



# Financial analyst presentation

Q2 2021 earnings call

July 22, 2021

# Disclaimer



## FORWARD-LOOKING STATEMENTS

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## CONSOLIDATED PRO FORMA FINANCIAL RESULTS

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# Business update and outlook

Brian Protiva, CEO

# Q2 2021 highlights

Revenues Q2 2021  
y-o-y

+ 3.0%



Pro forma operating income Q2 2021  
y-o-y

+ 42.6%



Pro forma operating income Q2 2021  
in %

9.7%



Transition from net debt to net cash  
y-o-y

EUR + 48.8m



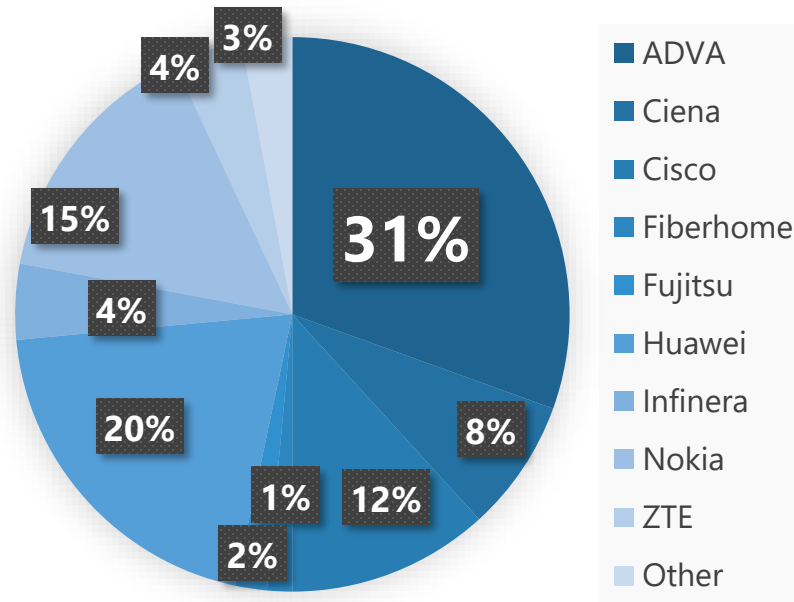
Trajectory of growth with solid long-term profitability

# Business transformation update

## Growth in private enterprise networks

### Trusted network infrastructure

- Pandemic accelerates digitalization
- Deglobalization drives preference for (local) trusted suppliers
- Industry consolidation further strengthens ADVA's differentiation



Q1 2021 market share; Enterprise DCI (rolling four quarters)

Source: Omdia, Data Center Interconnect (DCI) – 1Q21 (Share Only), published May 2021

Long-term global leader in enterprise DCI, gaining strength in government



# Business transformation update

## Opportunities in critical infrastructure

### ADVA launches world's first optical transport solution with post-quantum cryptography

08 July 2021

#### News summary:

- Standard encryption algorithms are at risk from emerging quantum computers
- New ADVA FSP 3000 ConnectGuard™ encryption technology addresses the threat using post-quantum cryptography
- Crypto-agile hybrid solution combines PQC with classical key exchange and can be deployed over any optical transport network

#### FSP 3000 ConnectGuard™

- Encryption solution for data in motion
- First to market with post-quantum cryptography
  - Addresses threats from emerging quantum computers
- Can be added to any optical transport network
- Important milestone for protecting critical data in motion

Sharpening our profile as trusted partner for mission critical networks

# Business transformation update

## Expanding software and services

### Telefónica announces the deployment of a Disaggregated Cell Site Gateway solution in Vivo as part of its latest nationwide IP network deployment

- Telefónica is working with ADVA to deploy a Disaggregated Cell Site Gateway solution (DCSG) as part of Telefónica transformed FUSION IP network architecture
- Designed within Telecom Infra Project (TIP) DCSG project, the solution uses open, standard-based and disaggregated network components bringing better flexibility and scalability and accelerating the pace of innovation

**Madrid/Sao Paulo, 13th July 2021. Madrid, 12 July 2021.** Telefonica and ADVA announced today that Telefónica Vivo is deploying a Disaggregated Cell Site Gateway (DCSG) solution as part of its latest nationwide IP network deployment.

