

# ADVA manages supply constraints and grows revenues and profitability in Q3 2021

- Quarterly revenues up 3.5% year-over-year to EUR 151.8 million
- Pro forma operating income substantially up by 17.7% to EUR 13.0 million (8.6% of revenues)
- Outlook fiscal year 2021 unchanged: Revenues EUR 580 - 610 million; Pro forma operating income 7.0% - 10.0% of revenues

**Munich, Germany. October 21, 2021.** ADVA (ISIN: DE0005103006, FSE: ADV), a leading provider of open networking solutions for the delivery of cloud and mobile services, reported its financial results for Q3 2021 ended on September 30, 2021. The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

## Q3 2021 financial summary<sup>1</sup>

(in thousands of EUR)	Q3 2021	Q3 2020	Change	Q2 2021	Change
<b>Revenues</b>	<b>151,777</b>	<b>146,676</b>	3.5%	<b>149,354</b>	1.6%
Pro forma gross profit	52,153	51,930	0.4%	57,274	-8.9%
<b>in % of revenues</b>	<b>34.4%</b>	<b>35.4%</b>	-1.0pp	<b>38.3%</b>	-3.9pp
Pro forma operating income	13,012	11,053	17.7%	14,415	-9.7%
<b>in % of revenues</b>	<b>8.6%</b>	<b>7.5%</b>	1.1pp	<b>9.7%</b>	-1.1pp
Operating income (loss) <sup>2</sup>	9,496	9,768	-2.8%	13,036	-27.2%
Net income	18,478	6,671	177.0%	12,001	54.0%

  

(in thousands of EUR)	Sep. 30 2021	Sep. 30 2020	Change	Jun. 30 2021	Change
Cash and cash equivalents	100,513	68,293	47.2%	85,023	18.2%
Net cash (+) / Net debt (-)	20,610	-35,009	n.a.	3,876	431.7%
Net working capital	130,794	124,043	5.4%	132,767	-1.5%

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

<sup>2</sup> Q3 2021 including EUR 2.1 million extraordinary expenses

**Q3 2021 IFRS financial results**

Revenues in Q3 2021 reached EUR 151.8 million, up by 1.6% from EUR 149.4 million in Q2 2021, also up by 3.5% compared to EUR 146.7 million in Q3 2020. The increase in revenues is predominantly driven by a growth in demand from communication service providers (CSPs).

Pro forma gross profit in Q3 2021 decreased by 8.9%, reaching EUR 52.2 million (34.4% of revenues) compared to EUR 57.3 million (38.3% of revenues) in Q2 2021 and increased by 0.4% compared to EUR 51.9 million (35.4% of revenues) reported in Q3 2020. The reduction in gross profit compared to the previous quarter is mainly attributable to the semiconductor crisis, which led to increased purchasing costs.

Pro forma operating income for Q3 2021 was EUR 13.0 million (8.6% of revenues) and decreased by 9.7% compared to EUR 14.4 million (9.7% of revenues) reported in Q2 2021. Compared to Q3 2020, pro forma operating income improved substantially by 17.7% from EUR 11.1 million (7.5% of revenues).

Operating income for Q3 2021 of EUR 9.5 million decreased substantially by 27.2% from EUR 13.0 million reported for Q2 2021 and slightly decreased by 2.8% from EUR 9.8 million in Q3 2020. Operating income for Q3 2021 was impacted by extraordinary expenses in connection with the announced merger with ADTRAN amounting to EUR 2.1 million.

Net income reached EUR 18.5 million in Q3 2021, substantially up by 54.0% from EUR 12.0 million in Q2 2021, and significantly up by 177.0% from EUR 6.7 million in Q3 2020. The significant increase in net income is mainly due to a tax benefit of EUR 8.8 million resulting from increased deferred tax assets.

The company's cash and cash equivalents totaled EUR 100.5 million, representing an increase of EUR 15.5 million compared to EUR 85.0 million at the end of Q2 2021. Year-over-year cash and cash equivalents substantially increased by EUR 32.2 million from EUR 68.3 million at the end of Q3 2020.

Net cash at the end of Q3 2021 stood at EUR 20.6 million compared to a net cash position of EUR 3.9 million at the end of Q2 2021 or a net debt position of EUR 35.0 million at the end of Q3 2020.

Net working capital at quarter-end was EUR 130.8 million and decreased by EUR 2.0 million compared to EUR 132.8 million at the end of Q2 2021 and increased by EUR 6.8 million compared to EUR 124.0 million at the end of Q3 2020.

**Management commentary**

"Customer demand for our solutions remains strong and we're fighting hard to overcome the current supply chain challenges," said Brian Protiva, CEO, ADVA. "We're also looking forward to the planned business combination with ADTRAN. Our industry is in the early stages of an unprecedented investment cycle in fiber expansion propelled by the goal of delivering high-speed connectivity to all homes, businesses and the future 5G infrastructure. This expansion of the digital infrastructure requires new, innovative solutions and drives convergence at the network edge. Together with ADTRAN, we're creating a market and innovation leader in this

space that offers the industry's most comprehensive and unique portfolio of solutions based on openness, scalability, security and software-controlled automation."

"In view of the global semiconductor crisis, the third quarter was definitely challenging. Nevertheless, we managed to grow and generate solid margins. In addition, we were able to generate cash, and with more than EUR 100 million cash and a net cash position of around EUR 21 million, we further improved our level of financial flexibility," said Uli Dopfer, CFO, ADVA. "The semiconductor crisis will last longer than we originally assumed, and the coming weeks and months will certainly be demanding again. Nevertheless, we are confident that with these strong numbers and order books at a record level, we will be able to overcome these supply challenges and close the year with good results within our outlook."

### **Financial outlook 2021**

For the fiscal year 2021, ADVA still expects revenues to be in the range of EUR 580 million and EUR 610 million and a pro forma operating income of between 7.0% and 10.0% of revenues.

The company will publish its financial results for Q4 and the full fiscal year 2021 on February 24, 2022.

### **Conference call details**

ADVA will hold a conference call for analysts and investors today, October 21, 2021, to discuss the Q3 2021 results. 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.

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 2021 (January – September) is available as a PDF:

<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 M&A and 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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