



Q1'20 SUMMARY

NYSE: NPTN

April 2020

Forward Looking Statements and Other Important Cautions

This presentation includes statements that qualify as forward-looking statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements about the following topics: future financial results, the Company's market position and industry trends.

Forward-looking statements are subject to certain risks and uncertainties that could cause the actual results to differ materially. These forward-looking statements include statements about the following topics: future financial results, demand for the Company's high-speed products, and the Company's market position. Forward-looking statements are subject to certain risks and uncertainties that could cause the actual results to differ materially. Those risks and uncertainties include, but are not limited to, such factors as: the Company's reliance on a small number of customers for a substantial portion of its revenues; market growth in China and other key countries; possible reduction in or volatility of customer orders or delays in shipments of products to customers; timing of customer drawdowns of vendor-managed inventory; potential governmental trade actions; possible disruptions in the supply chain or in demand for the Company's products due to industry developments; the ability of the Company's vendors and subcontractors to supply or manufacture the Company's products in a timely manner; ability of the Company to meet customer demand; volatility in utilization of manufacturing operations and manufacturing costs; reductions in the Company's rate of new design wins, and/or the rate at which design wins go into production, and the rate of customer acceptance of new product introductions; potential pricing pressure that may arise from changing supply or demand conditions in the industry; the impact of any previous or future acquisitions or divestitures of assets and related product lines; challenges involving integration of acquired businesses and utilization of acquired technology; the discontinuance or end of life of certain other products; market adoption, revenue growth and margins of acquired products; changes in demand for the Company's products; the impact of competitive products and pricing and alternative technological advances; the accuracy of estimates used to prepare the Company's financial statements and forecasts; the timely and successful development and market acceptance of new products and upgrades to existing products; the difficulty of predicting future cash needs; the nature of other investment opportunities available to the Company from time to time; the Company's operating cash flow; changes in economic and industry projections; a decline in general conditions in the telecommunications equipment industry or the world economy generally; and the effects of seasonality.

For further discussion of these risks and uncertainties, please refer to the documents the Company files with the SEC from time to time, including the Company's Annual Report on Form 10-K for the year ended December 31, 2019. All forward-looking statements are made as of the date of this presentation, and the Company disclaims any duty to update such statements.

You may obtain these documents for free by visiting EDGAR on the SEC website at www.sec.gov.

Non-GAAP and Adjusted EBITDA Measures vs. GAAP Financial Measures

The Company's non-GAAP and adjusted EBITDA measures exclude certain GAAP financial measures. A reconciliation of the Non-GAAP and Adjusted EBITDA financial measures to the most directly comparable GAAP financial measures is provided in the financial schedules portion of its press release issued on April 30, 2020 and available in the Investor Relations section of the NeoPhotonics website. Non-GAAP financial measures differ from GAAP measures with the same captions and may differ from non-GAAP financial measures with the same or similar captions that are used by other companies. As such, these non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP.

The Company uses these non-GAAP financial measures to analyze its operating performance and future prospects, develop internal budgets and financial goals, and to facilitate period-to-period comparisons. NeoPhotonics believes that these non-GAAP financial measures reflect an additional way of viewing aspects of its operations that, when viewed with its GAAP results, provide a more complete understanding of factors and trends affecting its business.

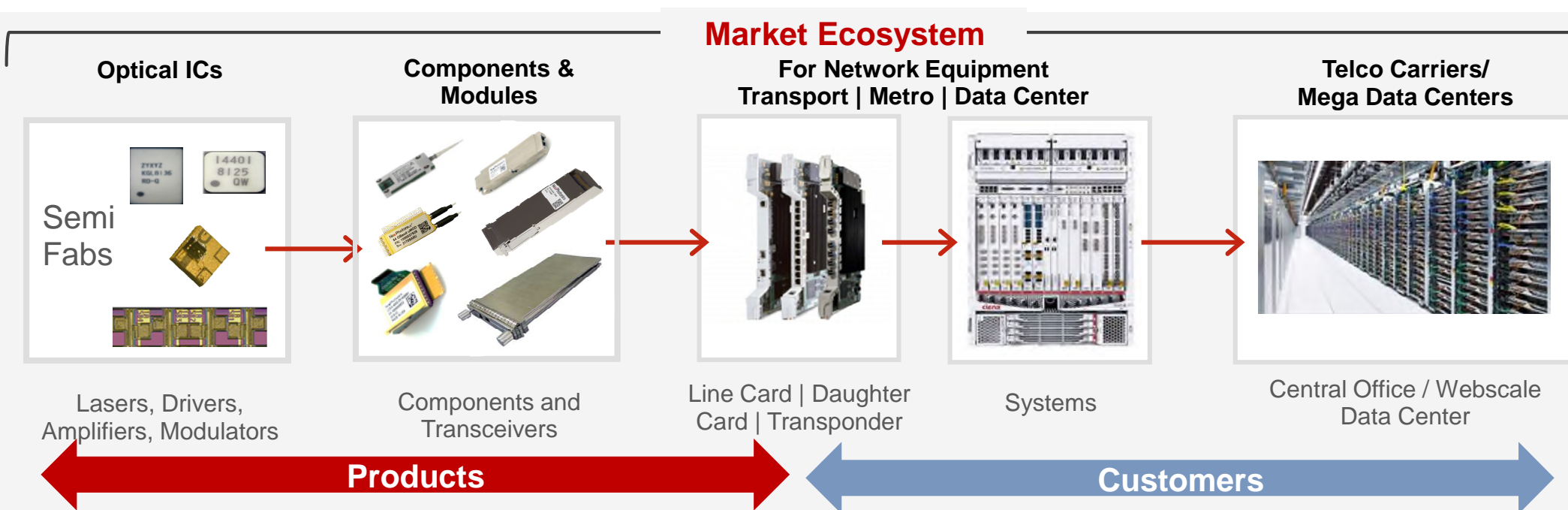
NeoPhotonics: World leader in the highest speed optoelectronics

