



Earnings call presentation

Q3 2021

October 21, 2021

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 2020.

CONSOLIDATED PRO FORMA FINANCIAL RESULTS

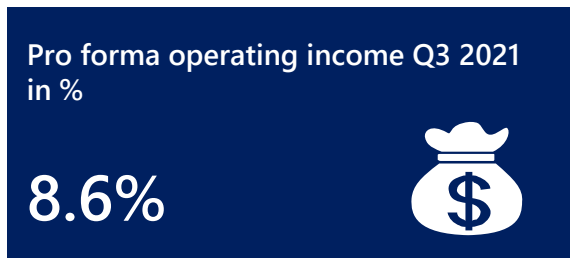
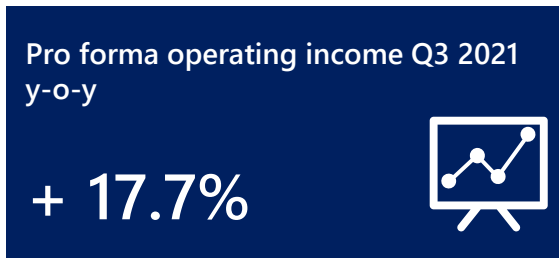
ADVA provides consolidated pro forma financial results in this presentation solely as supplemental financial information to help investors and the financial community make meaningful comparisons of ADVA’s operating results from one financial period to another. ADVA believes that these pro forma consolidated 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. Additionally, expenses related to M&A and restructuring measures are not included. These line items 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 2021 financial highlights



Solid demand, growth and profitability

Q3 business highlights



Solid demand

- Good order flow from all regions
- Record-level backlog

RedIRIS taps ADVA and SIA to upgrade national research network

21 September 2021

Challenging supply

- High inventories and longer lead times
- Uncertainty remains high
- Expect challenges to extend well into 2022

Business transformation

- Continued success in security first networks
- uCPE and Smart-WAN progressing
- New transceiver modules launching Q1'22

ADVA leads AI-NET-PROTECT project to build resilient and secure private networks

07 September 2021

We keep fighting hard to overcome supply challenges – order backlog increasing

Unprecedented market opportunity at the edge



Digital transformation accelerated by pandemic



U.S. federal stimulus legislation



FCC's rural digital opportunity fund (RDOF)



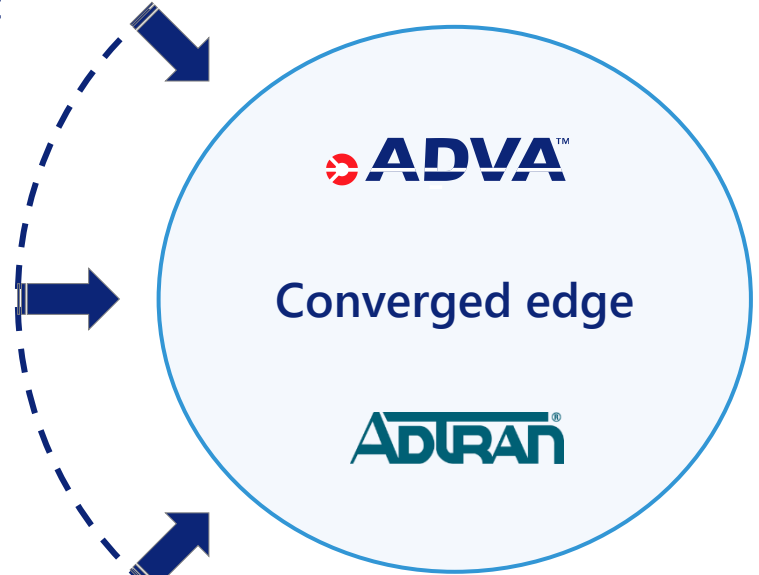
Ongoing shift by CSPs to western suppliers



