



March 10, 2016

Finisar Announces Third Fiscal Quarter 2016 Financial Results

SUNNYVALE, CA -- (Marketwired) -- 03/10/16 --

Finisar Corporation (NASDAQ: FNSR), a global technology leader for subsystems and components for fiber optic communications, today announced financial results for its third quarter of fiscal 2016, ended January 31, 2016.

COMMENTARY

"Revenues for our third fiscal quarter were \$309.2 million, approximately in line with the midpoint of our prior guidance range for the quarter of \$300 to \$320 million. Better than expected gross margins, due to favorable product mix, as well as lower than expected operating and other expenses, resulted in earnings per fully diluted share at the upper end of our prior guidance range," said Jerry Rawls, Finisar's Chief Executive Officer.

FINANCIAL HIGHLIGHTS - Third Quarter Ended January 31, 2016

Summary GAAP Results

	Third Quarter Ended	Second Quarter Ended
	January 31, 2016	November 1, 2015
	<i>(in thousands, except per share amounts)</i>	
Revenues	\$ 309,206	\$ 321,136
Gross margin	28.4%	27.7%
Operating expenses	\$ 77,282	\$ 79,723
Operating income	\$ 10,458	\$ 9,368
Operating margin	3.4%	2.9%
Net income	\$ 12,084	\$ 6,644
Income per share-basic	\$ 0.11	\$ 0.06
Income per share-diluted	\$ 0.11	\$ 0.06
Basic shares	107,180	106,635
Diluted shares	108,128	107,493

Summary Non-GAAP Results (a)

	Third Quarter Ended	Second Quarter Ended
	January 31, 2016	November 1, 2015
	<i>(in thousands, except per share amounts)</i>	
Revenues	\$ 309,206	\$ 321,136
Non-GAAP Gross margin	30.3%	30.0%
Non-GAAP Operating expenses	\$ 67,292	\$ 68,025
Non-GAAP Operating income	\$ 26,309	\$ 28,274
Non-GAAP Operating margin	8.5%	8.8%
Non-GAAP Net income	\$ 26,604	\$ 26,857
Non-GAAP Income per share-basic	\$ 0.25	\$ 0.25
Non-GAAP Income per share-diluted	\$ 0.25	\$ 0.25
Basic shares	107,180	106,635
Diluted shares	108,128	107,493

(a) In evaluating the operating performance of Finisar's business, Finisar management utilizes financial measures that exclude certain charges and credits required by U.S. generally accepted accounting principles, or GAAP, that are

considered by management to be outside of Finisar's core ongoing operating results. A reconciliation of Finisar's non-GAAP financial measures to the most directly comparable GAAP measures, as well as additional related information, can be found under the heading "Finisar Non-GAAP Financial Measures" below.

Financial Statement Highlights for the Third Quarter of Fiscal 2016:

- | Revenues were \$309.2 million, a decrease of \$11.9 million, or (3.7)%, from \$321.1 million in the preceding quarter.
- | Sales of products for telecom applications increased by \$2.6 million, or 2.9%, compared to the preceding quarter, primarily driven by growth in wavelength selective switches.
- | Sales of products for datacom applications decreased by \$14.5 million, or (6.2)%, compared to the preceding quarter, primarily driven by a decline in 40 gigabit transceivers, primarily as the result of reduced levels of capital spending by web 2.0 and hyperscale data center customers in anticipation of the roll out of next generation 100G QSFP28 transceivers.
- | GAAP gross margin was 28.4% compared to 27.7% in the preceding quarter.
- | Non-GAAP gross margin improved to 30.3% compared to 30.0% in the prior quarter as favorable product mix more than offset the impact of one month of annual telecom price negotiations, which typically take effect on January 1.
- | GAAP operating expenses were \$77.3 million compared to \$79.7 million in the prior quarter.
- | Non-GAAP operating expenses were \$67.3 million compared to \$68.0 million in the prior quarter.
- | GAAP earnings per fully diluted share was \$0.11 compared to \$0.06 in the preceding quarter.
- | Non-GAAP earnings per fully diluted share was \$0.25 compared to \$0.25 in the preceding quarter.
- | Cash, cash equivalents and short term investments increased \$10.3 million to \$531.1 million at the end of the third quarter, compared to \$520.8 million at the end of the preceding quarter.

