



# Earnings call presentation

Q4 and FY 2021 financial results

February 24, 2022

# 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 2021.

## 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

# Q4 and full year 2021 highlights

Revenues Q4 2021  
y-o-y

+ 12.2%



Revenues FY 2021  
y-o-y

+ 6.8%



Net promoter score FY 2021

48%



Pro forma EBIT Q4 2021  
in %

9.1%



Pro forma EBIT FY 2021  
y-o-y

+ 61.5%



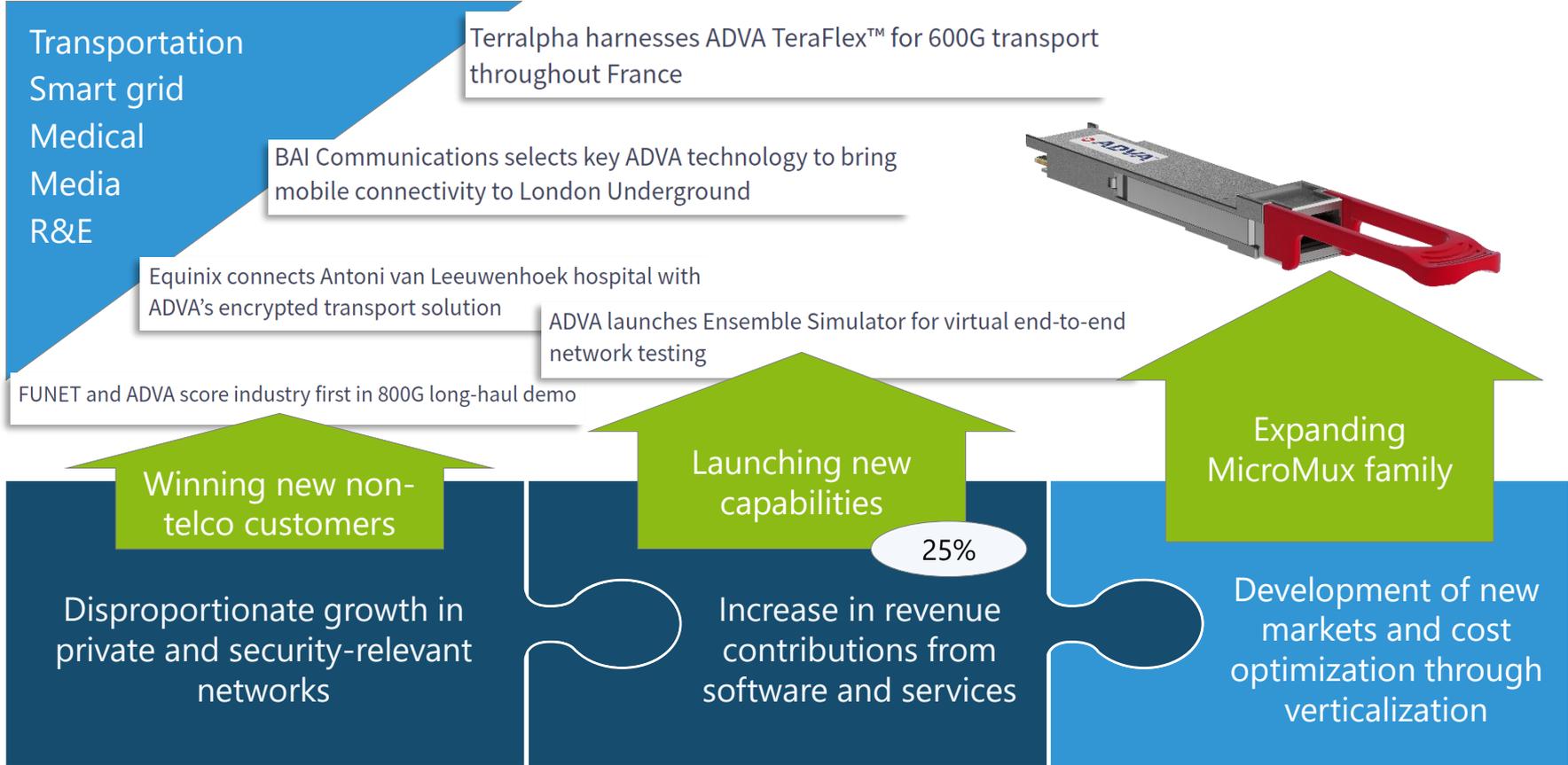
Net cash FY 2021  
y-o-y

+ 61.7m



Record level revenues, profitability and cash generation

# Business transformation update



# 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

# Our vision for the converged edge

## Orchestration

Seamless service creation

- Residential, WFH and business
- Assured wholesale, X-haul and edge cloud

Unified access infrastructure

- Multi-generation PON incl. meshed WiFi6
- Packet, OTN and edge compute (iTemp)

Scalable edge transport

- Programmable open line systems (OLS)
- Packet optical terminals with pluggable optics

End-to-end security

- ConnectGuard networking encryption

Assured precision timing

- Industry-leading network synchronization

Open  
Disaggregated  
Cloud-native  
End-to-end  
SaaS

