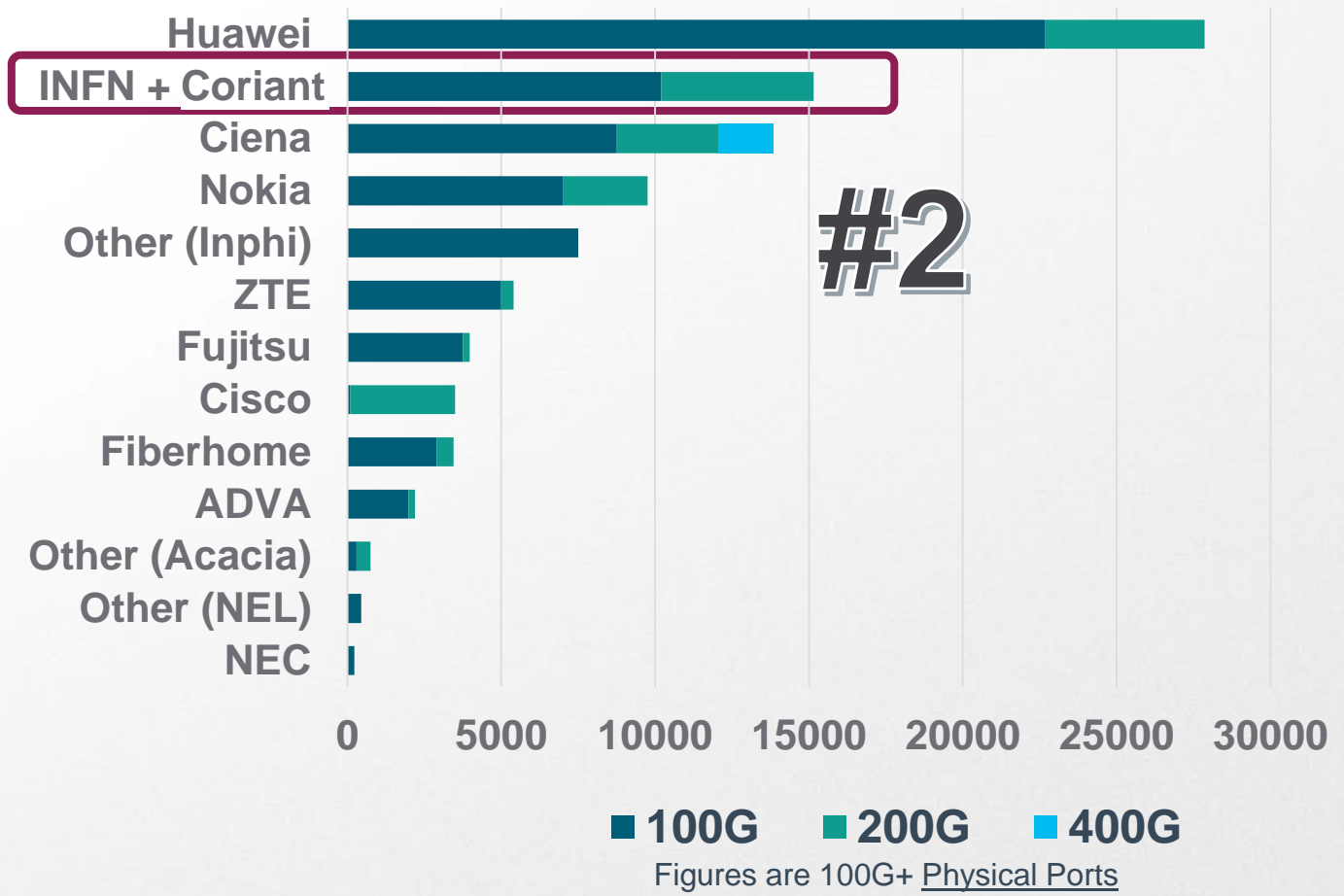
**Deeply embeds  
Infinera with the  
largest Tier 1s  
in the world**