OUTLOOK

The Company indicated that for the fourth quarter of fiscal 2016 it currently expects revenues in the range of \$307 to \$327 million, non-GAAP gross margin of approximately 30%, non-GAAP operating margin of approximately 8.2% to 9.2%, and non-GAAP earnings per fully diluted share in the range of approximately \$0.22 to \$0.28.

CONFERENCE CALL

Finisar will discuss its financial results for the third quarter and current business outlook during its regular quarterly conference call scheduled for Thursday, March 10, 2016, at 2:00 pm PT (5:00 pm ET). To listen to the call you may connect through the Finisar investor relations page at <http://investor.finisar.com/> or dial 877-675-4756 (domestic) or +1-719-325-4812 (international) and enter conference ID 1574347.

An audio replay will be available for two weeks following the call by dialing 1-888-203-1112 (domestic) or +1-719-457-0820 and then following the prompts: enter conference ID 1574347 and provide your name, affiliation, and contact number. A replay of the webcast will be available shortly after the conclusion of the call on the Company's website until the next regularly scheduled earnings conference call.

SAFE HARBOR UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This press release contains forward-looking statement concerning Finisar's expected financial performance. These statements are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on our current expectations, estimates, assumptions and projections about our business and industry, and the markets and customers we serve, and they are subject to numerous risks and uncertainties that may cause these forward-looking statements to be inaccurate. Finisar assumes no obligation to update any such forward-looking statements. Forward-looking statements involve risks and uncertainties which could cause actual results to differ materially from those projected. Examples of such risks include those associated with: the uncertainty of customer demand for Finisar's products; the rapidly evolving markets for Finisar's products and uncertainty regarding the development of these markets; Finisar's historical dependence on sales to a limited number of customers and fluctuations in the mix of products and customers in any period; ongoing new product development and introduction of new and enhanced products; the challenges of rapid growth followed by periods of contraction; and intensive competition. Further information regarding these and other risks relating to Finisar's business is set forth in Finisar's annual report on Form 10-K (filed June 19, 2015) and quarterly SEC filings.

ABOUT FINISAR

Finisar Corporation (NASDAQ: FNSR) is a global technology leader for fiber optic subsystems and components that enable high-speed voice, video and data communications for telecommunications, networking, storage, wireless, and cable TV applications. For 25 years, Finisar has provided critical optics technologies to system manufacturers to meet the increasing

demands for network bandwidth. Finisar is headquartered in Sunnyvale, California, USA with R&D, manufacturing sites, and sales offices worldwide. For additional information, visit www.finisar.com.

FINISAR FINANCIAL STATEMENTS The following financial tables are presented in accordance with GAAP.

Finisar Corporation
Consolidated Statements of Operations
(Unaudited, in thousands, except per share data)

	Three Months Ended		Nine Months Ended		Three Months Ended
	January 25,		January 25,		Nov 01,
	Jan 31, 2016	2015	Jan 31, 2016	2015	2015
Revenues	\$ 309,206	\$ 306,283	\$ 944,372	\$ 930,902	\$ 321,136
Cost of revenues	219,836	221,173	674,593	659,183	230,610
Impairment of long-lived assets	-	5,722	1,071	5,722	-
Amortization of acquired developed technology	1,630	1,435	4,500	4,304	1,435
Gross profit	<u>87,740</u>	<u>77,953</u>	<u>264,208</u>	<u>261,693</u>	<u>89,091</u>
Gross margin	28.4%	25.5%	28.0%	28.1%	27.7%
Operating expenses:					
Research and development	49,840	48,782	153,220	150,972	50,972
Sales and marketing	11,899	10,926	34,998	34,378	11,897
General and administrative	14,875	14,062	46,269	57,553	16,186
Impairment of long-lived assets	-	45	2,004	45	-
Amortization of purchased intangibles	668	737	830	2,235	668
Total operating expenses	<u>77,282</u>	<u>74,552</u>	<u>237,321</u>	<u>245,183</u>	<u>79,723</u>
Income from operations	10,458	3,401	26,887	16,510	9,368
Interest income	709	321	1,543	1,275	469
Interest expense	(2,933)	(2,686)	(8,733)	(8,687)	(2,917)
Other income (expenses), net	1,968	2,051	3,294	58	445
Income before income taxes	10,202	3,087	22,991	9,156	7,365
Provision (benefit) for income taxes	(1,882)	1,409	870	4,596	721
Net income	<u>\$ 12,084</u>	<u>\$ 1,678</u>	<u>\$ 22,121</u>	<u>\$ 4,560</u>	<u>\$ 6,644</u>

