



Earnings call presentation

Q2 2022 financial results

July 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.

A photograph of a modern, multi-story building with a prominent cantilevered roof structure. The building features large glass windows and balconies with metal railings. The sky is blue with scattered white clouds. The foreground shows a green lawn.

Business update and outlook

Brian Protiva, CEO, Christoph Glingener, CTO

Q2 2022 financial highlights

Revenues Q2 2022
y-o-y

+ 11.4%



Revenues 6M 2022

EUR 336.8m



Pro forma EBIT Q2 2022
in %

3.9%



Net Debt Q2 2022

EUR 0.9m



Another good quarter with solid demand and supply challenges

Business transformation update

ADVA launches GPS-backup-as-a-service to help service providers combat GNSS cyberattacks

ADVA and II-VI Incorporated unveil industry's first 100ZR pluggable coherent transceiver for the optical network edge

ADVA plays key role in new QKD projects to accelerate commercial rollout

ADVA simplifies uCPE rollout with industry's first software-as-a-service MANO

ADVA unveils market's first high-performance optical cesium clock

Innovation
leadership on
network security

Disproportionate growth in
private and security-relevant
networks

Launching new
SaaS offerings

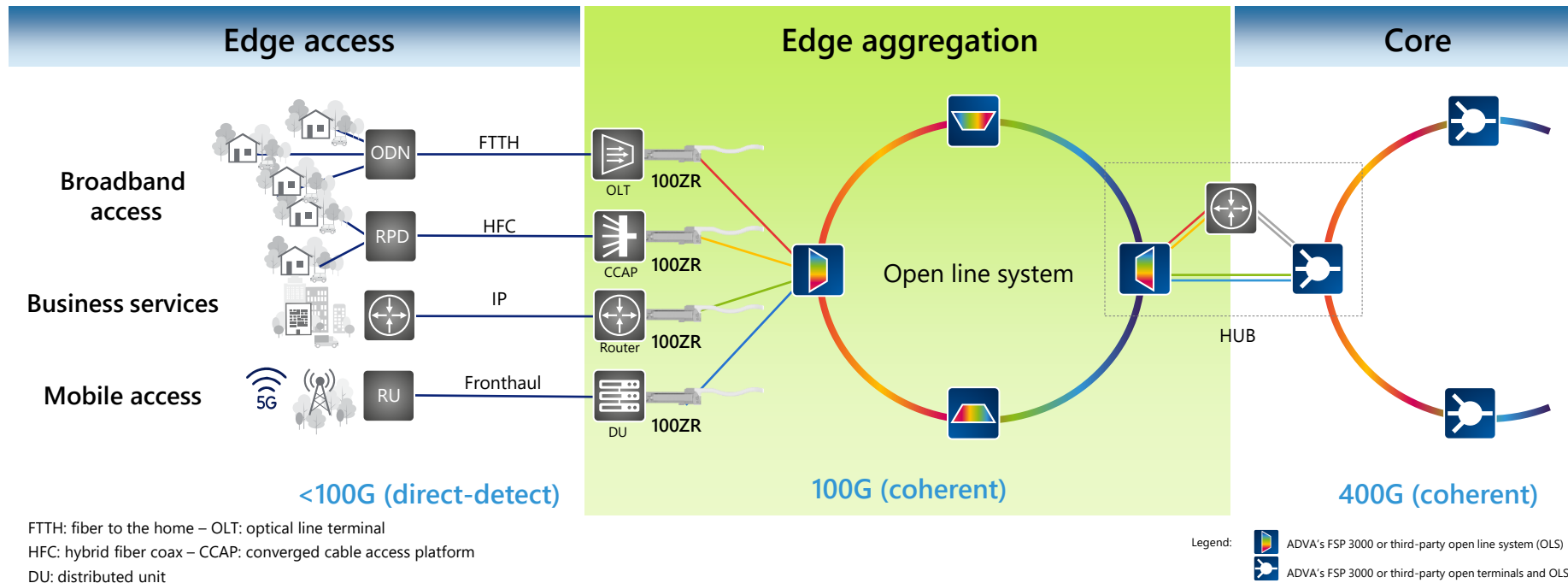
Increase in revenue
contributions from
software and services

