
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 9, 2020

Acacia Communications, Inc.

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-37771
(Commission File Number)

27-0291921
(IRS Employer
Identification No.)

**Three Mill and Main Place, Suite 400
Maynard, Massachusetts 01754**
(Address of principal executive offices)

(978) 938-4896
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, \$0.0001 par value per share	ACIA	The Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On November 9, 2020, Acacia Communications, Inc. (the “Registrant”) announced its financial results for its third quarter ended September 30, 2020. The full text of the press release issued by the Registrant concerning the foregoing results is furnished herewith as Exhibit 99.1.

The information contained herein and in the accompanying exhibit shall not be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended (the “Securities Act”) or the Securities Exchange Act of 1934, as amended (the “Exchange Act”), whether made before or after the date hereof, regardless of any general incorporation language in such filing, except as expressly set forth by specific reference in such a filing. In accordance with General Instruction B.2 of this Current Report on Form 8-K, the information presented in Item 2.02 of this Current Report on Form 8-K and Exhibit 99.1 shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act.

Item 9.01. Financial Statements and Exhibits.**(d) Exhibits**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated November 9, 2020.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ACACIA COMMUNICATIONS, INC.

Date: November 9, 2020

By: /s/ Janene I. Ásgeirsson
Janene I. Ásgeirsson
Chief Legal Officer and Secretary

Acacia Communications Reports Third Quarter 2020 Results

MAYNARD, Mass., November 9, 2020 (GLOBE NEWSWIRE) -- Acacia Communications, Inc. (NASDAQ: ACIA), a leading provider of high-speed coherent optical interconnect products, today reported financial results for its third quarter ended September 30, 2020. Acacia Communications will not host a conference call to discuss its results for the third quarter of 2020 or provide forward guidance for the fourth quarter ending December 31, 2020, due to the previously announced proposed acquisition of Acacia Communications by Cisco Systems, Inc.

Results for the Third Quarter of 2020

- Revenue of \$158.5 million
- GAAP gross margin of 50.4%; non-GAAP gross margin* of 50.6%
- GAAP income from operations of \$24.9 million; non-GAAP income from operations* of \$35.5 million
- GAAP net income of \$24.3 million; non-GAAP net income* of \$33.9 million
- EBITDA* of \$27.8 million; adjusted EBITDA* of \$38.3 million
- GAAP diluted EPS of \$0.56; non-GAAP diluted EPS* of \$0.78

*Non-GAAP gross margin, non-GAAP income from operations, non-GAAP net income, earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted EBITDA and non-GAAP diluted earnings per share (EPS) are non-GAAP financial measures that are not prepared in accordance with generally accepted accounting principles (GAAP). Please refer below to Use of Non-GAAP Financial Information for descriptions of these non-GAAP financial measures and to the Reconciliation of GAAP Measures to Non-GAAP Measures, attached as Schedule D, for reconciliations of the most directly comparable GAAP financial measures to these non-GAAP financial measures.

Use of Non-GAAP Financial Information

This press release includes non-GAAP financial measures that are not prepared in accordance with, nor an alternative to, GAAP. In addition, these non-GAAP financial measures are not based on any standardized methodology prescribed by GAAP and are not necessarily comparable to similarly-titled measures presented by other companies.

Schedule D of this press release provides reconciliations of Acacia Communications' most comparable GAAP financial measures to non-GAAP gross profit, non-GAAP gross margin, non-GAAP research and development expenses, non-GAAP sales, general and administrative expenses, non-GAAP operating expenses, non-GAAP income from operations, non-GAAP net income, non-GAAP effective tax rate, EBITDA, adjusted EBITDA and non-GAAP diluted EPS.