Deep Technology for Highest Speed Solutions

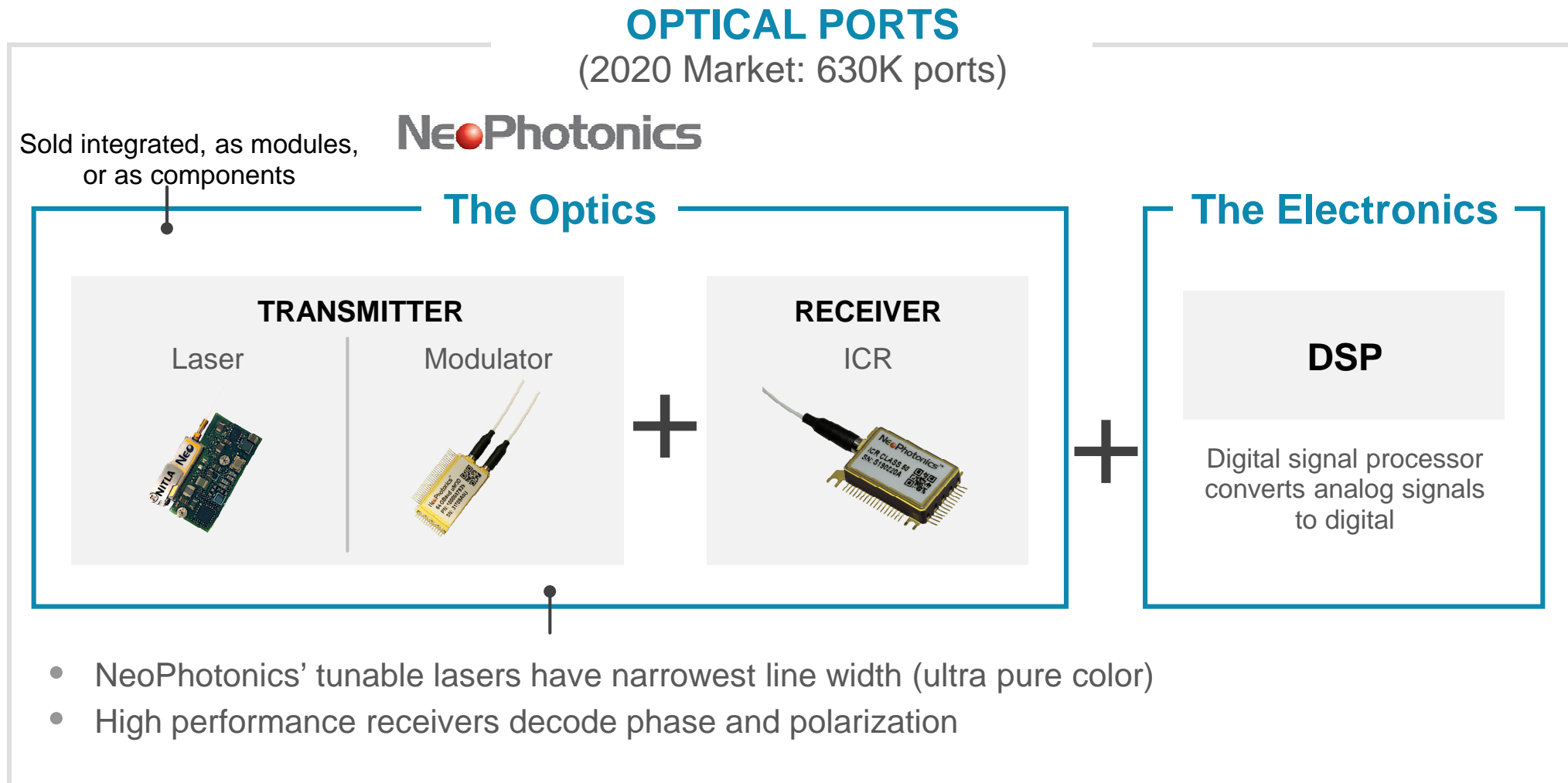
- 64 Gbaud / 600Gbps coherent suite is shipping in volume
- Unique ultra-narrow linewidth tunable laser enables highest speed and farthest distance transmission
- Completed initial shipments of 400G/400ZR coherent DCO modules
- Enabled by silicon photonics modulator/receiver integration