# Combined Market Leadership

## Disaggregated Transponder Share



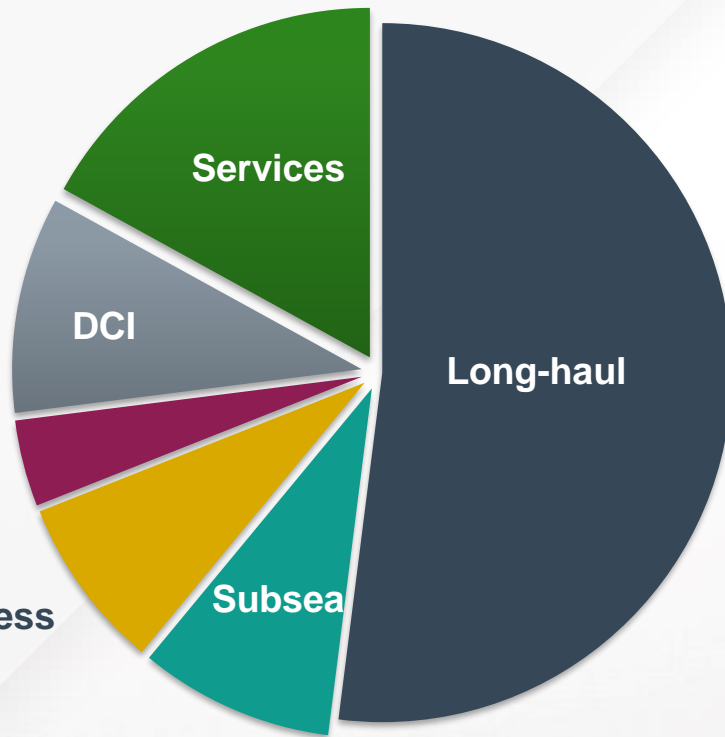
## 1Q18 100G+ Port Shipments



# Complementary Portfolios

Approximate revenue by application

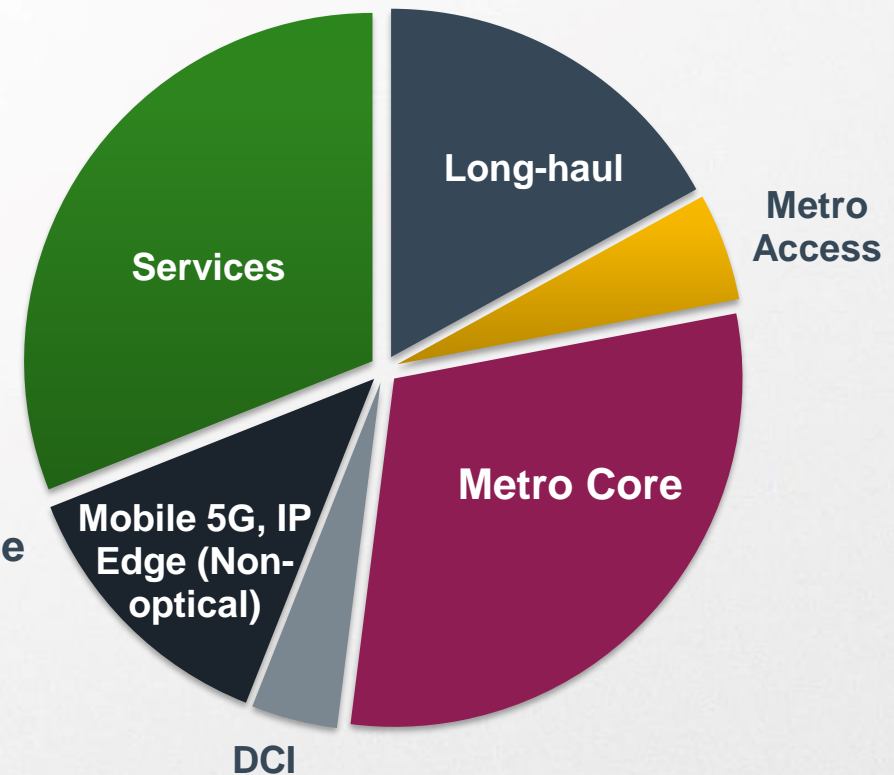
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**Complementary offerings drive end to end scale**

- Little overlap in long-haul, offset by customer diversity
- Metro core achieves scale
- Subsea 100% unique to Infinera.
- Mobile 5G & IP Edge unique to Coriant - high growth potential
- Services businesses are additive & drive scale.