5G deployments





Upgrade cycle driven by hybrid working environments



Investment cycle drives new requirements and convergence

Requirements for the converged edge

Cloud-based, comprehensive network optimization and assured service delivery

AI-driven network orchestration, management and optimization  

Seamless service offerings

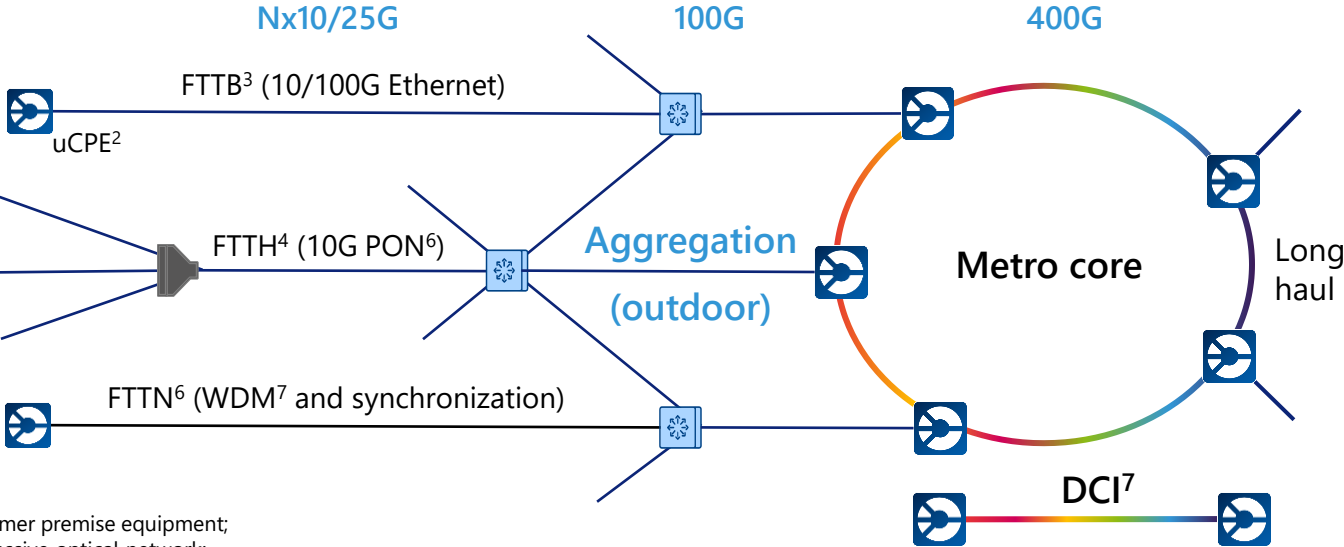
Enterprise multi-VNF¹ edge cloud



Cloud-managed Mesh Wi-Fi 6



Mobile X-haul and wholesale



1) virtual network function; 2) universal customer premise equipment; 3/4/5) fiber to the building/home/node; 6) passive optical network; 7) wavelength division multiplexing; 8) data center interconnect;

Open and disaggregated from the premise to the metro core

Next steps



1	File S-4 and proxy statement (US)	On-File
2	File offer document and listing prospectus (Germany)	October
3	ADVA exchange offer acceptance period and ADTRAN shareholder vote	Q4 2021 / Q1 2022
4	Closing*	Q2 2022 / Q3 2022

*) Subject to receipt of required regulatory approvals and other customary closing conditions

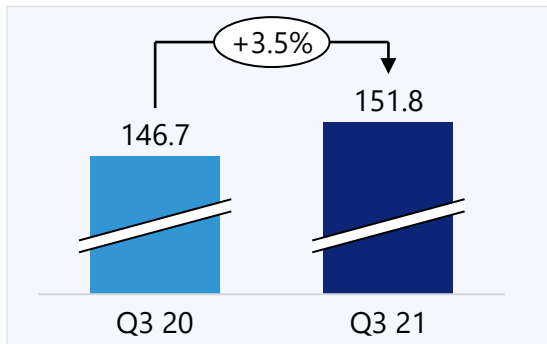


Financial performance

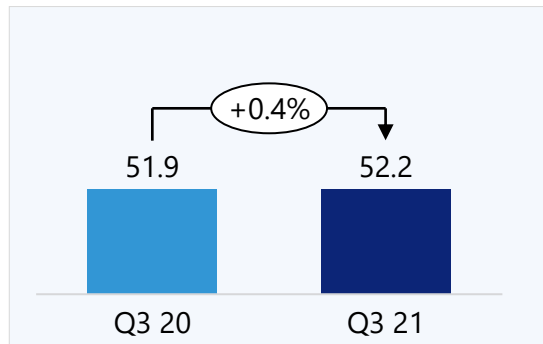
Ulrich Dopfer, CFO

Q3 2021 key financials

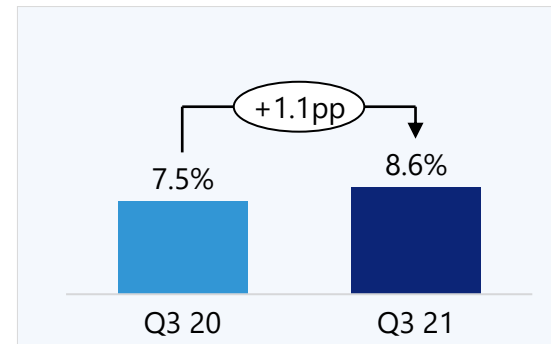
Revenues (m€)