Running on whiteboxes designed under the DCSG specification, the solution provides feature-rich disaggregated cell site gateway (DCSG) functionality implemented by ADVA's Ensemble Activator network operating system (NOS).

The deployment of this solution, which has been selected in competition and alongside other solutions from the established ecosystem, reinforces Telefonica strategy for open and disaggregated networks, and represents a clear indicator of the maturity of DCSG solutions, and its technical and economic feasibility.

### Ensemble Activator

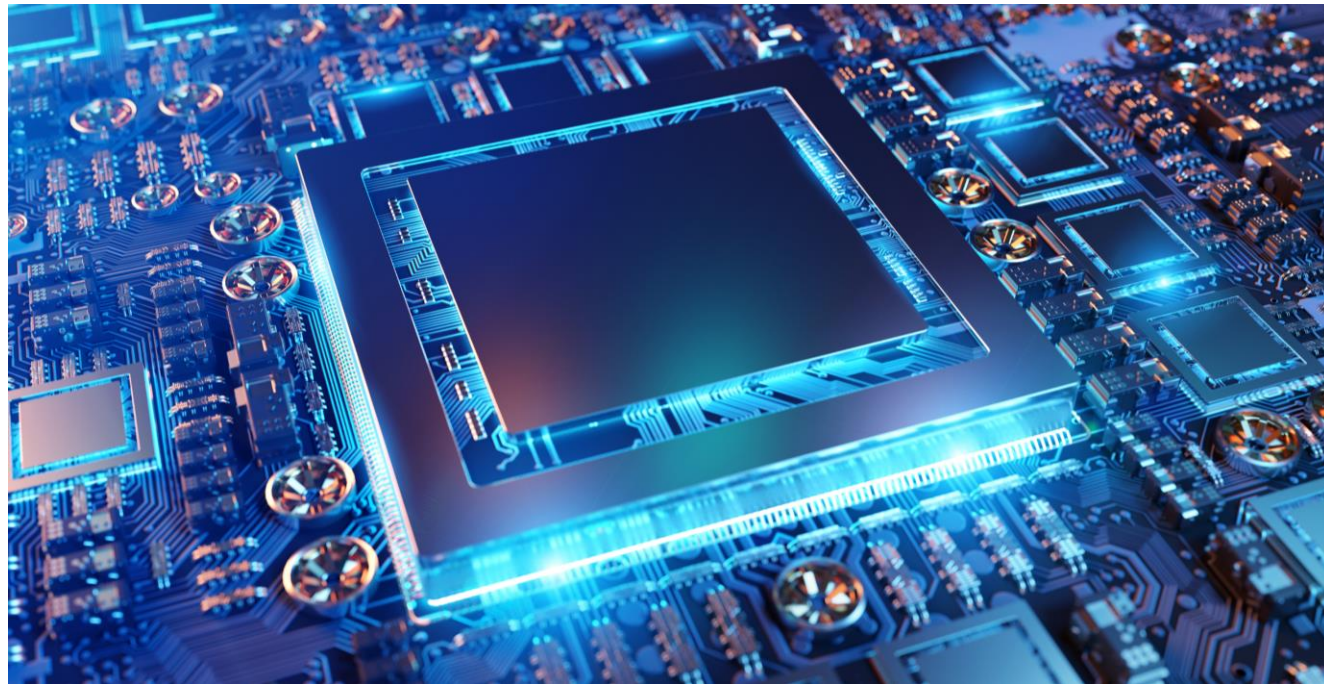
- Network operating system for the expansion of 5G networks
- We scored two important customer wins
  - Beginning of the commercial introduction of disaggregated cell site gateways by international mobile network operators
  - Important milestone for the implementation of open network architectures in 5G

