

# Q3 FY24 Conference Call

May 6, 2024



# Forward Looking Statements and Financial Presentation

*This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These include statements regarding our belief and expectations with respect to our markets, customers and industry, any anticipation or guidance as to demand for our products and technology from our customers and their end customers, including drivers of that demand and the timing of the increased capex spending by the telecom industry and the inventory correction cycle, statements regarding our product roadmaps and investments, statements regarding future revenue and revenue growth and trends in our markets, and our guidance with respect to future net revenue, non-GAAP diluted earnings per share, and non-GAAP operating margins, and related assumptions. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected. Among the factors that could cause actual results to differ from those contemplated are: (a) uncertainty and volatility in the global markets, including uncertainty and volatility in the macroeconomic environment, volatility and uncertainty in banking and financial services sectors, inflationary pressures, changes in the political or economic environment, such as geopolitical conflicts, war, trade and export restrictions and the imposition of tariffs or other duties, and the effect of such market disruptions on demand for our products, technology spending by our customers and our ability to obtain components for our products; (b) quarter-over-quarter product mix fluctuations, which can materially impact profitability measures due to the broad gross margin ranges across our portfolio; (c) decline of average selling prices across our businesses or increase in costs, either of which will also decrease our margins; (d) effects of seasonality; (e) the ability of our suppliers and contract manufacturers to meet production, quality, and delivery requirements for our forecasted demand; (f) changes in customer demand, including due to changes in inventory practices and end-customer demand; (g) our ability to attract and retain new customers, particularly in the cloud photonics and imaging and sensing markets; (h) the risk that our markets will not grow or develop as expected or that our strategies and ability to compete in those markets are not successful, (i) the risk that Lumentum's financing or operating strategies will not be successful; (j) risks that the acquisition of Cloud Light disrupts our current plans and operations; (k) failure to successfully integrate Cloud Light into our business or that we will not achieve the expected benefits, and (l) our failure to accurately identify liabilities and risks in Cloud Light's business. For more information on these and other risks, please refer to the "Risk Factors" section included in the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 30, 2023 filed with the Securities and Exchange Commission and the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2024 to be filed with the Securities and Exchange Commission. The forward-looking statements contained in this presentation are made as of the date hereof and the Company assumes no obligation to update such statements, except as required by applicable law.*

*Unless otherwise stated, all financial results and projections are on a non-GAAP basis. Our GAAP results, details about our non-GAAP financial measures, and a reconciliation between GAAP and non-GAAP results can be found in our fiscal third quarter of 2024 earnings press release which is available on our web site, [www.lumentum.com](http://www.lumentum.com), under the investors section. We have not provided reconciliations from GAAP to non-GAAP measures for our outlook. A large portion of non-GAAP adjustments, such as restructuring charges, stock-based compensation, acquisition related costs, integration related costs, non-GAAP income tax reconciling adjustments, foreign exchange gains and losses, net, and other costs and contingencies unrelated to current and future cash flows, are by their nature highly volatile and we have low visibility as to the range that may be incurred in the future.*

# Key Points

## ■ Total Company

- Q3 revenue and non-GAAP EPS above guidance midpoints
- Repaid 2024 convertible notes with \$323M in cash
- On track to \$100M annualized run-rate savings through manufacturing efficiencies, acquisition synergies, and lowering fixed costs

## ■ Cloud & Networking

- Revenue up 9% Q/Q and 7% Y/Y driven by record cloud data center revenue, partially offset by telecom softness
- Excellent progress on significant new data center opportunities for CY25 revenue growth
- Investing in significant transceiver manufacturing capacity in Thailand to serve growing demand from multiple customers
- Expect initial volume shipments of 200G/lane components and related 800G/1.6T transceivers to begin in 2HCY24
- Sampling 800ZR/ZR+ DCI modules with key customers
- 130 & 200 gigabaud coherent components ramping into network equipment manufacturer next generation telecom systems
- Strong traction on new integrated C+L band ROADMs to support network capacity expansion as transmission approaches Shannon Limit

## ■ Industrial Tech

- Revenue down 34% Q/Q, down 42% Y/Y, as expected, due to 3D sensing seasonality and industrial laser customer inventory correction
- Ultrafast laser shipments up 42% Q/Q with ramping use in the manufacturing of ICs, EVs, PCBs, and solar cells