Net income per share attributable to Finisar Corporation common stockholders:

Basic	\$ 0.11	\$ 0.02	\$ 0.21	\$ 0.05	\$ 0.06
Diluted	\$ 0.11	\$ 0.02	\$ 0.20	\$ 0.04	\$ 0.06

Shares used in computing net income per share - basic	107,180	103,563	106,367	100,475	106,635
Shares used in computing net income per share - diluted	108,128	105,990	108,488	103,825	107,493

Finisar Corporation
Consolidated Balance Sheets
(in thousands)

	Jan 31, 2016	Nov 01, 2015	Aug 02, 2015	May 03, 2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 268,330	\$ 258,270	\$ 232,997	\$ 197,443
Short-term held-to-maturity investments	262,726	262,500	262,695	292,748

Accounts receivable, net	241,384	230,065	234,798	213,234
Accounts receivable, other	41,933	39,982	40,807	40,650
Inventories	262,591	264,706	282,093	283,670
Prepaid expenses and other assets	25,317	20,538	22,649	36,518
Total current assets	<u>1,102,281</u>	<u>1,076,061</u>	<u>1,076,039</u>	<u>1,064,263</u>
Property, equipment and improvements, net	342,818	344,695	322,043	315,777
Purchased intangible assets, net	20,686	22,983	25,086	27,188
Goodwill	106,735	106,735	106,735	106,735
Minority investments	3,692	3,647	2,997	2,847
Other assets	21,516	23,133	34,960	35,072
Total assets	<u>\$ 1,597,728</u>	<u>\$ 1,577,254</u>	<u>\$ 1,567,860</u>	<u>\$ 1,551,882</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:				
Accounts payable	\$ 131,240	\$ 133,220	\$ 139,600	\$ 131,510
Accrued compensation	32,908	31,680	26,392	24,918
Other accrued liabilities	45,492	43,301	39,753	39,238
Deferred revenue	11,933	12,438	11,480	9,850
Total current liabilities	<u>221,573</u>	<u>220,639</u>	<u>217,225</u>	<u>205,516</u>
Long-term liabilities:				
Convertible notes, net of current portion	228,561	226,151	223,760	221,406
Other non-current liabilities	21,765	23,195	21,545	21,167
Total liabilities	<u>471,899</u>	<u>469,985</u>	<u>462,530</u>	<u>448,089</u>
Stockholders' equity:				
Common stock	108	107	107	104
Additional paid-in capital	2,593,587	2,577,246	2,564,506	2,551,114
Accumulated other comprehensive income (loss)	(41,701)	(31,835)	(14,390)	861
Accumulated deficit	<u>(1,426,165)</u>	<u>(1,438,249)</u>	<u>(1,444,893)</u>	<u>(1,448,286)</u>
Total stockholders' equity	<u>1,125,829</u>	<u>1,107,269</u>	<u>1,105,330</u>	<u>1,103,793</u>
Total liabilities and stockholders' equity	<u>\$ 1,597,728</u>	<u>\$ 1,577,254</u>	<u>\$ 1,567,860</u>	<u>\$ 1,551,882</u>

Note - Balance sheet amounts as of May 3, 2015 are derived from the audited consolidated financial statements as of the date.

FINISAR NON-GAAP FINANCIAL MEASURES

In addition to reporting financial results in accordance with U.S. generally accepted accounting principles, or GAAP, Finisar provides the following financial measures defined as non-GAAP financial measures by the Securities and Exchange Commission: non-GAAP gross profit, non-GAAP operating income, non-GAAP income and non-GAAP net income per share. These non-GAAP financial measures are supplemental information regarding the Company's operating performance on a non-GAAP basis that excludes certain gains, losses and charges of a non-cash nature or that occur relatively infrequently and/or that management considers to be outside of our ongoing core operating results. Management believes that tracking non-GAAP gross profit, non-GAAP operating income, non-GAAP net income and non-GAAP net income per share provides management and the investment community with valuable insight into our ongoing core current operations, our ability to generate cash and the underlying business trends which are affecting our performance. These non-GAAP measures are used by both management and our Board of Directors, along with the comparable GAAP information, in evaluating our current performance and planning our future business activities. In particular, management finds it useful to exclude non-cash charges in order to better correlate our operating activities with our ability to generate cash from operations and to exclude certain cash charges as a means of more accurately predicting our liquidity requirements. We believe that these non-GAAP measures, when used in conjunction with our GAAP financial information, also allow investors to better evaluate our financial performance in comparison to other periods and to other companies in our industry.

