



**FINISAR<sup>®</sup>**

---

**Q2 FY18 FINANCIAL RESULTS  
CONFERENCE CALL**

---

**December 7, 2017**

# Financial Presentation and Forward Looking Statements

- ◆ Forward Looking Statements
  - This presentation contains forward-looking statements as defined under the Private Securities Litigation Act of 1995. Except for historical information, the matters discussed in this presentation contain forward-looking statements regarding future trends or events that involve risks and uncertainties. Please be aware that these statements are only predictions and that actual events or results may differ materially. Please refer to the Company's Form 10-K and other interim reports as filed with the Securities and Exchange Commission for a discussion of those risk factors. The Company assumes no obligation to update the information in this presentation.
  
- ◆ GAAP Reconciliation
  - References to financial measures in this presentation will include references to non-GAAP financial measures. In addition to reporting financial results in accordance with U.S. GAAP, Finisar provides supplemental information regarding its operating performance on a non-GAAP basis. Finisar believes this supplemental information provides investors and management with additional insight into its underlying core operating performance by excluding a number of non-cash and cash charges, as well gains or losses that occur relatively infrequently and/or that management considers to be outside of our ongoing core operating results. Finisar provides a complete reconciliation between GAAP and non-GAAP financial results information in its earnings release which is posted in the investors relations section of the company's web site [www.finisar.com](http://www.finisar.com).
  
- ◆ Financial guidance for fiscal Q3 FY18 is per earnings call on December 7, 2017 and is not being updated or confirmed as of any other date.

# Q2 FY18 Summary

## Q2 FY18 revenues of \$332.2 million, a decrease of 2.8% over Q1FY18

- Datacom revenues decreased \$1.7 million, or -0.7%, over Q1FY18
  - Primarily from lower demand for 10G and below transceivers, 40G QSFP transceivers, and 100G CFP ethernet transceivers, partially offset by an increase in sales of 100G QSFP28 transceivers as well as new revenues from VCSEL arrays for 3D sensing
- Telecom revenues decreased \$7.9 million, or -9.5%, over Q1FY18
  - Primarily due to lower revenues from our Chinese OEM customers

## Q2 FY18 non-GAAP financial measures

- Gross margin of 30.3% compared to 34.9% in Q1FY18
  - Primarily due to lower revenue levels, unfavorable product mix, and under-absorption of manufacturing costs at our Allen, Texas VCSEL fab primarily due to our shipping production quantities of VCSEL arrays for 3D sensing late in the quarter
- Operating margin of 7.8% compared to 13.5% in Q1FY18
- Earnings per diluted share \$0.23 compared to \$0.40 in Q1FY18

## Strong balance sheet

- Cash and short term investments of \$1.23 billion as of October 29, 2017

# Quarterly Financial Results (GAAP)

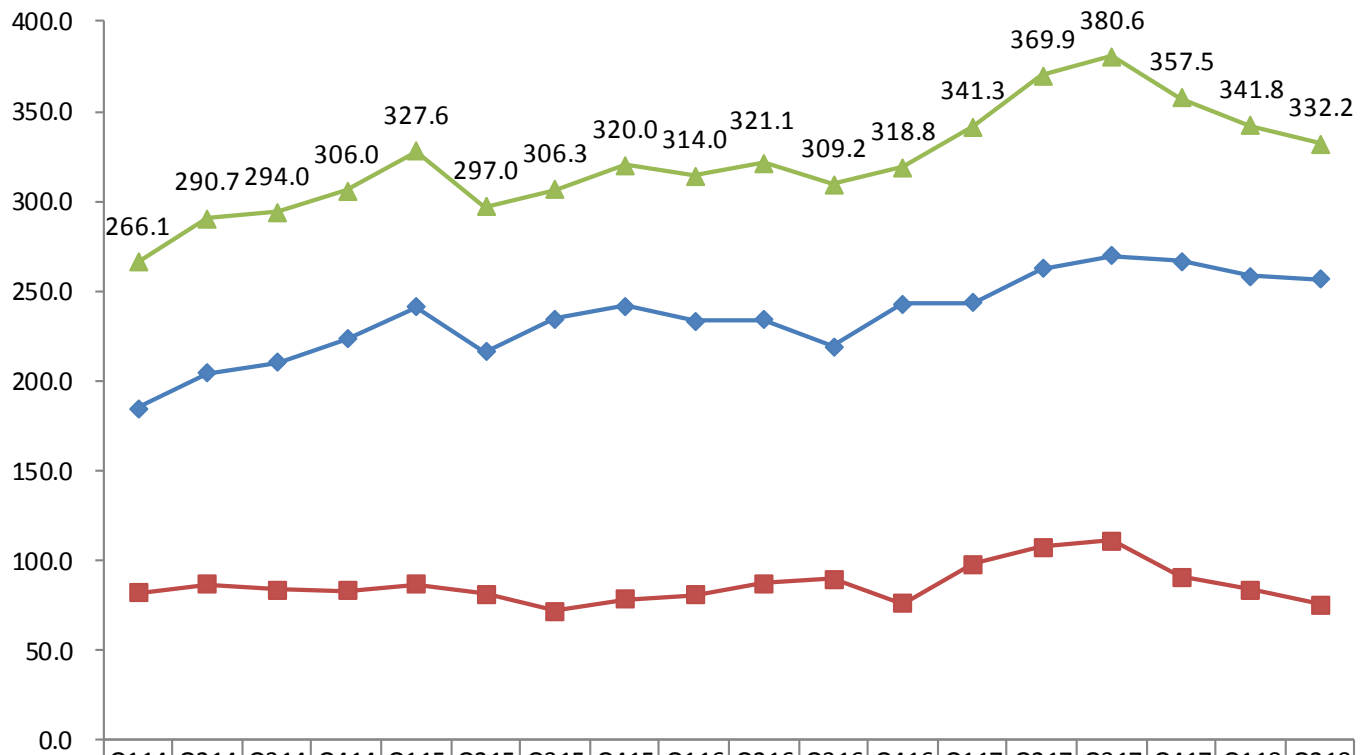
	Q2FY17	Q1FY18	Q2FY18	Q2FY18/Q1FY18 Change
<b>Revenue</b>	\$369.9M	\$341.8M	\$332.2M	-2.8%
<b>Gross Margin (%)</b>	36.1%	33.7%	29.0%	-4.7%
<b>Total Operating Expense</b>	\$80.9M	\$85.4M	\$86.7M	1.6%
<b>Operating Income</b>	\$52.8M	\$29.9M	\$9.5M	-68.4%
<b>Net Income</b>	\$48.8M	\$19.9M	\$5.9M	-70.5%
<b>EPS (Diluted)</b>	\$0.43	\$0.17	\$0.05	-\$0.12

