

ADVA announces preliminary results for fiscal year 2022

- Annual revenues up by 18.0% to EUR 712.1 million
- Annual pro forma EBIT down by 7.8% to EUR 50.4 million (7.1% of revenues)

Munich, Germany. February 21, 2023. ADVA (ISIN: DE0005103006, FSE: ADV), a leading provider of open networking solutions for the delivery of cloud and mobile services, reported preliminary, unaudited financial results for Q4 2022 and full year 2022 ended on December 31, 2022. The results have been prepared in accordance with International Financial Reporting Standards (IFRS). The final audited annual financial statements, consolidated financial statements and annual report 2022 will be published on March 09, 2023.

Q4 2022 financial summary¹

(in thousands of EUR)	Q4 2022	Q4 2021	Change	Q3 2022	Change
Revenues	195,699	157,713	24.1%	179,597	9.0%
Pro forma gross profit	71,434	56,072	27.4%	60,857	17.4%
in % of revenues	36.5%	35.6%	0.9pp	33.9%	2.6pp
Pro forma EBIT	24,407	14,362	69.9%	11,732	108.0%
in % of revenues	12.5%	9.1%	3.4pp	6.5%	6.0pp
Operating income ²	14,803	11,190	32.3%	-7,322	n/a
Net income	3,781	17,511	-78.4%	881	329.2%

(in thousands of EUR)	Dec. 31 2022	Dec. 31 2021	Change	Sep. 30 2022	Change
Cash and cash equivalents	58,447	108,987	-46.4%	61,381	-4.8%
Net cash (+) / Net debt (-)	-19,185	36,166	n/a	-17,434	10.0%

¹ Potential difference due to rounding

² Q4 2022 including EUR 3.3 million, Q4 2021 including EUR 1.6 million and Q3 2022 including EUR 17.1 million extraordinary expenses

Q4 2022 IFRS financial results

Revenues in Q4 2022 reached EUR 195.7 million, up by 9.0% from EUR 179.6 million in Q3 2022, also up by 24.1% compared to EUR 157.7 million in Q4 2021. This was due, in particular, to very high demand from telecommunications service providers.

Pro forma gross profit in Q4 2022 increased by 17.4%, reaching EUR 71.4 million (36.5% of revenues) compared to EUR 60.9 million (33.9% of revenues) in Q3 2022 and increased by 27.4% compared to EUR 56.1 million (35.6% of revenues) reported in Q4 2021. The margin increase was due to a reduction in freight costs and expedited fees associated with the semiconductor crisis.

Pro forma EBIT for Q4 2022 was EUR 24.4 million (12.5% of revenues) and increased by 108.0% compared to EUR 11.7 million (6.5% of revenues) reported in Q3 2022. Compared to Q4 2021, pro forma EBIT improved by 69.9% from EUR 14.4 million (9.1% of revenues).

Operating income for Q4 2022 of EUR 14.8 million increased from an operating loss of EUR 7.3 million reported for Q3 2022 and increased by 32.3% from EUR 11.2 million in Q4 2021. The year-ago quarter was impacted by higher purchasing costs, and the previous quarter was impacted by both higher purchasing costs and expenses related to the business combination with Adtran.

Net income reached EUR 3.8 million in Q4 2022 and increased by 329.2% from EUR 0.9 million in Q3 2022 but decreased by 78.4% from EUR 17.5 million in Q4 2021.

The company's cash and cash equivalents totaled EUR 58.4 million, compared to EUR 61.4 million at the end of Q3 2022 or EUR 109.0 million at the end of Q4 2021. Net debt at the end of Q4 2022 stood at EUR 19.2 million compared to EUR 17.4 million at the end of Q3 2022 or a net cash position of EUR 36.2 million at the end of Q4 2021. The comparatively high level of net debt is attributable to higher debt-financed inventories.

Full year 2022 financial summary¹

(in thousands of EUR)	2022	2021	Change
Revenues	712,114	603,317	18.0%
Pro forma gross profit	240,032	220,844	8.7%
in % of revenues	33.7%	36.6%	-2.9pp
Pro forma EBIT ²	50,386	54,649	-7.8%
in % of revenues	7.1%	9.1%	-2.0pp
Operating income ³	18,112	45,295	-60.0%
Net income	18,132	59,218	-69.4%

(in thousands of EUR)	Dec. 31 2022	Dec. 31 2021	Change
Cash and cash equivalents	58,447	108,987	-46.4%
Net cash (+) / Net debt (-)	-19,185	36,166	n/a

¹ Potential differences due to rounding

² Prior: Pro forma operating income

³ 2022 including EUR 21.3 million and 2021 including EUR 3.7 million extraordinary expenses

Full year 2022 IFRS financial results

For the full year 2022, revenues increased by 18.0%, from EUR 603.3 million in 2021 to EUR 712.1 million. Revenues were within the guidance corridor of between EUR 680 million and 730 million. Despite the continuing challenges posed by global supply bottlenecks and material shortages in the semiconductor industry, ADVA substantially increased its revenues. Demand notably increased in the telecommunications service provider segment.

Pro forma gross profit increased 8.7% from EUR 220.8 million (36.6%) in 2021 to EUR 240.0 million (33.7%) in 2022. Full year gross margins were impacted by increased freight costs and expedited fees associated with the semiconductor crisis.

Pro forma EBIT for 2022 decreased by 7.8%, from 54.6 million or 9.1% of revenues in 2021 to EUR 50.4 million or 7.1% of revenues. Pro forma EBIT was within the guidance corridor of between 5.0% and 9.0%.

Operating income decreased by 60.0%, from EUR 45.3 million in 2021 to EUR 18.1 million in 2022. The results for 2022 were impacted by higher costs resulting from the supply chain crisis and expenses related to the business combination with Adtran.

Consequently, net income decreased from EUR 59.2 million in 2021 by 69.4% to EUR 18.1 million in 2022.

Basic earnings per share in 2022 amounted to EUR 0.35 compared to EUR 1.17 in 2021. Diluted earnings per share in 2022 also amounted to EUR 0.35 compared to diluted earnings per share of EUR 1.15 in 2021.

Management commentary

“We’re proud to report a highly successful fiscal year, where we achieved the highest revenues in our company’s history. Despite ongoing challenges caused by the semiconductor crisis, bottlenecks in the supply chains, inflation and fears of recession, we were able to stay on course, comprehensively serving and supporting our customers with innovative communications technology, software and services,” said Christoph Glingener, CEO of ADVA. “Looking forward, we are optimistic about future growth prospects. We have a strong pipeline of new products and services and are well-positioned to benefit from the major trends in our industry. Our capabilities in software and services are strengthening, delivering increasing value to our customers and partners. Together with Adtran, we will continue to focus on cost management and operational efficiency while investing in key areas to enter new growth markets.”

“Today, we report financial results of a strong 2022 with revenue growth of 18% year-over-year. Considering the various macroeconomic challenges and ongoing constraints in global supply chains, we’re very pleased with our profitability, which came in as expected,” commented Uli Dopfer, CFO of ADVA. “We’re optimistic that global supply chains will ease during this year and that cash generation will improve. We also expect to benefit from our business combination with Adtran and see first revenue synergies in 2023. We remain committed to increasing software and service revenues, which will drive continued margins improvement.”

The company will publish its financial results for Q1 2023 on May 09, 2023.

Conference call details

ADVA will hold a conference call for analysts and investors today, February 21, 2023, to discuss the preliminary Q4 2022 and full year 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>

A replay of the call will be available here:

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

The complete annual report 2022 (January – December) will be published on March 09, 2023.

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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