Commercial traction of our software products accelerates

# Supply chain update

## Semiconductor shortage continues

- Higher inventories
- Longer lead times
- Uncertainty remains high
- Expect things to stabilize in Q4 and beyond



We are solving our challenges – order backlog keeps increasing



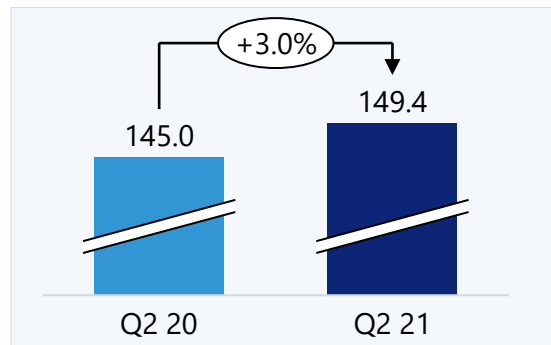


# Financial performance

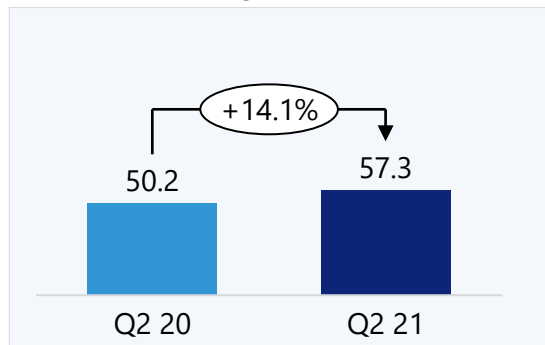
Ulrich Dopfer, CFO

# Q2 2021 key financials

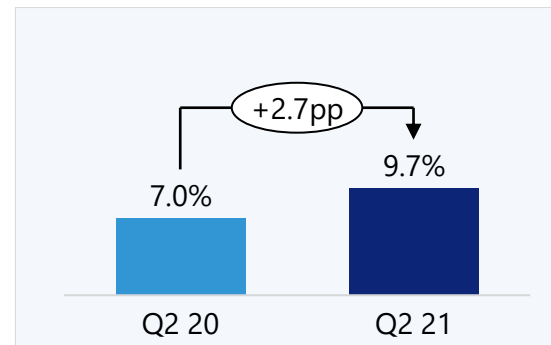
Revenues (m€)



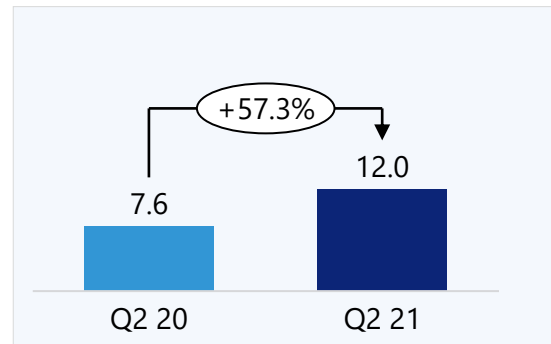
Pro forma gross profit (m€)



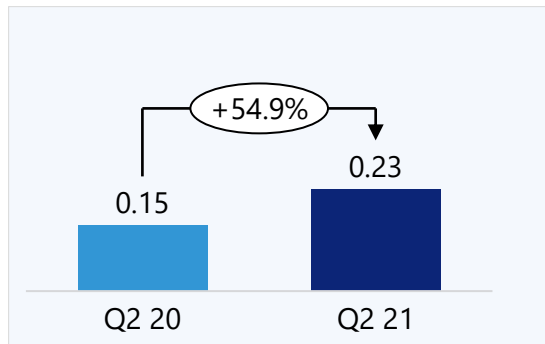
Pro forma operating income (%)