Financial and Operational Scale

- TTM Revenues as of Q1'20 of \$375 million
- Growth with expanding margins despite Huawei denial order
- ~1,300 employees (USA, China, Japan, Canada)
- ~500 Issued Patents



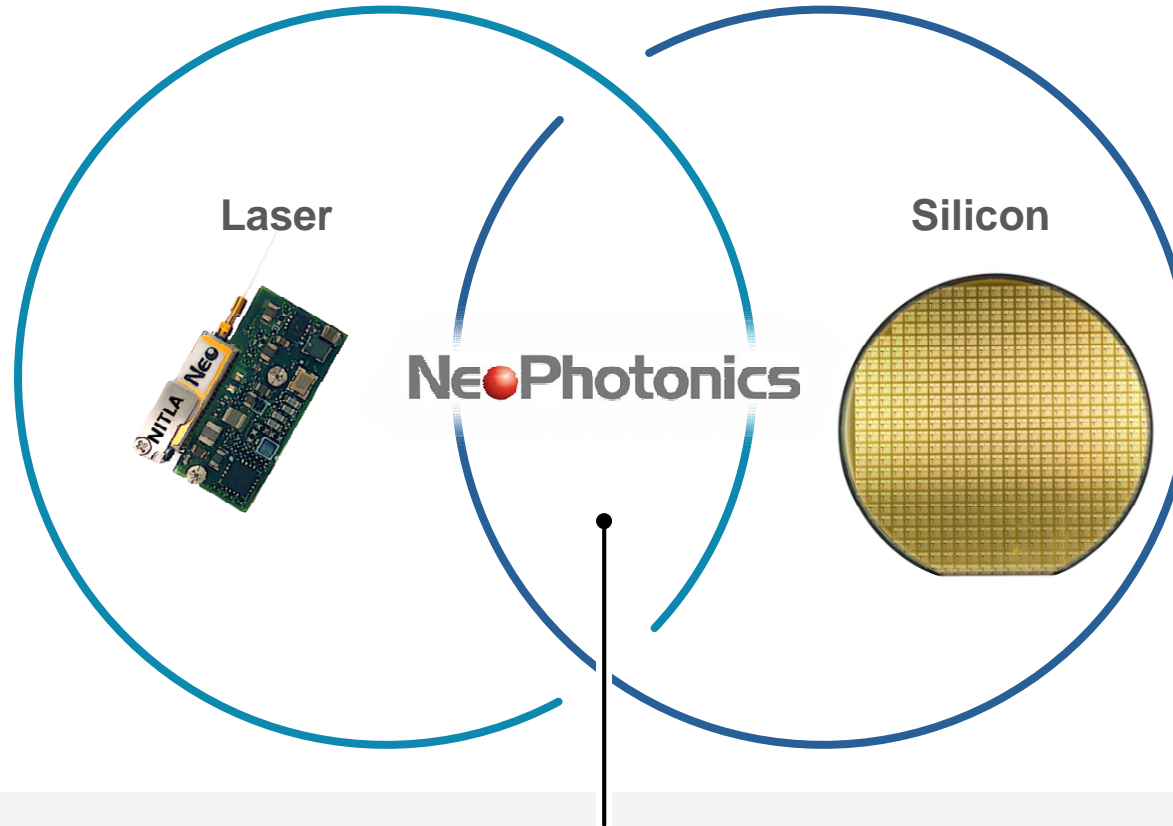
Coherent Optical Ports Define Our Business



NeoPhotonics' Sustainable Competitive Advantage: Our Laser

DESIGN

- Architecturally superior laser design
- Low phase noise/distortion
- Narrow line width



