

INFINERA CORP
Form 425
May 27, 2015

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2015 Infinera
Infinera Transmode Combination
Establishes an End-to-End Optical Leader
Transmode Investor Briefing
May 2015
Filed by Infinera Corporation Pursuant to Rule 425
Under the Securities Act of 1933
Subject Company: Transmode AB
(Commission File No. 001-33486)

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Overview of Infinera

Transaction Rationale

Advantages for All Stakeholders

Deal Logic

Industry Evolution

A Fair Deal for Transmode

Agenda

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Infinera is an Optical Leader
Innovator & Long Haul DWDM Leader

Founded 2000, IPO as INFN
2007

Unique Photonic Integrated Circuits (PICs)

DWDM platforms, Intelligent Transport
Networks

400+ Patents Filed/Granted

#1 Optical company rated by Infonetics 2014
Global

~1,500 employees

Headquarters Sunnyvale, CA, USA

Global presence

Infinera's Journey

2005: Shipped 10G PIC-based DTN, rapidly reaches \$100M

2008: #1 market share in NA LH*

2007: 10G wave market leader (47%)*, completed IPO

2010: Leapfrogs 40G, invests in 100G

2000: Infinera founded, promised to do the impossible: PICs

2014: #1 in 100G WDM, ex China*

2012: Shipped 500G PIC-based DTN-X

2004: Introduced industry's first large scale PIC

2014: Introduced Cloud Xpress for Metro Cloud

* Source: Dell Oro DWDM Long Haul Vendor Table 2015

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Infinera Today

A leader in Intelligent Transport Network solutions

144 customers in 73 countries; 62 DTN-X customers

Diversified customer base across multiple verticals

-

17 Tier 1s globally

-

3 of top 4 Internet Content Providers

-

4 of top 5 NA Cable/MSOs

-

Multiple top Wholesale and Enterprise Carriers

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-20%
-10%
0%
10%
20%
30%
40%
50%
60%
70%
80%
Jun '12
Sep '12
Dec '12
Mar '13
Jun '13
Sep '13

Dec '13

Mar '14

Jun '14

Sep '14

Dec '14

Mar '15

INFN

TRMO

CIEN

JNPR

CSCO

ADV

ERIC

ALU

INFN Outpacing Other SP Networking Players

Source: Company public financial records

3X Rev

Growth

over CIEN

72%

24%

Infinera enters

100G Long Haul

Revenue Growth: Quarterly Trailing 12 Month Revenue

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Infinera

Financial Performance

Source: Infinera Financial Reporting

*Wall Street consensus as of May 19, 2015

**Dell Oro Group 2014 Optical Transport Report

*** Figures are Non-GAAP (reconciliation to GAAP numbers may be found at www.Infinera.com)

Recent 20+% growth

2013: 24%; 2014: 23%; 2015e:21%*

Increasingly Profitable***

2014 Gross Margin = 44.0%

Q4 14 = 46.1%

Q1 15 = 47.8%

2014 Operating Margin = 8.3%

Q4 14 = 11.0%

Q1 15 = 12.2%

Strong Balance Sheet

Nearly \$260 million net cash
end of Q1 2015

Cash Flow from Operations

(last
four
quarters)

=

\$71
million

2014 vs 2013

23% YoY Growth

~2x Market growth **

Revenue

\$811e*

\$668

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Differentiated Financial Performance

Source: Public financial statements; ALU = Entire business

YoY Revenue Growth, %

2014

20

10

0

-10

50

40

30

Gross Margin, %

2014

Transmode

Ciena

ALU

Cyan

MRV
Adva
Infinera

Transaction Rationale:
Advantages for all stakeholders
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Infinera + Transmode

End-to-End
portfolio, \$15.3B market*

Accelerate
100G market momentum

Technology
leadership
in
Photonics,
Packet-Optical,
ASICs and Network Management

Complementary
customers

and
geographies

Common philosophy of
profitable growth

Shared
culture
and
talent
driving
product
excellence

Expected non-GAAP **EPS accretive** in 2016

Culture

Technology

Customers

Financials

*Source: Infonetics Q4 2014 Market Forecast for 2019

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Compatible Philosophies

Customer First

Top-rated for Services and Support

Product Excellence

#1 100G WDM Worldwide, ex-China

#1 Packet-Optical EMEA

Unique differentiated technologies

Profitability Focus

Market leading Operating & Gross Margins

Source: Infonetics 2014, Dell Oro 2014
Culture + Talent + Business + Technology

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A Transaction Good for All Stakeholders

