



Financial analyst presentation

Q3 2020

Q3 2020 earnings call

October 22nd, 2020



Disclaimer

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements with words such as “believes”, “anticipates” and “expects” to describe expected revenues and earnings, anticipated demand for networking solutions, internal estimates and liquidity. These forward-looking statements involve a number of unknown risks, uncertainties and other factors that could cause actual results to differ materially. Unknown risks, uncertainties and other factors are discussed in the ‘risk and opportunity report’ section of ADVA Optical Networking’s annual report 2019.

CONSOLIDATED PRO FORMA FINANCIAL RESULTS

ADVA provides consolidated pro forma financial results in this presentation solely as supplemental financial information to help investors and the financial community make meaningful comparisons of ADVA’s operating results from one financial period to another. ADVA believes that these pro forma consolidated financial results are helpful because they exclude non-cash charges related to stock compensation programs and amortization and impairment of goodwill and acquisition-related intangible assets, which are not reflective of the group’s operating results for the period presented. This pro forma information is not prepared in accordance with IFRS and should not be considered a substitute for historical information presented in accordance with IFRS.



Business update and outlook

Brian Protiva, CEO

Q3 2020 in review

Positive financial performance continues

- Q3 revenues EUR 146.7m up 1.1% sequentially and 1.6% y-o-y;
 - Profitability and net debt improved further
 - Customer mix still biased towards CSPs and ICPs

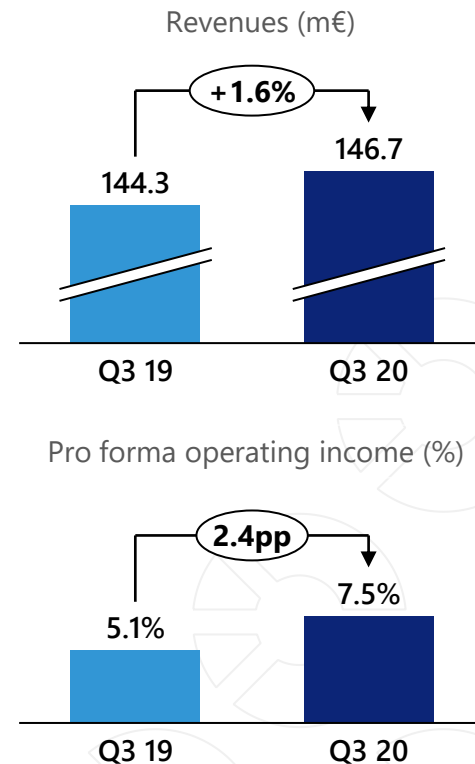
Demand mixed with typical summer seasonality

- Weaker order entry in July and August
- Optical networking and synchronization technologies lead

Strict OPEX discipline

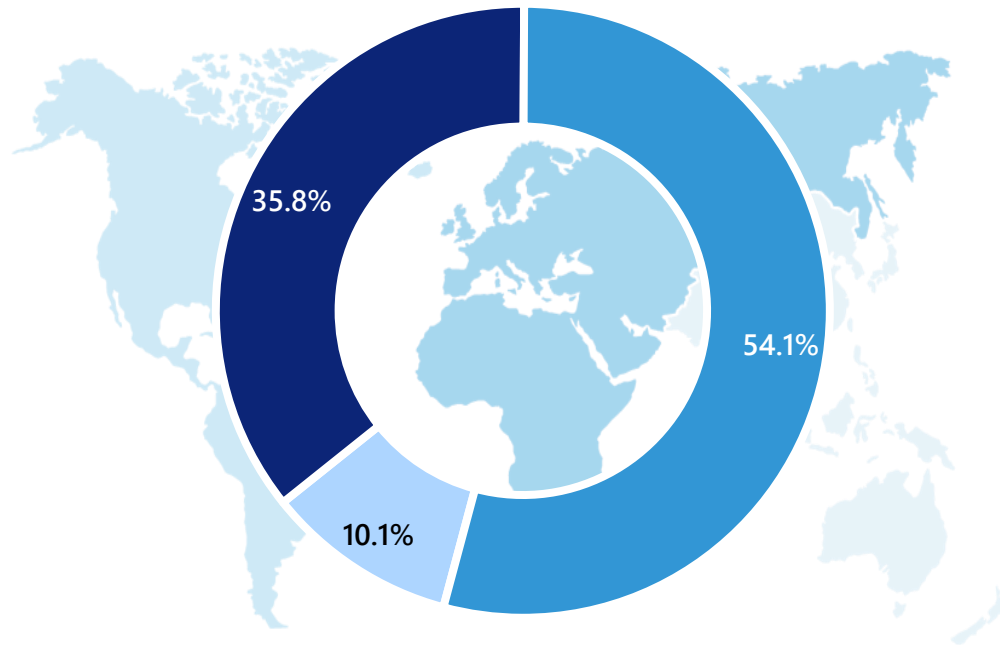
- Positive impact from 2019 cost improvement program continues, less travel and comparatively weaker US Dollar
- Supply chain challenges and uncertainties still high