# Quarterly Financial Results (non-GAAP)

	Q2FY17	Q1FY18	Q2FY18	Q2FY18/Q1FY18 Change
<b>Revenue</b>	\$369.9M	\$341.8M	\$332.2M	-2.8%
<b>Gross Margin (%)</b>	37.2%	34.9%	30.3%	-4.6%
<b>Total Operating Expense</b>	\$69.4M	\$73.2M	\$74.6M	2.0%
<b>Operating Income</b>	\$68.3M	\$46.0M	\$25.9M	-43.7%
<b>Net Income</b>	\$65.2M	\$45.8M	\$26.1M	-43.0%
<b>EPS (Diluted)</b>	\$0.58	\$0.40	\$0.23	-\$0.17

# Quarterly Revenue Trends

(\$MM)



	Q114	Q214	Q314	Q414	Q115	Q215	Q315	Q415	Q116	Q216	Q316	Q416	Q117	Q217	Q317	Q417	Q118	Q218
◆ Datacom	184.4	204.3	210.4	223.0	241.2	215.9	234.4	242.0	233.3	233.8	219.3	242.9	243.4	262.3	269.5	266.7	258.3	256.6
■ Telecom	81.6	86.4	83.6	83.0	86.4	81.1	71.9	78.1	80.7	87.4	89.9	75.9	97.9	107.6	111.1	90.9	83.5	75.6
▲ Total Optics Revenue	266.1	290.7	294.0	306.0	327.6	297.0	306.3	320.0	314.0	321.1	309.2	318.8	341.3	369.9	380.6	357.5	341.8	332.2

# Q3 FY18 Quarterly Non-GAAP Guidance (1)

<b>\$ Millions (except EPS)</b>	<b>Q2-18 Actual</b>	<b>Q3-18 Est.</b>
<b>Revenue</b>	<b>\$332.2</b>	<b>\$325-\$345</b>
<b>Gross margin</b>	<b>30.3%</b>	<b>~30-31%</b>
<b>Operating profit</b>	<b>\$26.1</b>	
<b>Operating margin</b>	<b>7.8%</b>	<b>~7.5-8.5%</b>
<b>EPS</b>	<b>\$0.23</b>	<b>\$0.21-\$0.27</b>

- Financial guidance for fiscal Q3FY18 is per earnings call on December 7, 2017 and is not being updated or confirmed as of any other date.

(1) Finisar has not provided a reconciliation of its third quarter outlook for non-GAAP gross margin, non-GAAP operating margin and non-GAAP earnings per fully diluted share because estimates of all of the reconciling items cannot be provided without unreasonable efforts. It is difficult to reasonably provide a forward-looking estimate of certain reconciling items between such non-GAAP forward-looking measures and the comparable forward-looking GAAP measures. Certain factors that are materially significant to Finisar's ability to estimate these items are out of its control and/or cannot be reasonably predicted, including with respect to restructuring charges, litigation settlements and resolutions and related costs, and the timing of tax related adjustments. Accordingly, a reconciliation of such non-GAAP forward-looking measures to the comparable forward-looking GAAP measures are not available within a reasonable range of predictability.