In calculating non-GAAP gross profit in this release, we have excluded the following items from cost of revenues in applicable periods in this release:

- 1 Changes in excess and obsolete inventory reserve (predominantly non-cash charges or non-cash benefits);
- 1 Amortization of acquired technology (non-cash charges related to technology obtained in acquisitions);

- | Duplicate facility costs during facility move (non-core cash charges);
- | Stock-based compensation expense (non-cash charges);
- | Impairment of long-lived assets (non-cash charges);
- | Reduction in force costs (non-core cash charges); and
- | Acquisition related retention payments (non-core cash charges).

In calculating non-GAAP operating income in this release, we have excluded the same items to the extent they are classified as operating expenses, and have also excluded the following items in applicable periods in this release:

- | Gain or loss on litigation settlements and resolutions and related costs (non-core cash charges or benefits);
- | Shareholder class action and derivative litigation costs (non-core cash charges associated with the derivative litigation related to our historical stock option granting practices and related to the class action and derivative litigation related to our March 8, 2011 earnings announcement);
- | Acquisition related costs (non-core cash charges); and
- | Amortization of purchased intangibles (non-cash charges).

In calculating non-GAAP income and non-GAAP income per share in this release, we have also excluded the following items in applicable periods in this release:

- | Imputed interest expenses on convertible debt (non-cash charges);
- | Imputed interest related to restructuring (non-cash charges);
- | Gains and losses on sales of assets (non-cash losses and cash gains related to the periodic disposal of assets no longer required for current activities);
- | Other miscellaneous expenses (income) (non-core charges or benefits);
- | Dollar denominated foreign exchange transaction losses (gains) (non-cash charges or benefits);
- | Amortization of debt issuance costs (non-cash charges); and
- | Differences between cash payable for income taxes and the provision for income taxes in accordance with GAAP, less discrete items.

A reconciliation of this non-GAAP financial information to the corresponding GAAP information is set forth below:

Finisar Corporation
Reconciliation of Results of Operations under GAAP and non-GAAP
(Unaudited, in thousands, except per share data)

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>		<i>Three Months Ended</i>
	<i>Jan 31, 2016</i>	<i>January 25, 2015</i>	<i>Jan 31, 2016</i>	<i>January 25, 2015</i>	<i>Nov 01, 2015</i>
GAAP to non-GAAP reconciliation of gross profit:					
Gross profit - GAAP	\$ 87,740	\$ 77,953	\$ 264,208	\$ 261,693	\$ 89,091
Gross margin - GAAP	28.4%	25.5%	28.0%	28.1%	27.7%
Adjustments:					
Cost of revenues					
Change in excess and obsolete inventory valuation adjustments	1,293	3,772	5,125	7,541	2,402
Amortization of acquired technology	1,630	1,435	4,500	4,304	1,435
Duplicate facility costs during facility move	7	6	93	772	4
Stock compensation	2,539	2,660	8,153	7,524	2,922
Impairment of long-lived assets	-	5,722	1,282	5,846	-
Reduction in force costs	364	371	1,335	1,165	417
Acquisition related retention payment	28	61	121	268	28
Total cost of revenue adjustments	<u>5,861</u>	<u>14,027</u>	<u>20,609</u>	<u>27,420</u>	<u>7,208</u>
Gross profit - non-GAAP	<u>93,601</u>	<u>91,980</u>	<u>284,817</u>	<u>289,113</u>	<u>96,299</u>
Gross margin - non-GAAP	30.3%	30.0%	30.2%	31.1%	30.0%
GAAP to non-GAAP reconciliation of operating income:					
Operating income - GAAP	10,458	3,401	26,887	16,510	9,368