* Pro forma operating income/loss is calculated prior to non-cash charges related to the stock compensation programs and amortization and impairment of goodwill and acquisition-related intangible assets. Additionally, non-recurring expenses related to restructuring measures are not included.



Demand development mixed – supply chain risk mitigation – financial stability

Regional revenue development in Q3 2020



vs. Q3 2019

↑ EMEA
+ 2.0%

↓ Americas
- 5.7%

↑ Asia-Pacific
+ 36.2%

Solid demand from CSPs continues – they build according to demand

CSPs more cautious after strong 1H 2020
ICPs continue to be strong

Demand from our largest CSP customer continues to be solid
Additional strength from network synchronization

Technology demand in times of Covid-19

Cloud access

Solutions that enable CSPs to deliver software-defined, differentiated and performance-assured wholesale, mobile backhaul and business services;

- Slower demand for physical access and aggregation solutions continues
- Testing, qualifying and implementing of new virtual solutions still challenging

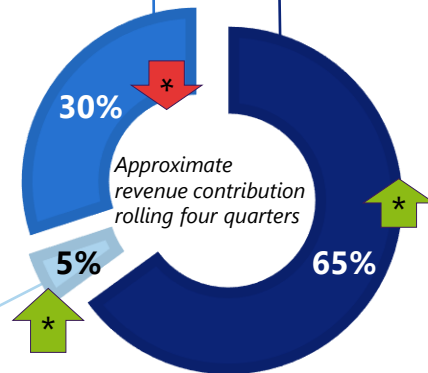
Network synchronization

Solutions to deliver accurate and scalable time and frequency synchronization for mobile network infrastructure, utilities, media distribution networks, financial services, distributed data bases and meteorology;

Cloud interconnect

Solutions that deliver scalable bandwidth for access, metro and long-haul networks; high levels of open interworking, programmability and ease-of-use;

- Solid demand from CSPs to scale network and cloud capacity in Europe continues
- Mixed development in North America
- Further TeraFlex™ wins



* Arrows indicate deviation from long term average

- CSP demand for precision timing strong
- Expansion into new verticals promising

Fast service delivery, scalable bandwidth and precise synchronization – pillars of digitization

Recent announcements and success stories

- Well diversified customer and product mix
- Winning many new deals, increasing our footprint
- Laying the foundation to compensate any potential weakness of the markets moving into 2021

ADVA announces general availability of market's most versatile DCSG operating system*

**Disaggregated cell site gateway*

ADVA delivers unprecedented precision in timing networks

Alsard Fiber uses ADVA FSP 3000 for highly resilient connectivity throughout Iraq

LU-CIX increases service reliability and efficiency with ADVA fiber monitoring solution

Colocation Australia harnesses ADVA solution to offer low-cost, long-haul connectivity

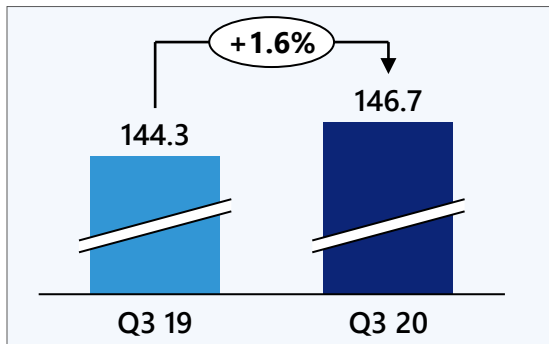
We have the right products – De-globalization provides additional tailwind

