



Earnings call presentation

Q1 2022 financial results

April 28, 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

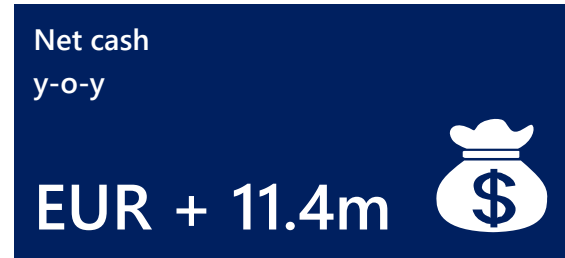
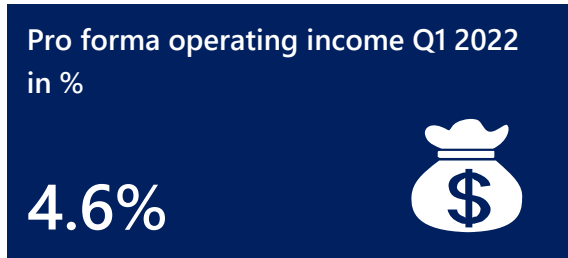
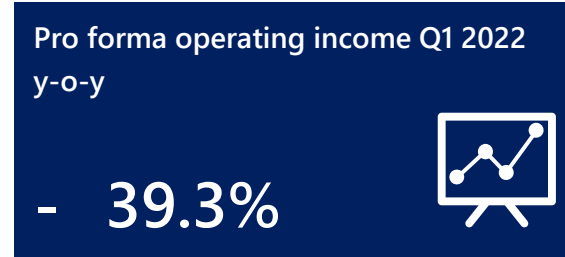
ADVA provides consolidated pro forma financial results in this presentation solely as supplemental financial information to help investors and the financial community make meaningful comparisons of ADVA’s operating results from one financial period to another. ADVA believes that these pro forma consolidated 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

Q1 2022 financial highlights



Strong quarter, solid demand but also supply challenges continue

Innovation supporting our business transformation



Ensemble network management and control

Synchronization:

- GNSS assurance software
- Optical Cesium clock, first in Japan

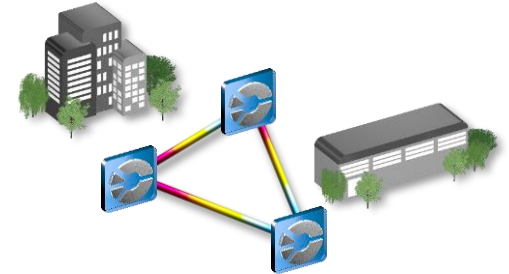
Communication service providers

Scalable metro/core transport
5G x-haul
FTTx backhaul

Service delivery and assurance

Verticalization:

- MicroMux Edge BiDi for mobile x-haul



Enterprise networks

Business continuity
Trusted network infrastructure

Security:

- Post-quantum secure transport for power utilities

Open edge networking – trusted network infrastructure

Innovation for the converged edge

Cloud-based, comprehensive network optimization and assured service delivery



AI-driven insights, orchestration and optimization



Enterprise multi-VNF edge cloud



uCPE

FTTB* (10/100G Ethernet)

Cloud-managed Mesh Wi-Fi 6



FTTH* (10G PON)

Mobile X-haul and wholesale



FTTN* (WDM and synchronization)

*Fiber to the building, home, node

Seamless service offerings

Nx10/25G

100G

400G



Aggregation (outdoor)

Metro core

LH

Open and disaggregated from the premise to the metro core

ADVA Terafactory

State-of-the-art facility in the heart of Europe

- EUR 12.4m investment in Meiningen, partially government funded
- Includes R&D, new product introduction and operations
- SmartLogistics and SmartManufacturing supported by our own ADVA campus 5/6G network and solar power