Acacia Communications believes that providing these non-GAAP financial measures to investors, in addition to providing the most directly comparable GAAP measures, provides investors the benefit of viewing the Company's performance using the same financial metrics that its management team uses in making many key decisions and evaluating how its results of operations may look in the future. Acacia Communications' management does not believe that items not involving cash expenditures, such as non-cash compensation related to equity awards, are part of its critical decision making process. Also, Acacia Communications' management does not believe that items such as warranty and other charges arising from a manufacturing process quality issue, certain litigation related costs and settlement reserves outside the normal course of the Company's business, acquisition related costs or certain adjustments to its valuation allowance against deferred

tax assets are reflective of the Company's underlying operating performance. Further, in connection with the seven-year denial of export privileges imposed on April 15, 2018 by the U.S. Department of Commerce against ZTE, which was subsequently lifted on July 13, 2018, the Company recorded inventory write-offs. Acacia Communications' management does not believe these write-offs, and any subsequent adjustments as a result of management's ongoing evaluation of the ZTE inventory, are reflective of the Company's underlying operating performance. Therefore, Acacia Communications excludes those items, as applicable, from non-GAAP gross profit, non-GAAP gross margin, non-GAAP research and development expenses, non-GAAP sales, general and administrative expenses, non-GAAP operating expenses, non-GAAP income from operations, non-GAAP net income, non-GAAP effective tax rate, non-GAAP diluted EPS, EBITDA and adjusted EBITDA.

Acacia Communications' non-GAAP financial measures reflect adjustments based on the metrics described below, as well as the related income tax effects. The income tax effect of these non-GAAP adjustments is determined by recalculating income tax expense excluding these adjustments.

Non-GAAP gross profit and non-GAAP gross margin. Acacia Communications defines non-GAAP gross profit as gross profit as reported on its consolidated statements of operations, excluding the impact of stock-based compensation, which is a non-cash charge, warranty and other charges arising from a manufacturing process quality issue and ZTE-related inventory write-offs and subsequent adjustments. Acacia Communications defines non-GAAP gross margin as the non-GAAP gross profit divided by revenue as reported on its consolidated statements of operations. Acacia Communications has presented non-GAAP gross profit and non-GAAP gross margin because the Company believes that the exclusion of stock-based compensation, warranty and other charges arising from a manufacturing process quality issue and ZTE-related inventory write-offs and subsequent adjustments facilitates comparisons of its results of operations to other companies in its industry.

Non-GAAP research and development expenses. Acacia Communications defines non-GAAP research and development expenses as research and development expenses as reported on the Company's consolidated statements of operations, excluding the impact of stock-based compensation. Acacia Communications has presented non-GAAP research and development expenses because the Company believes that the exclusion of stock-based compensation facilitates comparisons of its results of operations to other companies in its industry.

Non-GAAP sales, general and administrative expenses. Acacia Communications defines non-GAAP sales, general and administrative expenses as sales, general and administrative expenses as reported on the Company's consolidated statements of operations, excluding the impact of stock-based compensation, certain litigation related costs and settlement reserves and acquisition related costs. Acacia Communications has presented non-GAAP sales, general and administrative expenses because the Company believes that the exclusion of stock-based compensation, certain litigation related costs and settlement reserves and acquisition related costs facilitates comparisons of its results of operations to other companies in its industry.

Non-GAAP operating expenses. Acacia Communications defines non-GAAP operating expenses as operating expenses as reported on the Company's consolidated statements of operations, excluding the impact of stock-based compensation, certain litigation related costs and settlement reserves and acquisition related costs. Acacia Communications has presented non-GAAP operating expenses because the Company believes that the exclusion of stock-based compensation, certain litigation related costs and settlement reserves and acquisition related costs facilitates comparisons of its results of operations to other companies in its industry.

Non-GAAP income from operations. Acacia Communications defines non-GAAP income from operations as income from operations as reported on the Company's consolidated statements of operations, excluding the impact of stock-based compensation, warranty and other charges arising from a manufacturing process quality issue, ZTE-related inventory write-offs and subsequent adjustments, certain litigation related costs and

settlement reserves and acquisition related costs. Acacia Communications has presented non-GAAP income from operations because the Company believes that the exclusion of stock-based compensation, warranty and other charges arising from a manufacturing process quality issue, ZTE-related inventory write-offs and subsequent adjustments, certain litigation related costs and settlement reserves and acquisition related costs facilitates comparisons of its results of operations to other companies in its industry.

Non-GAAP net income, non-GAAP effective tax rate and non-GAAP diluted EPS. Acacia Communications defines non-GAAP net income as net income as reported on the Company's consolidated statements of operations, excluding the impact of stock-based compensation which is a non-cash charge, as well as warranty and other charges arising from a manufacturing process quality issue, ZTE-related inventory write-offs and subsequent adjustments, certain litigation related costs and settlement reserves, acquisition related costs, the tax effects of those excluded items and certain valuation allowance adjustments against deferred tax assets.