Financial performance

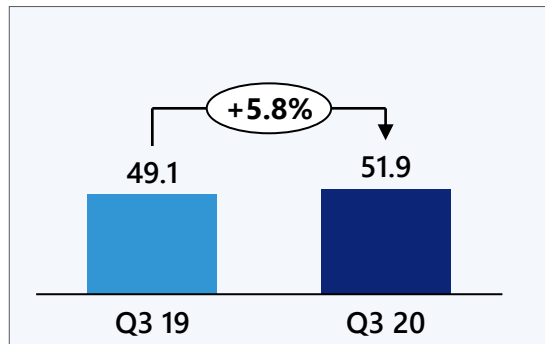
Ulrich Dopfer, CFO

Q3 2020 key financials

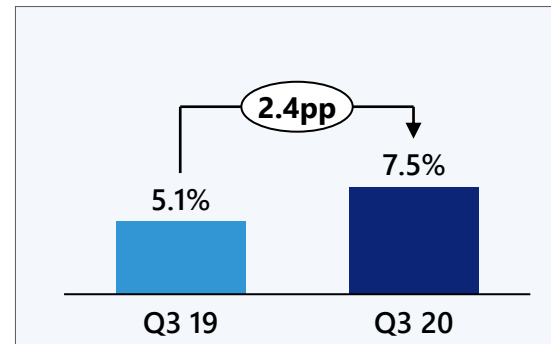
Revenues (m€)



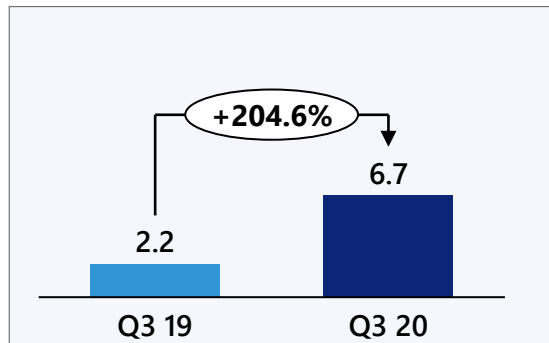
Pro forma gross profit (m€)



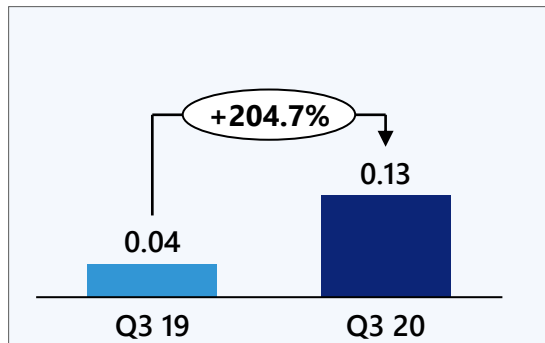
Pro forma operating income (%)



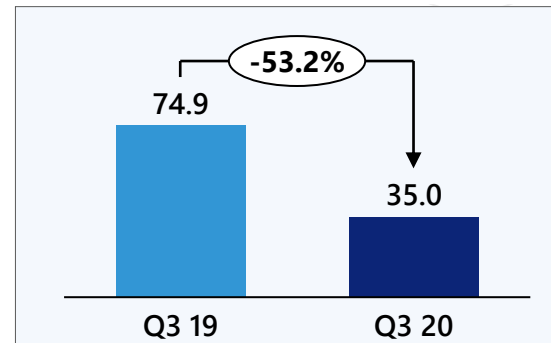
Net income (m€)



Diluted EPS (€)



