

ADVA posts quarterly revenues of EUR 132.7 million for Q1 2020

- Quarterly revenues up 3.5% year-over-year to EUR 132.7 million
- Pro forma operating income of negative EUR 1.7 million (-1.3% of revenues)

Munich, Germany. April 23, 2020. ADVA (ISIN: DE0005103006), a leading provider of open networking solutions for the delivery of cloud and mobile services, reported financial results for Q1 2020 ended on March 31, 2020. The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

Q1 2020 financial summary¹

(in thousands of EUR)	Q1 2020	Q1 2019	Change	Q4 2019	Change
Revenues	132,686	128,160	3.5%	151,135	-12.2%
Pro forma gross profit	42,275	45,132	-6,3%	54,633	-22.6%
in % of revenues	31.9%	35.2%	-3.3pp	36.1%	-4.2pp
Pro forma operating income	-1,671	2,748	n.a.	10,333	n.a.
in % of revenues	-1,3%	2.1%	-3.4pp	6.8%	-8.1pp
Operating income ²	-4,038	868	n.a.	5,438	n.a.
Net income ²	-7,235	1,036	n.a.	2,522	n.a.

(in thousands of EUR)	Mar. 31 2020	Mar. 31 2019	Change	Dec. 31 2019	Change
Cash and cash equivalents	52,753	49,323	7.0%	54,263	-2.8%
Net debt ³	67,705	73,702	-8.1%	61,146	10.7%

¹ Potential differences due to rounding

² Q1 2020 including EUR 0.8 million and Q4 2019 including EUR 3.2 million one-off expenses

³ Q1 2020 including EUR 32.5 million, Q4 2019 including EUR 34.4 million and Q1 2019 including EUR 36.8 million lease liabilities due to IFRS 16

Q1 2020 IFRS financial results

Revenues for Q1 2020 decreased by 12.2% to EUR 132.7 million from EUR 151.1 million in Q4 2019 and grew by 3.5% from EUR 128.2 million in the same year-ago period.

Pro forma operating income for Q1 2020 was negative EUR 1.7 million (-1.3% of revenues), substantially down from EUR 10.3 million (6.8% of revenues) in Q4 2019 and also down from EUR 2.7 million (2.1% of revenues) in the same year-ago period. The decline in profitability is mainly due to the lockdown in Wuhan at the beginning of the first quarter and to significant project-related shifts in the product and customer mix in Q1 2020.

Consequently, operating income for Q1 2020 of negative EUR 4.0 million significantly decreased from EUR 5.4 million reported for Q4 2019 and decreased from EUR 0.9 million in the same year-ago quarter. One-off expenses are primarily driven by selective head count reduction and site closures and amounted to EUR 0.8 million in Q1 2020.

ADVA reported a net loss of EUR 7.2 million in Q1 2020 that decreased significantly from a net income of EUR 2.5 million in Q4 2019 and declined from a net income of EUR 1.0 million in Q1 2019.

At quarter-end, the company's cash and cash equivalents totaled at EUR 52.8 million, representing a decrease of 2.8% compared to EUR 54.3 million at the end of Q4 2019 and an increase of 7.0% compared to EUR 49.3 million in Q1 2019.

The company's net debt in Q1 2020 increased by EUR 6.6 million to EUR 67.7 million from EUR 61.1 million at the end of Q4 2019 and improved by EUR 6.0 million compared to Q1 2019.

Net working capital at quarter-end was EUR 134.2 million compared to EUR 128.2 million at the end of Q4 2019. Trade account receivables decreased from EUR 96.2 million to EUR 88.2 million and inventories decreased from EUR 105.4 million to 91.5 million, respectively. At the same time trade account payables declined to EUR 45.5 million compared to EUR 73.4 million in the previous quarter.

While demand in Q1 2020 developed positively, there are still increased risks in maintaining the ability to supply. A recession-related decline in demand can also have a negative impact on the business performance of ADVA. Due to the current uncertainties about the further course of the crisis and its effects on ADVA's business, it is not possible to reliably predict further implications for the company. Therefore, the management board has concluded that the guidance of February 20, 2020, outlined in the 2019 annual report cannot be upheld and therefore withdraws the previous outlook for the 2020 financial year. Originally, the company had forecasted increasing revenues to more than EUR 580 million with an increased pro forma operating income of more than 5% of revenues. Additionally, the management board expected an improvement in net debt in the single-digit percentage range and a net promoter score of at least 40%.

Management commentary

"We are currently experiencing a crisis that is unprecedented in the history of the modern, industrialized world. Covid-19 knows no national borders, affects all continents and creates severe challenges for all of us," said Brian Protiva, CEO, ADVA. "As a network equipment supplier, we serve some of the world's most critical communications infrastructures. As such, we're doing everything humanly possible to remain fully operational, while protecting the safety and health of our employees, partners and customers. Order entry from a few large customers was strong in the first quarter, and our main focus is on maintaining our ability to deliver. We have developed a very agile and flexible supply chain, and our development and distribution centers have so far largely avoided the crisis. Apart from a few minor exceptions, our production and supply chains are intact. Clearly, this can worsen suddenly, and that's why we have developed a strategy that enables us to compensate for production and delivery bottlenecks due to possible location closures."

"Despite elevated levels of uncertainty on the demand and supply side, we operate in a framework of financial resilience," commented Uli Dopfer, CFO, ADVA. "We were able to improve our operating cash flow compared to the year-ago quarter while our cash balance of EUR 52.8 million remained on a comfortable level. We have a strong order backlog and are confident that we will grow sequentially in Q2 2020. So far, we haven't utilized any of the Covid-19-related government loans. However, we are reviewing all meaningful opportunities and actively manage our working capital to ensure balance sheet stability and financial flexibility."

The company will publish its financial results for Q2 2020 on July 23, 2020.

Conference call details

ADVA will hold a conference call for analysts and investors today, April 23, 2020, 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. CEST (9:00 a.m. EDT). A question and answer session will follow management presentations.

To participate, please register [here](#). Once registered, you will receive the dial-in details via e-mail.

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 3M 2020 (January – March) 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.

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.

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