

ADVA reports record revenues and improves profitability for Q3 2022

- Quarterly revenues of EUR 179.6 million, up by 18.3% compared to year-ago quarter
- Pro forma EBIT at EUR 11.7 million (6.5% of revenues)
- Outlook fiscal year 2022 unchanged: Revenues EUR 680 - 730 million; Pro forma EBIT 5.0% - 9.0% of revenues

Munich, Germany. November 8, 2022. ADVA (ISIN: DE0005103006, FSE: ADV), a leading provider of open networking solutions for the delivery of cloud and mobile services, reported final financial results for Q3 2022 ended on September 30, 2022. The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

Q3 2022 financial summary ¹

(in thousands of EUR)	Q3 2022	Q3 2021	Change	Q2 2022	Change
Revenues	179,597	151,777	18.3 %	166,320	8.0 %
Pro forma gross profit	60,857	52,153	16.7 %	54,336	12.0 %
in % of revenues	33.9 %	34.4 %	(0.5) pp	32.7 %	1.2 pp
Pro forma EBIT	11,732	13,012	(9.8)%	6,435	82.3 %
in % of revenues	6.5 %	8.6 %	(2.0) pp	3.9 %	2.7 pp
Operating income ²	(7,322)	9,496	n/a	4,655	n/a
Net income	881	18,478	(95.2)%	7,291	(87.9)%

(in thousands of EUR)	Sep. 30, 2022	Sep. 30, 2021	Change	Jun. 30, 2022	Change
Cash and cash equivalents	61,381	100,513	(38.9)%	63,187	(2.9)%
Net cash (+)/net debt (-)	(17,434)	20,610	n/a	(946)	n/a
Net working capital	193,808	130,794	48.2 %	183,030	5.9 %

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

² Q3 2022 including EUR 17.1 million and Q2 2022 including EUR 0.4 million extraordinary expenses.

Q3 2022 IFRS financial results

Revenues in Q3 2022 reached EUR 179.6 million, an increase of 8.0% from EUR 166.3 million in Q2 2022 and a considerable increase of 18.3% compared to EUR 151.8 million in Q3 2021. The increase in revenues for Q3 2022 is predominantly driven by growth in demand from network operators and internet content providers (ICPs). In addition, the stronger US dollar supported revenues in North America.

Pro forma gross profit in Q3 2022 reached EUR 60.9 million (33.9% of revenues), an increase of 12.0% compared to EUR 54.3 million (32.7% of revenues) in Q2 2022 and an improvement of 16.7% versus the EUR 52.2 million (34.4% of revenues) reported in Q3 2021. Compared to the year-ago quarter, gross profit was impacted by increased purchasing costs caused by the semiconductor crisis and a stronger US Dollar. The improvement in gross margin compared to the previous quarter is attributable to a more favorable customer and product mix.

Pro forma EBIT for Q3 2022 was EUR 11.7 million (6.5% of revenues) and increased significantly by 82.3% compared to EUR 6.4 million (3.9% of revenues) reported in Q2 2022. Compared to Q3 2021, pro forma EBIT decreased by 9.8% from EUR 13.0 million (8.6% of revenues).

Operating loss for Q3 2022 was EUR 7.3 million, which decreased substantially from an operating income of EUR 4.7 million reported for Q2 2022, and decreased considerably from an operating income of EUR 9.5 million in Q3 2021. Operating income for Q3 2022 was impacted by extraordinary expenses in connection with the merger with Adtran, amounting to EUR 17.1 million (Q2 2022 EUR 0.4 million and Q3 2021 EUR 0 million).

Net income was EUR 0.9 million in Q3 2022, a decrease of 87.9% from EUR 7.3 million in Q2 2022, and a decrease of 95.2% from the EUR 18.5 million reported in Q3 2021.

The company's cash and cash equivalents totaled EUR 61.4 million, representing a slight decrease of EUR 1.8 million compared to EUR 63.2 million at the end of Q2 2022. Year-over-year cash and cash equivalents decreased by EUR 39.1 million from EUR 100.5 million at the end of Q3 2021. Investments in higher inventory levels were made to secure the ability to supply.

Net debt at the end of Q3 2022 stood at EUR 17.4 million compared to EUR 0.9 million at the end of Q2 2022 and a net cash position of EUR 20.6 million at the end of Q3 2021.

At quarter-end, net working capital totaled EUR 193.8 million, which increased by EUR 10.8 million compared to EUR 183.0 million at the end of Q2 2022, and increased significantly by EUR 63.0 million compared to EUR 130.8 million at the end of Q3 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

"After nine months, our 2022 revenues remain at record levels. Our order books are well-filled and we're working tirelessly to find solutions to maintain or even expand our ability to deliver," said Christoph Glingener, CEO of ADVA. "The already high complexity in procurement, production and logistics is further increased by rising energy costs, inflation and strong currency fluctuations. We're facing up to all these challenges. Our teams are working closely with our customers on a daily basis to provide them with the best possible support for their network expansion. We're in a unique investment cycle that's driving the rollout of a secure, digital communications infrastructure based on optical fiber. Our innovation adds significant value to any network and our company will continue to grow profitably."

"Our revenues reached a new record in Q3. Despite the still tense supply situation, we managed to grow by 8.0% compared to the previous quarter and even by 18.3% compared to Q3 2021. This results in nine-month revenues of EUR 516.4 million, which represents a growth of 15.9% compared to EUR 445.6 million in the nine-month period 2021," said Uli Dopfer, CFO of ADVA. "Although burdened by increased procurement costs, we improved our margins in the past quarter compared to the previous quarter. With a pro forma EBIT of 6.5% of revenues, we are back on track to a more attractive margin level. Although we were able to keep our cash largely stable, net debt increased from EUR 0.9 million in the previous quarter to EUR 17.4 million. This is due to taking on new financial liabilities to finance the current high inventories. The primary goal is to secure the ability to supply and, as usual, to be a reliable partner for our customers. With a leverage of 0.7x EBITDA, we have a strong balance sheet and sufficient financial headroom to meet these challenges and finish the year positively."

2022 financial outlook

For the fiscal year 2022, ADVA expects revenues to be in the range of EUR 680 million and 730 million and a pro forma EBIT of between 5.0% and 9.0% of revenues.

The company will publish its financial results for Q4 and the full fiscal year 2022 on February 21, 2023.

Conference call details

ADVA will hold a conference call for analysts and investors today, November 8, 2022, to discuss the Q3 2022 results. The company's CEO, Christoph Glingener, 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 quarterly statement 9M 2022 (January – September) is available as a PDF here:

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

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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