Sharpening our profile as
trusted supplier

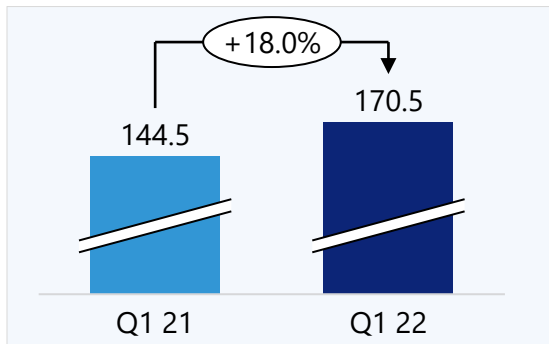


Financial performance

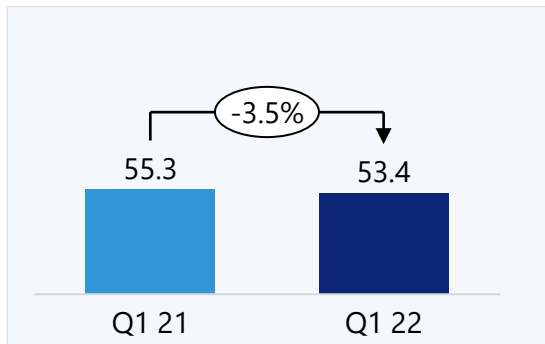
Ulrich Dopfer, CFO

Q1 2022 key financials

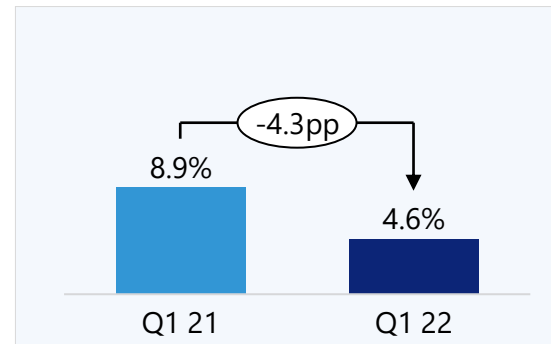
Revenues (m€)



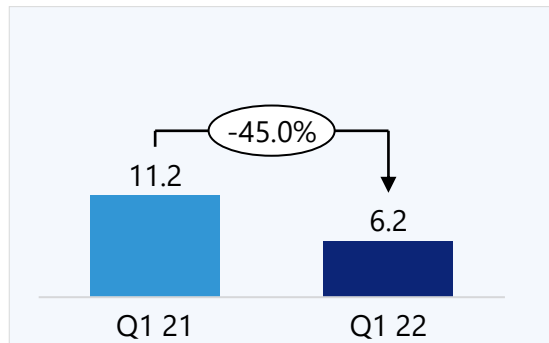
Pro forma gross profit (m€)



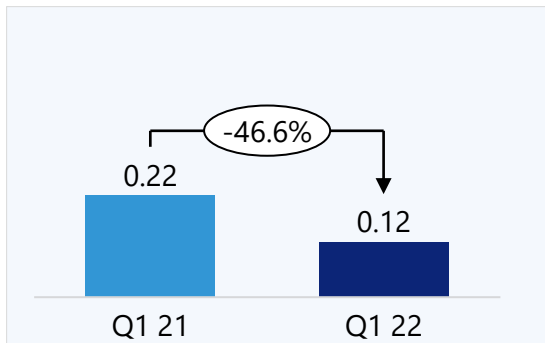
Pro forma EBIT (%)



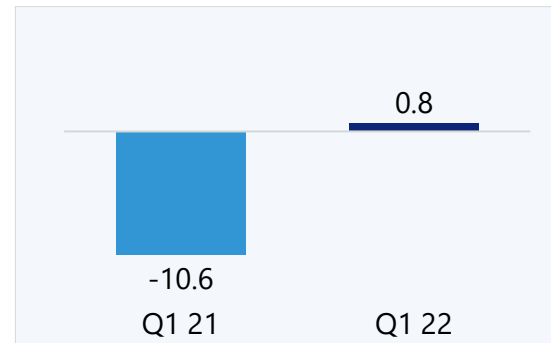
Net income (m€)



Diluted EPS (€)



