

# ADVA posts quarterly revenues of EUR 144.3 million for Q3 2019

- Quarterly revenues up 14.4% year-over-year to EUR 144.3 million
- Pro forma operating income of EUR 7.4 million (5.1% of revenues)
- Q4 2019 outlook: revenues EUR 142 – 152 million; Pro forma operating income 5% - 7% of revenues

**Munich, Germany. October 24, 2019.** ADVA (ISIN: DE0005103006), a leading provider of open networking solutions for the delivery of cloud and mobile services, reported financial results for Q3 2019 ended on September 30, 2019. The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

## Q3 2019 financial summary<sup>1</sup>

(in thousands of EUR)	Q3 2019	Q3 2018	Change	Q2 2019	Change
<b>Revenues</b>	<b>144,310</b>	<b>126,178</b>	<b>14.4%</b>	<b>133,216</b>	<b>8.3%</b>
Pro forma gross profit	49,086	47,304	3.8%	46,513	5.5%
<b>in % of revenues</b>	<b>34.0%</b>	<b>37.5%</b>	<b>-3.5pp</b>	<b>34.9%</b>	<b>-0.9pp</b>
Pro forma operating income	7,393	6,776	9.1%	4,337	70.5%
<b>in % of revenues</b>	<b>5.1%</b>	<b>5.4%</b>	<b>-0.3pp</b>	<b>3.3%</b>	<b>1.8pp</b>
Operating income (loss)	3,200 <sup>2</sup>	4,994	-35.9%	2,497	28.2%
Net income	2,190	3,908	-44.0%	1,297	68.9%

  

(in thousands of EUR)	Sep. 30 2019	Sep. 30 2018	Change	Jun. 30 2019	Change
Cash and cash equivalents	38,396	53,949	-28.8%	48,275	-20.5%
Net debt <sup>3</sup>	74,873	38,656	93.7%	68,117	9.9%

<sup>1</sup> Potential differences due to rounding

<sup>2</sup> Including EUR 2.5 million one-off expenses

<sup>3</sup> Q3 and Q2 2019 include lease liabilities of EUR 36.2 million due to first-time adoption of IFRS 16

**Q3 2019 IFRS financial results**

Revenues for Q3 2019 increased by 8.3% to EUR 144.3 million from EUR 133.2 million in Q2 2019 and grew by 14.4% from EUR 126.2 million in the same year-ago period. Revenues for Q3 2019 were in the upper range of the guidance corridor the company provided on July 25, 2019, of between EUR 135 million and EUR 145 million.

Pro forma operating income for Q3 2019 was EUR 7.4 million (5.1% of revenues), compared to EUR 4.3 million (3.3% of revenues) in Q2 2019 and compared to a pro forma operating income of EUR 6.8 million (5.4% of revenues) in the same year-ago period. Pro forma operating income for Q3 2019 was also at the upper end of the company's guidance range of between 3% and 6% of revenues.

Operating income for Q3 2019 of EUR 3.2 million increased from EUR 2.5 million reported for Q2 2019 and decreased compared to EUR 5.0 million in the same year-ago quarter. This is mainly due to tariffs on China-made products in the US market and the strength of the US dollar.

Net income for Q3 2019 increased substantially by 68.9% to EUR 2.2 million from EUR 1.3 million in Q2 2019; however, it declined significantly from EUR 3.9 million in Q3 2018.

At quarter-end, the company's cash and cash equivalents totaled EUR 38.4 million, representing a decrease of 20.5% compared to EUR 48.3 million at the end of Q2 2019. The company built up inventories and thus working capital in the past quarter to reduce the negative impact of import duties, which led to a reduction in cash and cash equivalents.

The company's net debt increased by EUR 6.8 million to EUR 74.9 million from EUR 68.1 million at the end of Q2 2019.

Net working capital at quarter-end was EUR 137.8 million compared to EUR 127.6 million at the end of Q2 2019.

"In the third quarter of the fiscal year, our revenues continued to develop very positively, and we are satisfied with the overall order entry," commented Uli Dopfer, CFO, ADVA. "Both of our two key metrics were at the upper end of our guidance range, and year-over-year we increased revenues significantly by 14.4%. Somewhat challenging, on the other hand, are the negative effects of US trade policy on our business. As such, we've taken several measures to counteract the impact of this trade conflict. These include the relocation of production from China, proactive material purchasing and rapid transfer of pre-engineered subsystems, as well as tightening the control of operational costs. These measures are partly associated with one-time costs but will sustainably support us in terms of the positive development of our profitability."

"We've made significant progress across all of our strategic product groups in Q3. As a result, customer demand for our technology continues to accelerate," said Brian Protiva, CEO, ADVA. "Our new FSP 3000 TeraFlex™ terminal is truly industry-leading. It provides open, scalable and programmable optical transmission technology that delivers the lowest cost per bit. With these features, it's no surprise that this product is testing so strongly with our customers. Our FSP 150 packet edge solutions combined with our Ensemble software suite is also drawing strong customer reaction and is playing a pivotal role in the development of new open

networking concepts such as edge computing. What's more, our NFV software continues to grow in strength and customer wins are rapidly accelerating. And last but not least, the positive revenue development of our Oscilloquartz synchronization solutions continues to gather momentum. So much so, we expect to exceed our good 2018 results in this area in the current financial year."

#### **Q4 2019 financial outlook**

For Q4 2019, ADVA expects revenues to be in the range of EUR 142 million and EUR 152 million and a pro forma operating income of between 5% and 7% of revenues.

The company will publish its financial results for Q4 and the full fiscal year 2019 on February 20, 2020.

#### **Conference call details**

ADVA will hold a conference call for analysts and investors today, October 24, 2019, to discuss these results and management's outlook. The company's CEO, Brian Protiva, and CFO, Uli Dopfer, will host the call at 3:00 p.m. CET (9:00 a.m. EDT). A question and answer session will follow management presentations.

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

International number: +49 69 201 744 210

US number: +1 877 423 08 30

Pin code: 417 32 288#

A corresponding presentation is available on ADVA's website:

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

The complete quarterly statement 9M 2019 (January – September) is available as a PDF here:

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

A replay of the call will be available here:

<https://www.adva.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**

ADVA is a company founded on innovation and focused on helping our customers succeed. Our technology forms the building blocks of a shared digital future and empowers 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.adva.com](http://www.adva.com).

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