INTEGRATION

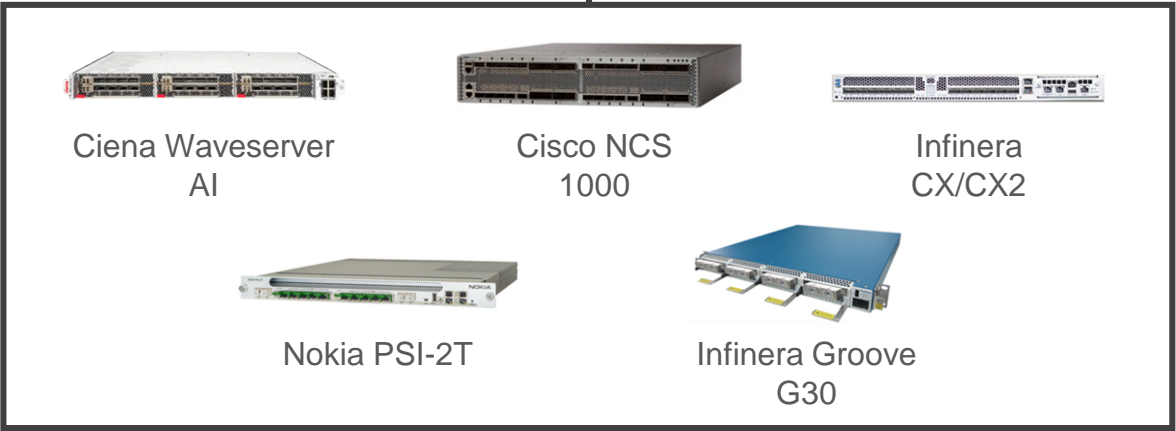
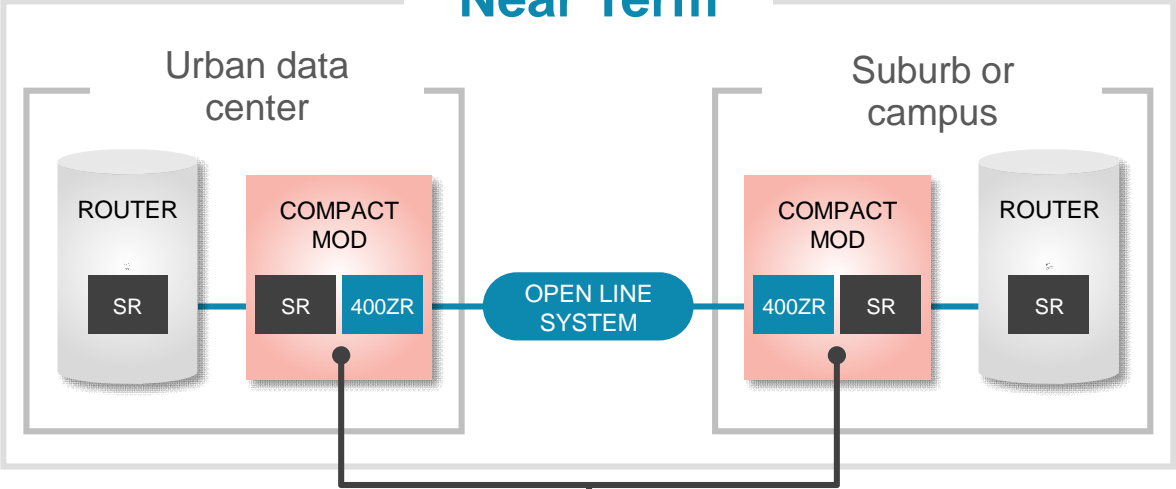
- NeoPhotonics: A formidable competitor in silicon
- Less expensive
- Silicon requires our high power lasers and high speed requires our ultra pure lasers

No Need for Distorting Amplification

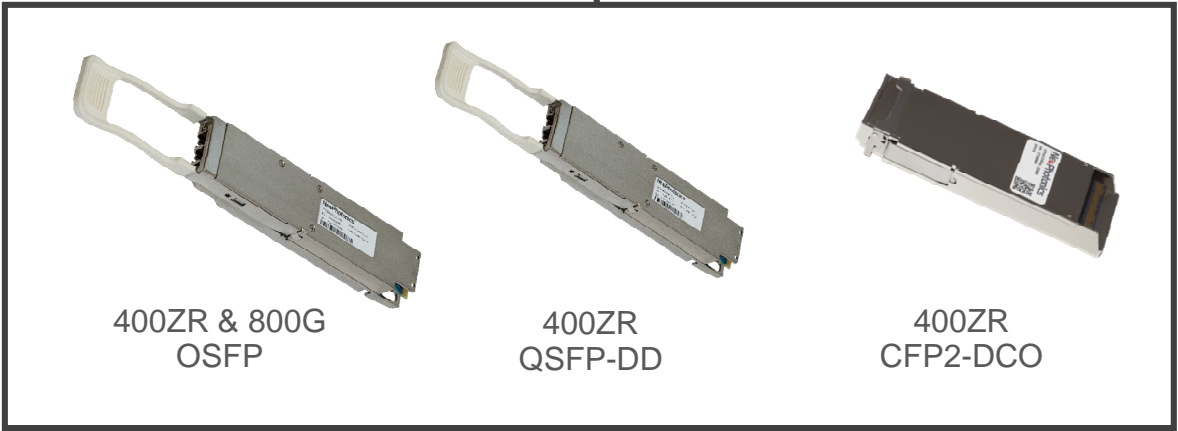
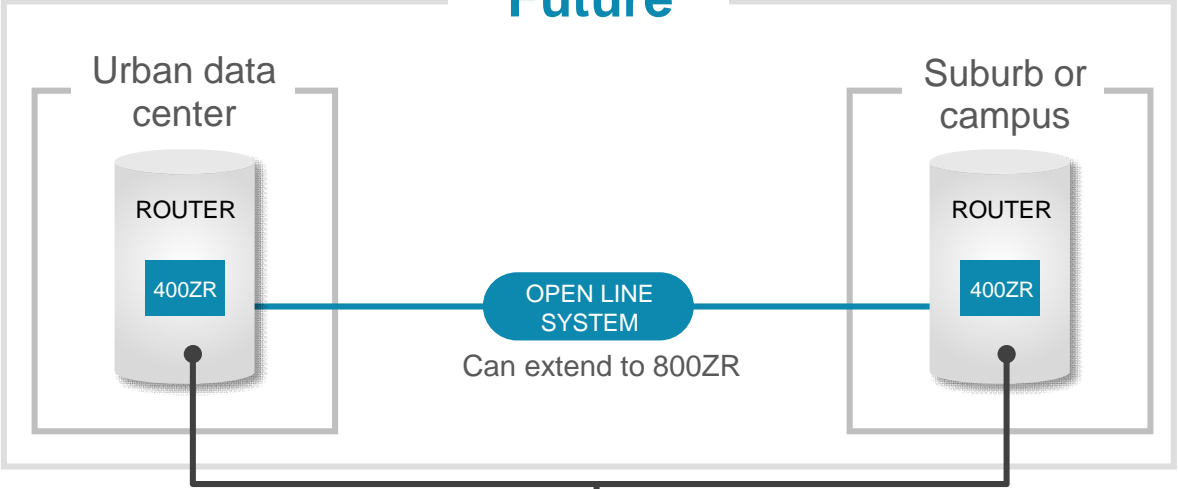
The Opportunity for ZR and ZR+ in the Data Center