Net cash (m€)*

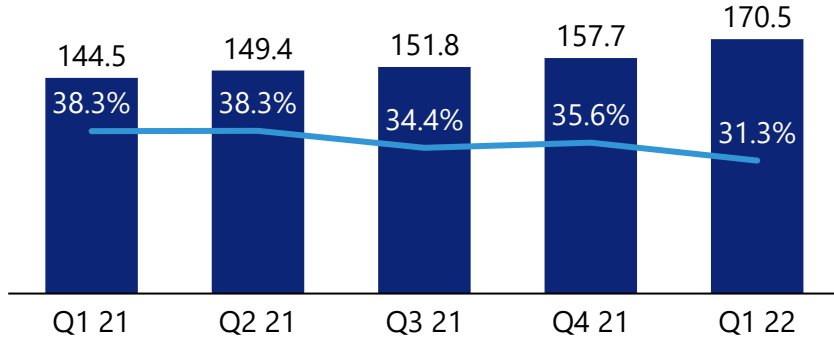


*Note: Net cash Q1 2022 includes EUR 24.4 million lease liabilities due to IFRS 16 (Q1 2021: EUR 27 million)

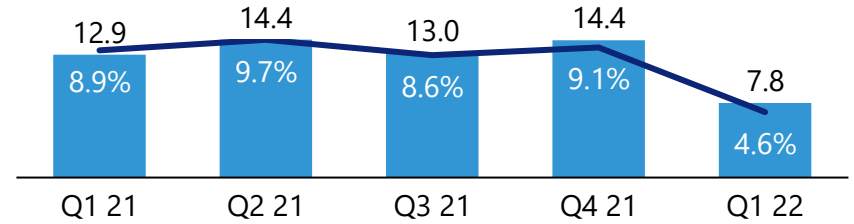
IFRS vs US GAAP comparison (pro forma)

(in millions of EUR, in % of revenues)

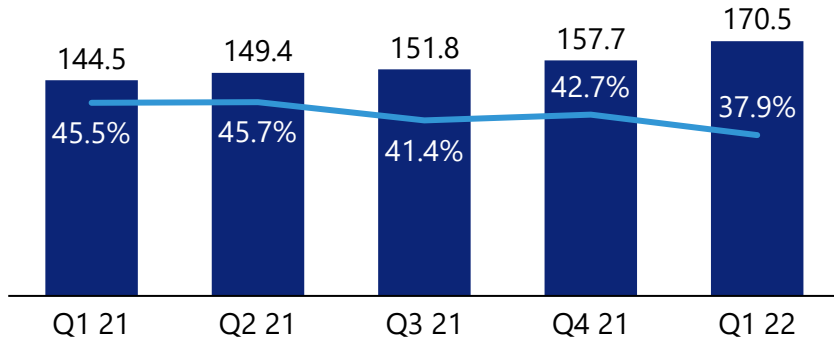
Revenue & pro forma gross margin (IFRS)



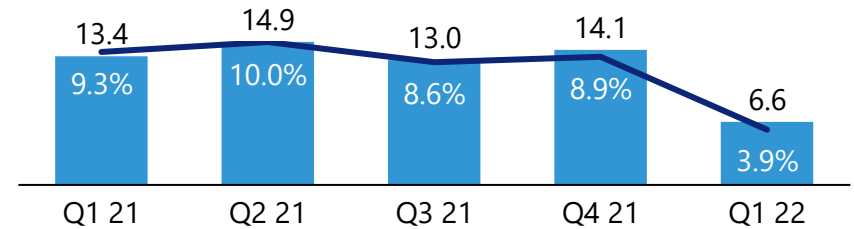
Pro forma EBIT & margin (IFRS)



Revenue & pro forma gross margin (US GAAP)

