



NEWS RELEASE

Lumentum Provides Update on U.S. Department of Commerce Entity List Designation of Huawei and Affiliates and the Impact to Fiscal Fourth Quarter Ending June 29, 2019 Outlook

5/20/2019

MILPITAS, Calif., May 20, 2019 /PRNewswire/ -- Lumentum Holdings Inc. ("Lumentum" or the "Company") today announced it intends to fully comply with the recent United States Department of Commerce imposed license requirements for the export, reexport and/or in-country transfer of all items subject to U.S. export control regulations to Huawei Technologies Co., Ltd. and designated affiliates of Huawei ("Huawei"). Lumentum has discontinued all shipments to Huawei effective as of the date the licensing requirements went into effect and cannot predict when it will be able to resume shipments.

The financial guidance ranges Lumentum provided for its fourth quarter 2019 in the Company's fiscal third quarter earnings release and earnings conference call on May 7, 2019 did not contemplate this Department of Commerce order, the discontinuation of sales to Huawei, or the time required to repurpose manufacturing capacity to other customers. Accordingly, the Company is providing revised net revenue, non-GAAP operating margin, and non-GAAP diluted net income per share expectations.

Updated and prior business outlook for fiscal fourth quarter 2019:

	<u>Updated Range</u>	<u>Prior Range</u>
Net revenue	\$375 million to \$390 million	\$405 million to \$425 million
Non-GAAP operating margin	15.5% to 17.0%	18.0% to 20.0%

Non-GAAP diluted net income per share

\$0.65 to \$0.77

\$0.85 to \$1.00

For the fiscal year ended June 30, 2018, sales to Huawei represented 11% of total revenue. For the fiscal third quarter of 2019, ended March 30, 2019, sales to Huawei represented approximately 18% of total revenue and for fiscal year 2019 year to date sales to Huawei represented approximately 15% of total revenue.

We have not provided reconciliations from GAAP to non-GAAP measures for our outlook. A large portion of non-GAAP adjustments, such as derivative liability adjustments, restructuring charges, stock-based compensation, litigation, acquisition-related costs, non-cash income tax expense and credits, and other costs and contingencies unrelated to current and future operations are by their nature highly volatile, and we have low visibility as to the range that may be incurred in the future.

About Lumentum

Lumentum (NASDAQ: LITE) is a market-leading designer and manufacturer of innovative optical and photonic products enabling optical networking and laser applications worldwide. Lumentum's optical components and subsystems are part of virtually every type of telecom, enterprise, and data center network. Lumentum's lasers enable advanced manufacturing techniques and diverse applications including next-generation 3D sensing capabilities. Lumentum is headquartered in Milpitas, California with R&D, manufacturing, and sales offices worldwide. For more information, visit www.lumentum.com.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements include our revised guidance for the fourth quarter of fiscal 2019, our expectations regarding any future shipments to Huawei, our ability to repurpose manufacturing capacity and any developments regarding the licensing requirements. Among the factors that could cause actual results to differ from those contemplated are: (a) quarter-over-quarter product mix fluctuations which can materially impact profitability measures due to the broad gross margin ranges across our portfolio; (b) continued decline of average selling prices across our businesses; (c) effects of seasonality; (d) the ability of our suppliers and contract manufacturers to meet production and delivery requirements for our forecasted demand; (e) inherent uncertainty related to global markets, including changes in the political or economic environment and the imposition of tariffs or other duties, and the effect of such markets on demand for our products; (f) changes in the legal requirements related to the sale of our products, including developments regarding the executive order and Department of Commerce licensing requirements applicable to Huawei, (g) changes in customer demand; (h)

our ability to attract and retain new customers, particularly in the 3D sensing market; (i) the risk that synergies and non-GAAP earnings accretion related to the acquisition of Oclaro will not be realized or realized to the extent anticipated or that we will incur significant costs and charges to achieve such synergies; (j) the risk that Lumentum's financing or operating strategies will not be successful; and (k) disruption related to the acquisition and integration of Oclaro making it more difficult to maintain customer, supplier, key personnel and other strategic relationships. For more information on these and other risks, please refer to the "Risk Factors" section included in the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2019, filed with the Securities and Exchange Commission on May 7, 2019, and in the Company's other filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2018, filed by Lumentum with the Securities and Exchange Commission on August 28, 2018 and the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 29, 2018 filed with the Securities and Exchange Commission on February 7, 2019. The forward-looking statements contained in this press release are made as of the date hereof and the Company assumes no obligation to update such statements, except as required by applicable law.

Use of Non-GAAP Financial Measures

In this press release, Lumentum provides guidance for operating margin, and net income (loss) per share on a non-GAAP basis. Lumentum believes this non-GAAP financial information provides additional insight into the Company's ongoing performance and expectations regarding such ongoing performance, and has therefore chosen to provide this information to investors for a more consistent basis of comparison and to help them evaluate the results of the Company's ongoing operations and enable more meaningful period to period comparisons. Specifically, the Company believes that providing this information allows investors to better understand the Company's financial performance and, importantly, to evaluate the efficacy of the methodology and information used by management to evaluate and measure such operating performance. However, these measures may be different from non-GAAP measures used by other companies, limiting their usefulness for comparison purposes. The non-GAAP financial measures used in this press release should not be considered in isolation from measures of financial performance prepared in accordance with GAAP. Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to our GAAP financial measures reflect the exclusion of items that are recurring and will be reflected in our financial results for the foreseeable future. Further, these non-GAAP financial measures may not be comparable to similarly titled measurements reported by other companies.

Non-GAAP operating margin, non-GAAP net income, and non-GAAP net income per share, non-GAAP gross profit, non-GAAP operating income, non-GAAP income (loss) before income taxes and non-GAAP expenses exclude (i) stock-based compensation, (ii) acquisition related costs, (iii) other charges comprised mainly of set-up costs of our Thailand facility, including costs of transferring product lines to Thailand, as well as inventory write-downs due to

cancelled programs and other costs and contingencies unrelated to current and future operations, (iv) amortization of acquired developed technologies, (v) workforce related charges such as severance, retention bonuses and employee relocation costs related to formal restructuring plans, (vi) non-cash interest expense, (vii) unrealized gain (loss) on derivative liability, and (viii) non-cash income tax provision impacts, for example, a release of a U.S. valuation allowance, and the write down of deferred tax assets due to the 2017 Tax Cuts and Jobs Act. The presentation of these and other similar items in Lumentum's financial guidance should not be interpreted as implying that these items are non-recurring, infrequent or unusual.

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