

ADVA announces record results for fiscal year 2021

- Annual revenues up by 6.8% to record level of EUR 603.3 million
- Annual pro forma EBIT up by 61.5% to an all-time high of EUR 54.6 million (9.1% of revenues)
- Outlook fiscal year 2022: Revenues EUR 650 - 700 million; Pro forma EBIT 6.0% - 10.0% of revenues

Munich, Germany. February 24, 2022. ADVA (ISIN: DE0005103006, FSE: ADV), a leading provider of open networking solutions for the delivery of cloud and mobile services, reported financial results for Q4 2021 and full year 2021 ended on December 31, 2021. The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

Q4 2021 financial summary¹

(in thousands of EUR)	Q4 2021	Q4 2020	Change	Q3 2021	Change
Revenues	157,713	140,572	12.2%	151,777	3.9%
Pro forma gross profit	56,072	54,641	2.6%	52,153	7.5%
in % of revenues	35.6%	38.9%	-3.3pp	34.4%	1.2pp
Pro forma EBIT ²	14,362	14,343	0.1%	13,012	10.4%
in % of revenues	9.1%	10.2%	-1.1pp	8.6%	0.5pp
Operating income ³	11,190	13,085	-14.5%	9,496	17.8%
Net income	17,511	13,249	32.2%	18,478	-5.2%

(in thousands of EUR)	Dec. 31 2021	Dec. 31 2020	Change	Sep. 30 2021	Change
Cash and cash equivalents	108,987	64,881	68.0%	100,513	8.4%
Net cash (+) / Net debt (-)	36,166	-25,545	n/a	20,610	75.5%
Net working capital	128,954	129,853	-0.7%	130,794	-1.4%

¹ Potential difference due to rounding

² Prior: Pro forma operating income

³ Q4 2021 including EUR 1.6 million and Q3 2021 including EUR 2.1 million extraordinary expenses

Q4 2021 IFRS financial results

Revenues in Q4 2021 reached EUR 157.7 million, up by 3.9% from EUR 151.8 million in Q3 2021, also considerably up by 12.2% compared to EUR 140.6 million in Q4 2020. The increase in revenues for Q4 2021 is predominantly driven by a growth in demand from communication service providers (CSPs), particularly in the cloud access solution area.

Pro forma gross profit in Q4 2021 increased by 7.5%, reaching EUR 56.1 million (35.6% of revenues) compared to EUR 52.2 million (34.4% of revenues) in Q3 2021 and increased by 2.6% compared to EUR 54.6 million (38.9% of revenues) reported in Q4 2020. The reduction in gross profit in relation to revenues is mainly attributable to the semiconductor crisis, which led to increased purchasing costs.

Pro forma EBIT for Q4 2021 was EUR 14.4 million (9.1% of revenues) and increased by 10.4% compared to EUR 13.0 million (8.6% of revenues) reported in Q3 2021. Compared to Q4 2020, pro forma EBIT improved slightly by 0.1% from EUR 14.3 million (10.2% of revenues).

Operating income for Q4 2021 of EUR 11.2 million increased by 17.8% from EUR 9.5 million reported for Q3 2021 and decreased by 14.5% from EUR 13.1 million in Q4 2020. Operating income for Q4 2021 was impacted by extraordinary expenses in connection with the announced merger with ADTRAN amounting to EUR 1.6 million (Q3 2021: EUR 2.1 million).

Net income reached EUR 17.5 million in Q4 2021 and decreased by 5.2% from EUR 18.5 million in Q3 2021, but increased significantly by 32.2% from EUR 13.2 million in Q4 2020. This significant increase in net income compared to the year-ago quarter is mainly due to a tax benefit of EUR 5.2 million resulting from increased deferred tax assets.

The company's cash and cash equivalents totaled EUR 109.0 million, representing an increase of EUR 8.5 million compared to EUR 100.5 million at the end of Q3 2021. Year-over-year cash and cash equivalents significantly increased by EUR 44.1 million from EUR 64.9 million at the end of Q4 2020.

Net cash at the end of Q4 2021 stood at EUR 36.2 million compared to a net cash position of EUR 20.6 million at the end of Q3 2021 or a net debt position of EUR 25.5 million at the end of Q4 2020.

At quarter-end, net working capital totaled EUR 129.0 million and decreased by EUR 1.8 million compared to EUR 130.8 million at the end of Q3 2021 and decreased by EUR 0.9 million compared to EUR 129.9 million at the end of Q4 2020.