Operating margin - GAAP	3.4%	1.1%	2.8%	1.8%	2.9%
Adjustments:					
Total cost of revenue adjustments	5,861	14,027	20,609	27,420	7,208
Total operating expense adjustments					
Operating expenses - GAAP	77,282	74,552	237,321	245,183	79,723
Research and development					
Reduction in force costs	230	23	518	708	-
Duplicate facility costs during facility move	7	99	277	866	49
Acquisition related retention payment	32	132	190	491	67
Stock compensation	4,723	4,669	14,531	13,832	4,970
Impairment of long-lived assets	-	-	287	-	-
Sales and marketing					
Reduction in force costs	44	-	224	-	117
Acquisition related retention payment	2	9	15	38	3
Stock compensation	1,713	1,600	5,138	4,754	1,718
General and administrative					
Reduction in force costs	39	49	1,354	103	963
Duplicate facility costs	150	36	167	152	8
Acquisition related retention payment	-	7	(5)	(32)	-
Stock compensation	2,343	2,654	7,860	8,083	2,757
Payroll taxes related to options investigation	-	-	-	17	-
Acquisition related costs	39	36	435	274	378
Litigation settlements and resolutions and related costs	-	(662)	16	11,754	-
Shareholder class action and derivative litigation costs	-	(10)	-	(10)	-
Amortization of purchased intangibles	668	737	2,004	2,235	668
Impairment of long-lived assets	-	45	587	45	-
Total operating expense adjustments	9,990	9,424	33,598	43,310	11,698
Operating expenses - non-GAAP	67,292	65,128	203,723	201,873	68,025
Operating income - non-GAAP	26,309	26,852	81,094	87,240	28,274
Operating margin - non-GAAP	8.5%	8.8%	8.6%	9.4%	8.8%

GAAP to non-GAAP reconciliation of income before income taxes:

Income before income taxes - GAAP	10,202	3,087	22,991	9,156	7,365
Adjustments:					
Total cost of revenue adjustments	5,861	14,027	20,609	27,420	7,208
Total operating expense adjustments	9,990	9,424	33,598	43,310	11,698
Total Interest and other adjustments					
Other interest income	(113)	-	(113)	-	-
Non-cash imputed interest expenses on convertible debt	2,411	2,297	7,156	6,819	2,391
Imputed interest related to restructuring	42	48	131	149	44
Other (income) expense, net					
Loss (gain) on sale of assets	(644)	31	(744)	242	85
Other miscellaneous income	(1,503)	(167)	(1,640)	(178)	(120)
Foreign exchange transaction (gain) or loss	1,205	(338)	563	1,980	51
Amortization of debt issuance cost	154	154	462	462	154
Total Interest and other adjustments	1,552	2,025	5,815	9,474	2,605
Income before income taxes - non-GAAP	27,605	28,563	83,013	89,360	28,876

GAAP to non-GAAP reconciliation of net income:

Net income - GAAP	12,084	1,678	22,121	4,560	6,644
Total cost of revenue adjustments	5,861	14,027	20,609	27,420	7,208
Total operating expense adjustments	9,990	9,424	33,598	43,310	11,698

Total Interest and other adjustments	1,552	2,025	5,815	9,474	2,605
Income tax provision adjustments	(2,883)	(448)	(4,150)	(1,261)	(1,298)
Total adjustments	14,520	25,028	55,872	78,943	20,213
Net income - non-GAAP	<u>\$ 26,604</u>	<u>\$ 26,706</u>	<u>\$ 77,993</u>	<u>\$ 83,503</u>	<u>\$ 26,857</u>

Non-GAAP net income for diluted earnings per share calculation

Non-GAAP net income	\$ 26,604	\$ 26,706	\$ 77,993	\$ 83,503	\$ 26,857
Add: interest expense for dilutive convertible notes	-	-	-	1,072	-
Adjusted non-GAAP income	<u>\$ 26,604</u>	<u>\$ 26,706</u>	<u>\$ 77,993</u>	<u>\$ 84,575</u>	<u>\$ 26,857</u>

Basic non-GAAP income per share

GAAP earnings per share	\$ 0.11	\$ 0.02	\$ 0.21	\$ 0.05	\$ 0.06
Impact of all non-GAAP adjustments	\$ 0.14	\$ 0.24	\$ 0.53	\$ 0.79	\$ 0.19
Non-GAAP earnings per share	\$ 0.25	\$ 0.26	\$ 0.73	\$ 0.83	\$ 0.25

Diluted non-GAAP income per share

GAAP earnings per share	\$ 0.11	\$ 0.02	\$ 0.20	\$ 0.04	\$ 0.06
Impact of all non-GAAP adjustments	\$ 0.14	\$ 0.23	\$ 0.52	\$ 0.76	\$ 0.19
Non-GAAP earnings per share	\$ 0.25	\$ 0.25	\$ 0.72	\$ 0.80	\$ 0.25

Shares used in computing non-GAAP income per share

Basic	107,180	103,563	106,367	100,475	106,635
Diluted	108,128	105,990	108,488	106,339	107,493

Finisar-F

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