Technology Leader For 100G And Beyond

Needham Next-Gen Storage/Networking Conference
November 5, 2015
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Oclaro: Well Positioned For Sustained Growth

Turnaround Nearly Complete

Driving Growth Through Traction in 100G+

Increasing Gross Margin

Continuing to Innovate
Q1 FY16 Highlights

- Achieved Both Positive Adj. EBITDA ($4.2M) And Operating Income
  - First Time Since December 2010

- Strong (7%) Quarter-on-Quarter Revenue Growth
  - $87.5M vs. $82.2M in Q4 FY15

- 100G Revenues Grew By 20% Quarter-on-Quarter
  - Doubled From Q1 FY15

- Gross Margin Increased 6 Points Over Q4 FY15 To 26% Driven By 100G Portfolio, Product Mix And Improved Execution

- Continued To Innovate
  - Began Sampling QSFP28 Products
  - Demonstrated 400G Single Carrier Lithium Niobate Modulator
Differentiation And Competitiveness Through Vertical Integration

Advanced Module Design, Electronic Integration, Firmware

Optical, mechanical, and RF design expertise
Advanced packaging for optical sub components

Lasers (DFB/DML/EML/tunable), Modulators, Photo-detectors, Indium Phosphide, Lithium Niobate
Oclaro At A Glance

North America
- Headquarters in San Jose, CA
- High Bit Rate Module Design and Manufacturing
- Expertise for Core Optical Network
- Sales & Marketing

San Jose, CA

Europe
- Line-side Expertise for Coherent Networks
  - InP & LiNbO₃ Materials
  - InP Photonic Integrated Circuits
- Tunable Lasers, Modulators and Integrated Receivers
  - CFP2-ACO Pilot Production

U.K.
Italy

Asia
- Client-side Expertise for Datacenter, Datacom and Radio Wireless
- Advanced Packaging & Transceiver Design
- Leading DFB and EML Laser Technology
  - InP Materials
  - High End Volume Manufacturing

Japan
China
Oclaro: A Vertically Integrated Technology Leader

Targeted Markets

- **Telco Optical Networks**
  - Ultra Long Haul Networks
  - Long Haul Networks
  - Metro Networks

- **Data Centers**
  - Data Center Interconnects
  - Intra Data Center Connections

- **Enterprise Networks**
  - Enterprise Routing
  - Enterprise Switching
Data Centers And Enterprises Embracing High-Speed Networking Technologies

- Growing complexity for enterprise networks and data centers
- New data center infrastructure moving to single mode fiber
- Rapid adoption of 40G and 100G technologies, creating a large opportunity for optical vendors
- 40G/100G growing from $0.2B in 2012 to $5.2B in 2019

Data Center Network Switching Spending
40G/100G
($Billions)

Source: Infonetics Data Center Network Equipment, Sept. 2015
Strong DWDM Growth Driven by 100G Coherent

"Demand for 100G components and modules is a big driver for growth in WAN. We expect strong demand for pluggable coherent transceivers in 2015 and beyond."

Daryl Inniss, Practice Leader for Telecoms Components at Ovum

Source: Infonetics 10G/40G/100G Telecom Optics, October 2015
Product Overview
Serving Both Line Side (Telecom) and Client Side (Data Center) Applications

Line Side / Core Optical Network
Leadership in 10G-100G

- 100G Coherent Components, Micro-ITLA, and Lithium Niobate Modulators

Client Side / Data Centers
Leading Transceiver Supplier

- Complete portfolio of short-reach and long-reach form factors for 10G, 40G, and 100G

Targeted Customers

- ciena
- Fujitsu
- Juniper Networks
- Alcatel Lucent
- Coriant
- Microsoft
- Huawei
- Cisco
- ADVA
- Google
- FiberHome
- ARISTA
- Ericsson

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Next Generation Product Leadership to Drive Growth

**Line Side / Core Optical Network**

100G/200G CFP2-ACO

Differentiation Enabled by InP Photonic Integration

- Mach-Zehnder Modulator Chip
- Tunable Laser Chip
- Coherent Receiver Chip

Co-Packaging of Key Indium Phosphide Elements

- Integrated 100G InP Transmitter Package
- InP Micro Coherent Receiver Package

**Client Side / Data Centers**

Port Density Leadership Through Advanced Laser and Module Packaging Technology

- >3 Tbit/s

**100G/200G CFP2-ACO Module**

- Next generation 100G/200G coherent pluggable
- Metro, Data Center Interconnect, and regional/long-haul applications
- Provides scalability to enable bandwidth as required

“CFP2-ACO technology is the most important catalyst for cutting the cost of coherent equipment and accelerating the rollout of 100G metro networks.”
Andrew Schmitt, Directing Analyst, IHS Research, October 2015