SR = short reach transceiver

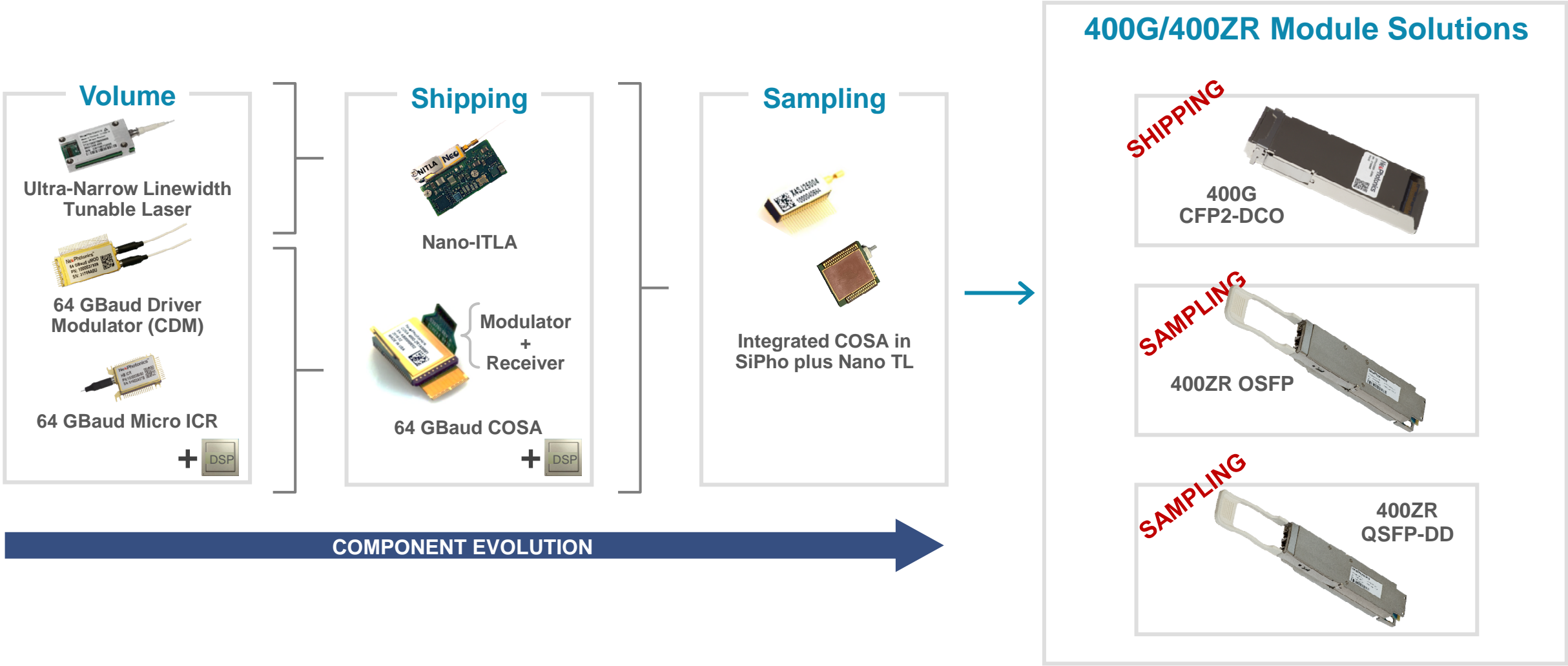
Near Term



Future



Leading with First Customer Shipments of New High Performance 400G / 400ZR Pluggable Modules