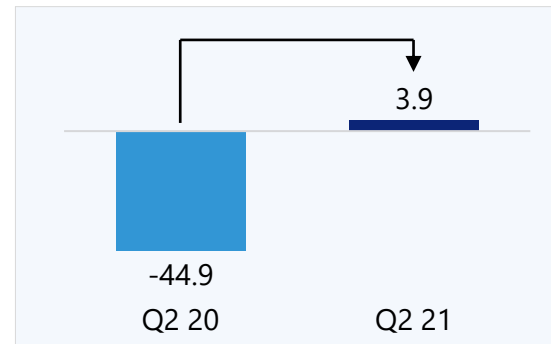
Net income (m€)



Diluted EPS (€)



Net cash (m€)\*

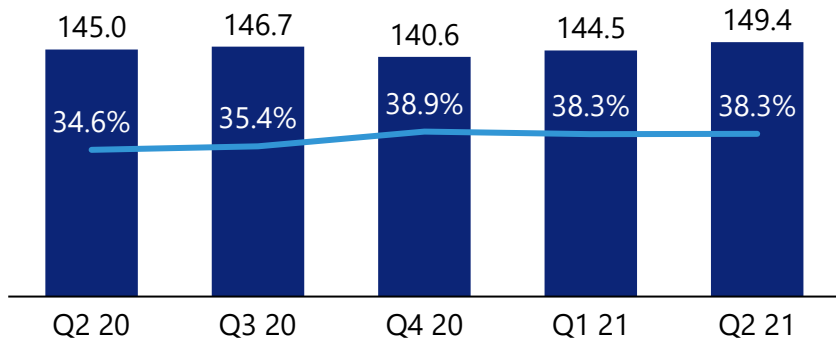


\*Note: Financial debt Q2 2021 includes EUR 25.9 million lease liabilities due to IFRS 16 (Q2 20: EUR 30.7 million)

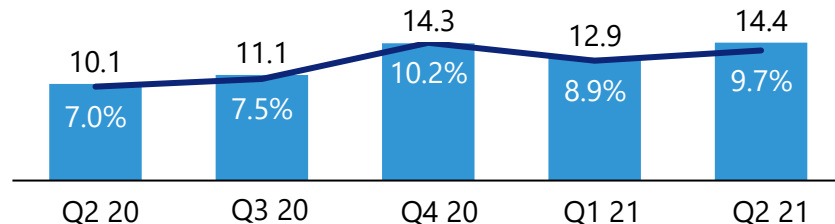
# IFRS vs US GAAP comparison (pro forma)

(in millions of EUR, in % of revenues)

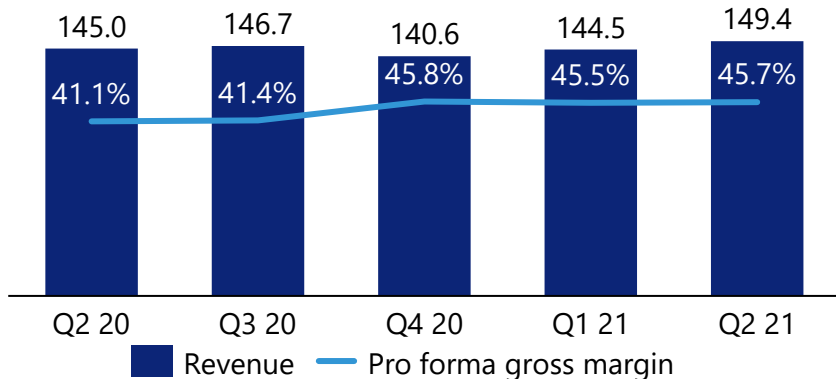
## Revenue & pro forma gross margin (IFRS)