- Leading 10G and 25G directly modulated and EA modulated lasers to address fast growing 100G single-mode fiber connectivity from 500m to 40km
- Innovative power-efficient laser technology to drive cost effective, high volume high bandwidth applications for 100G and beyond
Growth Driven By 100G And Beyond

**Existing Products**
- Enterprise & Data Center
  - CY15: $450M
  - CY16: $575M*
- Data Center Interconnect
  - CY16: $100M
  - CY17: $250M*
- Telecom & Metro
  - CY15: $270M
  - CY16: $400M*

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<thead>
<tr>
<th>Existing Products</th>
<th>New Products</th>
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<tbody>
<tr>
<td>CFP LR4</td>
<td>QSFP28 (CWDM, CLR4, LR4)</td>
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<tr>
<td>CFP2 LR4</td>
<td>Coherent CFP2-ACO</td>
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<tr>
<td>CFP4</td>
<td>Coherent CFP2-ACO</td>
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<td></td>
<td>Dual µTLA</td>
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<td>400G LiNbO₃ Modulators</td>
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**Future Trends**
- Higher Density: On Board Optics (COBO)
- New Laser Designs & Modulation Formats (16 QAM, PAM4)
- 400G+ Beyond

*Source: Company analysis based on Lightcounting and IHS/Infonetics data
Strong Competitive Market Position

100G Client Side Transceivers #1

100G Lithium Niobate Coherent Modulator Top 3

100G Coherent μTLA Lasers Top 3

100G-200G Coherent CFP2-ACO #1

400G Single Wavelength Lithium Niobate Modulator 1st to Sample

Sources: Company estimates, and Lightcounting.
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Oclaro Financials – A Turnaround in 8 Quarters

Q1 FY14*  
- Total Revenue: $89.4M  
- 100G Revenue: $16M (9%)  
- Gross Margin: $8.2M (9%)  
- AEBITDA: $(21.1M)

Q1 FY15*  
- Total Revenue: $81.7M  
- 100G Revenue: $21M (26%)  
- Gross Margin: $11.0M (14%)  
- AEBITDA: $(10.8M)

Q1 FY16  
- Total Revenue: $87.5M  
- 100G Revenue: $41M (26%)  
- Gross Margin: $23.2M  
- AEBITDA: $4.2M

- $108M in Cash
- Positive Operating Income
- 100G 47% of Sales

* Excludes results from I&C business that was sold in October 2014

# Non-GAAP Gross Margin
Non-GAAP Gross Margin Expansion

- Revenue Growth
- Expansion As 100G Mix Increases
- Leveraging Fab Capacity
- Improved Operational Efficiencies
- Expanding Chip Business

Quarterly Non-GAAP Gross Margin

- Q3'FY14: 9%
- Q4'FY14: 11%
- Q1'FY15: 14%
- Q2'FY15: 16%
- Q3'FY15: 16%
- Q4'FY15: 20%
- Q1'FY16: 26%

Note: Fiscal year ends June 30. All figures exclude stock-based compensation.
## Financial Results

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<th>Q1 FY16 Results</th>
<th>Q2 FY16 Guidance*</th>
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<tr>
<td><strong>Revenues</strong></td>
<td>$87.5 million</td>
<td>$88 million to $94 million</td>
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<tr>
<td><strong>Non-GAAP Gross Margin %</strong></td>
<td>26%</td>
<td>24% to 27%</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>$4.2 million</td>
<td>$3 million to $7 million</td>
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**Q1 FY16 Highlights**
- 100G Growing - Increased 20% from Q4 FY15 to $41 million
  - 47% of total revenue
- $108 million cash and equivalents

*Guidance provided on November 3, 2015 for the quarter ending December 26, 2015
Oclaro: Well Positioned For Sustained Growth

• **Turnaround Complete**
  - Strong Revenue Growth Driven By 100G
  - Non-GAAP Gross Margin At 26%
  - Q1 FY16 Achieved Non-GAAP Operating Income
  - Adjusted EBITDA Positive $4.2M

• **Driving Growth Through Traction In 100G And Above**
  - Broad 100G+ Product Portfolio Serving A $1B Addressable Market In 2016
    - Market Leader For 100G Client Side (CFP, CFP2, CFP4): $350M SAM In 2016
    - Emerging 100G Data Center (QSFP28): $150M SAM In 2016
    - Coherent CFP2-ACO For 100G/200G Applications: $200M SAM In 2016
    - Gaining Share In micro-ITLA And Lithium Niobate Modulators: $300M SAM In 2016

• **Increasing Gross Margin**
  - Revenue, 100G Mix, Operational Improvements

• **Continuing To Innovate**
Thank You

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