NeoPhotonics: Well Positioned for Rapid Growth

OUR POSITION

High performance components
enabling highest
PERFORMANCE modules

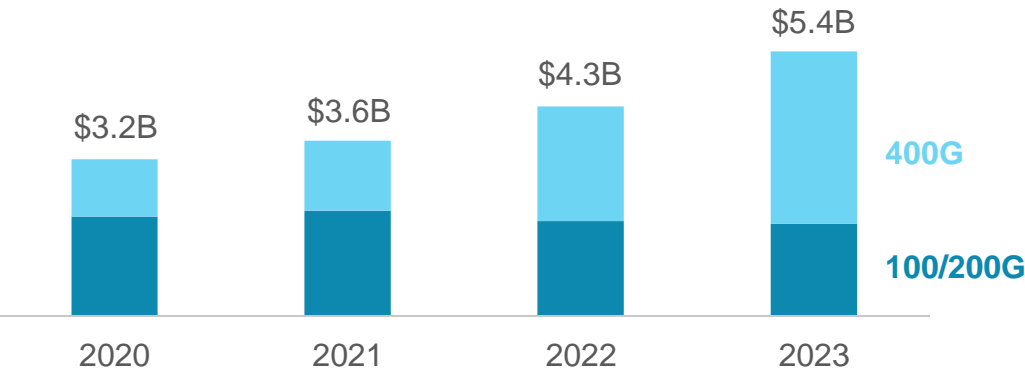
Serving Industry-leading
CUSTOMERS

Pervasive in Next Gen Coherent
ECOSYSTEM

**Positioned to Gain Share
in Growing Market**

TOTAL ADDRESSABLE MARKET

Coherent Module/Linecard Market



MARKET DRIVERS

- 400G/600G & Beyond Major Wave globally
- DCI and Metro markets surging
- Strength in 100G/200G in China market
- 5G Rollout to 50 Cities in China
- Launch of 400ZR in 2020 with Ramp in 2021

Coherent Optics has Broad Applications

NPTN is Sampling Coherent Optics Solutions in Medical, Industrial and Automotive Markets