Acacia Communications defines non-GAAP effective tax rate as the non-GAAP provision for income taxes divided by non-GAAP income before provision for income taxes. Non-GAAP provision for income taxes is defined as the income tax provision (benefit) as reported on the Company's consolidated statements of operations, as adjusted for the tax effects of excluding stock-based compensation expense, warranty and other charges arising from a manufacturing process quality issue, ZTE-related inventory write-offs and subsequent adjustments, certain litigation related costs and settlement reserves, acquisition related costs, as well as the impact of certain valuation allowance adjustments against deferred tax assets. Non-GAAP income before provision for income taxes is defined as GAAP income before income tax provision (benefit) as reported on the Company's consolidated statements of operations, excluding stock-based compensation expense, warranty and other charges arising from a manufacturing process quality issue, ZTE-related inventory write-offs and subsequent adjustments, certain litigation related costs and settlement reserves and acquisition related costs.

In order to calculate non-GAAP diluted EPS, Acacia Communications uses a non-GAAP weighted-average share count which includes the impact of dilutive stock-based awards for periods in which there was a GAAP net loss resulting in GAAP diluted net loss per share, but a non-GAAP net income.

Acacia Communications has presented non-GAAP net income, non-GAAP effective tax rate and non-GAAP diluted EPS because the Company believes that the exclusion of the items discussed above facilitates comparisons of its results of operations to other companies in its industry and more accurately reflects the underlying performance of our continuing business operations.

EBITDA and Adjusted EBITDA. Acacia Communications defines EBITDA as net income as reported on the Company's consolidated statements of operations before depreciation, interest income, net, and its income tax provision (benefit). Acacia Communications defines adjusted EBITDA as EBITDA excluding the impact of stock-based compensation, warranty and other charges arising from a manufacturing process quality issue, ZTE-related inventory write-offs and subsequent adjustments, certain litigation related costs and settlement reserves and acquisition related costs. Acacia Communications has presented adjusted EBITDA because it is a key measure used by its management and board of directors to understand and evaluate the Company's operating performance, to establish budgets and to develop operational goals for managing its business. In particular, Acacia Communications believes that the exclusion of the amounts eliminated in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of its core operating performance.

Acacia Communications uses these non-GAAP financial measures to evaluate its operating performance and trends, and make planning decisions. Acacia Communications believes that each of these non-GAAP financial measures helps identify underlying trends in its business that could otherwise be masked by the effect of the items that the Company excludes. Accordingly, Acacia Communications believes that these financial measures

provide useful information to investors and others in understanding and evaluating its operating results, enhancing the overall understanding of the Company's past performance and future prospects, and allowing for greater transparency with respect to key financial metrics used by its management in its financial and operational decision-making.

Acacia Communications' non-GAAP financial measures are not prepared in accordance with GAAP, and should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures rather than gross profit, gross margin, research and development expenses, sales, general and administrative expenses, operating expenses, income from operations, net income, effective tax rate or diluted EPS, which are the most directly comparable GAAP measures. Some of these limitations are:

