

# ADVA announces record Q4 2020 results and reports full year 2020 figures

- Annual revenues up by 1.5% to EUR 565.0 million
- Pro forma operating income up by 36.4% to EUR 33.8 million (6.0% of revenues)
- Outlook fiscal year 2021: Revenues EUR 580 - 610 million; Pro forma operating income 6.0% - 9.0% of revenues

**Munich, Germany. February 25, 2021.** ADVA (ISIN: DE0005103006), a leading provider of open networking solutions for the delivery of cloud and mobile services, reported financial results for Q4 2020 and full year 2020 ended on December 31, 2020. The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

## Q4 2020 financial summary<sup>1</sup>

| (in thousands of EUR)      | Q4<br>2020     | Q4<br>2019     | Change       | Q3<br>2020     | Change       |
|----------------------------|----------------|----------------|--------------|----------------|--------------|
| <b>Revenues</b>            | <b>140,572</b> | <b>151,135</b> | <b>-7.0%</b> | <b>146,676</b> | <b>-4.2%</b> |
| Pro forma gross profit     | 54,641         | 54,633         | 0.0%         | 51,930         | 5.2%         |
| <b>in % of revenues</b>    | <b>38.9%</b>   | <b>36.1%</b>   | <b>2.8pp</b> | <b>35.4%</b>   | <b>3.5pp</b> |
| Pro forma operating income | 14,343         | 10,333         | 38.8%        | 11,053         | 29.8%        |
| <b>in % of revenues</b>    | <b>10.2%</b>   | <b>6.8%</b>    | <b>3.4pp</b> | <b>7.5%</b>    | <b>2.7pp</b> |
| Operating income (loss)    | 13,085         | 5,438          | 140.6%       | 9,768          | 34.0%        |
| Net income                 | 13,249         | 2,522          | 425.3%       | 6,671          | 98.6%        |

  

| (in thousands of EUR)     | Dec. 31<br>2020 | Dec. 31<br>2019 | Change | Sep. 30<br>2020 | Change |
|---------------------------|-----------------|-----------------|--------|-----------------|--------|
| Cash and cash equivalents | 64,881          | 54,263          | 19.6%  | 68,293          | -5.0%  |
| Net debt                  | 25,545          | 61,146          | -58.2% | 35,009          | -27.0% |
| Net working capital       | 129,853         | 128,150         | 1.3%   | 124,043         | 4.7%   |

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

### Q4 2020 IFRS financial results

Revenues in Q4 2020 reached EUR 140.6 million, down by 4.2% from EUR 146.7 million in Q3 2020 and down by 7.0% compared to EUR 151.1 million in the same year-ago period. The decrease in revenues is primarily due to the devaluation of the US dollar compared to the euro. In addition, due to lockdown tightening again, some orders had to be postponed to the following quarter.

Pro forma gross profit in Q4 2020 increased by 5.2%, reaching EUR 54.6 million (38.9% of revenues) compared to EUR 51.9 million (35.4% of revenues) in Q3 2020. Compared to EUR 54.6 million reported in the year-ago quarter, pro forma gross profit remained stable in absolute terms. However, in relation to revenues, an increase of 2.8 percentage points from 36.1% to 38.9% was achieved. This increase can mainly be attributed to the stronger euro compared to the US dollar. Compared to the year-ago quarter, Q4 2020 benefited from lower US tariffs due to the relocation of production facilities out of China. In addition, the above-average profitable technology area of network synchronization recorded a very successful final quarter.

Pro forma operating income for Q4 2020 was EUR 14.3 million (10.2% of revenues) and increased considerably by 29.8% compared to EUR 11.1 million (7.5% of revenues) in Q3 2020. Compared to the year-ago quarter, pro forma operating income improved substantially by 38.8% from EUR 10.3 million (6.8% of revenues). In addition to the higher 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 Q4 2020 of EUR 13.1 million increased by 34.0% from EUR 9.8 million reported for Q3 2020 and significantly increased by 140.6% from EUR 5.4 million in the same year-ago quarter. While Q4 2019 was negatively impacted by one-off expenses of EUR 3.2 million resulting from the introduced cost improvement measures, Q4 2020 was positively impacted by the renewed cost basis.

Net income reached EUR 13.2 million in Q4 2020, substantially up by 98.6% from EUR 6.7 million in Q3 2020 and significantly up by 425.3% from EUR 2.5 million in Q4 2019.

The company's cash and cash equivalents totaled EUR 64.9 million, representing a slight decrease of EUR 3.4 million compared to EUR 68.3 million at the end of Q3 2020. Year-over-year cash and cash equivalents substantially increased by EUR 10.6 million from EUR 54.3 million at the end of Q4 2019. The higher cash balance is mainly the result of the improved profitability.

Consequently, net debt in Q4 2020 decreased by EUR 9.5 million to EUR 25.5 million from EUR 35.0 million at the end of Q3 2020 and improved significantly by EUR 35.6 million compared to Q4 2019 (EUR 61.1 million).

Net working capital at quarter-end was EUR 129.9 million and increased by EUR 5.9 million compared to EUR 124.0 million at the end of Q3 2020. This was particularly due to measures to maintain the supply chain and the associated reduction in trade payables.