Coherent Comm



Cloud Data Centers (20% CAGR)
2019: \$3.1B
2023: \$6.0B

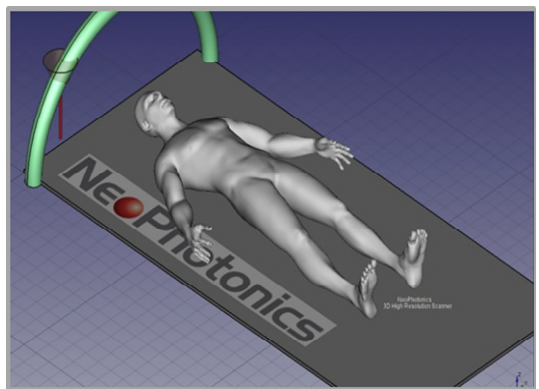


Coherent Telecom / DCI (25% CAGR)
2019: \$2.9B
2023: \$6.2B



Optics for 5G (72% CAGR)
2019: \$0.4B
2023: \$3.0B

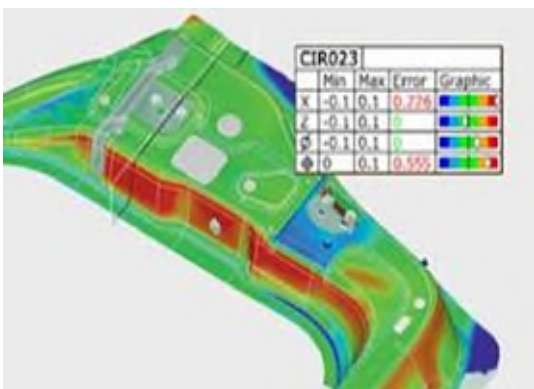
Coherent Sensing



Coherent Medical Imaging
2024: \$1.8B



Coherent LIDAR for Autonomous Vehicles
2023: \$1.2B



Coherent Industrial Metrology
2023: \$13B



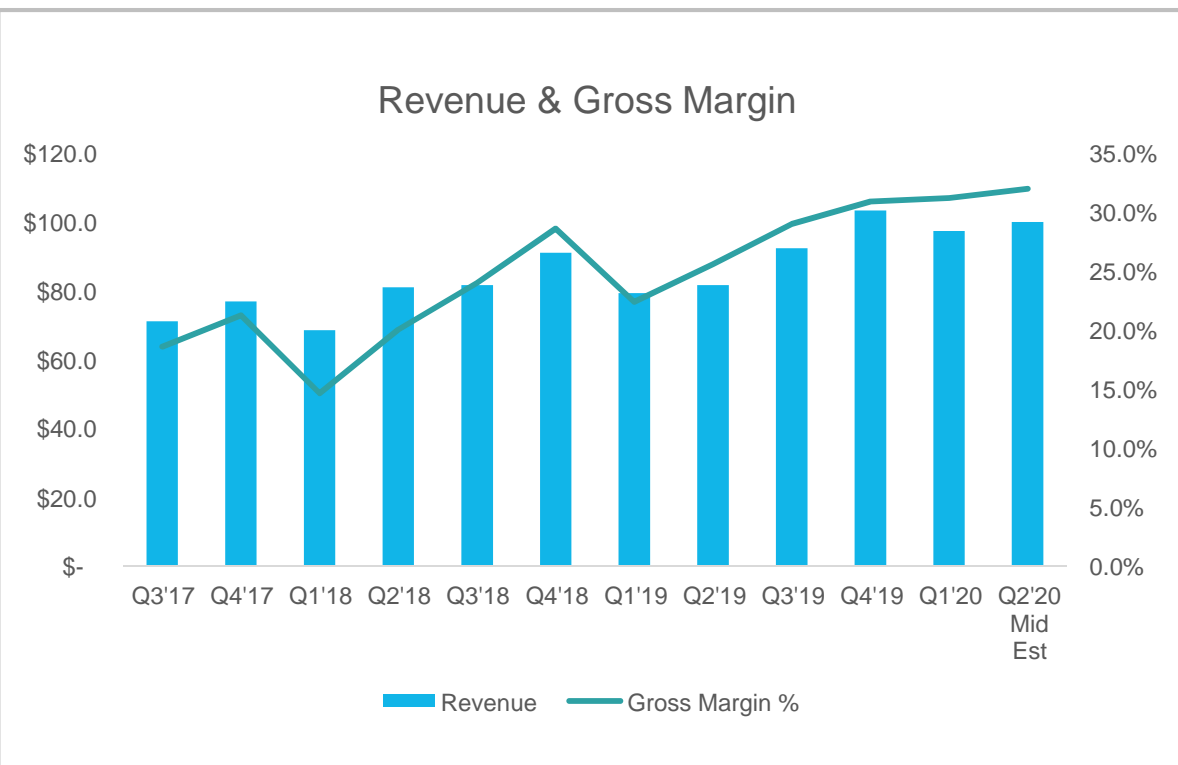
FINANCIAL UPDATE

NYSE: NPTN

As of April 2020

Q1'20 Financial Summary

- Non GAAP Earnings per share of \$0.17/share as all metrics exceeded our Outlook, on outstanding execution.
- Revenue up 23% year-over-year, with strong demand in China. Huawei demand for non-EAR products grew to 52% of and China grew to 60% of revenue.
- Non-GAAP gross margin at 31% on slightly higher than expected factory utilization.
- Operating expenses were unusually low, on an expected R&D license credit and Covid-19 related lack of spending that will push to future quarters.
- FX drove good news of \$1.3M.



Note:
Q1'20 Non-GAAP EPS excludes stock-based compensation expense of \$2.5M, amortization of \$0.2M and small non-GAAP tax and other adjustments

Q1'20 P&L Performance (Non-GAAP)

(% of Revenue)	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Target Model
Revenue \$	\$79.4M	\$81.7M	\$92.4M	\$103.4M	\$97.4M	100%
Product Margin %	27%	32%	34%	37%	36%	
Mfg. Inefficiencies	(4)%	(5)%	(4)%	(4)%	(4)%	
Other COGS	(1)%	(1)%	(1)%	(2)%	(1)%	
Gross Margin %	22%	26%	29%	31%	31%	35%
R&D	17%	16%	14%	14%	11%	
S&M	5%	4%	4%	3%	3%	
G&A	8%	7%	7%	6%	6%	
TOTAL OPEX	30%	27%	24%	24%	21%	25%
Operating Margin	(8)%	(1)%	5%	7%	10%	10%
EBITDA	(1)%	8%	15%	12%	18%	15%

Note:

Q1'20 Non-GAAP EPS excludes stock-based compensation expense of \$2.5M, amortization of \$0.2M of acquisition related intangibles and small non-GAAP tax and other adjustments

Q1'20 Balance Sheet

(\$ Millions)	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Cash & Equivalents	\$79	\$74	\$80	\$89	\$109
Working Capital	111	108	114	122	133
Total Assets	\$344	\$319	\$325	\$335	\$342
Total Debt	56	48	48	42	41
Total Liabilities	192	171	175	174	173
Shareholders' Equity	153	148	150	160	169

Outlook for Q2'20

Demand for network bandwidth capacity continues to be strong.

Q2 Revenue includes approximately \$10 million of Covid-19 related identified supply chain risks.

Operating Expenses include pushes from an unusually low Q1'20 Operating Expense.