- Acacia Communications excludes stock-based compensation expense from each of its non-GAAP financial measures, although it has recently been, and will continue to be for the foreseeable future, a significant recurring expense for its business and an important part of the Company's compensation strategy;
- Acacia Communications excludes the tax benefits generated from the exercise of non-qualified stock options, the disqualifying disposition of incentive stock options and ESPP shares, and the vesting of restricted stock units, including any excess tax benefits and shortfalls recognized by the Company in the year of the taxable transaction, in calculating its non-GAAP net income, non-GAAP effective tax rate and non-GAAP diluted EPS. The Company believes that excluding these tax benefits enables investors to see the full effect that excluding stock-based compensation expense had on the operating results. These benefits are tied to the exercise or vesting of underlying employee equity awards and the price of our common stock at the time of exercise or vesting, which factors may vary from period to period independent of the operating performance of the Company's business. Similar to stock-based compensation expense, the Company believes that excluding these tax benefits provides investors and management with greater visibility to the underlying performance of its business operations and facilitates comparison with other periods as well as the results of other companies in its industry;
- Acacia Communications excludes warranty and other charges arising from a manufacturing process quality issue from its non-GAAP gross profit, non-GAAP gross margin, non-GAAP income from operations, non-GAAP net income, non-GAAP effective tax rate, non-GAAP diluted EPS and adjusted EBITDA measures, as management does not believe the charges are reflective of the Company's underlying operating performance;
- Acacia Communications excludes certain adjustments to its valuation allowance against deferred tax assets from its non-GAAP net income, non-GAAP effective tax rate and non-GAAP diluted EPS measures, as management does not believe the charges are reflective of the Company's underlying operating performance;
- Acacia Communications excludes ZTE-related inventory write-offs and subsequent adjustments from its non-GAAP gross profit, non-GAAP gross margin, non-GAAP income from operations, non-GAAP net income, non-GAAP effective tax rate, non-GAAP diluted EPS and adjusted EBITDA measures, as management believes the activity is not related to the Company's normal course of business and is not reflective of the Company's underlying operating performance;
- Acacia Communications excludes certain litigation related costs and settlement reserves from its non-GAAP sales, general and administrative expenses, non-GAAP operating expenses, non-GAAP income from operations, non-GAAP net income, non-GAAP effective tax rate, non-GAAP diluted EPS and adjusted EBITDA measures, if management believes the activity is not related to the Company's normal

course of business and is not reflective of the Company's underlying operating performance. These expenses may continue in the future;

- Acacia Communications excludes acquisition related costs from its non-GAAP sales, general and administrative expenses, non-GAAP operating expenses, non-GAAP income from operations, non-GAAP net income, non-GAAP effective tax rate, non-GAAP diluted EPS and adjusted EBITDA measures, as management believes the activity is not related to the Company's normal course of business and is not reflective of the Company's underlying operating performance;
- EBITDA and adjusted EBITDA exclude depreciation expense and, although this is a non-cash expense, the assets being depreciated may have to be replaced in the future;
- EBITDA and adjusted EBITDA do not reflect interest income, which increases cash available to the Company, as this income is not generated by the Company's core operations;
- EBITDA and adjusted EBITDA do not reflect the income tax provision (benefit) which may impact cash available to the Company; and
- the expenses and other items that the Company excludes in its calculation of adjusted EBITDA may differ from the expenses and other items, if any, that other companies may exclude from adjusted EBITDA when they report their operating results.

Because of these limitations, non-GAAP financial measures should be considered along with other operating and financial performance measures presented in accordance with GAAP.

Acacia Communications' use of non-GAAP financial measures, and the underlying methodology when excluding certain items, is not necessarily an indication of the results of operations that may be expected in the future, or that Acacia Communications will not, in fact, record such items in future periods.

Investors should consider Acacia Communications' non-GAAP financial measures in conjunction with the corresponding GAAP financial measures.

About Acacia Communications

Acacia Communications develops, manufactures and sells high-speed coherent optical interconnect products that are designed to transform communications networks through improvements in performance, capacity and cost. By implementing optical interconnect technology in a silicon-based platform, a process Acacia Communications refers to as the "siliconization of optical interconnect," Acacia Communications is able to offer products at higher speeds and density with lower power consumption, that meet the needs of cloud and service providers and can be easily integrated in a cost-effective manner with existing network equipment. www.acacia-inc.com.

Forward Looking Statements

This press release includes statements concerning Acacia Communications and its future expectations, plans and prospects that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "may," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," "will" or "continue" or the negative of these terms or other similar expressions are intended to help you identify forward-looking statements. The forward-looking statements in this press release are only predictions. The events and circumstances reflected in the forward-

looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward looking statements. Acacia Communications has based these forward-looking statements largely on its current expectations and projections about future events and financial trends that the Company believes may affect its business, financial condition and results of operations. These forward-looking statements speak only as of the date of this press release and are subject to a number of risks, uncertainties and assumptions including, without limitation, the occurrence of any event, change or other circumstances that could give rise to the termination of the Agreement and Plan of Merger the Company has entered into with Cisco Systems, Inc. and Amarone Acquisition Corp. and any inability to complete the proposed merger due to the failure to satisfy conditions to completion of the proposed merger, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the proposed merger, uncertainty regarding the extent to which the coronavirus disease, COVID-19, pandemic and related response measures will adversely affect the Company's business, results of operations and financial condition, or the business and financial condition of our customers and suppliers, the Company's ability to sustain or increase revenue from its larger customers, generate revenues from new customers, or offset the discontinuation of concentrated purchases by its larger customers with purchases by new or existing customers, the Company's ability to anticipate the timing and scale of demand for its products, including from its largest customers, the adverse impact of negative economic conditions created or exacerbated by the ongoing COVID-19 pandemic, the Company's expectations regarding expenses and revenue, its ability to maintain and expand gross profit, the sufficiency of the Company's cash resources and needs for additional financing, the Company's ability to produce products free of problems, defects, errors and vulnerabilities, the Company's anticipated growth strategies, its expectations regarding competition, the anticipated trends and challenges in the Company's business and the markets in which it operates, the Company's expectations regarding, and the capacity and stability of, its supply chain and manufacturing, the size and growth of the potential markets for the Company's products and the ability to serve those markets, the scope, progress, expansion and costs of developing and commercializing its products, the timing, rate and degree of introducing any of its products into the market and the market acceptance of any of its products, the Company's ability to establish and maintain development partnerships, its ability to attract or retain key personnel, the Company's expectations regarding federal, state and foreign regulatory requirements, including export controls, tax law changes and interpretations, economic sanctions and anti-corruption regulations, regulatory or legislative developments in the United States and foreign countries, including trade policy and tariffs and export control laws or regulations that could impede its ability to sell its products to its customer ZTE Kangxun Telecom Co. Ltd. or any of its affiliates or that could impede its ability to sell its products to other customers in certain foreign jurisdictions, particularly in China, or that could impede sales by such customers in the United States, the Company's ability to obtain and maintain intellectual property protection for its products, and other risks set forth under the caption "Risk Factors" in the Company's public reports filed with the SEC, including the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2020 to be filed with the SEC and in other filings that the Company may make with the SEC in the future. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as indicative of future events. Acacia Communications assumes no obligation to update any forward-looking statements contained in this press release as a result of new information, future events or otherwise.

SCHEDULE A
ACACIA COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 211,224	\$ 36,617
Marketable securities - short-term	244,458	300,129
Accounts receivable	137,246	97,948
Inventory	35,195	40,820
Prepaid expenses and other current assets	8,641	6,518
Total current assets	<u>636,764</u>	<u>482,032</u>
Marketable securities - long-term	83,477	134,632
Property and equipment, net	28,187	26,801
Operating lease right-of-use assets	29,470	25,046
Deferred tax asset	51,976	51,798
Other assets	1,132	1,106
Total assets	<u>\$ 831,006</u>	<u>\$ 721,415</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 65,355	\$ 46,957
Accrued liabilities	67,331	61,680
Deferred revenue	6,973	4,483
Total current liabilities	<u>139,659</u>	<u>113,120</u>
Income taxes payable	6,280	7,117
Non-current operating lease liabilities	18,972	15,726
Other long-term liabilities	4,992	7,029
Total liabilities	<u>169,903</u>	<u>142,992</u>
Stockholders' equity:		
Common stock	4	4
Treasury stock	(39,712)	(39,712)
Additional paid-in capital	428,532	402,032
Accumulated other comprehensive income	886	720
Retained earnings	271,393	215,379
Total stockholders' equity	<u>661,103</u>	<u>578,423</u>
Total liabilities and stockholders' equity	<u>\$ 831,006</u>	<u>\$ 721,415</u>

SCHEDULE B
ACACIA COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue	\$ 158,456	\$ 119,591	\$ 419,297	\$ 335,990
Cost of revenue	78,541	60,512	214,892	175,982
Gross profit	79,915	59,079	204,405	160,008
Operating expenses:				
Research and development	39,884	28,649	104,554	88,578
Sales, general and administrative	15,082	20,457	47,729	66,143
Total operating expenses	54,966	49,106	152,283	154,721
Income from operations	24,949	9,973	52,122	5,287
Other income, net:				
Interest income, net	951	2,592	4,869	7,940
Other income (expense), net	44	(102)	(33)	(209)
Total other income, net	995	2,490	4,836	7,731
Income before income tax expense (benefit)	25,944	12,463	56,958	13,018
Income tax expense (benefit)	1,655	(2,642)	944	(7,039)
Net income	<u>\$ 24,289</u>	<u>\$ 15,105</u>	<u>\$ 56,014</u>	<u>\$ 20,057</u>
Earnings per share:				
Basic	\$ 0.58	\$ 0.37	\$ 1.34	\$ 0.49
Diluted	\$ 0.56	\$ 0.35	\$ 1.30	\$ 0.47
Weighted-average shares used to compute earnings per share:				
Basic	42,061	41,119	41,841	40,730
Diluted	43,229	42,667	43,195	42,404