Full year 2021 financial summary¹

(in thousands of EUR)	2021	2020	Change
Revenues	603,317	564,958	6.8%
Pro forma gross profit	220,844	199,050	10.9%
in % of revenues	36.6%	35.2%	1.4pp
Pro forma EBIT ²	54,649	33,832	61.5%
in % of revenues	9.1%	6.0%	3.1pp
Operating income ³	45,295	27,473	64.9%
Net income	59,218	20,314	191.5%

(in thousands of EUR)	Dec. 31 2021	Dec. 31 2020	Change
Cash and cash equivalents	108,987	64,881	68.0%
Net cash (+) / Net debt (-)	36,166	-25,545	n/a
Net working capital	128,954	129,853	-0.7%

¹ Potential differences due to rounding

² Prior: Pro forma operating income

³ 2021 including EUR 3.7 million extraordinary expenses

Full year 2021 IFRS financial results

For the full year 2021, revenues increased by 6.8%, from EUR 565.0 million in 2020 to EUR 603.3 million. Revenues were at the upper end of the guidance corridor of between EUR 580 million and 610 million. Demand in 2021 was very strong and resulted in record level order-backlogs. ADVA grew in the mid-single-digit percentage range despite the ongoing challenges caused by the pandemic as well as global supply bottlenecks and material shortages in the semiconductor area. Demand for the full year 2021 was particularly driven by telecommunication service providers and enterprise customers, whereas growth for the full year was most significant in the optical solutions space.

Pro forma gross profit increased by 10.9% from EUR 199.1 million in 2020 to EUR 220.8 million in 2021. Gross profit was negatively impacted by the increased procurement costs in connection with the semiconductor crisis, especially in the second half of the year. A favorable customer and product mix, however, contributed positively to the increase in earnings. This is mainly the result of the resolute implementation of the business transformation strategy.

Pro forma EBIT for 2021 significantly increased by 61.5%, from 33.8 million or 6.0% of revenues in 2020 to EUR 54.6 million or 9.1% of revenues. Hence, pro forma EBIT was at the upper end of the guidance corridor of between EUR 7.0% and 10.0%. In addition to the higher gross profit, this substantial margin improvement is mainly due to strict cost control and reduced discretionary spending.

Operating income increased considerably by 64.9%, from EUR 27.5 million in 2020 to EUR 45.3 million in 2021. Despite extraordinary cost impacts due to the planned merger with ADTRAN, Inc., the improved cost basis in 2021 contributed substantially to the increased profitability.

Consequently, net income increased strongly from EUR 20.3 million in 2020 by 191.5% to EUR 59.2 million in 2021. In addition to the significantly higher operating result, this increase is due to a tax income of EUR 13.0 million in connection with the increase in deferred tax assets.

Basic earnings per share in 2021 amounted to EUR 1.17 compared to EUR 0.40 in 2020. Diluted earnings per share in 2021 amounted to EUR 1.15 compared to diluted earnings per share of EUR 0.40 in 2020.

Management commentary

“Our business transformation strategy will remain our focus in 2022. Profitability, liquidity and expanding our sales in new industries are top priorities,” said Brian Protiva, CEO of ADVA. “Technologically, our solutions are extremely well aligned to the transformation of networks with cloud, mobility, 5G, automation and security. In addition to the high-value performance features of our optical data transmission, precise network synchronization technology and programmable cloud access solutions, our service portfolio also delivers increasing value. Furthermore, our strategic move to join forces with ADTRAN will create a global leader in a quickly expanding market opportunity around the network edge. Together, we can offer a comprehensive portfolio of solutions from the access part of the network, through the network edge, to the metro core, which goes well beyond the offerings of most other Western manufacturers.”

“Today, we report on a great financial year with solid growth and a significant increase in profitability. The consistent implementation of our business transformation strategy enables us to compensate for higher procurement costs due to the global shortage of components and still expand our margins. High cash flow generation combined with consistent debt reduction has led to a significant increase in our net cash position, which we were able to expand by more than EUR 60 million compared to 2020,” commented Uli Dopfer, CFO of ADVA. However, global inflationary tendencies and the resulting higher material costs, as well as the global shortage of materials, pose challenges for us in 2022. We start the year again with an order-backlog at record levels and are confident that we will once again overcome the ongoing challenges and grow profitably in 2022.”

Financial outlook 2022

For the fiscal year 2022, ADVA expects revenues to be in the range of EUR 650 million and 700 million and a pro forma EBIT of between 6.0% and 10.0% of revenues.

The company will publish its financial results for Q1 2022 on April 28, 2022.

Conference call details

ADVA will hold a conference call for analysts and investors today, February 24, 2022, to discuss the Q4 2021 and full year 2021 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 2021 (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, non-recurring 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.

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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