	GAAP	Non-GAAP
Revenue	\$94M to \$102M	
Gross Margin	29% to 33%	30% to 34%
Operating Expenses	\$27M to \$28M	\$24M to \$25M
EPS	(\$0.02) to \$0.08	\$0.05 to \$0.15

- Q2'20 Non-GAAP Gross Margin reflects continued improvement in product margins partially offset by under-utilization charges as a result of supply chain constraints
- Tariff charges for products shipped from the U.S. to China have been eliminated for most of our products (was 0.7 points in Q1'20)

Notes:

Q2'20 Non-GAAP outlook excludes \$3.3M of anticipated stock-based compensation expense, \$0.2M of amortization of acquisition related intangibles and small non-GAAP tax and other adjustments

Non-GAAP EPS outlook assumes approximately 54.2 million fully diluted shares outstanding

Our Priorities Are Clear

Goal: We are pursuing a path to deliver consistent and sustainable profitability



Operating financial performance

- Focus on maximizing revenue and gross margin for every unit of production capacity
- Gain share with feature and performance differentiation plus supporting business model
- Insource key components for cost and time to market
- Continuous evaluations and projects to rationalize excess capacity & infrastructure

Products

- Leadership high speed optical component solutions including leading coherent lasers and leveraging integration
- Performance based product suite for high performance and speed (Indium Phosphide) and cost benefit (Active Silicon platform)
- A profitable, growth solutions business path supporting fast growing 400G modules

Markets

- Expanding customer based serving ICPs with DCI solutions as well as telecom NEMs and their supply chain partners with leading component solutions



NeoPhotonics

Reference

See also:

www.neophotonics.com/blog/

and

ir.neophotonics.com

Serving Customers From a Global Footprint

Comprehensive Vertical Integration for Multi-Material Hybrid Integration of Optical Solutions

Wuhan, China

- R&D Site

Hachioji, Japan

- All Functions
- InP/GaAs Fab



CM: Japan

- Volume Manufacturing Site

Ottawa, Canada

- R&D Site

Dongguan, China

- Volume Manufacturing Site



Shenzhen, China

- All Functions
- Volume Manufacturing Site



CM: Thailand

- Volume Manufacturing Site



CM: Taiwan

- Volume Manufacturing Site



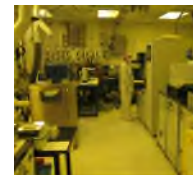
San Jose, CA, USA

- PLC Fab
- Corporate HQ & Manufacturing



Fremont, CA, USA

- InP Fab
- Lasers, arrays



Headcount by Geography

North America	~270
China (~400 contract)	~1,200
Japan	~260
ROW	~15
Total (~800 IDL)	~1,730

Q1'20 P&L Performance (Non-GAAP)

(\$ Millions)	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Revenue \$	\$79.4	\$81.7	\$92.4	\$103.4	\$97.4
Product Margin \$	21.5	26.3	31.8	38.0	34.8
Mfg. Inefficiencies	(2.7)	(4.4)	(3.5)	(4.6)	(4.2)
Other COGS	(1.0)	(1.0)	(1.5)	(1.5)	(0.2)
Gross Margin \$	17.8	20.9	26.8	31.9	30.4
R&D	13.8	13.0	12.9	14.7	11.1
S&M	3.9	3.0	3.2	3.5	3.1
G&A	6.6	6.1	6.2	6.2	6.1
TOTAL OPEX	24.2	22.1	22.3	24.3	20.3
Operating Margin	(\$6.5)	(\$1.2)	\$4.4	\$7.6	\$10.1
Adj. EBITDA	(\$0.8)	\$6.8	\$14.2	\$12.5	\$17.8

Q1'20 GAAP Financial Measures to Non-GAAP Reconciliation

GAAP Net Income	\$6.3M
Stock-based compensation expense	2.5
Amortization	0.2
Income tax effect of Non-GAAP	
Adjustment & others	<u>\$0.1</u>
Non-GAAP Net Income	\$9.1M

Q1'20 P&L Performance (GAAP)

(\$ Millions)	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Revenue \$	\$79.4	\$81.7	\$92.4	\$103.4	\$97.4
Product Margin \$	21.5	26.3	31.8	38.0	34.8
Mfg. Inefficiencies	(1.4)	(4.4)	(3.5)	(4.6)	(4.2)
Period Costs	(2.4)	(1.0)	(1.5)	(1.5)	(0.2)
Other Charges	(2.0)	(5.2)	(0.6)	(0.7)	(0.7)
Gross Margin \$	15.7	15.7	26.2	31.2	29.7
R&D	14.7	13.8	13.7	15.5	11.9
S&M	4.6	3.6	3.8	4.0	3.6
G&A	7.8	7.2	7.4	7.4	6.8
Other Charges	0.6	(0.7)	-	-	-
TOTAL OPEX	27.7	23.9	24.9	26.9	22.3
Operating Margin	\$(11.9)	\$(8.2)	\$1.3	\$4.3	\$7.4



NeoPhotonics



www.neophotonics.com