Joint development
of DSP and
coherent 100G
transceiver

Development of new
markets and cost
optimization through
verticalization

Coherent 100ZR

A paradigm shift for the optical edge

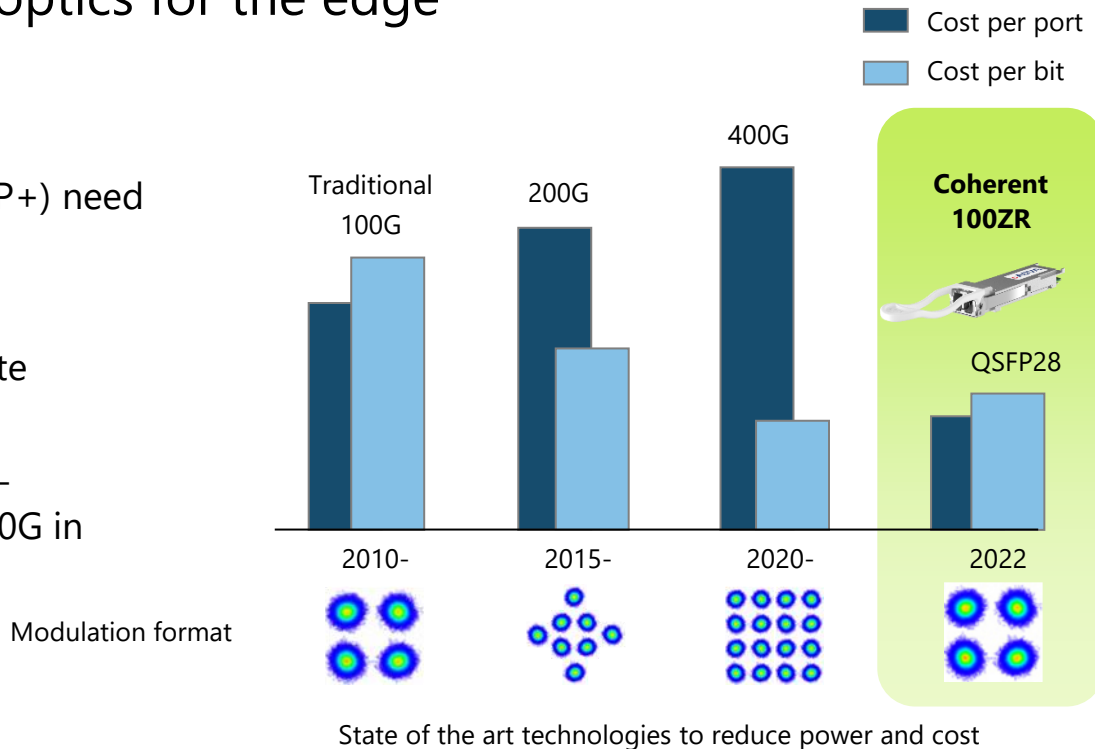


New module enables seamless introduction of 100G coherent waves at the edge

Coherent 100ZR

A new breed of coherent optics for the edge

- Millions of access tails at 10GE (SFP+) need high-speed upgrades
- 100GE (QSFP28) ports will dominate
- 100ZR plug needs optimized price-performance to substitute WDM 10G in volume deployments