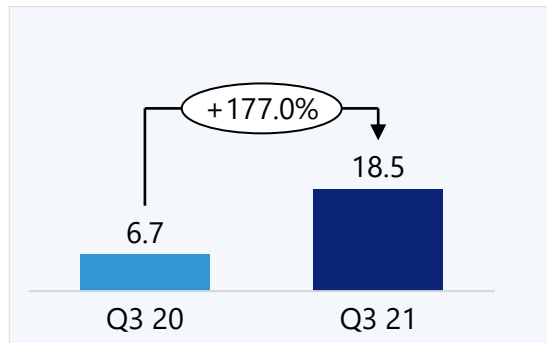
Pro forma gross profit (m€)



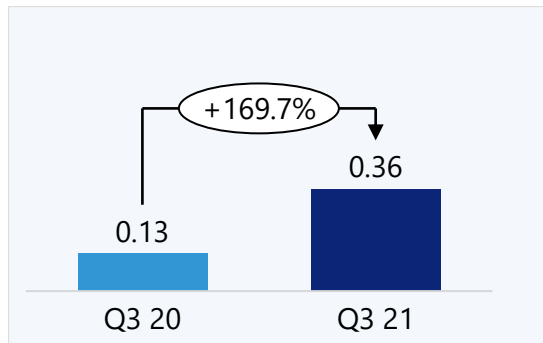
Pro forma operating income (%)



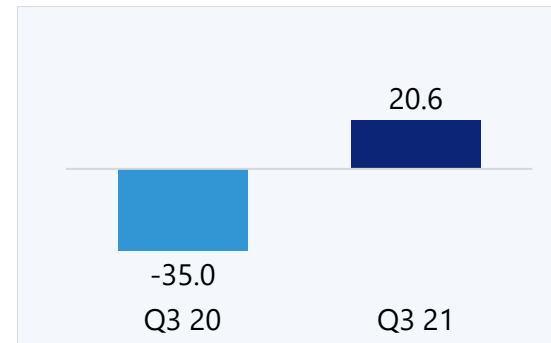
Net income (m€)



Diluted EPS (€)



Net cash (m€)*

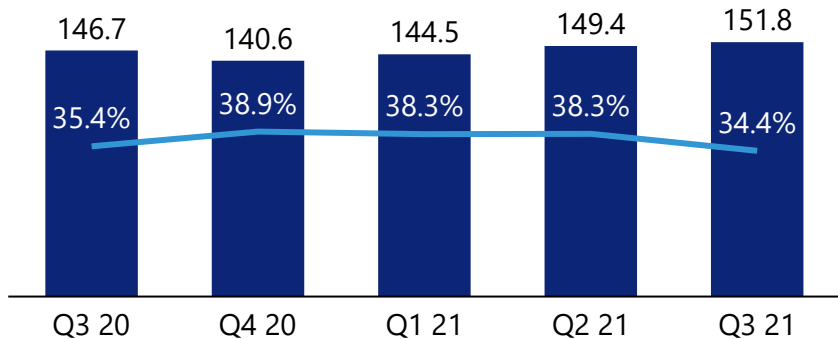


*Note: Financial debt Q3 2021 includes EUR 26.6 million lease liabilities due to IFRS 16 (Q3 20: EUR 29.6 million)

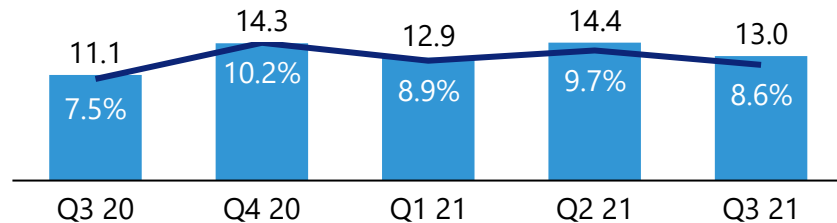
IFRS vs US GAAP comparison (pro forma)

