



Q1 FY23 Conference Call

November 8, 2022



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 expectations for our markets, customers and industry, any anticipation or guidance as to demand for our products and technology, statements regarding our expected market share, our plans and expectations regarding our acquisition and integration of NeoPhotonics, and our recent acquisition of IPG's telecom transmission product lines, including the benefits for our customers and our business, trends in component supply, our expectations for revenue growth rates, and our guidance with respect to future net revenue, earnings per share, and 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) the COVID-19 pandemic and related impacts, which may continue to adversely impact our business, financial performance and results of operations; (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 and the effect of ongoing supply chain constraints, particularly in semiconductors; (f) inherent uncertainty related to global markets, including the impact of the COVID-19 pandemic, uncertainty and volatility in the macroeconomic environment, including inflationary pressures, changes in the political or economic environment, including geopolitical conflicts, war, trade and export restrictions and the imposition of tariffs or other duties, and the effect of such markets on demand for our products; (g) changes in customer demand; (h) our ability to attract and retain new customers, particularly in the 3D sensing market; and (i) the risk that Lumentum's financing or operating strategies will not be successful. For more information on these risks, please refer to the "Risk Factors" section included in the Company's Quarterly Report on Form 10-Q for the quarter ended October 1, 2022 to be filed with the Securities and Exchange Commission. In addition, the results contained in this presentation are valid only as of today's date except where otherwise noted. 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 first quarter 2023 earnings press release which is available on our web site, 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, tax expense impacts, transferring product lines to new production facilities, impairment charges, inventory write down due to plans to exit certain product lines, 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.

Q1 FY23 Key Points

▪ Strong Revenue Growth in Telecom, Gated by IC Supply

- Delivered \$136M of incremental revenue, or 79% growth in Telecom Y/Y in Q1
- Telecom growth excluding acquisitions was 38% Y/Y
- Expect ~\$80M gap between supply and demand in Q2 due to shortages of ICs, approximately flat to Q1 shortage level

▪ Telecom & Datacom

- Revenue up 67% Y/Y, consistent with expectations, due to robust demand
- Record quarter in multiple transmission product lines:
 - Narrow-linewidth tunable lasers
 - Tunable products for edge network applications
 - Coherent components
- Doubled tunable network edge module revenue Y/Y; 80% - 100% more capacity in the coming quarters
- Grew ROADM revenue 23% Q/Q and 34% Y/Y, with contentionless MxN growing >50% Q/Q
- Datacom Q/Q decline from a record Q4 with slower demand from certain cloud customers

▪ Industrial & Consumer

- As expected, revenue up Q/Q due to new smartphone product launches, offset by share normalization
- Expanding opportunities for automotive LiDAR/ADAS and IoT

▪ Lasers

- Revenue up 26% Y/Y from lasers for advanced manufacturing
- Continued growth expected from new customers and new applications

Q1 FY23 Results (GAAP)

<i>\$ in millions except for EPS, % of revenue</i>	Q1 FY23	Q4 FY22	Q1 FY22
Revenue	506.8	\$422.1	\$448.4
Gross Margin	201.2 39.7%	181.7 43.0%	232.2 51.8%
Operating Expenses	187.7 37.0%	126.3 29.9%	116.3 25.9%
Operating Income	13.5 2.7%	55.4 13.1%	115.9 25.8%
Diluted EPS	\$(0.01)	\$0.49	\$1.08
Diluted Shares-M	68.1	71.5	75.4

Q1 FY23 Results (Non-GAAP)

<i>\$ in millions except for EPS, % of revenue</i>	Q1 FY23		Q4 FY22		Q1 FY22
Revenue	506.8		\$422.1		\$448.4
Gross Margin	244.1	48.2%	212.7	50.4%	246.7 55.0%
Operating Expenses	106.7	21.1%	91.1	21.6%	87.8 19.6%
Operating Income	137.4	27.1%	121.6	28.8%	158.9 35.4%
Diluted EPS	\$1.69		\$1.47		\$1.79
Diluted Shares-M	70.6		71.5		75.4

Q1 FY23 Segment Results

	Q1 FY23	Q4 FY22	Q1 FY22
<i>\$ in millions</i>			
Revenue	\$506.8	\$422.1	\$448.4
Optical Communications	453.4	370.9	406.0
<i>Telecom & Datacom</i>	360.1	282.1	216.0
<i>Industrial & Consumer</i> ⁽¹⁾	93.3	88.8	190.0
Commercial Lasers	53.4	51.2	42.4
Gross Margin (Non-GAAP)	48.2 %	50.4 %	55.0 %
Optical Communications	47.6 %	49.8 %	55.6 %
Commercial Lasers	52.6 %	54.5 %	49.1 %

(1) Industrial & Consumer contains 3D sensing revenues as well as diode lasers sold into industrial applications.

Balance Sheet

Selected Items	Q1 FY23	Q4 FY22
<i>\$ in millions</i>		
Cash and Short-term Investments	\$1,624.9 ⁽¹⁾	\$2,549.0
Working Capital ⁽²⁾	430.9	283.6
Property, Plant & Equipment, net	478.0	360.5
Total Assets	4,387.4	4,162.2
Total Liabilities	2,861.0	2,287.2
Shareholder's Equity	1,526.4	1,875.0

(1) Repurchased 0.3 million shares during Q1 FY23 for \$25.7 million

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

Q2 FY23 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>	Q1 FY23 Actual	Q2 FY23 Guidance
Revenue	\$506.8	\$490 - \$520
Operating Margin	27.1%	20% - 22%
Diluted EPS	\$1.69	\$1.20 - \$1.45
Diluted Shares – M	70.6	70.2

▪ **Mid-point revenue projection assumes:**

- Telecom & Datacom up Q/Q
- Industrial & Consumer down Q/Q
- Commercial Lasers up Q/Q
- ~\$80M revenue impact from IC shortages

▪ **Other mid-point assumptions:**

- 14.5% non-GAAP effective tax rate

FY23 Outlook (Non-GAAP)

This outlook is based on our revised expectations as of today and may not be updated or confirmed as of any other date

<i>\$ in millions except for EPS, % of revenue</i>	FY22 Actual	FY23 Updated Outlook
Revenue	\$1,713	\$1,900 - \$2,050
Operating Margin	30.8%	19% - 22%
Diluted EPS	\$6.05	\$4.65 - \$5.65

Thank you