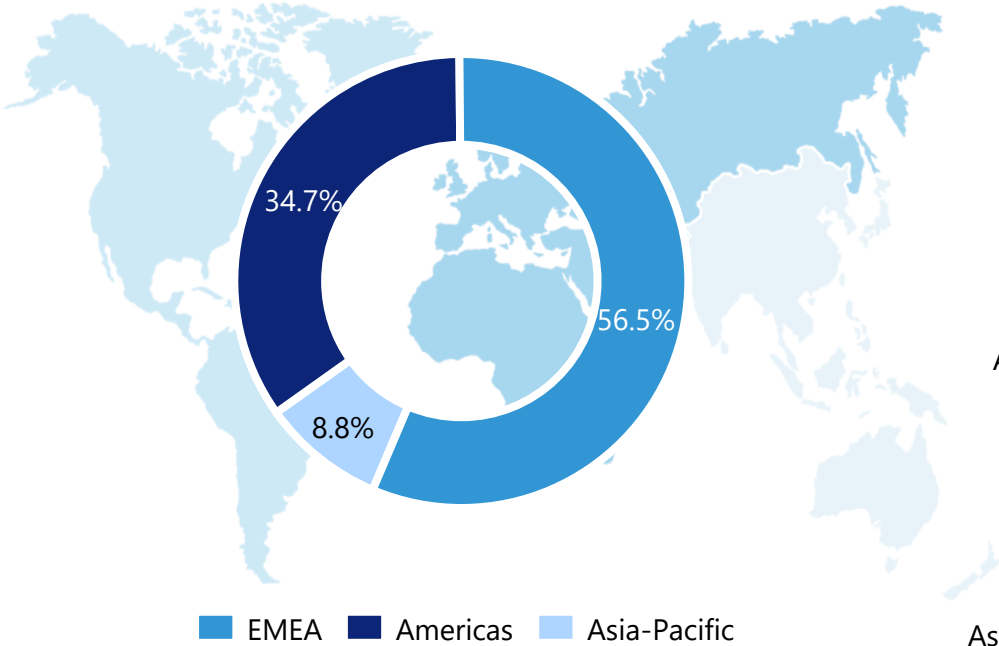


Pro forma EBIT & margin (US GAAP)

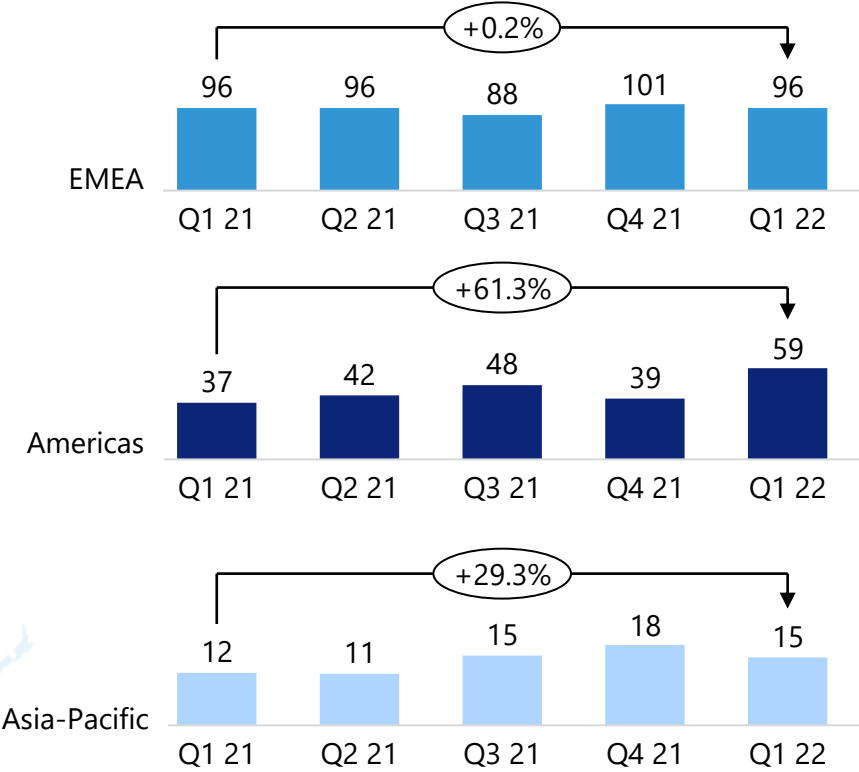


Regional revenue development Q1 2022

Revenue split Q1 2022 (%)