100ZR closes the gap between traditional direct-detect (10G) and coherent

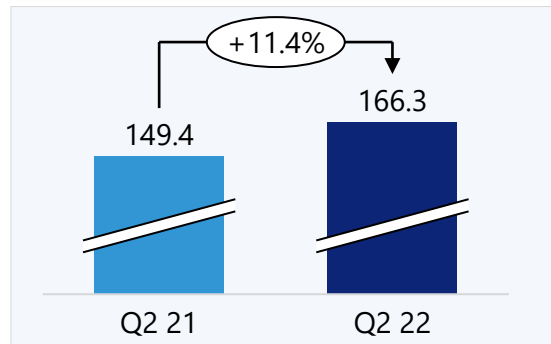


Financial performance

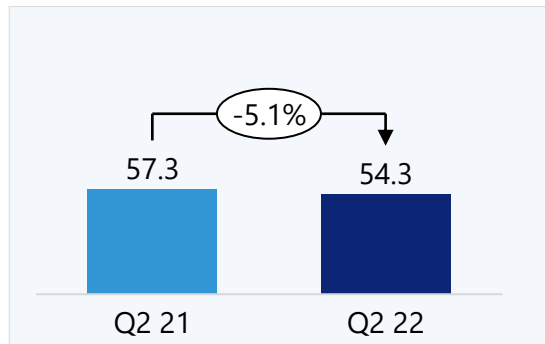
Ulrich Dopfer, CFO

Q2 2022 key financials

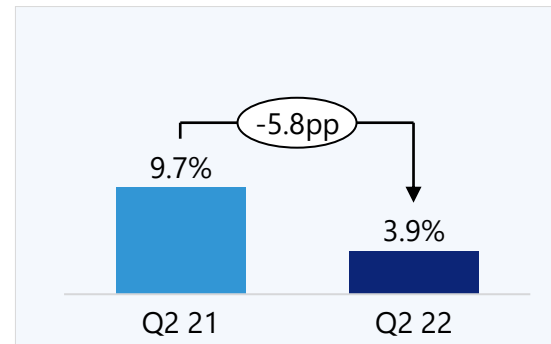
Revenues (m€)



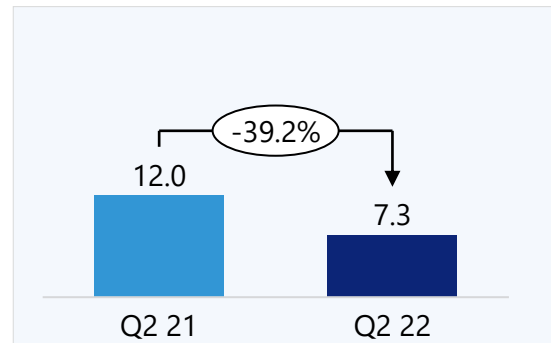
Pro forma gross profit (m€)



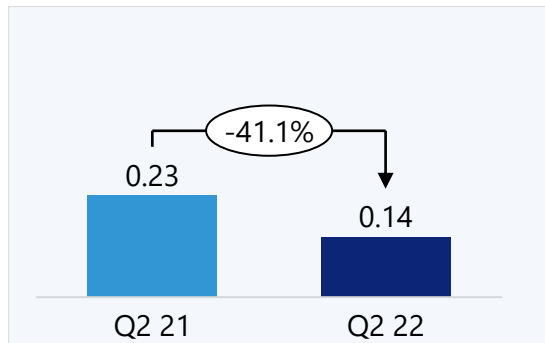
Pro forma EBIT (%)



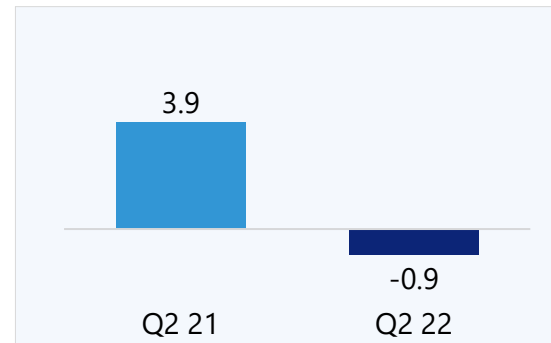
Net income (m€)



Diluted EPS (€)