(in millions of EUR, in % of revenues)

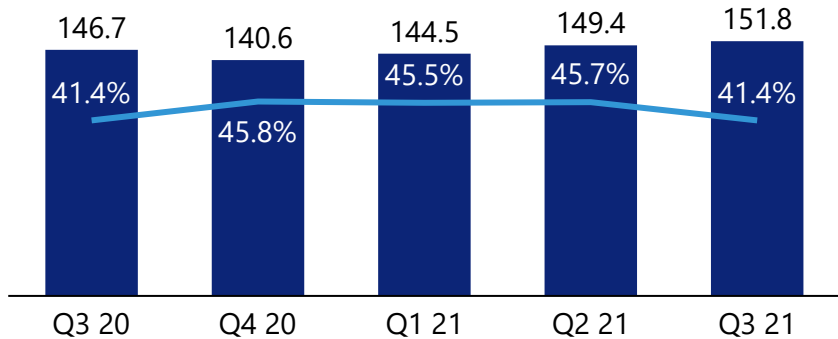
Revenue & pro forma gross margin (IFRS)



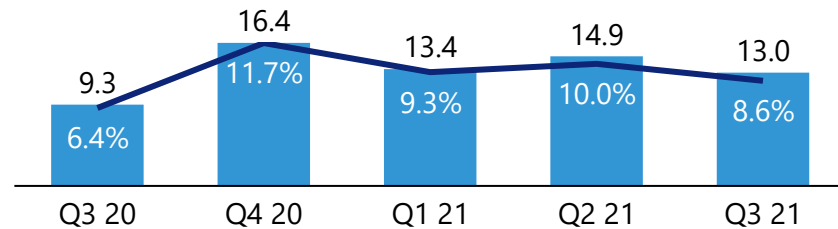
Pro forma operating income & margin (IFRS)



Revenue & pro forma gross margin (US GAAP)



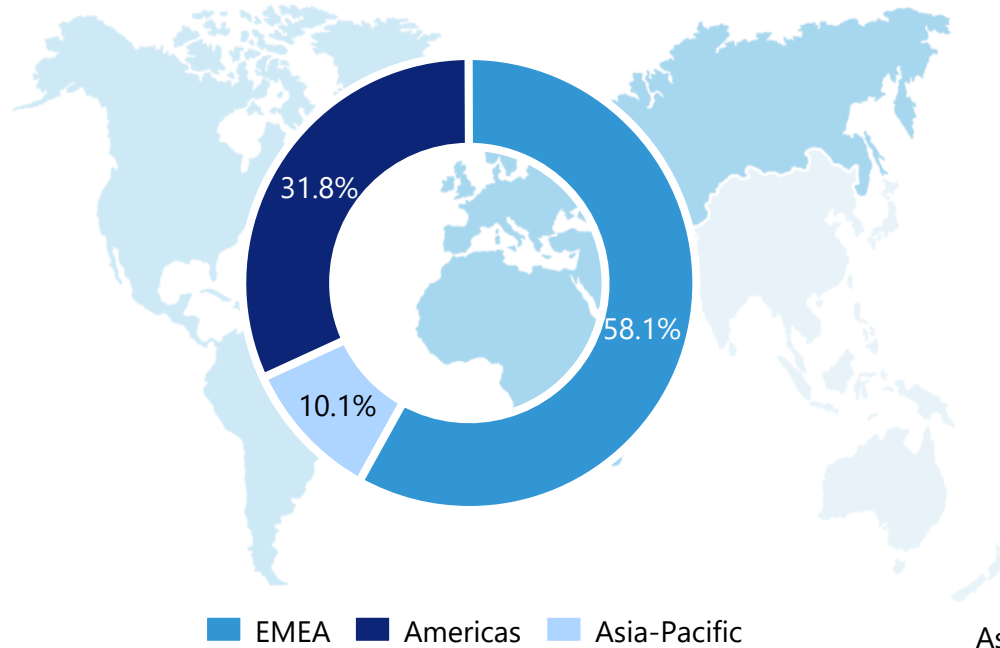
Pro forma operating income & margin (US GAAP)



