

ADVA posts quarterly revenues of EUR 146.7 million for Q3 2020

- Quarterly revenues up 1.6% year-over-year to EUR 146.7 million
- Pro forma operating income up 49.5% year-over-year to EUR 11.1 million (7.5% of revenues)

Munich, Germany. October 21, 2020. ADVA (ISIN: DE0005103006), a leading provider of open networking solutions for the delivery of cloud and mobile services, reported final financial results for Q3 2020 ended on September 30, 2020. The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

Q3 2020 financial summary¹

(in thousands of EUR)	Q3 2020	Q3 2019	Change	Q2 2020	Change
Revenues	146,676	144,310	1.6%	145,024	1.1%
Pro forma gross profit	51,930	49,086	5.8%	50,204	3.4%
in % of revenues	35.4%	34.0%	1.4pp	34.6%	0.8pp
Pro forma operating income	11,053	7,393	49.5%	10,107	9.4%
in % of revenues	7.5%	5.1%	2.4pp	7.0%	0.5pp
Operating income ²	9,768	3,200	205.3%	8,658	12.8%
Net income ²	6,671	2,190	204.6%	7,629	-12.6%

(in thousands of EUR)	Sep. 30 2020	Sep. 30 2019	Change	Jun. 30 2020	Change
Cash and cash equivalents	68,293	38,396	77.9%	67,586	1.0%
Net debt	35,009	74,873	-53.2%	44,928	-22.1%
Net working capital	124,043	137,789	-10.0%	127,917	-3.0%

¹ Potential difference due to rounding

² Q3 2019 including EUR 2.5 million one-off expenses

Q3 2020 IFRS financial results

Revenues increased by 1.1% to EUR 146.7 million in Q3 2020 from EUR 145.0 million in Q2 2020 and grew by 1.6% compared to EUR 144.3 million in the same year-ago period.

Pro forma gross profit in Q3 2020 increased by 3.4% reaching EUR 51.9 million (35.4% of revenues) compared to EUR 50.2 million (34.6% of revenues) in Q2 2020 and by 5.8% compared to EUR 49.1 million (34.0% of revenues) in the year-ago quarter. The increase was mainly due to the stronger euro compared to the US dollar. Furthermore, the relocation of production facilities out of China resulted in lower US tariffs compared to the year-ago quarter.

Pro forma operating income for Q3 2020 was EUR 11.1 million (7.5% of revenues) and increased by 9.4% compared to EUR 10.1 million (7.0% of revenues) in Q2 2020. Compared to the year-ago quarter, pro forma operating income improved substantially by 49.5% from EUR 7.4 million (5.1% of revenues). In addition to the effects on gross profit, this substantial margin improvement is mainly due to the cost improvement measures introduced in 2019 and reduced discretionary spending.

Consequently, operating income for Q3 2020 of EUR 9.8 million increased by 12.8% from EUR 8.7 million reported for Q2 2020 and significantly increased by 205.3% from EUR 3.2 million income in the same year-ago quarter. While Q3 2019 was negatively impacted by one-off expenses of EUR 2.5 million resulting from the introduced cost improvement measures, Q3 2020 was positively impacted by the renewed cost basis.

Net income was EUR 6.7 million in Q3 2020, 12.6% down from EUR 7.6 million in Q2 2020 but grew significantly by 204.6% from a net income of EUR 2.2 million in Q3 2019. The decrease compared to Q2 2020 is mainly due to the negative effects from currency translation.

Despite a voluntary partial repayment of EUR 5.0 million of the revolving credit facility, the company's cash and cash equivalents totaled at EUR 68.3 million, representing a slight increase of EUR 0.7 million compared to EUR 67.6 million at the end of Q2 2020. Year-over-year cash and cash equivalents significantly increased by EUR 29.9 million from EUR 38.4 million. While Q3 2019 was impacted by the before mentioned one-off expenses and the inventory build-up due to the US trade tariffs, Q3 2020 benefited from higher profitability and further working capital improvements.

Consequently, net debt in Q3 2020 decreased by EUR 9.9 million to EUR 35.0 million from EUR 44.9 million at the end of Q2 2020 and improved by EUR 39.9 million compared to Q3 2019.

Net working capital at quarter-end was EUR 124.0 million and improved by EUR 3.9 million compared to EUR 127.9 million at the end of Q2 2020.

Management commentary

"Having already delivered very positive figures in the second quarter, we were able to further increase both revenue and profitability in Q3. Once again, we were able to demonstrate that our solutions are very competitive and have won numerous new customers," commented Brian Protiva, CEO, ADVA. "This expansion

of our footprint in the global network infrastructure is of long-term importance. Our active cost management, reduced travel and a comparatively weaker US dollar provide additional positive effects. We are generating cash and reduced our net debt significantly. As such, we feel well prepared to master the challenges ahead.”

“Despite the current challenges, we were again able to achieve solid financial results and further strengthen our balance sheet. We improved our cash position by EUR 30 million year-over-year. This is an extremely important financial outcome and shows that our team can achieve something excellent even in difficult times,” commented Uli Dopfer, CFO, ADVA. “However, due to the rising infection rates in many parts of the world, the risk of new restrictions or even lockdown scenarios is increasing and we must continue to devote a lot of attention to mitigating these changing circumstances. Our focus is on maintaining our procurement and supply chains, strict cost control, but above all, ensuring the safety and health of our employees.”

The latest news of a second wave with infection rates again increasing in many countries is worrying. The further course of our business for the full year 2020 heavily depends on how the currently increasing number of infections develop and whether this creates further regional lockdown scenarios. Against the background of the outlined influencing factors for the further course of the 2020 financial year, the management board now expects revenues between EUR 565 million and EUR 580 million and a pro forma operating income of between 5% and 6% in relation to revenues for the full year 2020. The revised guidance assumes that the impact of the pandemic on the company’s business will not significantly worsen beyond the levels we have already experienced and that no material supply bottlenecks will arise due to new lockdowns.

The company will publish its 9M quarterly statement on October 22, 2020 as planned. The financial results for Q4 and the full fiscal year 2020 will be published on February 25, 2021.

Conference call details

ADVA will hold a conference call for analysts and investors tomorrow, October 22, 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.

[Register here for ADVA's third quarter 2020 IFRS financial results.](#)

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 9M 2020 (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.

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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