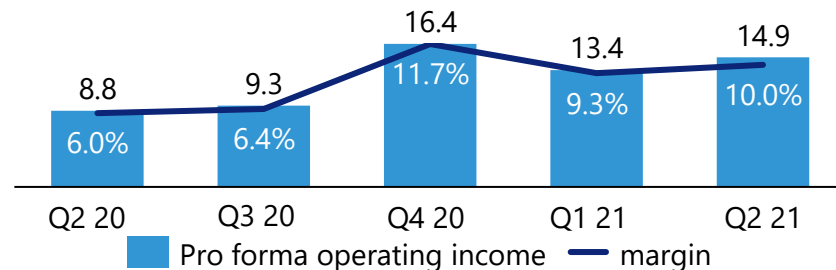
## Pro forma operating income & margin (IFRS)



## Revenue & pro forma gross margin (US GAAP)

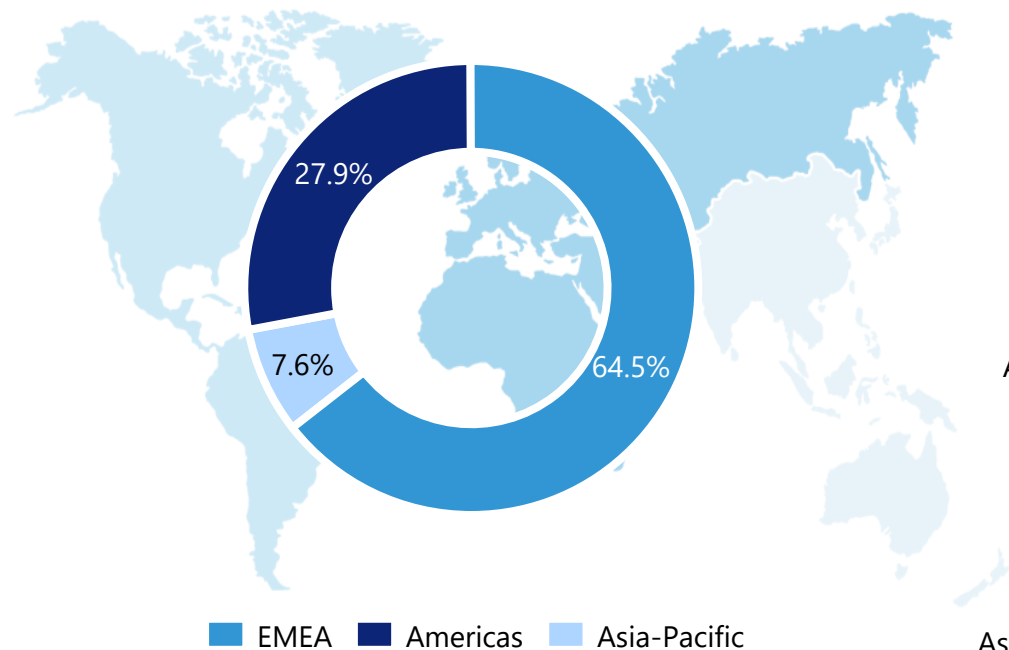


## Pro forma operating income & margin (US GAAP)

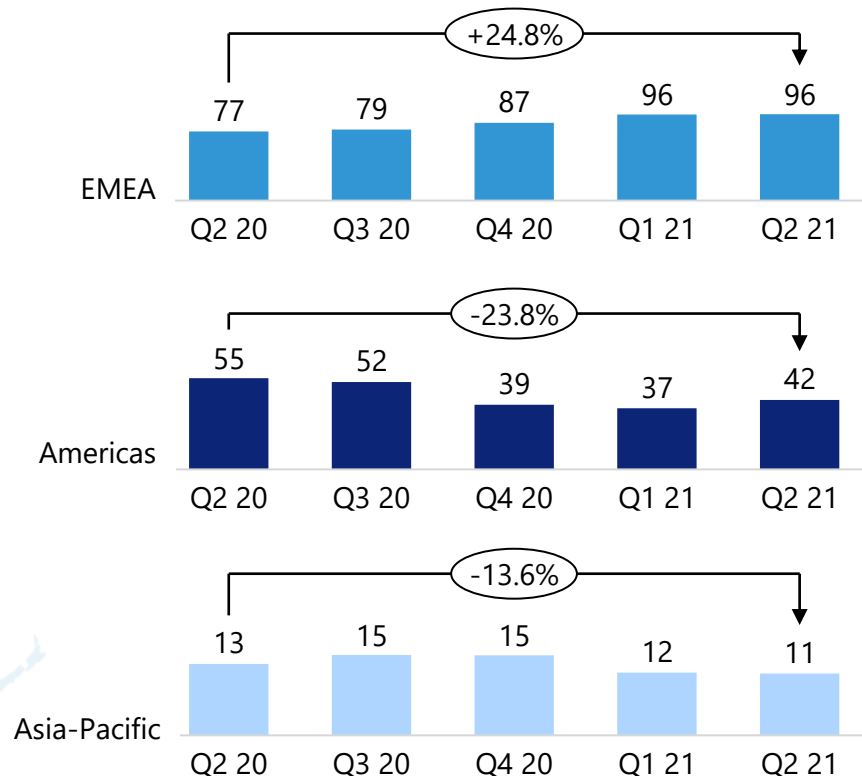


# Regional revenue development Q2 2021

Revenue Split Q2 2021 (%)



Revenue development per region Q2 20 – Q2 21 (m€)

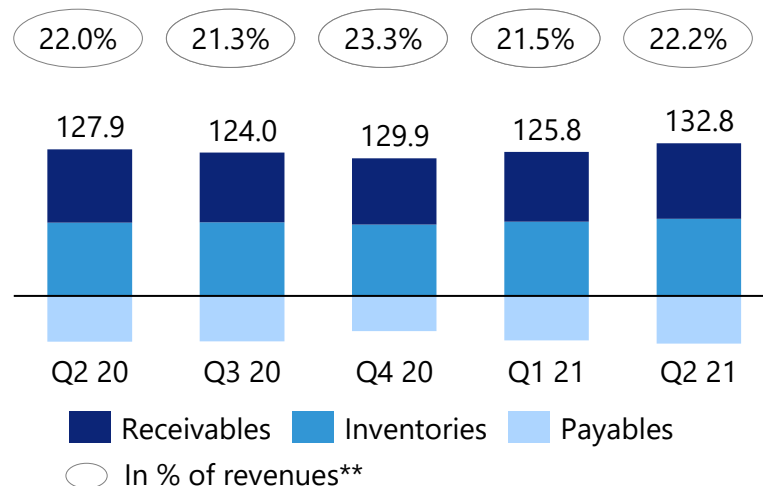


# Cash flow and balance sheet

## Cash flow breakdown (m€)

	Q2	
	2020	2021
Earnings before taxes	8.8	12.4
Depreciation & Amortization	16.4	17.7
Increase (-) / decrease (+) in working capital	6.4	-6.7
Increase (-) / decrease (+) in other items	6.2	8.3
<b>Operating Cash Flow</b>	<b>37.8</b>	<b>31.7</b>
R&D	-10.8	-10.4
Other investing cash flow	-3.6	-6.8
<b>Investing Cash Flow</b>	<b>-14.4</b>	<b>-17.2</b>
<b>Free Cash Flow</b>	<b>23.4</b>	<b>14.6</b>
Gross cash end of period	67.6	85.0
Net debt (-) / net cash (+) end of period	-44.9	3.9

## Working capital development (m€; %)



Equity ratio

53.8%

Leverage LTM\*\*\*

0.5x

ROCE YTD

13.0%

\* Potential differences due to rounding

\*\* 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.



# Outlook

FY 2021

Revenues (m€)

**580m – 610m**

Pro forma operating income (%)

**7.0% – 10.0%**

Supported by:

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**Market opportunity is expanding**

Digitalization – deglobalization – data security



**Technologies are perfectly aligned**

Open optical networks – programmable edge cloud – synchronization



**Business transformation progressing**

Software & services – non-telco expansion – verticalization



# Thank you

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