Most comprehensive solution set for the industry's most interesting market space

# ADTRAN+ADVA is strongly positioned to capitalize on momentum in the converged edge

## Significant cross-sell opportunities

- ✓ Complementary geographic focus with ADVA's strong EMEA presence and ADTRAN's strong US presence
- ✓ Gaining strategic vendor status with certain carrier relationships will create new opportunities
- ✓ Comprehensive solution will increase win-rate

~\$60M – \$120M+  
potential revenue synergies <sup>1)</sup>

## Increased scale to accelerate R&D innovation

- ✓ Enhances scale and improves ability to compete against other fiber networking vendors
- ✓ Optimization expected with combination of R&D processes
- ✓ Greater ability to focus on SW / virtualization and monetization

~\$240M+  
combined R&D spend

## Operational efficiencies from well-defined cost synergies

- ✓ Compelling cost synergies
- ✓ Significant supply chain efficiencies and optimization of the operating model
- ✓ Improved profitability

~\$52M+  
cost synergies

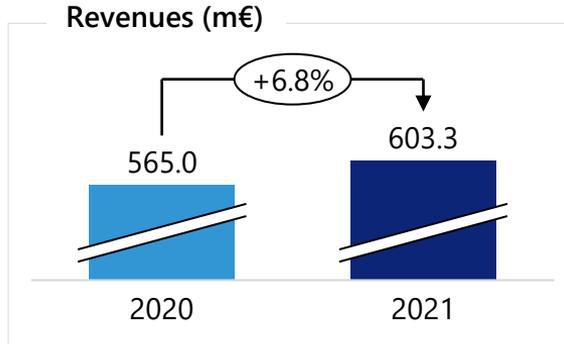
(1) Approximately 5% – 10% of combined revenues.



# Financial performance

Ulrich Dopfer, CFO

# Financial year 2021 at a glance



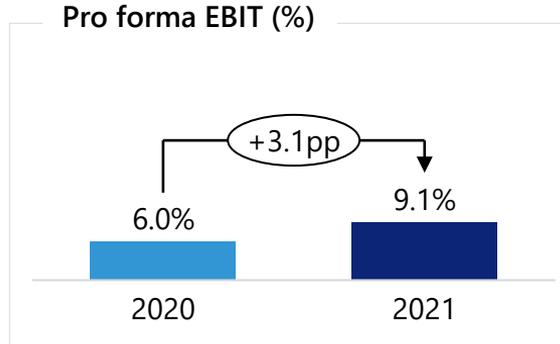
Revenues increased +6.8% y-o-y ...