Investors

Allows combined company to address \$15.3B DWDM TAM (2019)

Combines two of the most profitable companies in the industry

Expected accretive to non-GAAP EPS in 2016; neutral to slightly dilutive 2H 15

Customers

Combined company would be able to deliver an End-to-End product portfolio

Shared culture of customer first, strong technology and product excellence

Scale of combined company allows for further investment in technologies to accelerate & broaden differentiation

Employees

&
Community

Ability to develop compelling solutions with strong combined knowledge base

Deal synergies are revenue-based, not on cost cutting

Intent to invest in Transmode and Swedish engineering talent pool

Source of TAM: Infonetics Q4 2014 Market Forecast

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Deal Logic

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Delivering a Leading End-to-End Portfolio
Metro
Edge
Metro
Access
Metro Aggregation
Metro
Core
Cloud
LH Core
Cloud Xpress
Sliceable Photonics
ePIC-500
oPIC-100
DTN-X
XTC4/10
XTC4

Source: Infonetics Q4 2014 Market Forecast
Addresses \$15.3B (2019) Transport Market

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Complementary Customers

#1 100G WDM WW ex-China*

Leader in ICP, NA Cable, Wholesale & Ent.

First mover in Metro Cloud for ICPs

#1 Packet-Optical EMEA*

Strength in cable, wireless back/front haul,
Ethernet services

Leverage Strengths, Cross-Sell, New Mkts

*Source: Infonetics 2014, Dell Oro 2014

Revenue Growth

Opportunity

Common

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Infinera + Transmode enter Top 5 in WDM

Source: Dell Oro Optical Report Jan 2015

Cross-selling and revenue synergies

create opportunity to go higher

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Product

Mix*

Geographic

Mix**

Complementary Market Offerings

Metro 8%

Long-Haul

92%

Metro 100%

Americas

76%

APAC 4%

EMEA

20%

Americas

14%

APAC 4%

EMEA

82%

Combined Entity

Metro

~20%

Americas

68%

EMEA

28%

APAC 4%

* Percentages based on 2015 analyst revenue estimates. Infinera Metro includes analyst estimates for Cloud Xpress and other Infinera metro offerings

**Geographic mix as of FY14

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Industry Evolution

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WDM Supplier Evolution
End-to-End
Suppliers
Long-Haul
Specialists
Metro
Specialists
Circa 2000-2002
Today
Consolidation towards end-to-end WDM suppliers underway

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Moving from 10G to 100G = Greater Complexity
Alternative
Solution
Coherent IC
(Electronics)
Photonics
(Optical)
500G Capacity
Example
5 modules = more power, space & cost
10G
100G: Increasing advantage for vertically integrated suppliers
3
rd
party
optics
=

components

3

rd

Gen PIC:

500G WDM-on-a-chip

FlexCoherent

Processor (FCP)

Coherent

ASIC

1 module = less space/power

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Key to Long-Term Differentiation

Cost Structure

10G

100G

Infinera Optics/ASICs + Transmode Metro = Competitive advantage

Infinera Internal Estimates

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A Fair Deal for Transmode

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Quarterly Sales Growth Comparison
USDm
SEKm
(3)
Infinera
SEKm
Transmode
In SEK (As Reported)¹
-4%
-15%
-29%
15%
25%
Constant Currency¹
-7%
-20%
-35%

7%

11%

Growth (Y/Y)

Growth (Y/Y)

In USD (As Reported)²

15%

20%

22%

34%

31%

Constant Currency²

14%

19%

22%

36%

35%

1.

Source: Transmode Quarterly Reports

2.

Source: Infinera Quarterly Reports; constant currency growth uses the same foreign exchange rates that were in effect during the corresponding period in the prior year

3.