Revenue development per region Q1 21 – Q1 22 (m€)

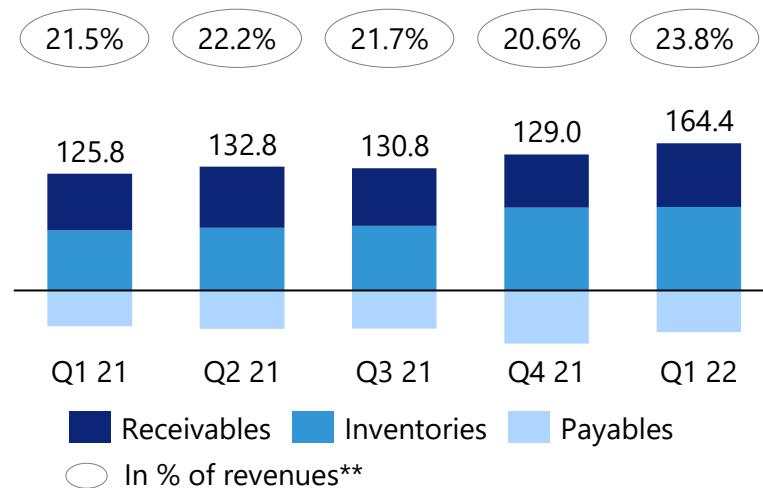


Cash flow and balance sheet

Cash flow breakdown (m€)*

	Q1	
	2021	2022
Earnings before taxes	11.9	6.8
Depreciation & Amortization	17.0	17.9
Increase (-) / decrease (+) in working capital	4.0	-35.4
Increase (-) / decrease (+) in other items	-5.5	-2.0
Operating cash flow	27.4	-12.7
R&D	-9.8	-12.4
Other investing cash flow	-2.5	-9.6
Investing cash flow	-12.3	-22.0
Free cash flow	15.1	-34.8
Gross cash end of period	79.1	73.0
Net cash end of period	-10.6	0.8

Working capital development (m€; %)



Equity ratio

58.9%

Leverage LTM***

0.5x

ROCE LTM

10.0%

* 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 2022

Revenues (m€)

650m – 700m

Pro forma EBIT (%)

6% – 10%

Supported by:



Business transformation strategy successfully implemented

Non-telco expansion – software & services – verticalization



A unique investment cycle for communications networks

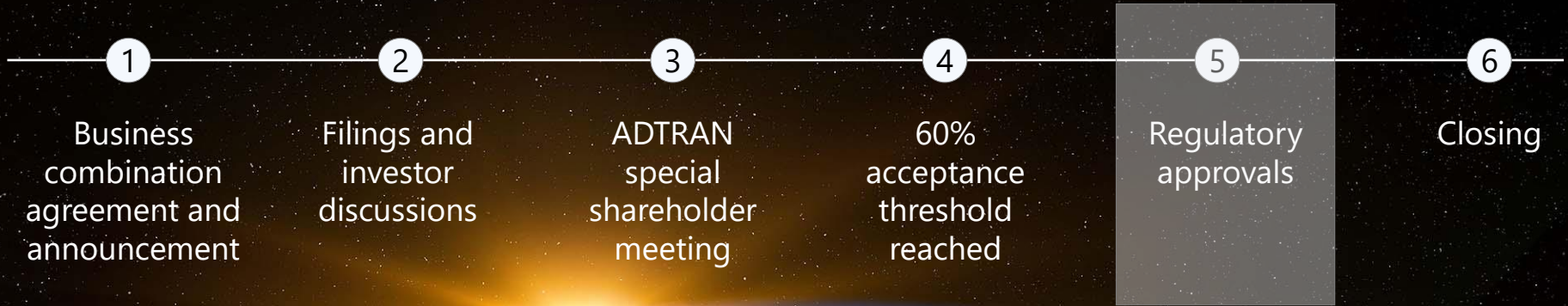
Digitalization – government stimulus – network security



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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