## Q3 FY24 Results (GAAP)

<i>\$ in millions except for EPS, % of revenue</i>	Q3 FY24		Q2 FY24		Q3 FY23	
<b>Revenue</b>	<b>\$366.5</b>		<b>\$366.8</b>		<b>\$383.4</b>	
<b>Gross Margin</b>	<b>59.5</b>	<b>16.2%</b>	<b>64.0</b>	<b>17.4%</b>	<b>112.0</b>	<b>29.2%</b>
<b>Operating Expenses</b>	<b>174.1</b>	<b>47.5%</b>	<b>169.2</b>	<b>46.1%</b>	<b>163.4</b>	<b>42.6%</b>
<b>Operating Loss</b>	<b>(114.6)</b>	<b>(31.3%)</b>	<b>(105.2)</b>	<b>(28.7)%</b>	<b>(51.4)</b>	<b>(13.4)%</b>
<b>Diluted EPS</b>	<b>\$(1.88)</b>		<b>\$(1.47)</b>		<b>\$(0.57)</b>	
<b>Diluted Shares-M</b>	<b>67.5</b>		<b>67.2</b>		<b>68.6</b>	

## Q3 FY24 Results (Non-GAAP)

<i>\$ in millions except for EPS, % of revenue</i>	Q3 FY24		Q2 FY24		Q3 FY23	
<b>Revenue</b>	<b>\$366.5</b>		<b>\$366.8</b>		<b>\$383.4</b>	
<b>Gross Margin</b>	<b>119.3</b>	<b>32.6%</b>	<b>119.7</b>	<b>32.6%</b>	<b>156.3</b>	<b>40.8%</b>
<b>Operating Expenses</b>	<b>104.3</b>	<b>28.5%</b>	<b>106.7</b>	<b>29.1%</b>	<b>104.9</b>	<b>27.4%</b>
<b>Operating Income</b>	<b>15.0</b>	<b>4.1%</b>	<b>13.0</b>	<b>3.5%</b>	<b>51.4</b>	<b>13.4%</b>
<b>Diluted EPS</b>	<b>\$0.29</b>		<b>\$0.32</b>		<b>\$0.75</b>	
<b>Diluted Shares-M</b>	<b>68.1</b>		<b>67.4</b>		<b>68.7</b>	

# Q3 FY24 Segment Results

	Q3 FY24	Q2 FY24	Q3 FY23 *
<i>\$ in millions</i>			
<b>Revenue</b>	<b>\$366.5</b>	<b>\$366.8</b>	<b>\$383.4</b>
Cloud & Networking	313.8	286.7	293.0
Industrial Tech	52.7	80.1	90.4
<b>Segment Profit (Loss)</b>			
Cloud & Networking	14.6 %	10.1 %	20.8 %
Industrial Tech	(5.1) %	15.9 %	24.4 %

\* Q3 FY23 has been recast to conform to the new segment structure and segment profit measure, effective Q1 FY24.

# Balance Sheet

Selected Items	Q3 FY24	Q2 FY24
<i>\$ in millions</i>		
Cash and Short-term Investments	\$870.9	\$1,224.0
Working Capital <sup>(1)</sup>	461.5	499.4
Property, Plant & Equipment, net	578.7	582.3
<b>Total Assets</b>	<b>4,204.5</b>	<b>4,656.0</b>
<b>Total Liabilities</b>	<b>3,027.8</b>	<b>3,378.2</b>
<b>Shareholder's Equity</b>	<b>1,176.7</b>	<b>1,277.8</b>

(1) Working capital excluding cash, short-term investments and short-term debt

# Q4 FY24 Guidance (Non-GAAP)

Guidance is based on our expectations as of today and will not be updated or confirmed as of any other date

<i>\$ in millions except for EPS, % of revenue</i>	<b>Q3 FY24 Actual</b>	<b>Q4 FY24 Guidance</b>
<b>Revenue</b>	<b>\$366.5</b>	<b>\$290 - \$315</b>
<b>Operating Margin</b>	<b>4.1%</b>	<b>(3.0%) - 1.0%</b>
<b>Diluted EPS</b>	<b>\$0.29</b>	<b>(\$0.05) - \$0.10</b>
<b>Diluted Shares – M</b>	<b>68.1</b>	<b>68.5</b>

- **Mid-point of revenue guidance assumes:**

- Cloud & Networking segment down Q/Q
- Industrial Tech segment up slightly Q/Q

- **14.5% non-GAAP effective tax rate**

# Thank You