- Strong demand with record order-backlogs
- Sequential growth of revenues despite supply chain challenges
- Growth driven by CSP's and enterprise customers

**Target 2021**

EUR 580m – 610m

603.3



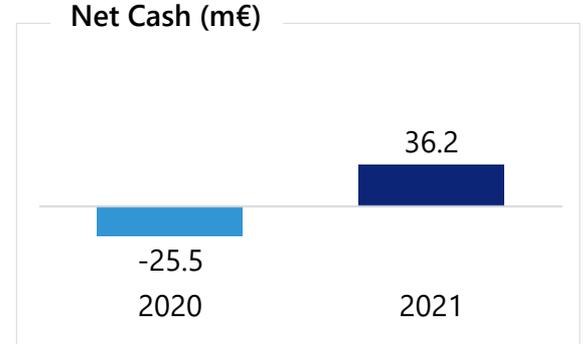
... with a margin at the upper end of guidance range

- Favourable customer and product mix with strict cost control helped to compensate for higher purchasing costs
- Pandemic driven less travel and marketing expenses

**Target 2021**

7.0% – 10.0%

9.1%



Net Cash significantly increased by EUR 61.7m y-o-y

- Free cash flow generation of EUR 59m (2020: EUR 38.8 m)
- Scheduled repayments of EUR 15m
- Very flexible balance sheet with a cash position EUR 109.0m

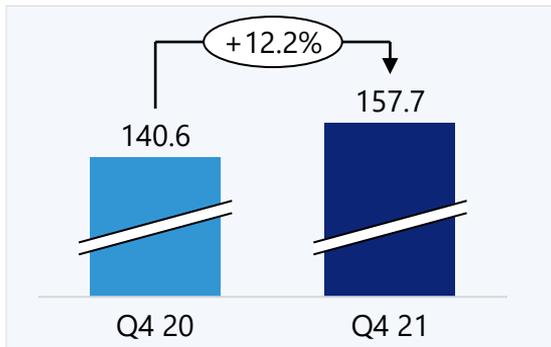
**Target 2021**

Net Debt to be in the single-digit million range

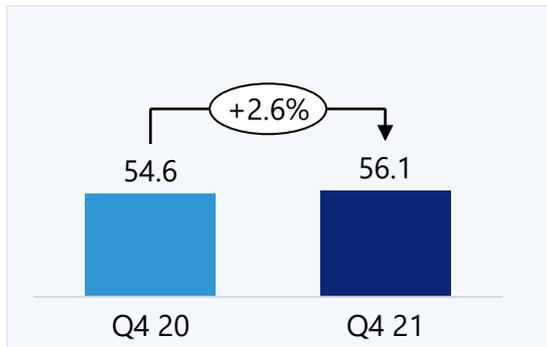
Net Cash  
EUR 36.2m

# Q4 2021 key financials

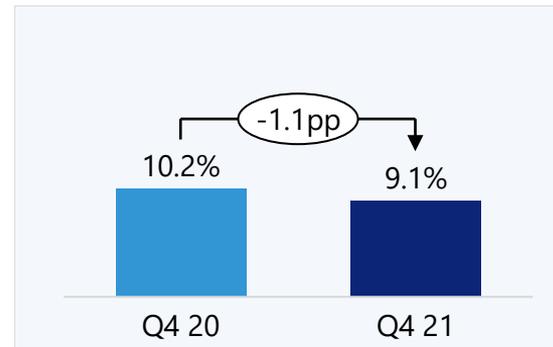
## Revenues (m€)



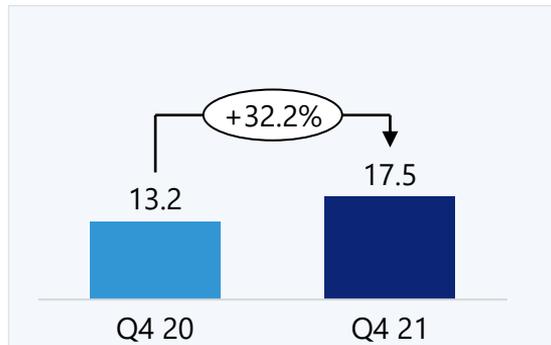
## Pro forma gross profit (m€)