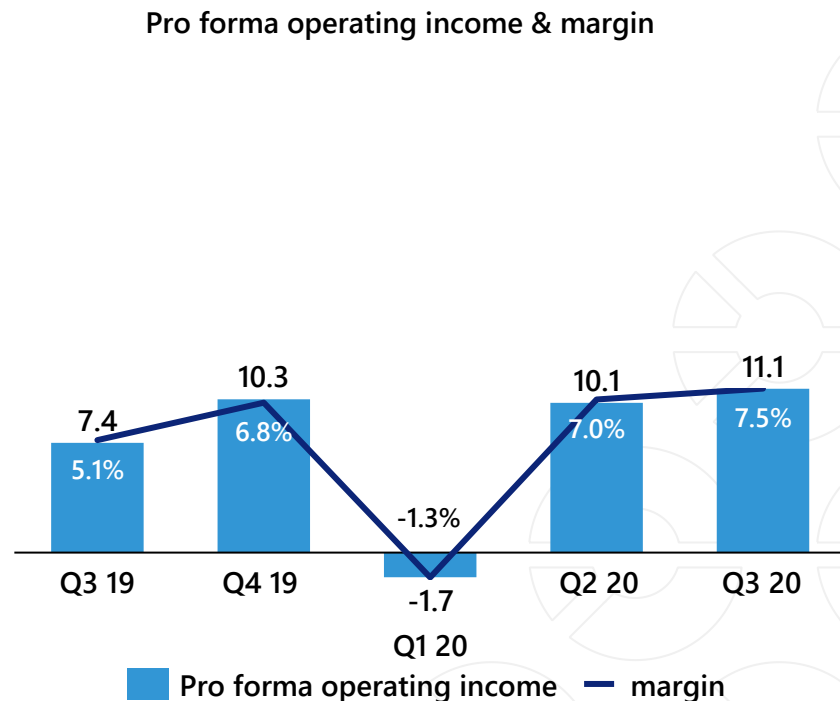
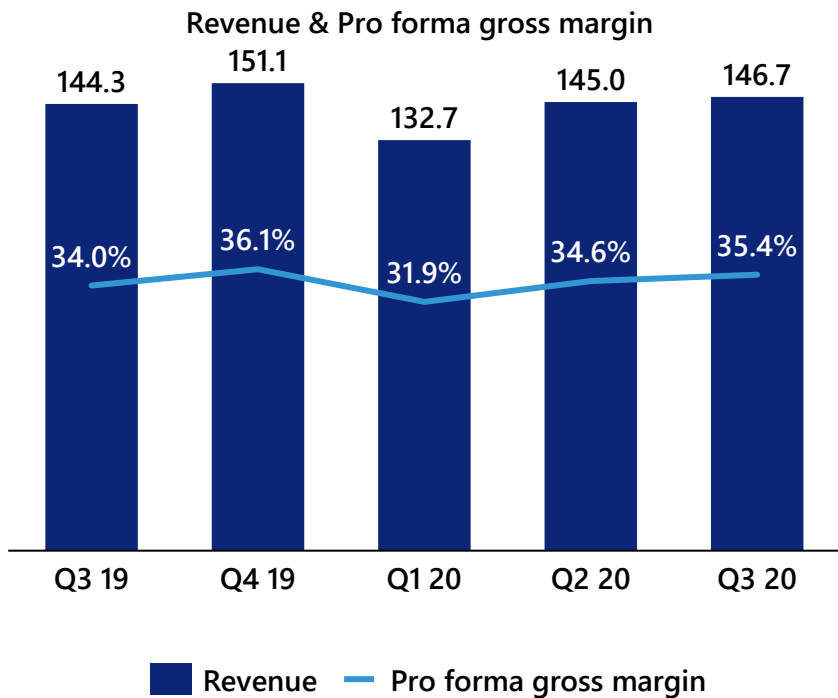
Net debt (m€)*



*Note: Net debt Q3 2020 includes EUR 29.6 million lease liabilities due to IFRS 16

