

Adtran Networks SE reports second quarter 2023 results

- Quarterly revenues up 2.3% year-over-year to EUR 170.2 million
- Pro forma EBIT at EUR 12.1 million (7.1% of revenues)

Munich, Germany. August 8, 2023. Adtran Networks SE (ISIN: DE0005103006, FSE: ADV), a leading provider of open networking solutions for the delivery of cloud and mobile services, reported financial results for the second quarter 2023 ended on June 30, 2023. The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

Q2 2023 financial summary¹

(in thousands of EUR)	Q2 2023	Q2 2022	Change	Q1 2023	Change
Revenues	170,188	166,320	2.3%	179,358	-5.1%
Pro forma gross profit	60,232	54,336	10.9%	58,371	3.2%
in % of revenues	35.4%	32.7%	2.7pp	32.5%	2.8pp
Pro forma EBIT	12,092	6,435	87.9%	9,730	24.3%
in % of revenues	7.1%	3.9%	3.2pp	5.4%	1.7pp
Operating income ²	8,033	4,655	72.6%	6,227	29.0%
Net income	3,288	7,291	-54.9%	3,627	-9.3%

(in thousands of EUR)	Jun. 30 2023	Jun. 30 2022	Change	Mar. 31 2023	Change
Cash and cash equivalents	48,595	63,187	-23.1%	67,241	-27.7%
Net cash (+) / Net debt (-) ³	-33,457	-946	-3,436.7%	-24,296	-37.7%

¹ Potential difference due to rounding

² Q2 2023 including EUR 1.7 million, Q1 2023 including EUR 1.6 million and Q2 2022 including EUR 0.4 million extraordinary expenses

³ Q2 2023 including EUR 53.0 million and Q1 2023 Including EUR 62.0 million financial liabilities to Adtran Holdings, Inc.

Q2 2023 IFRS financial results

Revenue in Q2 2023 was down 5.1% to EUR 170.2 million from EUR 179.4 million in Q1 2023 and was up 2.3% compared to EUR 166.3 million in Q2 2022. The US Dollar depreciation negatively impacted both year-over-year and quarter-over-quarter revenue. The decrease compared to the previous quarter was mainly due to a softening in demand compared to a strong Q1 2023.

Pro forma gross profit in Q2 2023 was up 3.2% to EUR 60.2 million (35.4% of revenues) from EUR 58.4 million (32.5% of revenues) in Q1 2023 and increased by 10.9% from EUR 54.3 million (32.7% of revenues) in the year-ago quarter. The margin increase is due to lower procurement costs related to the recovery of supply bottlenecks and the US Dollar depreciation.

Pro forma EBIT in Q2 2023 was EUR 12.1 million (7.1% of revenues), up 24.3% from EUR 9.7 million (5.4% of revenues) in Q1 2023. Compared to the year-ago quarter, pro forma operating income increased by 87.9% from EUR 6.4 million (3.9% of revenues). The increase in pro forma EBIT is mainly due to the improvement in gross margin.

Operating income increased by 29.0% from EUR 6.2 million in Q1 2023 to EUR 8.0 million in Q2 2023 and increased by 72.6% compared to EUR 4.7 million in Q2 2022.

Net income was EUR 3.3 million in Q2 2023, down 9.3% compared to EUR 3.6 million in Q1 2023 and down 54.9% compared to EUR 7.3 million in Q2 2022. The decrease in net income was due to higher tax charges in Q2 2023.

The company's cash and cash equivalents decreased by EUR 18.6 million to EUR 48.6 million compared to EUR 67.2 million at the end of Q1 2023 and decreased by EUR 14.6m million compared to EUR 63.2 million in Q2 2022.

The company's net debt increased by EUR 9.2 million from EUR 24.3 million in Q1 2023 to EUR 33.5 million in Q2 2023 and increased by EUR 32.5 million compared to EUR 0.9 million in Q2 2022.

Management commentary

"Our Q2 2023 results were in line with our expectations. We anticipate the second half of 2023 will continue to present challenges due to customers optimizing inventory and the macro-economic environment," said Tom Stanton, CEO of Adtran Networks SE. "Nevertheless, we continue to believe that we are in the early stage of an unprecedented investment cycle and Adtran Networks is well positioned to be one of the largest beneficiaries."

The company will publish its financial results for Q3 2023 on November 7, 2023.

The complete half-year report 2023 (January – June) is available as a PDF:

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

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 Adtran Networks. Adtran Networks 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 Adtran Networks or the market in the shares of Adtran Networks.

Use of pro forma financial information

Adtran Networks SE 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 Adtran Networks operating results from one financial period to another. Adtran Networks 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 relating to M&A 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 Adtran Networks SE

Adtran Networks SE 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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