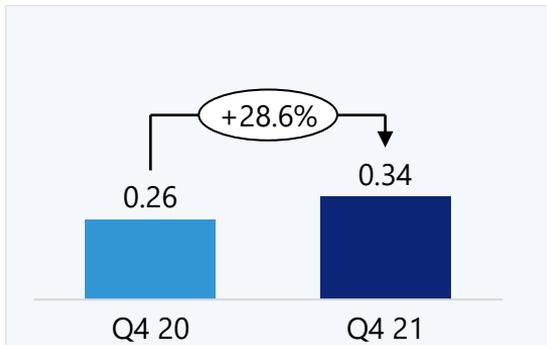
## Pro forma EBIT (%)



## Net income (m€)



## Diluted EPS (€)



## Net cash (m€)\*

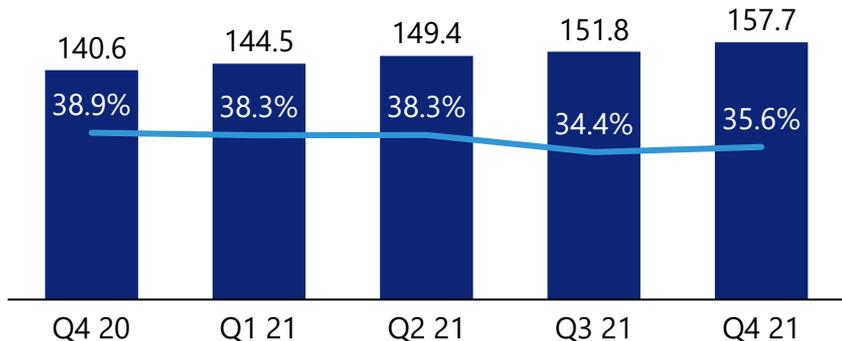


\*Note: Net debt Q4 2021 includes EUR 25 million lease liabilities due to IFRS 16 (Q4 20: EUR 27.8 million)

# IFRS vs US GAAP comparison (pro forma)

(in millions of EUR, in % of revenues)

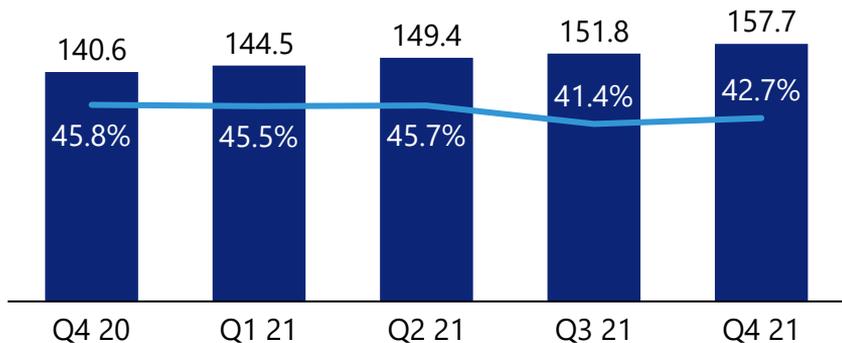
## Revenue & pro forma gross margin (IFRS)