Quarterly revenue and pro forma profitability

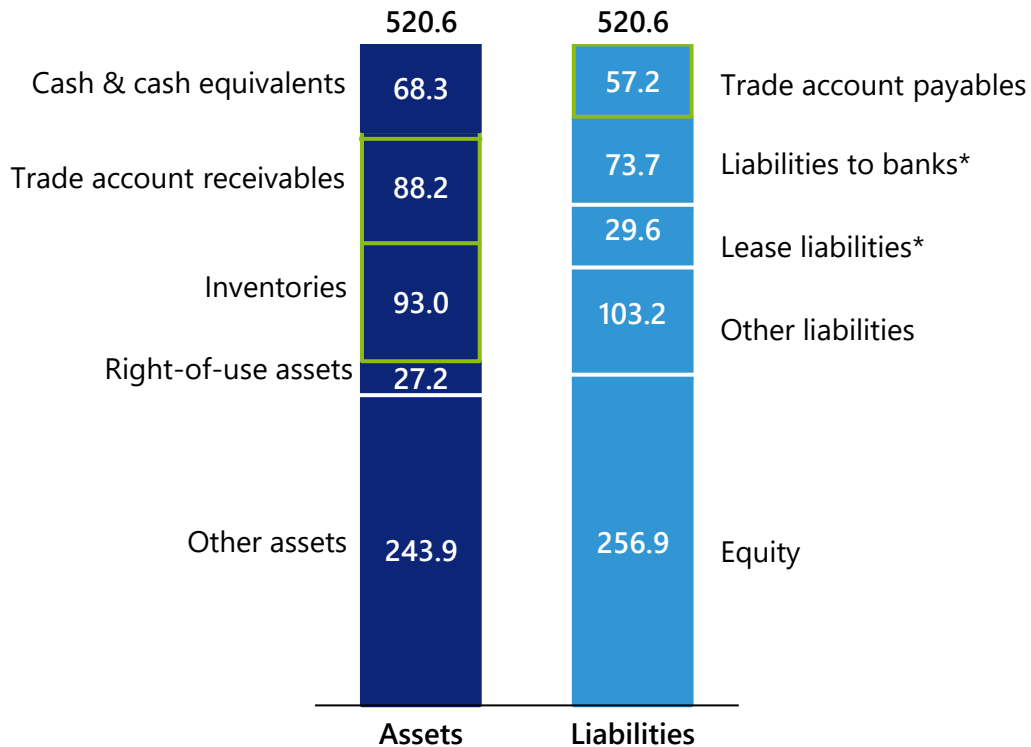
(in millions of EUR, in % of revenues)



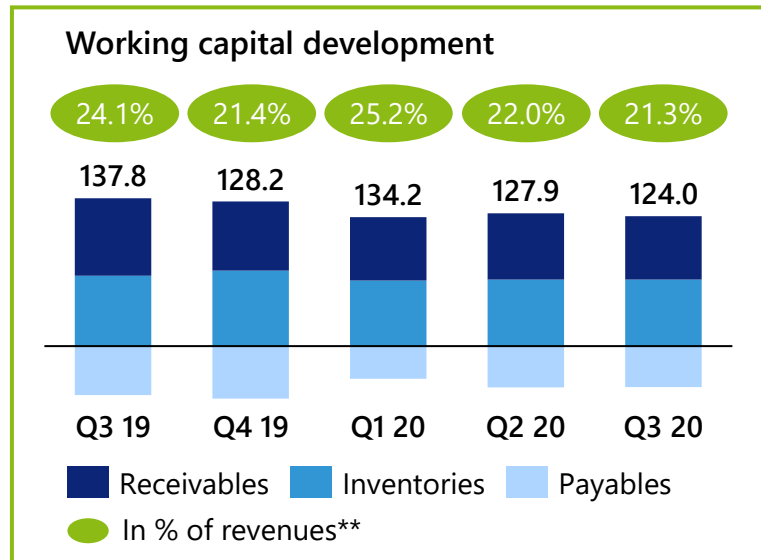
* Pro forma operating income is calculated prior to non-cash charges related to the stock compensation programs and amortization and impairment of goodwill and acquisition-related intangible assets. Additionally, non-recurring expenses related to restructuring measures are not included.

