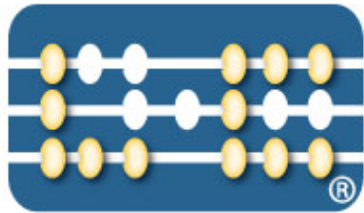


State of the Industry - 2014



LIGHTCOUNTING
Market Research

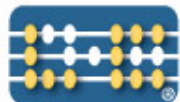
LightCounting
Market Research

OFC 2014 State of the Industry Panel

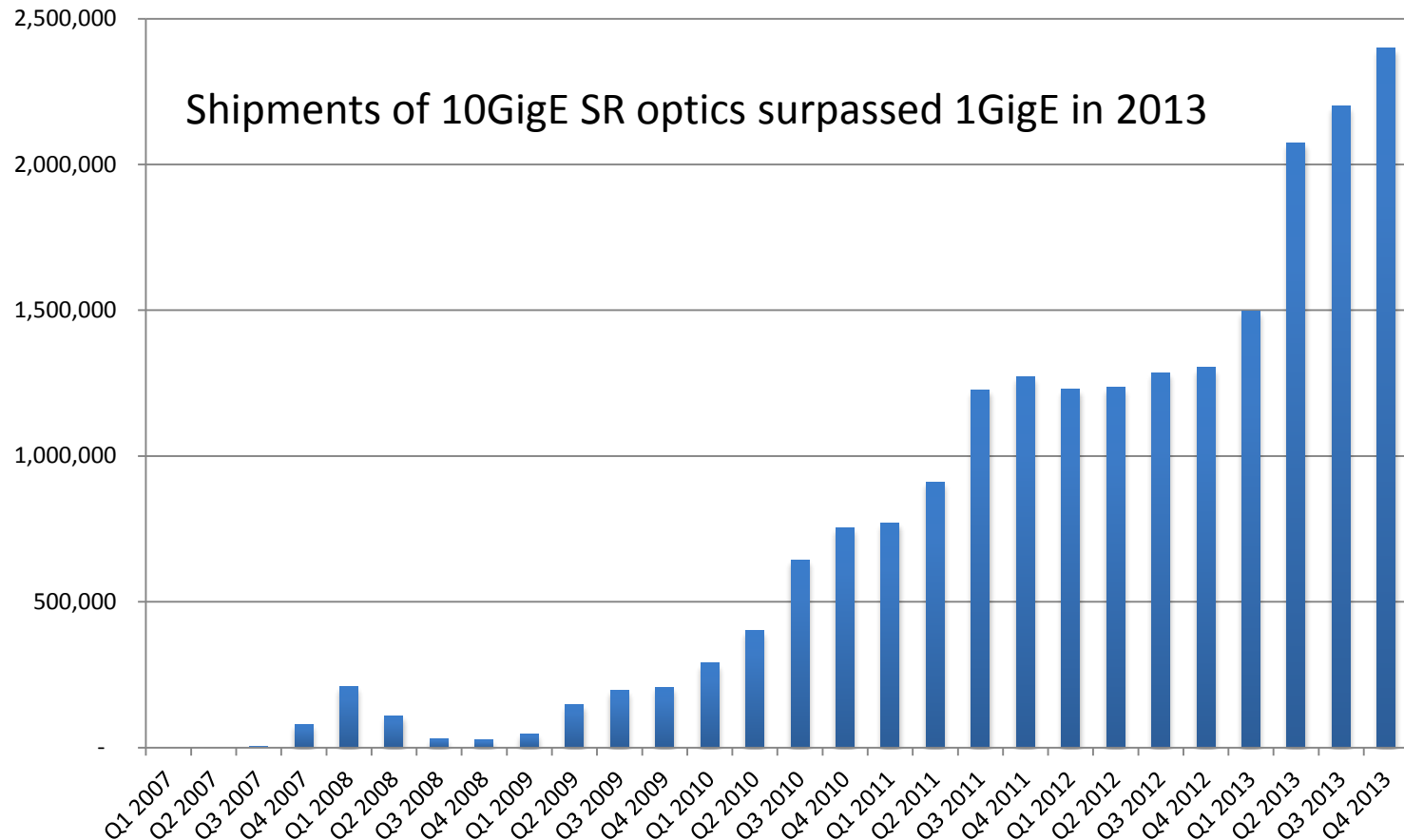
Vladimir Kozlov • March 11, 2014

Several Trends Accelerated in 2013

- Data Center Construction and Upgrades
- Fragmentation of Cyberspace
- Supply Chain Transformation



Shipments of SFP+ SR Transceivers



Source: LightCounting Market Research

Mega Data Centers Require Longer Connections, but Average Link Length is Shrinking