Net cash (+) / debt (-) (m€)*

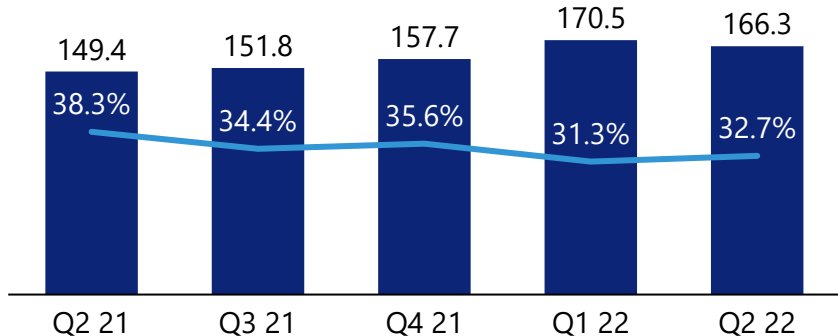


*Note: Net cash Q2 2022 includes EUR 23.8 million lease liabilities due to IFRS 16 (Q2 2021: EUR 25.9 million)

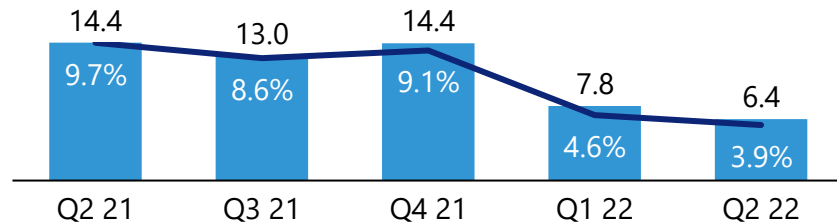
IFRS vs US GAAP comparison (pro forma)

(in millions of EUR, in % of revenues)

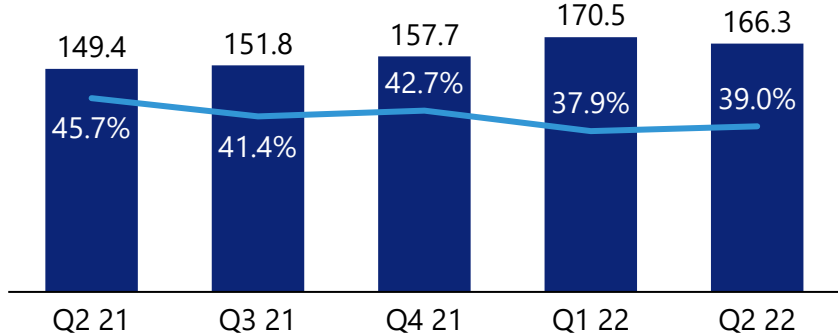
Revenue & pro forma gross margin (IFRS)



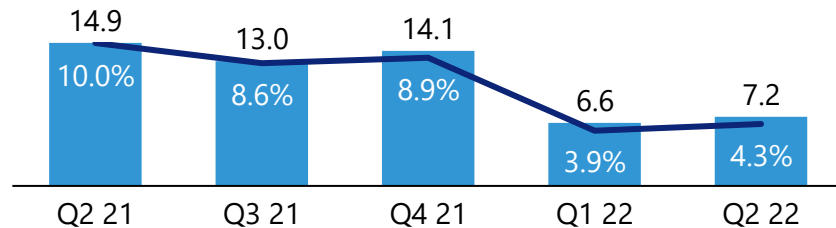
Pro forma EBIT & margin (IFRS)



Revenue & pro forma gross margin (US GAAP)