Balance sheet and credit metrics

(In millions of EUR)



*Financial debt: liabilities to banks + lease liabilities due to IFRS 16

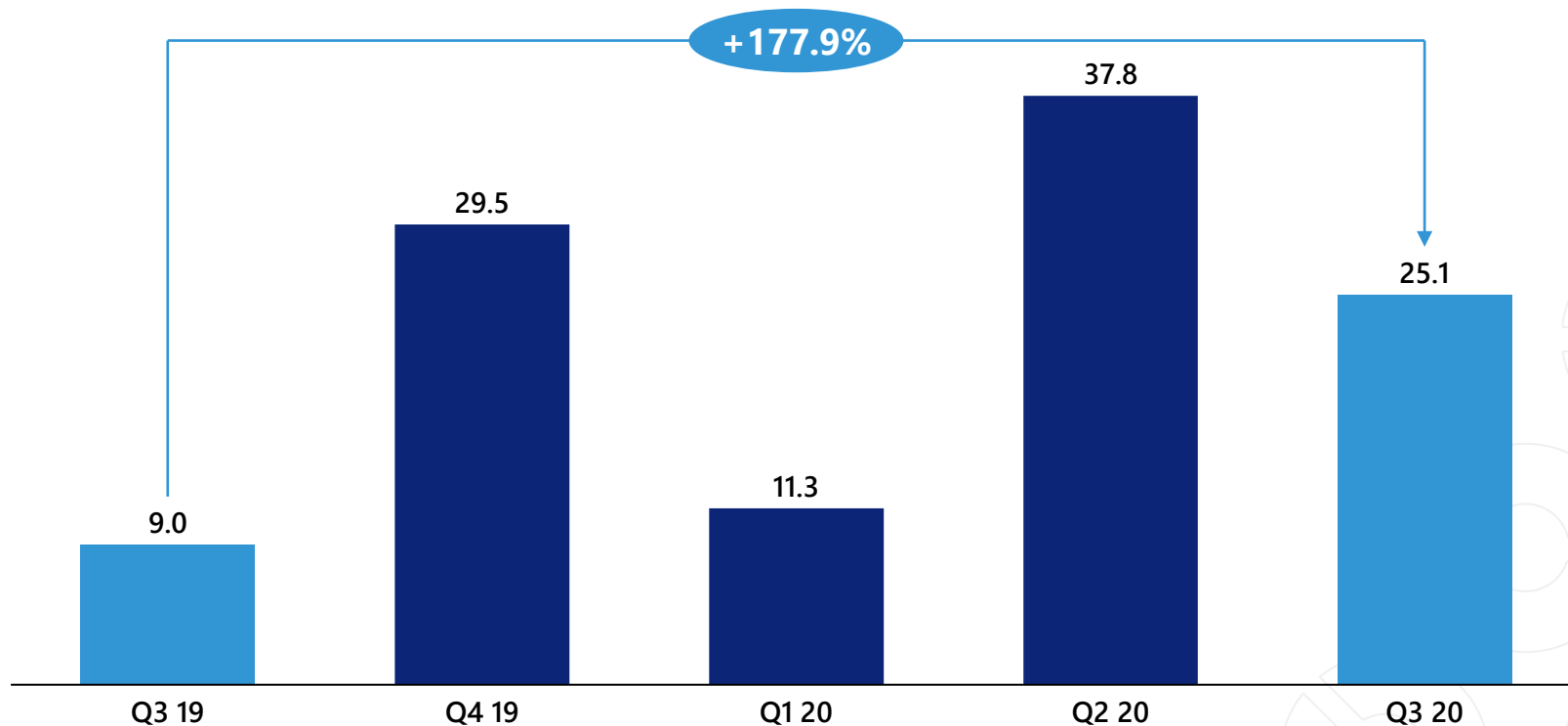


** Calculated on a quarterly basis

*** Leverage is calculated as total bank debt divided by EBITDA. EBITDA is calculated as operating income plus depreciation and amortization of non-current assets. Impacts from IFRS 16 are excluded from leverage calculation.

Seasonality of operating cash flow

(In millions of EUR)



Guidance FY 2020

Revenues

EUR 565m – 580m

Pro forma operating income

5.0% – 6.0%

Comment

- Demand development according to plan, however uncertainties increasing again with evolving second wave of infections.
- Supply chain constraints and the risk of recession driven drop in demand remains.
- The management board now expects
 - revenues between EUR 565m and 580m
 - Proforma operating income margin between 5% and 6%
- The revised guidance assumes that the impact of the pandemic on our business will not significantly worsen beyond the levels we have already experienced.

Revised guidance issued for FY 2020



Thank you

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