### Full year 2020 financial summary<sup>1</sup>

| (in thousands of EUR)      | 2020           | 2019           | Change       |
|----------------------------|----------------|----------------|--------------|
| <b>Revenues</b>            | <b>564,958</b> | <b>556,821</b> | <b>1.5%</b>  |
| Pro forma gross profit     | 199,050        | 195,364        | 1.9%         |
| <b>in % of revenues</b>    | <b>35.2%</b>   | <b>35.1%</b>   | <b>0.1pp</b> |
| Pro forma operating income | 33,832         | 24,811         | 36.4%        |
| <b>in % of revenues</b>    | <b>6.0%</b>    | <b>4.5%</b>    | <b>1.5pp</b> |
| Operating income (loss)    | 27,473         | 12,003         | 128.9%       |
| Net income                 | 20,314         | 7,045          | 188.3%       |

| (in thousands of EUR)     | Dec. 31 2020 | Dec. 31 2019 | Change |
|---------------------------|--------------|--------------|--------|
| Cash and cash equivalents | 64,881       | 54,263       | 19.6%  |
| Net debt                  | 25,545       | 61,146       | -58.2% |
| Net working capital       | 129,853      | 128,510      | 1.3%   |

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

### Full year 2020 IFRS financial results

For the full year 2020, revenues increased by 1.5% from EUR 556.8 million in 2019 to EUR 565.0 million. Revenues were at the lower end of the guidance corridor of between EUR 565 million and 580 million. Despite the current pandemic, demand in 2020 was robust. Home office, the increased use of e-learning, video conferencing and streaming services have increased network utilization significantly, while investments in network access solutions for enterprises have decreased. On the other hand, the US dollar, which continued to weaken against the euro, had a negative impact on US-denominated revenues, especially in the second half of the year.

Pro forma gross profit increased by 1.9% from EUR 195.4 million in 2019 to EUR 199.1 million in 2020. While in the first half of the year, gross profit was negatively impacted, particularly by the effects of the Covid-19 pandemic, the second half of the year benefited from revenues with higher margins and the ongoing US dollar devaluation.

Pro forma operating income for 2020 significantly increased by 36.4% from 24.8 million or 4.5% of revenues in 2019 to EUR 33.8 million or 6.0% of revenues. Pro forma operating income was at the top end of the guidance corridor of between EUR 5.0% and 6.0%. In addition to the higher gross profit, this substantial margin improvement is mainly due to the cost improvement measures introduced in 2019 and reduced discretionary spending.

Operating income for 2020 reached EUR 27.5 million compared to EUR 12.0 million in 2019 and increased significantly by 128.9%. While the previous year was negatively impacted by EUR 5.7 million one-off expenses in connection with the cost reduction measures, the improved cost base in 2020 contributed positively to profitability.

Consequently, net income increased significantly from EUR 7.0 million in 2019 by 188.3% to EUR 20.3 million in 2020.

Basic and diluted earnings per share in 2020 amounted to EUR 0.40, both compared to basic and diluted earnings per share of EUR 0.14 in 2019.

### **Management commentary**

“Today’s communication infrastructure is critical to solving some of the biggest challenges facing our global society. And we are a key part of this process. We are the only remaining optical networking and synchronization specialist in Europe. Growing safety concerns, specifically around the major Chinese equipment suppliers, create new opportunities and unique selling points for us that further strengthen our market position,” said Brian Protiva, CEO, ADVA. “Technologically, our solutions are perfectly aligned with the network transformation that’s taking place, including a focus on cloud, mobility, 5G, network automation and security. With our investments, we’ve created a foundation for transforming our business model towards higher margins. This transformation includes growing revenue contributions from software and services, expansion into new industries and further verticalization of our business.”

“2020 was a challenging but very successful year for us. At the beginning of the pandemic, the uncertainties were high. However, we responded quickly to ensure that we could navigate through the crisis as best as possible. As a result, we’re reporting today one of the most successful financial years in the company’s history. In the final quarter, our pro forma operating income was even at 10.2% – a number that we have never achieved before,” commented Uli Dopfer, CFO, ADVA. “In addition, we were able to reduce our net debt substantially by EUR 36 million to around EUR 25 million – without the application of IFRS 16 this would correspond to net cash of around EUR 2 million. Therefore, we decided to terminate the KfW back-up line early in January. We are very confident about the coming year and started the new quarter with a well-filled order book and a favorable customer and product mix.”

### **Financial outlook 2021**

For the fiscal year 2021, ADVA expects revenues to be in the range of EUR 580 million and EUR 610 million and a pro forma operating income of between 6.0% and 9.0% of revenues. For Q1 2021, the company expects revenues to be in the range of EUR 143 million and EUR 148 million and a proforma operating income of between 7.0% and 9.0% of revenues.

The company will publish its financial results for Q1 2021 on April 22, 2021.

### **Conference call details**

ADVA will hold a conference call for analysts and investors today, February 25, 2021, to discuss the Q4 2020 and full year 2020 results. 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.

A corresponding presentation is available on ADVA’s website:

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

The complete annual report 2020 (January – December) 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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