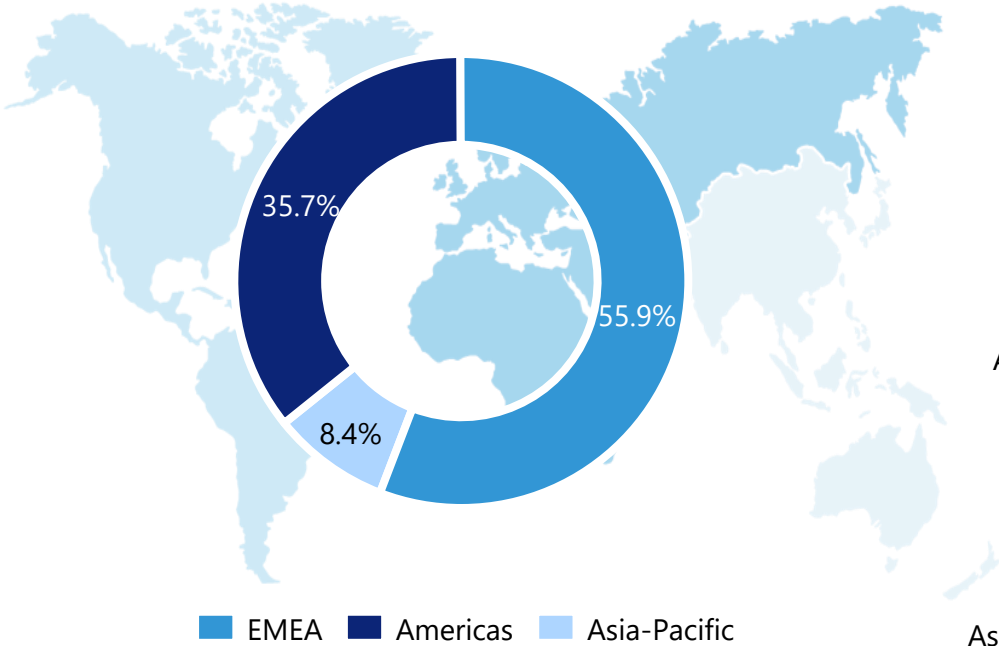


Pro forma EBIT & margin (US GAAP)

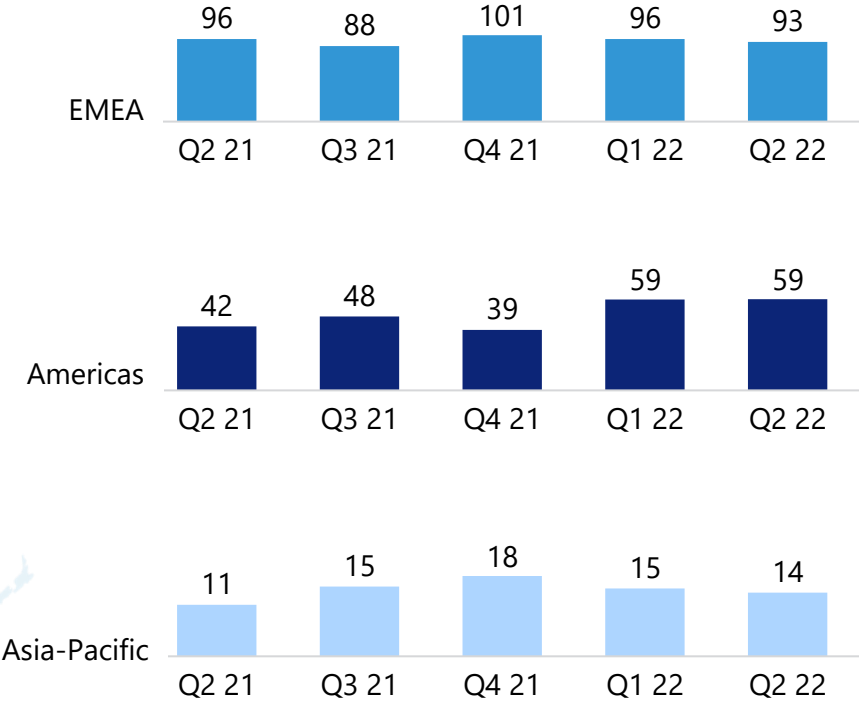


Regional revenue development Q2 2022

Revenue split Q2 2022 (%)