Represents Infinera revenue converted to SEKm based on average exchange rate during the corresponding quarter

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Quarterly Sales Growth Comparison (Cont d)

Source: Company Quarterly Reports; TRMO and ADVA converted to USD at average SEK / USD and EUR / USD exchange rates, respectively, in effect during the corresponding quarter

Y-o-Y Growth (in USD), %

Sales Growth of Key Comparables in USD

89%

Morgan Stanley Analysis

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2015 Infinera
Valuation Comparison
2014
IFRS (as reported)
Adjusted
(1)
EBITDA
119.5
EBITDA (IFRS)
119.5
Less: Amortized R&D
(33.0)
Less: Cap R&D Adjustment
(70.3)
Less: Depreciation / Other
(15.9)
EBITDA (Adjusted)
49.2

EBIT
70.6
Less: Depreciation
(15.9)
Margin (%)
7.6%
EBIT (Adjusted)
33.3
Margin (%)
3.6%
IFRS
to
US
GAAP
Adjustments

2014
(SEKm)
EV/EBITDA -
2014
TRMO
@ 107.05 SEK
IFRS
Adjusted
(1)

Transmode reports based on IFRS,
which allows for capitalization of
development expenses (i.e.
expenses not deducted for
calculating EBITDA)

When adjusting for capitalized
R&D, which is not allowed under US
GAAP, Transmode's EBITDA and
EBIT margins are lower

Source:

Data
derived
from
company
annual
reports;
ADVA
adjusted
for
R&D
capitalization,
which
is

not
allowed
under US GAAP

1.

After adjusting for the capitalization of R&D, which is not allowed under US GAAP

TRMO

@ 107.05 SEK

IFRS

Adjusted

(1)

Morgan Stanley Analysis

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Valuation Comparison

2014 (cont'd)

Source: Data derived from company publicly available reports; ADVA adjusted for R&D capitalization, which is not allowed GAAP

1.

After adjusting for the capitalization of R&D, which is not allowed under US GAAP

TRMO

@ 107.05 SEK

IFRS

Adjusted

(1)

TRMO

@ 107.05 SEK

IFRS

Adjusted

(1)

IFRS (as reported)

Adjusted
(1)
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EBITDA (Adjusted)
49.2
EBIT
70.6
Less: Depreciation
(15.9)
Margin (%)
7.6%
EBIT (Adjusted)
33.3
Margin (%)
3.6%
IFRS
to
US
GAAP
Adjustments

2014
(SEKm)
Morgan Stanley Analysis

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Valuation Comparison
2015
EV/Revenue -
2015

Transmode reports based on IFRS,
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expenses not deducted for
calculating EBITDA)

When adjusting for capitalized R&D,
which is not allowed under US
GAAP, Transmode's EBITDA and
EBIT margins are lower
EV/EBITDA -
2015

IFRS

Adjusted

(3)

EBITDA

185.3

EBITDA (IFRS)

185.3

Less: Amortized R&D

(1)

(33.7)

Less: Cap R&D Adjustment

(71.0)

(2)

Less: Depreciation

(16.3)

EBITDA (Adjusted)

114.3

EBIT

135.3

Less: Depreciation

(16.3)

Margin (%)

12.4%

EBIT (Adjusted)

98.0

Margin (%)

9.0%

IFRS

to

US

GAAP

Adjustments

-

2015

(SEKm)

Source: Based on analyst estimates as of May 22, 2015

1.

Assumes capitalized R&D adjustment of 71.0 SEKm based on the sum

of (a) estimated amortization of capitalized R&D of 33.7 SEKm

(assumes same proportion of depreciation and amortization as in 2014) and (b) the increase in capitalized development costs of

37.3 SEKm (assumed equal to 2014 amount)

2.

ADVA adjusted for R&D capitalization, which is not allowed under

US GAAP

3.

After adjusting for the capitalization of R&D, which is not allowed under US GAAP

P/E -

2015

Morgan Stanley Analysis

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2015 Infinera
Valuation Comparison
2015 (cont'd)
IFRS
Adjusted
(3)
EBITDA
185.3
EBITDA (IFRS)
185.3
Less: Amortized R&D
(1)
(33.7)
Less: Cap R&D Adjustment
(71.0)
(3)
Less: Depreciation
(16.3)

EBITDA (Adjusted)

114.3

EBIT

135.3

Less: Depreciation

(16.3)

Margin (%)

12.4%

EBIT (Adjusted)

98.0

Margin (%)

9.0%

IFRS

to

US

GAAP

Adjustments

-

2015

(SEKm)

Source: Based on analyst estimates as of May 22, 2015

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of (a) estimated amortization of capitalized R&D of 33.7 SEKm (assumes same

proportion of depreciation and amortization as in 2014) and (b) the increase in capitalized development costs of 37.3 SEKm (a amount)

2.

