

# ADVA posts quarterly revenues of EUR 126.2 million for Q3 2018

- Quarterly revenues up sequentially and year-over-year to EUR 126.2 million
- Pro forma operating income of EUR 6.8 million (5.4% of revenues)
- Q4 2018 outlook: revenues EUR 126 - 136 million; Pro forma operating income 3% - 7% of revenues

**Munich, Germany. October 25, 2018.** ADVA Optical Networking (ISIN: DE0005103006, WKN 510300), a leading provider of open networking solutions for the delivery of cloud and mobile services, reported financial results for Q3 2018 ended on September 30, 2018. The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

## Q3 2018 financial summary and other operational metrics\*

(in thousands of EUR)	Q3 2018	Q3 2017	Change	Q2 2018	Change
<b>Revenues</b>	<b>126,178</b>	<b>111,173</b>	<b>13.5%</b>	<b>123,752</b>	<b>2.0%</b>
Pro forma gross profit	47,304	39,107	21.0%	45,389	4.2%
<b>in % of revenues</b>	<b>37.5%</b>	<b>35.2%</b>	<b>2.3pp</b>	<b>36.7%</b>	<b>0.8pp</b>
Pro forma operating income	6,776	-806	n/a	6,145	10.3%
<b>in % of revenues</b>	<b>5.4%</b>	<b>-0.7%</b>	<b>6.1pp</b>	<b>5.0%</b>	<b>0.4pp</b>
Operating income (loss)	4,994	-11,484	n/a	4,087	22.2%
Net income	3,908	-13,989	n/a	4,577	-14.6%
(in thousands of EUR)	Sept. 30 2018	Sept. 30 2017	Change	June 30 2018	Change
Cash and cash equivalents	53,949	57,150	-5.6%	59,656	-9.6%
Net liquidity (+) / Net debt (-)	-38,656	-44,097	12.3%	-36,594	-5.6%

\*Potential differences due to rounding

**Q3 2018 IFRS financial results**

Revenues for Q3 2018 increased by 2.0% to EUR 126.2 million from EUR 123.8 million in Q2 2018 and increased by 13.5% from EUR 111.2 million in the same year-ago period. Revenues for Q3 2018 were within the guidance forecast the company provided on July 19, 2018 of between EUR 123 million and EUR 133 million.

Pro forma operating income for Q3 2018 was EUR 6.8 million (5.4% of revenues), compared to EUR 6.1 million (5.0% of revenues) in Q2 2018 and a pro forma operating loss of EUR 0.8 million in the same year-ago period. Pro forma operating income for Q3 2018 was at the upper end of the company's guidance range of between 2% and 6% of revenues.

Operating income for Q3 2018 increased to EUR 5.0 million, compared to operating income of EUR 4.1 million reported for Q2 2018, and improved from the operating loss of EUR 11.5 million in the same year-ago period.

Net income for Q3 2018 was EUR 3.9 million, down from EUR 4.6 million in Q2 2018 and significantly improved in comparison to the same year-ago period net loss of EUR 14.0 million.

At quarter-end, the company's cash and cash equivalents totaled EUR 53.9 million, representing a decrease of 9.6% compared to EUR 59.7 million in Q2 2018.

The company's net debt increased by EUR 2.1 million to EUR 38.7 million from EUR 36.6 million at the end of the prior quarter.

Net working capital at quarter-end was EUR 131.0 million compared to EUR 121.8 million at the end of Q2 2018.

**Management commentary**

"Q3 2018 was the company's fourth quarter in a row with sequential growth," said Uli Dopfer, CFO, ADVA. "In addition to our top line momentum, our solid profitability confirms that we are on the right track to further scale our business. Our forecast for the current fourth quarter points to further sequential growth as well as a year-over-year increase compared to Q4 2017. The positive order intake and the overall healthy demand from numerous important customers provide a solid backdrop for us for the remaining fiscal year and beyond."

"Our industry is pivotal to the long-term success of the digital revolution," commented Brian Protiva, CEO, ADVA. "As a company, we have aligned ourselves strongly and invested exclusively in strategically important future technologies – technologies that enable new, digital business models. Optical transmission technology delivers the required bandwidth, physical and virtual edge technologies bring the cloud closer to the customer and our synchronization technology guarantees the level of timing needed in the network. All of these things make the difference between success and failure in the digital world. With our vision and innovation, we are well positioned for the future."

## **Q4 2018 financial outlook**

For Q4 2018, ADVA expects revenues to be in the range of EUR 126 million and EUR 136 million and a pro forma operating income of between 3% and 7% of revenues.

ADVA performs quarterly reviews of expected business development with respect to all intangible assets, including capitalized development expenses. In case of adverse business prospects, these reviews may result in non-cash impairment charges in Q4 2018 and beyond, which are excluded from the above guidance.

The company will publish its financial results for Q4 and the full fiscal year 2018 on February 21, 2019.

## **Conference call details**

ADVA will hold a conference call for analysts and investors today, October 25, 2018, to discuss these results and management's outlook. The company's CEO, Brian Protiva, and CFO, Ulrich Dopfer, will host the call at 3:00 p.m. CEST (9:00 a.m. EST). A question and answer session will follow management presentations.

To participate, please dial the appropriate number at least five minutes prior to the start time and ask for the ADVA conference call.

International number: +49 69 201 744 210

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A corresponding presentation is available on ADVA's website:

<https://www.advaoptical.com/en/about-us/investors/financial-results/conference-calls>

The Nine-Month Report 2018 (January – September) is available as a PDF here:

<https://www.advaoptical.com/en/about-us/investors/financial-results/financial-statements>

The complete 2017 Annual Report (January – December) is available as a PDF here:

<https://www.advaoptical.com/en/about-us/investors/financial-results/financial-statements>

A replay of the call will be available here:

<https://www.advaoptical.com/en/about-us/investors/financial-results/conference-calls>

## **Forward-looking statements**

The economic projections and forward-looking statements contained in this document relate to future facts.

Such projections and forward-looking statements are subject to risks that cannot be foreseen and that are beyond the control of ADVA. ADVA is therefore not in a position to make any representation as to the accuracy of economic projections and forward-looking statements or their impact on the financial situation of ADVA or the market in the shares of ADVA.

## **Use of pro forma financial information**

ADVA provides consolidated pro forma financial results in this press release 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 the stock option programs and amortization and impairment of goodwill and acquisition-related intangible assets, which are not reflective of the company's operating results for the period presented. Additionally, expenses related to restructuring measures are not included. This pro forma information is not prepared in accordance with IFRS and should not be considered a substitute for the historical information presented in accordance with IFRS.

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#### **About ADVA Optical Networking**

ADVA Optical Networking is a company founded on innovation and driven to help our customers succeed. For over two decades, our technology has empowered networks across the globe. We're continually developing breakthrough hardware and software that leads the networking industry and creates new business opportunities. It's these open connectivity solutions that enable our customers to deliver the cloud and mobile services that are vital to today's society and for imagining new tomorrows. Together, we're building a truly connected and sustainable future. For more information on how we can help you, please visit us at: [www.advoptical.com](http://www.advoptical.com).

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