## Pro forma EBIT & margin (IFRS)



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

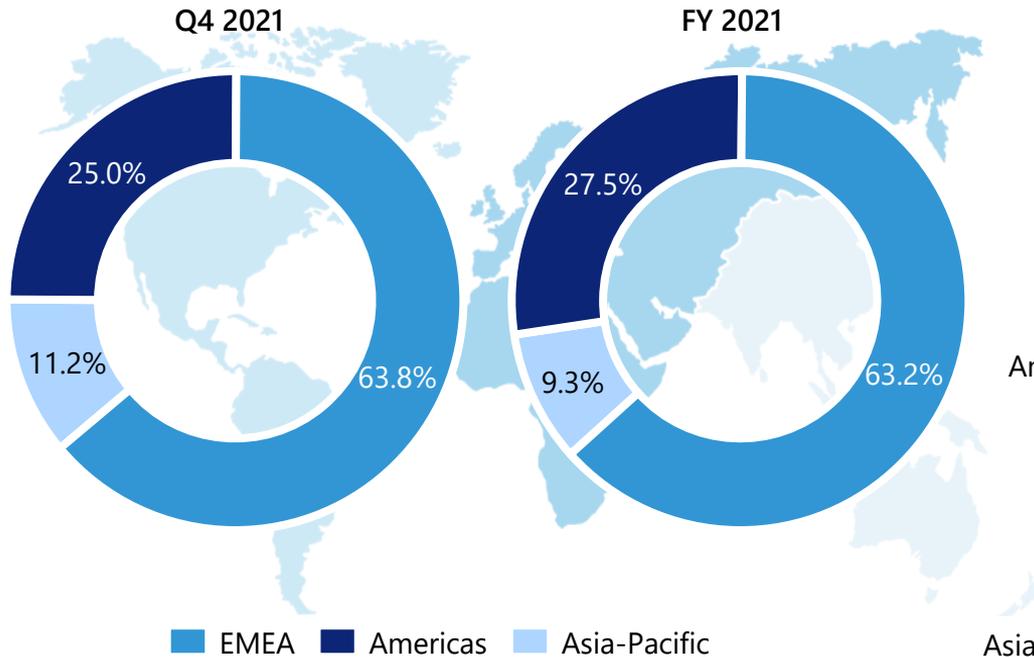


## Pro forma EBIT & margin (US GAAP)

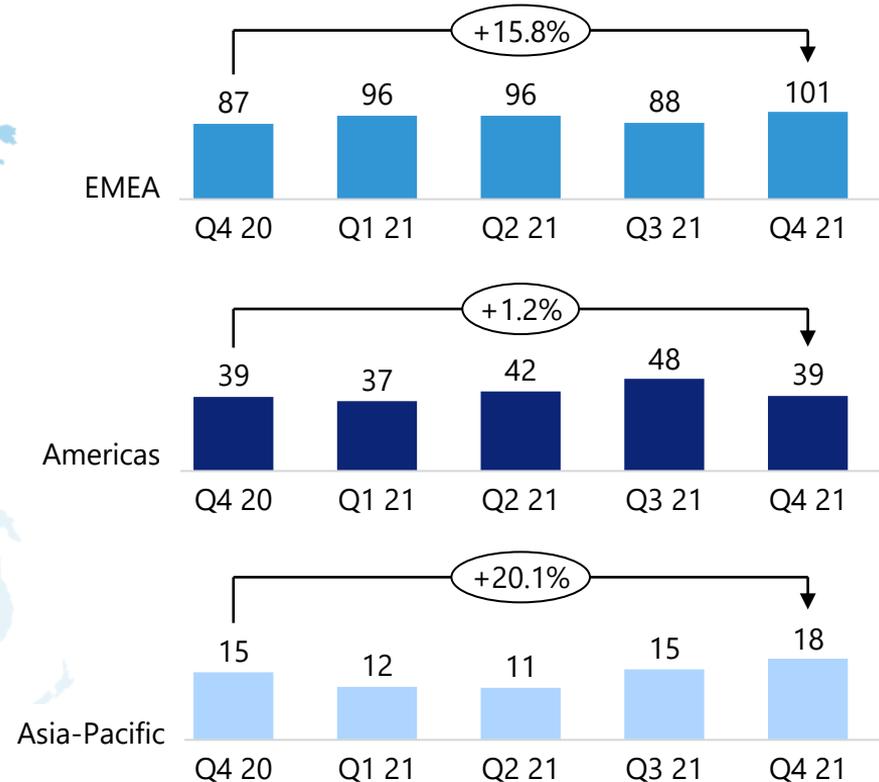


# Regional revenue development Q4 & FY 2021

Revenue split 2021 (%)



Revenue development per region Q4 20 – Q4 21 (m€)