ADVA adjusted for R&D capitalization, which is not allowed under

US GAAP

3.

After adjusting for the capitalization of R&D, which is not allowed under US GAAP

Morgan Stanley Analysis

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Comparison of Transaction Premiums

1.

As disclosed

2.

As calculated based on market data from Bloomberg

1-Month VWAP

3-Month VWAP

6-Month VWAP

Spot

Alcatel /

Nokia

(2)

Cyan /

Ciena

(2)

Transmode /

Infinera

(2)
Alcatel /
Nokia
(2)
Cyan /
Ciena
(2)
Transmode /
Infinera
(1)
Alcatel /
Nokia
(2)
Cyan /
Ciena
(2)
Transmode /
Infinera
(1)
Alcatel /
Nokia
(2)
Cyan /
Ciena
(2)
Transmode /
Infinera
(1)
Morgan Stanley Analysis

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Analysts Views on Infinera

Broker

Target Price

Rating

Jefferies

\$27.00

Buy

Barrington

\$26.50

Buy

MKM Partners

\$26.00

Buy

JP Morgan

\$26.00

Buy

Deutsche Bank

\$25.00

Buy

Stifel Nicolaus

\$25.00

Buy

Juda Group

\$24.00

Buy

William Blair

No target

Buy

Goldman Sachs

\$23.00

Hold

Wedbush

\$18.00

Hold

Needham

No target

Hold

Consensus Target Price = \$24.50

Price (5/19/15) = \$20.20

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Significant Increase in Liquidity
1.
Assumes
sell-down
at
20%
of
average
daily
volume
traded
(based
on
assumption
that
future
trading

volume
similar
to
YTD
volume)

2.
As of May 22, 2015; market data from Bloomberg

3.
Liquidity based on average daily trading volume year-to-date
Significant increase in Transmode's stock liquidity expected

28.05 SEK cash per share at closing

Full liquidity

No single investor (x-POD) expected to hold more than 1 day of trading volume

ALL
investors (x-POD) expected to hold less than 5 days of trading volume

A 1% stake in Transmode currently takes ~8 weeks to liquidate based on average volume, whereas post-transaction the equivalent stake would take <1 day to liquidate

(1)

Exploring Stockholm listing

~75x

Greater

Liquidity

35K Shares / Day

~SEK3.0 MM / Day

(~US\$365 K / Day)

~0.1% TSO

1.9MM Shares / Day

~US\$26.5 MM / Day

~1.5% TSO

Average

Trading

Volume

YTD

vs.

Expected

Post

Deal

1

Morgan Stanley Analysis

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This communication is neither an offer to purchase nor a solicitation of an offer to sell any shares. This communication is for informational purpose only. The exchange offer for shares of Transmode AB will not be made to, nor will exchanges be accepted from, or on behalf of, holders of shares in any jurisdiction in which the making of the exchange offer or the acceptance thereof would not comply with the laws of that jurisdiction. The acceptance period for the exchange offer for shares of Transmode described in this communication has not commenced.

In connection with the proposed combination of Infinera and Transmode, Infinera will file an offer document with the Swedish Financial Supervisory Authority and a prospectus and a Registration Statement on Form S-4 with the SEC.

Shareholders of Transmode should read the above referenced documents and materials carefully when such documents and materials become available because they contain important information about the transaction.

Shareholders of Transmode may obtain free copies of these documents and materials, any amendments or supplements thereto and other documents containing important information about Infinera and the transaction, once such documents and materials are filed or furnished, as applicable, with the SEC, through the

website maintained by the SEC at www.sec.gov. Copies of the documents and materials filed with the SEC by Infinera will also

be available free of charge on Infinera's website at

www.infinera.com

under the heading SEC Filings

in the Company Investor Relations
portion of Infinera's website. More
information about the exchange offer, including the formal announcement of the offer and the offer document to be filed with
and approved by the Swedish Financial Supervisory Authority, can
be found on www.infinera.se.

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