SCHEDULE C
ACACIA COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 56,014	\$ 20,057
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	8,109	9,274
Stock-based compensation	26,216	25,717
Deferred income taxes	(178)	(8,294)
Non-cash lease expense	3,261	3,667
Other non-cash benefits	(253)	(1,970)
Changes in operating assets and liabilities:		
Accounts receivable	(39,298)	(8,913)
Inventory	5,625	(11,796)
Prepaid expenses and other current assets	(2,123)	4,321
Other assets	(17)	(112)
Accounts payable	19,493	(1,227)
Accrued liabilities	5,267	27,814
Deferred revenue	(231)	6,703
Income taxes payable	(837)	(1,674)
Lease liabilities	(4,212)	(3,741)
Other long-term liabilities	299	458
Net cash provided by operating activities	<u>77,135</u>	<u>60,284</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(10,466)	(9,111)
Purchases of marketable securities	(217,802)	(359,578)
Sales and maturities of marketable securities	325,047	307,927
Deposits	(9)	(2)
Net cash provided by (used in) investing activities	<u>96,770</u>	<u>(60,764)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of common stock under stock-based compensation plans	702	4,504
Net cash provided by financing activities	<u>702</u>	<u>4,504</u>
Net increase in cash and cash equivalents	174,607	4,024
Cash and cash equivalents—Beginning of period	36,617	60,444
Cash and cash equivalents—End of period	<u>\$ 211,224</u>	<u>\$ 64,468</u>
Supplemental cash flow disclosures:		
Cash paid (refunds received) for income taxes, net	\$ 1,390	\$ (972)
Non-cash transactions:		
Right of use assets acquired under operating leases	\$ 4,913	\$ 7,084

SCHEDULE D
ACACIA COMMUNICATIONS, INC.
RECONCILIATION OF GAAP MEASURES TO NON-GAAP MEASURES
(in thousands, except for per share data)
(unaudited)

	Three Months Ended		
	Q3 2020	Q2 2020	Q3 2019
Non-GAAP Gross Profit and Non-GAAP Gross Margin			
GAAP gross profit	\$ 79,915	\$ 65,208	\$ 59,079
Stock-based compensation - cost of revenue	491	548	481
Warranty and other charges due to manufacturing process quality issue	(252)	(254)	(255)
Inventory write-offs	(12)	(101)	(65)
Non-GAAP gross profit	<u>\$ 80,142</u>	<u>\$ 65,401</u>	<u>\$ 59,240</u>
GAAP gross margin	50.4 %	48.2 %	49.4 %
Non-GAAP gross margin	50.6 %	48.4 %	49.5 %

	Three Months Ended		
	Q3 2020	Q2 2020	Q3 2019
Non-GAAP R&D Expenses			
GAAP research and development expenses	\$ 39,884	\$ 32,575	\$ 28,649
Stock-based compensation	5,161	5,646	5,330
Non-GAAP research and development expenses	<u>\$ 34,723</u>	<u>\$ 26,929</u>	<u>\$ 23,319</u>

	Three Months Ended		
	Q3 2020	Q2 2020	Q3 2019
Non-GAAP SG&A Expenses			
GAAP sales, general and administrative expenses	\$ 15,082	\$ 18,276	\$ 20,457
Stock-based compensation	2,396	2,590	2,899
Litigation related costs and settlement reserves	3,000	5,000	—
Acquisition related costs	(232)	997	6,400
Non-GAAP sales, general and administrative expenses	<u>\$ 9,918</u>	<u>\$ 9,689</u>	<u>\$ 11,158</u>

	Three Months Ended		
	Q3 2020	Q2 2020	Q3 2019
Non-GAAP Operating Expenses			
GAAP operating expenses	\$ 54,966	\$ 50,851	\$ 49,106
Stock-based compensation	7,557	8,236	8,229
Litigation related costs and settlement reserves	3,000	5,000	—
Acquisition related costs	(232)	997	6,400
Non-GAAP operating expenses	<u>\$ 44,641</u>	<u>\$ 36,618</u>	<u>\$ 34,477</u>