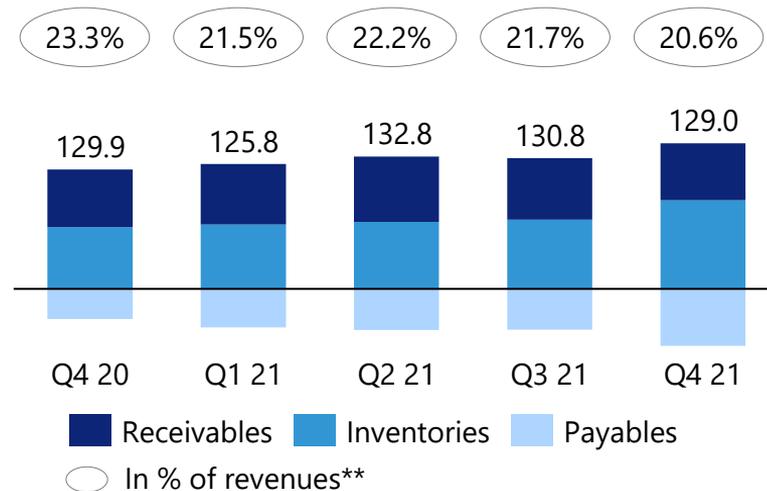


# Cash flow and balance sheet

## Cash flow breakdown (m€)\*

	Q4		Financial Year	
	2021	2020	2021	2020
Earnings before taxes	12.3	14.2	46.2	24.8
Depreciation & Amortization	18.3	16.8	70.4	65.1
Change in working capital	1.8	-5.7	1.2	-1.5
Other changes	3.3	-2.3	5.5	8.7
<b>Operating Cash Flow</b>	<b>35.7</b>	<b>23.0</b>	<b>123.3</b>	<b>97.1</b>
R&D	-11.6	-7.6	-42.5	-40.0
Other investing cash flow	-8.1	-5.0	-21.8	-18.4
<b>Investing Cash Flow</b>	<b>-19.7</b>	<b>-12.6</b>	<b>-64.3</b>	<b>-58.4</b>
<b>Free Cash Flow</b>	<b>16.0</b>	<b>10.4</b>	<b>59.0</b>	<b>38.8</b>
Gross cash end of period			109.0	64.9
Net cash end of period			36.2	-25.5

## Working capital development (m€; %)



Equity ratio

56.5%

Leverage LTM\*\*\*

0.4x

ROCE YTD

11.7%

\* 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 2022

Revenues (m€)

650m – 700m

Pro forma EBIT (%)

6% – 10%

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Supported by:



**Business transformation strategy successfully implemented**

Non-telco expansion – software & services – verticalization



**A unique investment cycle for communications networks**

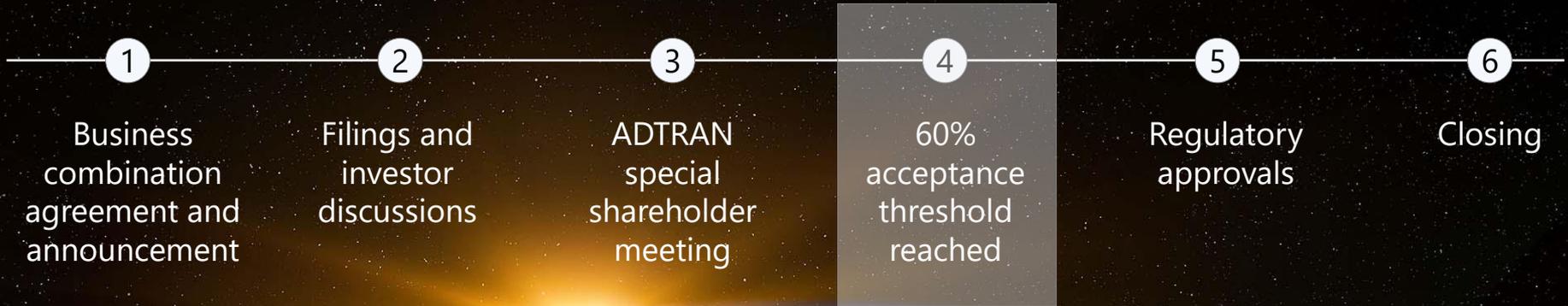
Digitalization – government stimulus – network security



**Technologies well aligned**

Cloud, mobility, 5G, automation and security for mission critical infrastructure

# Road to business combination with ADTRAN





# Thank you

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