**coriant**



# Great Timing for This Deal

Once in a decade wave of network investment underway

**Networks Will Transform to Manage Bandwidth Demand and Control Costs**



**Fiber Deep for Cable & 5G**



**Long-haul & Subsea**



**Network Automation**



**Data Center Interconnect**



**Open Architectures & IP Edge**

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**Combined company exceptionally well positioned to capitalize on this opportunity**

# 2019-2021 – Immense Synergy Opportunities

Near-term synergies alone, given valuation, drive 2019 accretion and justify deal



## **Near term synergies alone justify deal**

- Drive accretion in 2019
- Enable payback within 3 years

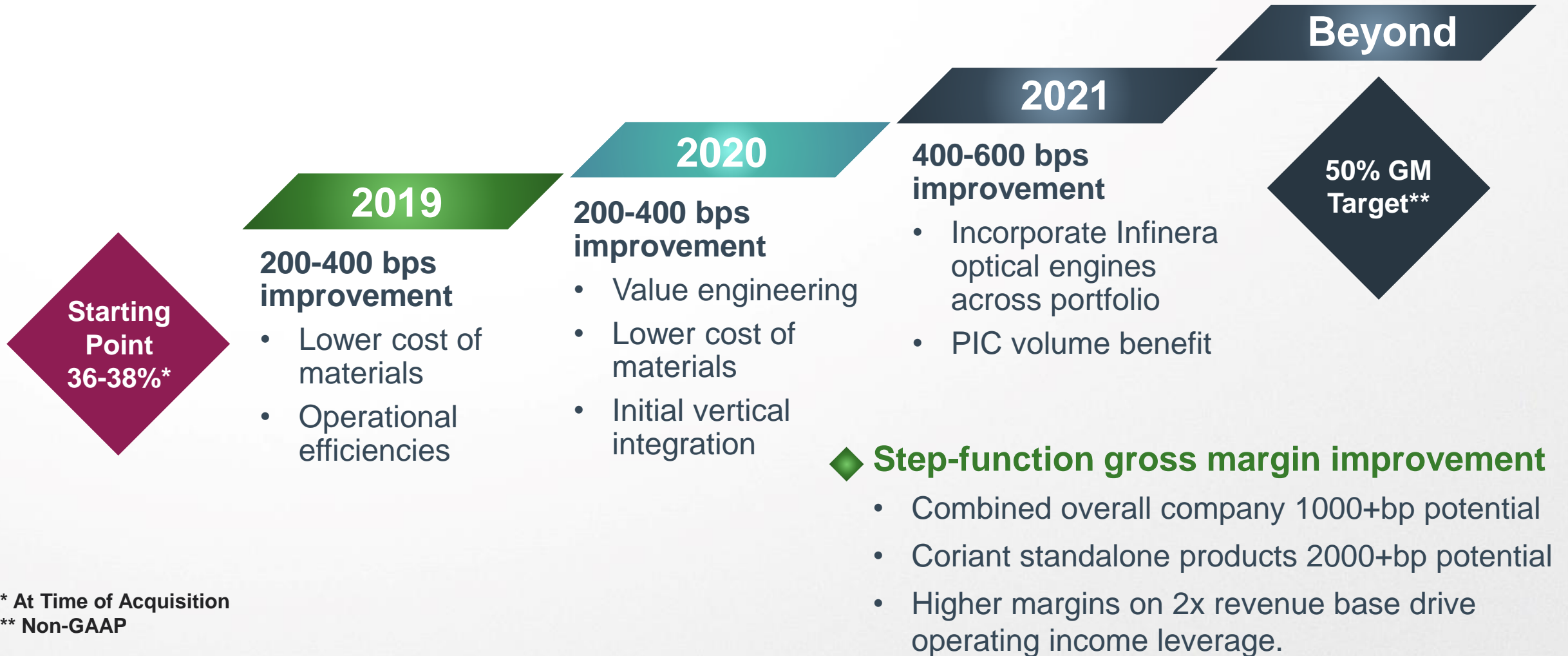
## **Vertical integration benefits ramp 2020-21**

- In line with release of ICE optical engines
- Realize cost synergies by leveraging Infinera optical engines across broader Coriant platforms

**Detailed synergy plans developed**

# 2019-2021 – Gross Margin Ladder

We will move quickly to realize operational efficiencies and benefits from vertical integration



\* At Time of Acquisition

\*\* Non-GAAP

# Infinera Uniquely Positioned to Create Value

Customers will invest to address massive bandwidth demand growth cost effectively



**Why  
Infinera  
+ Coriant  
Works**

## Unique Differentiation

- Vertical integration leveraged through broader end to end portfolio
- Leading performance to cost solutions leveraged into Tier 1 customers

## Scale Economies

- 2x revenue base enables R&D and overall operating leverage
- Significant synergy potential from integrating Infinera optical engines in Coriant platforms

## Customer Expansion

- 9 of the top 10 global Tier 1s (5 new to Infinera)
- Top 6 global ICPs (3 new to Infinera)

## Differentiated Financials

- Grow faster than market
- 50% non-GAAP gross margin
- 15% non-GAAP operating margin



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