SCHEDULE D (Cont.)
ACACIA COMMUNICATIONS, INC.
RECONCILIATION OF GAAP MEASURES TO NON-GAAP MEASURES
(in thousands, except for per share data)
(unaudited)

	Three Months Ended		
	Q3 2020	Q2 2020	Q3 2019
Non-GAAP Income from Operations			
GAAP income from operations	\$ 24,949	\$ 14,357	\$ 9,973
Stock-based compensation	8,048	8,784	8,710
Warranty and other charges due to manufacturing process quality issue	(252)	(254)	(255)
Litigation related costs and settlement reserves	3,000	5,000	—
Inventory write-offs	(12)	(101)	(65)
Acquisition related costs	(232)	997	6,400
Non-GAAP income from operations	<u>\$ 35,501</u>	<u>\$ 28,783</u>	<u>\$ 24,763</u>

	Three Months Ended		
	Q3 2020	Q2 2020	Q3 2019
Non-GAAP Net Income			
GAAP net income	\$ 24,289	\$ 16,081	\$ 15,105
Stock-based compensation	8,048	8,784	8,710
Warranty and other charges due to manufacturing process quality issue	(252)	(254)	(255)
Litigation related costs and settlement reserves	3,000	5,000	—
Inventory write-offs	(12)	(101)	(65)
Acquisition related costs	(232)	997	6,400
Tax effect of excluded items	(625)	(2,352)	(4,364)
Valuation allowance adjustments	(308)	(182)	—
Non-GAAP net income	<u>\$ 33,908</u>	<u>\$ 27,973</u>	<u>\$ 25,531</u>

	Three Months Ended		
	Q3 2020	Q2 2020	Q3 2019
Non-GAAP Effective Tax Rate			
GAAP effective tax rate	6.4 %	(0.8)%	(21.2)%
Tax effect of excluded items	0.5 %	8.1 %	27.5 %
Valuation allowance adjustments	0.2 %	0.6 %	— %
Non-GAAP effective tax rate	<u>7.1 %</u>	<u>7.9 %</u>	<u>6.3 %</u>

SCHEDULE D (Cont.)
ACACIA COMMUNICATIONS, INC.
RECONCILIATION OF GAAP MEASURES TO NON-GAAP MEASURES
(in thousands, except for per share data)
(unaudited)

	Three Months Ended		
	Q3 2020	Q2 2020	Q3 2019
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Adjusted EBITDA			
GAAP net income	\$ 24,289	\$ 16,081	\$ 15,105
Depreciation	2,794	2,645	2,944
Interest income, net	(951)	(1,625)	(2,592)
Income tax expense (benefit)	1,655	(133)	(2,642)
EBITDA	<u>27,787</u>	<u>16,968</u>	<u>12,815</u>
Stock-based compensation	8,048	8,784	8,710
Warranty and other charges due to manufacturing process quality issue	(252)	(254)	(255)
Litigation related costs and settlement reserves	3,000	5,000	—
Inventory write-offs	(12)	(101)	(65)
Acquisition related costs	(232)	997	6,400
Adjusted EBITDA	<u>\$ 38,339</u>	<u>\$ 31,394</u>	<u>\$ 27,605</u>

	Three Months Ended		
	Q3 2020	Q2 2020	Q3 2019
Non-GAAP Diluted EPS			
GAAP diluted EPS	\$ 0.56	\$ 0.37	\$ 0.35
Stock-based compensation	0.19	0.20	0.21
Warranty and other charges due to manufacturing process quality issue	(0.01)	(0.01)	(0.01)
Litigation related costs and settlement reserves	0.07	0.12	—
Inventory write-offs	—	—	—
Acquisition related costs	(0.01)	0.02	0.15
Tax effect of excluded items	(0.01)	(0.05)	(0.10)
Valuation allowance adjustments	(0.01)	—	—
Non-GAAP diluted EPS	<u>\$ 0.78</u>	<u>\$ 0.65</u>	<u>\$ 0.60</u>

Weighted-average shares used to compute GAAP and non-GAAP diluted EPS	43,229	43,139	42,667
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