

ADVA announces record revenues for Q1 2022

- Quarterly revenues of EUR 170.5 million up by 18.0% compared to year-ago quarter
- Pro forma EBIT at EUR 7.8 million (4.6% of revenues)
- Outlook fiscal year 2022: Revenues EUR 650 - 700 million; Pro forma EBIT 6.0% - 10.0% of revenues

Munich, Germany. April 28, 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 Q1 2022 ended on March 31, 2022. The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

Q1 2022 financial summary ¹

(in thousands of EUR)	Q1 2022	Q1 2021	Change	Q4 2021	Change
Revenues	170,498	144,473	18.0 %	157,713	8.1%
Pro forma gross profit	53,405	55,345	(3.5)%	56,072	(4.8)%
in % of revenues	31.3%	38.3%	(7.0) pp	35.6%	(4.3) pp
Pro forma EBIT	7,812	12,860	(39.3)%	14,362	(45.6)%
in % of revenues	4.6%	8.9%	(4.3) pp	9.1%	(4.5) pp
Operating income ²	5,976	11,573	(48.4)%	11,190	(46.6)%
Net income	6,179	11,228	(45.0)%	17,511	(64.7)%

(in thousands of EUR)	Mar. 31, 2022	Mar. 31, 2021	Change	Dec. 31, 2021	Change
Cash and cash equivalents	73,002	79,060	(7.7)%	108,987	(33.0)%
Net cash (+)/net debt (-)	763	(10,626)	n/a	36,166	(97.9)%
Net working capital	164,402	125,785	30.7%	128,954	27.5%

¹ Potential inconsistencies in the table values are based on rounding differences.

² Q1 2022 including EUR 0.5 million and Q4 2021 including EUR 1.6 million extraordinary expenses.

Q1 2022 IFRS financial results

Revenues in Q1 2022 reached EUR 170.5 million, up by 8.1% from EUR 157.7 million in Q4 2021, also considerably up by 18.0% compared to EUR 144.5 million in Q1 2021. The increase in revenues for Q1 2022 is predominantly driven by a growth in demand from communication service providers (CSPs) and internet content providers (ICPs).

Pro forma gross profit in Q1 2022 decreased by 4.8%, reaching EUR 53.4 million (31.3% of revenues) compared to EUR 56.1 million (35.6% of revenues) in Q4 2021 and decreased by 3.5% compared to EUR 55.3 million (38.3% of revenues) reported in Q1 2021. The reduction in gross profit in relation to revenues is mainly attributable to increased purchasing costs due to the semiconductor crisis and a stronger US Dollar.

Pro forma EBIT for Q1 2022 was EUR 7.8 million (4.6% of revenues) and decreased by 45.6% compared to EUR 14.4 million (9.1% of revenues) reported in Q4 2021 and declined by 39.3% from EUR 12.9 million (8.9% of revenues) in Q1 2021.

Operating income for Q1 2022 of EUR 6.0 million decreased by 46.6% from EUR 11.2 million reported for Q4 2021 and decreased by 48.4% from EUR 11.6 million in Q1 2021. Operating income for Q1 2022 was impacted by extraordinary expenses in connection with the announced merger with Adtran, amounting to EUR 0.5 million (Q4 2021: EUR 1.6 million and Q1 2021: EUR 0).

Net income reached EUR 6.2 million in Q1 2022 and significantly decreased by 64.7% from EUR 17.5 million in Q4 2021 and decreased by 45.0% from EUR 11.2 million in Q1 2021.

The company's cash and cash equivalents totaled EUR 73.0 million, representing a significant decrease of EUR 36.0 million compared to EUR 109.0 million at the end of Q4 2021. Year-over-year cash and cash equivalents decreased by EUR 6.1 million from EUR 79.1 million at the end of Q1 2021. The company invested non-operating cash in measures to secure delivery.

Net cash at the end of Q1 2022 stood at EUR 0.8 million compared to a net cash position of EUR 36.2 million at the end of Q4 2021 and a net debt position of EUR 10.6 million at the end of Q1 2021.

At quarter-end, net working capital totaled EUR 164.4 million and increased by EUR 35.4 million compared to EUR 129.0 million at the end of Q4 2021 and increased by EUR 38.6 million compared to EUR 125.8 million at the end of Q1 2021. The higher net working capital compared to the year-ago quarter is mainly attributable to increased inventory levels to secure the supply chain.

Management commentary

"We have good momentum and started well in this new business year. The expansion of communications networks is progressing rapidly and is fueled by public funding programs in many regions and countries. This environment should continue to positively impact demand for our products for the foreseeable future," said Brian Protiva, CEO of ADVA. "Our investments in innovation in recent years have provided us with an outstanding, differentiated portfolio of solutions with which we will gain market share. The transformation of our business towards growth markets with a higher proportion of software and services and more verticalization is progressing well. In addition, the merger with Adtran will open up completely new opportunities for us in the USA, Europe and the global market."

"Considering the extremely difficult external conditions, the past quarter was a strong start to the new 2022 financial year. We were able to increase our revenues by an exceptional 18% compared to the year-ago quarter; unfortunately, however, our success was limited by the ongoing semiconductor crisis. We certainly feel the, in parts, extreme cost increase of components as well as the global inflation in general. Nevertheless, we were able to achieve comparatively good profitability with a pro forma EBIT margin of 4.6%," commented Uli Dopfer, CFO of ADVA. "Our exceptional solid balance sheet has enabled us to invest non-operating cash in our inventories, securing the supply chain. Further component shortages and higher costs are expected as the year progresses. However, we are confident that we also will master this challenge well."

2022 financial outlook

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 Q2 2022 on July 28, 2022.

Conference call details

ADVA will hold a conference call for analysts and investors today, April 28, 2022, to discuss the Q1 2022 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 3M 2022 (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, 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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