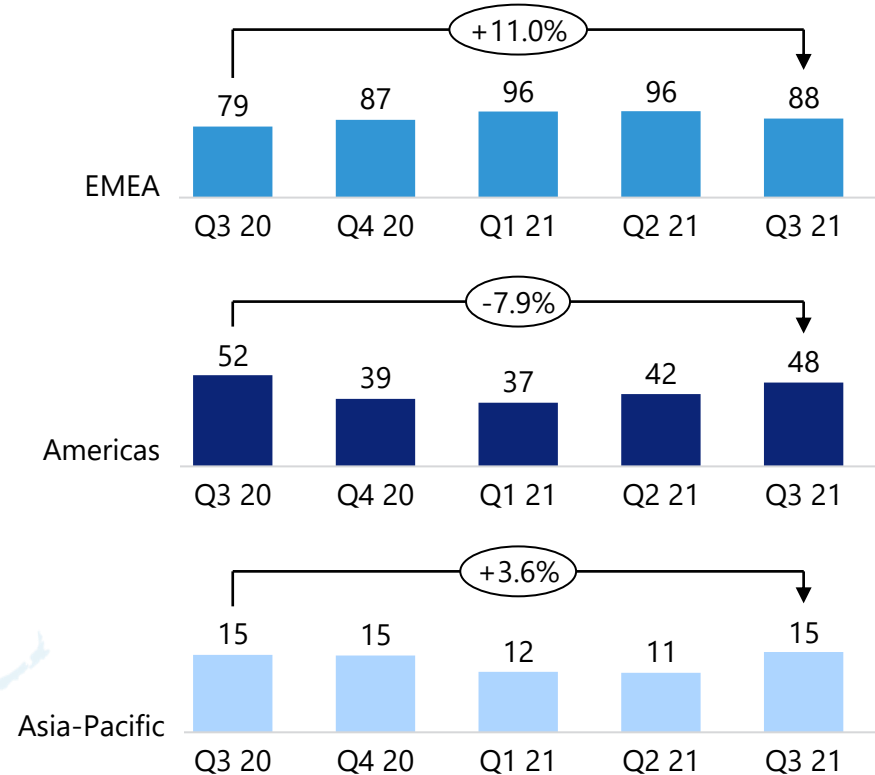
■ Revenue — Pro forma gross margin

Regional revenue development Q3 2021

Revenue split Q3 2021 (%)



Revenue development per region Q3 20 – Q3 21 (m€)

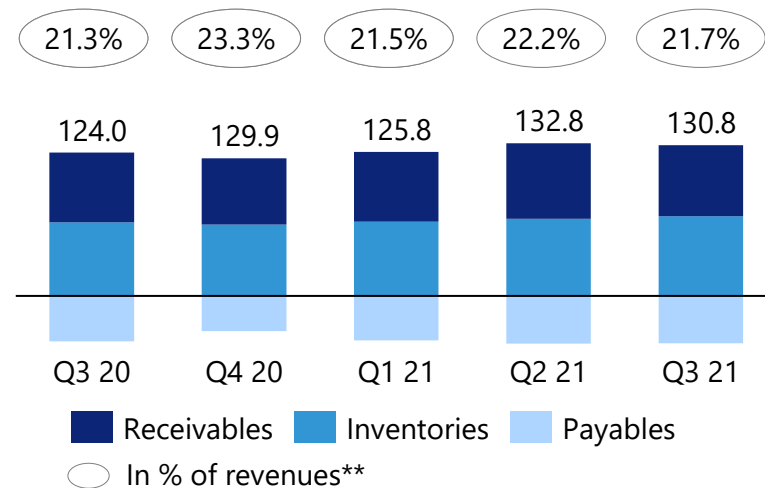


Cash flow and balance sheet

Cash flow breakdown (m€)

	Q3	
	2020	2021
Earnings before taxes	7.7	9.7
Depreciation & Amortization	15.6	17.5
Increase (-) / decrease (+) in working capital	3.9	2.0
Increase (-) / decrease (+) in other items	-2.1	-0.8
Operating cash flow	25.1	28.4
R&D	-10.5	-10.6
Other investing cash flow	-3.4	-4.5
Investing cash flow	-13.9	-15.1
Free cash flow	11.2	13.3
Gross cash end of period	68.3	100.5
Net debt (-) / net cash (+) end of period	-35.0	20.6

Working capital development (m€; %)



Equity ratio

56.7%

Leverage LTM***

0.5x

ROCE YTD

11.9%

* 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:



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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