

CIENA CORP
Form 10-Q
March 08, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-36250

Ciena Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization) 23-2725311 (I.R.S. Employer Identification No.)

7035 Ridge Road, Hanover, MD 21076

(Address of Principal Executive Offices) (Zip Code)

(410) 694-5700

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as determined in Rule 12b-2 of the Exchange Act).

YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class Outstanding at March 3, 2017

common stock, \$0.01 par value 141,317,330

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CIENA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Quarter Ended	
	January 31,	
	2017	2016
Revenue:		
Products	\$506,993	\$457,589
Services	114,504	115,526
Total revenue	621,497	573,115
Cost of goods sold:		
Products	286,811	260,482
Services	60,901	61,183
Total cost of goods sold	347,712	321,665
Gross profit	273,785	251,450
Operating expenses:		
Research and development	116,869	108,046
Selling and marketing	85,002	82,478
General and administrative	35,864	31,142
Acquisition and integration costs	—	1,299
Amortization of intangible assets	14,551	16,862
Restructuring costs	2,395	384
Total operating expenses	254,681	240,211
Income from operations	19,104	11,239
Interest and other income (loss), net	370	(8,776)
Interest expense	(15,203)	(12,710)
Income (loss) before income taxes	4,271	(10,247)
Provision for income taxes	410	1,299
Net income (loss)	\$3,861	\$(11,546)
Basic net income (loss) per common share	\$0.03	\$(0.08)
Diluted net income (loss) per potential common share	\$0.03	\$(0.08)
Weighted average basic common shares outstanding	140,682	136,675
Weighted average dilutive potential common shares outstanding	142,184	136,675

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

CIENA CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (in thousands)
 (unaudited)

	Quarter Ended	
	January 31,	
	2017	2016
Net income (loss)	\$3,861	\$(11,546)
Change in unrealized gain (loss) on available-for-sale securities, net of tax	(249)	22
Change in unrealized gain (loss) on foreign currency forward contracts, net of tax	1,425	(2,520)
Change in unrealized gain (loss) on forward starting interest rate swap, net of tax	4,492	(329)
Change in cumulative translation adjustments	490	(2,823)
Other comprehensive income (loss)	6,158	(5,650)
Total comprehensive income (loss)	\$10,019	\$(17,196)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

CIENA CORPORATION
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (in thousands, except share data)
 (unaudited)

	January 31, 2017	October 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$693,853	\$777,615
Short-term investments	250,056	275,248
Accounts receivable, net	595,706	576,235
Inventories	284,595	211,251
Prepaid expenses and other	173,842	172,843
Total current assets	1,998,052	2,013,192
Long-term investments	109,934	90,172
Equipment, building, furniture and fixtures, net	293,150	288,406
Goodwill	267,169	266,974
Other intangible assets, net	127,847	146,711
Other long-term assets	63,942	68,120
Total assets	\$2,860,094	\$2,873,575
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$273,513	\$235,942
Accrued liabilities and other short-term obligations	264,555	310,353
Deferred revenue	113,371	109,009
Current portion of long-term debt	190,122	236,241
Total current liabilities	841,561	891,545
Long-term deferred revenue	78,565	73,854
Other long-term obligations	121,320	124,394
Long-term debt, net	1,019,755	1,017,441
Total liabilities	\$2,061,201	\$2,107,234
Commitments and contingencies (Note 21)		
Stockholders' equity:		
Preferred stock – par value \$0.01; 20,000,000 shares authorized; zero shares issued and outstanding	—	—
Common stock – par value \$0.01; 290,000,000 shares authorized; 141,262,606 and 139,767,627 shares issued and outstanding	1,413	1,398
Additional paid-in capital	6,737,996	6,715,478
Accumulated other comprehensive loss	(18,171)