Revenue development per region Q2 21 – Q2 22 (m€)

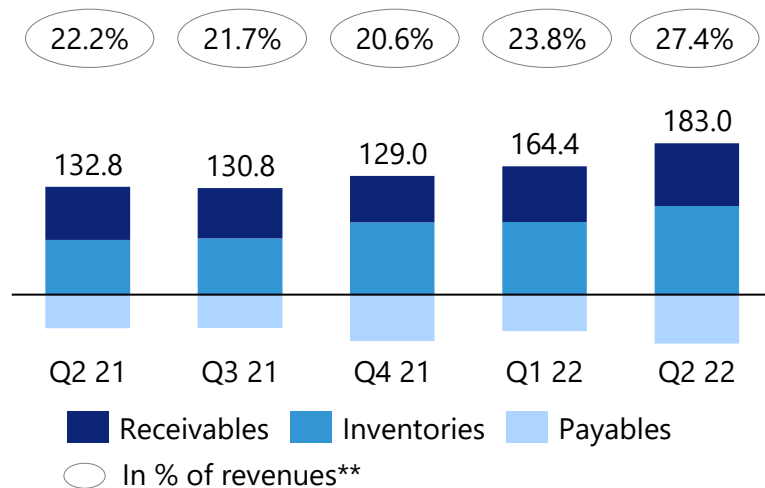


Cash flow and balance sheet

Cash flow breakdown (m€)*

	Q2	
	2021	2022
Earnings before taxes	12.4	7.3
Depreciation & Amortization	17.7	17.4
Increase (-) / decrease (+) in working capital	-6.7	-18.6
Increase (-) / decrease (+) in other items	8.3	0.4
Operating cash flow	31.7	6.5
R&D	-10.4	-9.8
Other investing cash flow	-6.7	-2.8
Investing cash flow	-17.1	-12.6
Free cash flow	14.6	-6.1
Gross cash end of period	85.0	63.2
Net cash end of period	3.9	-0.9

Working capital development (m€; %)



Equity ratio

58.0%

Leverage LTM***

0.4x

ROCE LTM

7.7%

* 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€)

680m – 730m

Pro forma EBIT (%)

5% – 9%

Supported by:



Business transformation strategy successfully implemented

Non-telco expansion – software & services – verticalization



A unique investment cycle for communications networks

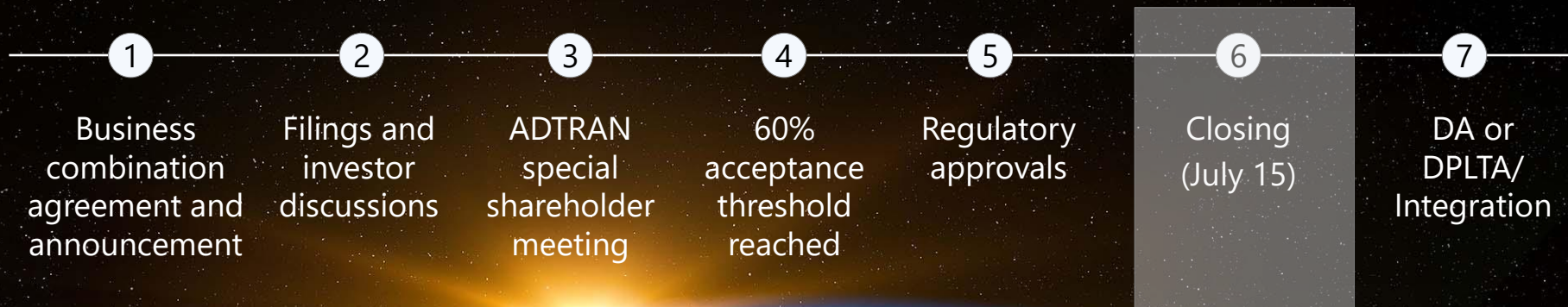
Digitalization – government stimulus – network security



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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