Google



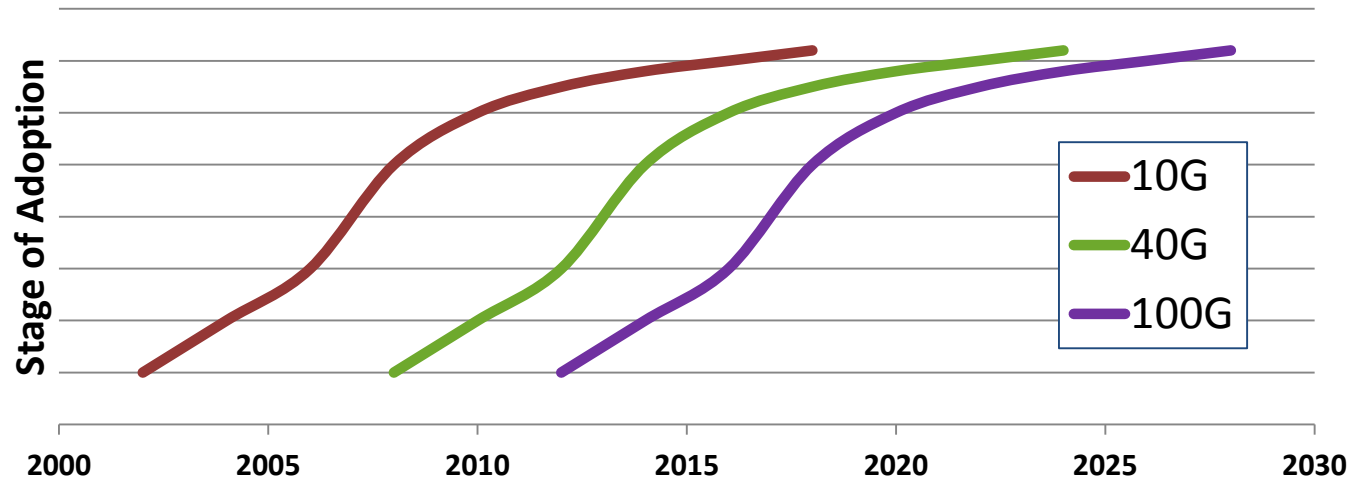
Internet companies are starting to make impact on the long-haul networks



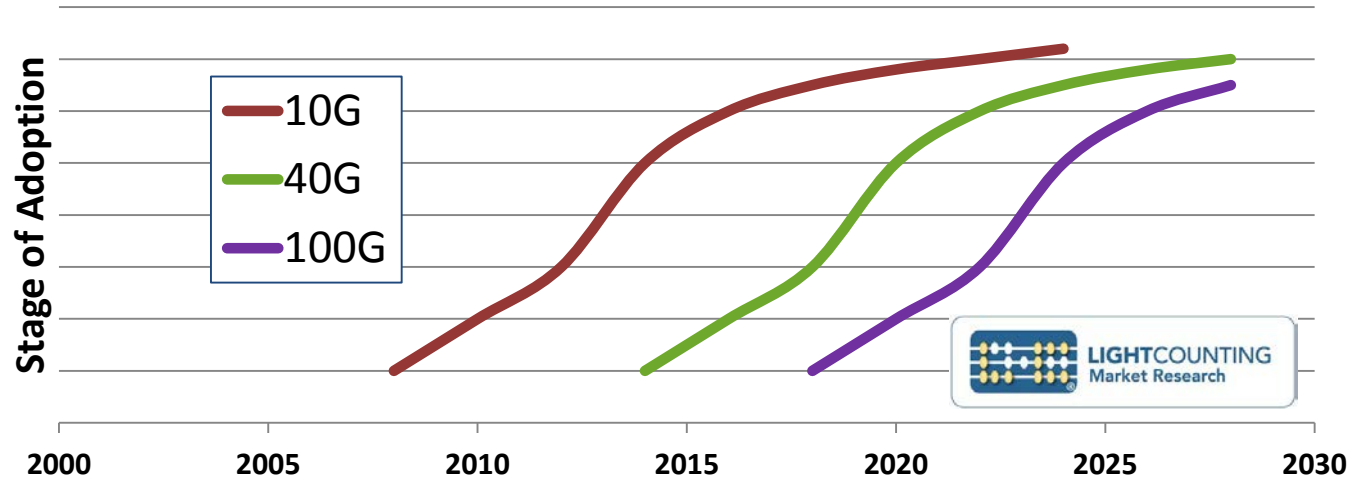
LIGHTCOUNTING
Market Research

Technology adoption curves

Telecom:
100G shipments
ramping fast now



Datacom:
10GigE still ramping
fast and 40 GigE is
just starting now.
100GigE is not
ramping yet.



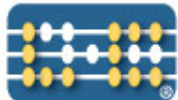
Historical and forecast data; Normalized to volume, Smoothed and Extrapolated



“Iron Curtains” in Cyberspace?



- Security concerns curbed use of Huawei and ZTE equipment in the US in 2012
- US NSA activities, exposed in 2013, raised even more worries about global communication security



How cyber space is shaping out?

The Real World:

- Door locks, fences, borders, trade barriers, local markets

- Villages, Cities, Countries

- Gold mining



Cyberspace

- Passwords, firewalls, “iron curtains,” parallel cyberspaces?



- On-line social networks: global or regional?



- Bitcoin mining



Supply Chain Transformation

- Alcatel-Lucent and Oclaro restructure and focus on profitability
- Merlin Partners are still on the mission: Coriant/Tellabs; Ciena and Ericsson team up on optics and SDN
- IBM exits the server business; Asian ODM (Quanta and others) ramp up production volumes
- Service providers continue to consolidate and acquire OTT companies. OTT companies increase investment into networking infrastructure.

