

History of Ciena

Beginnings

When Ciena incorporated in November 1992, its mission was to radically change the economics of telecommunications networks.

Initially, Ciena leapfrogged innovation by pioneering Dense Wavelength Division Multiplexing (DWDM) technology as a means to split light across fiber-optic lines, thereby enabling the transport of greater volumes of information across communications networks. This technology breakthrough propelled Ciena to rapid success and nationwide deployments with leading service providers like Sprint and MCI WorldCom. It also led to Ciena's initial public offering in February 1997, during which the company achieved a market capitalization of \$3.4 billion—the largest first-day market capitalization of any venture-funded startup company to that date.

By the end of 1999, Ciena was on an impressive growth trajectory, landing deals with some of the largest service providers worldwide. In its fiscal 2001, Ciena achieved annual revenue of \$1.6 billion and its market capitalization reached nearly \$30 billion, based largely on the success of a single product line.

A market shift

In early 2001, the telecommunications industry began to experience a severe downturn. Aggressive network builds by service providers in anticipation of rapid traffic growth resulted in excess bandwidth and network overcapacity. At the same time, service providers' business models were under threat by new competitors, emerging technologies, and intense price competition. In response, they curtailed network build-outs and dramatically reduced their capital spending. In fact, industry analysts estimate that service provider spending on

optical networking equipment fell from nearly \$27 billion in 2001 to \$9.4 billion in 2002—an unprecedented, market-wide decline. Not surprisingly, as the industry suffered this radical and widespread contraction, Ciena's revenue plunged—declining 80 percent to \$361 million in its fiscal 2002.

Business evolution

In light of the situation, Ciena believed it had two options. With a strong balance sheet, the company could buckle down and focus solely on cutting costs amidst the market uncertainty. Or, it could move beyond its single, point-product success as an optical network equipment vendor to become a strategic provider of advanced networking solutions. Unlike many of its competitors, Ciena took a contrarian approach and chose the latter.

Though not without its risks and challenges, for the next several years Ciena executed on a strategy of expanding its product portfolio and enhancing product functionality through internal development, acquisitions, and partnerships during a time when nearly all other companies in the space underwent dramatic cost-cutting and portfolio rationalization initiatives.

Between 2001 and 2005, Ciena made six acquisitions—with an aggregate deal value of more than \$2 billion—anticipating the areas of long-term technology growth for the industry. This approach enabled Ciena to deepen its penetration within its existing customer base through additional products while also broadening its addressable market to include new customer segments and geographies.

For example, Ciena introduced the first converged packet-optical platform, which drastically reduced the amount of equipment required in the network. And, the company refined its Ethernet pedigree with the acquisition of World Wide Packets, further enhancing its portfolio with Carrier Ethernet access, aggregation, and software solutions.

Together, these focused investments and careful financial management served to rebuild Ciena's business as the industry emerged from its downturn through the mid-2000s.

A transformational transaction

Later that decade, however, the macroeconomic environment became incredibly challenging and—once again—caused many of Ciena's customers to significantly slow capital spending. Despite these larger economic headwinds, Ciena continued investing in its business, including an increase in R&D efforts to strengthen its portfolio and ensure its market leadership as the market environment eventually improved.

In late 2009, Ciena acquired Nortel Networks' Metro Ethernet Networks (MEN) business, which encompassed leading coherent optical technology and a significant global installed customer base. Completed in March 2010, the acquisition accelerated Ciena's strategy and changed the communications equipment vendor landscape by combining complementary switching and transport technologies to create the largest global supplier exclusively focused on the transition to converged optical Ethernet-based networking.

Pairing the Ciena and MEN organizations gave Ciena diversified expertise, greater global reach, a broader scope of customer relationships, and a deeper technology toolkit to rapidly advance its leadership position.

A software evolution

Communication networks never stop evolving, and with the emergence of cloud computing, it became obvious to Ciena that network hardware alone would not be enough to continue solving its customers' business problems. Ciena knew it had to help its customers leverage the cloud by adding more software and IT capabilities to the network.

In 2015, Ciena acquired Cyan, a leading provider of next-gen software and platforms to enable Software-Defined Networking (SDN) and virtualized environments. At the forefront of another industry-wide shift, Cyan's Blue Planet™ portfolio put Ciena in a position to make it possible for customers to tune, control, and dynamically adjust their network capacity, moving toward the future of autonomous networking.

In fact, as the industry shift toward automation, artificial intelligence, and analytics accelerated, Ciena made additional acquisitions in this space and ultimately made Blue Planet its own division within the company. In this formation, Blue Planet has focused investment plans and dedicated resources designed to drive development of best-in-class network automation software and expand capabilities in related services offerings.

Driving openness

As the telecom and IT worlds continued on that path of convergence, Ciena saw an opportunity to be the leading enabler of choice in the industry. The company wanted to be certain it had the agility to work with customers no matter how they chose to collaborate, innovate, and consume network technologies.

In early 2017, Ciena announced it was opening a global distribution channel for its WaveLogic™ coherent modem technology. The move helped accelerate innovation and drive greater interoperability across the industry and enabled Ciena to further diversify its business by accessing new geographies and addressing new customer segments.

Ciena today and into tomorrow

Cutting-edge technology, compelling network economics, and superior customer service are key factors in Ciena's success. With more than 7,200 professionals working across the Americas, Asia, and Europe, and more than half of Ciena's R&D facilities outside of the United States, the company is committed to serving its global customer base with a highly consultative approach—providing solutions that help customers create networks that are more agile, intelligent, and adaptive to keep pace with today's evolving and increasingly competitive landscape.

With a focus on striking the appropriate balance between investing in its portfolio in ways that address its customers' most critical challenges—principally the migration to next-generation network architectures—while managing the business for operational efficiency and long-term growth, Ciena gives its customers the deepest level of expertise and commitment in delivering the innovation and quality expected of a global leader.

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