

Adtran Networks SE reports third quarter 2023 results

- Quarterly revenues down 18.9% year-over-year to EUR 145.7 million
- Pro forma EBIT at EUR 8.7 million (6.0% of revenues)

Munich, Germany. November 7, 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 third quarter 2023 ended on September 30, 2023. The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

Q3 2023 financial summary¹

(in thousands of EUR)	Q3 2023	Q3 2022	Change	Q2 2023	Change
Revenues	145,655	179,597	-18.9%	170,188	-14.4%
Pro forma gross profit	55,183	60,857	-9.3%	60,232	-8.4%
in % of revenues	37.9%	33.9%	4.0pp	35.4%	2.5pp
Pro forma EBIT	8,731	11,732	-25.6%	12,092	-27.8%
in % of revenues	6.0%	6.5%	-0.5pp	7.1%	-1.1pp
Operating income ²	150	-7,322	102.1%	8,033	-98.1%
Net income	1,305	881	48.1%	3,288	-60.3%

(in thousands of EUR)	Sep. 30 2023	Sep. 30 2022	Change	Jun. 30 2023	Change
Cash and cash equivalents	57,809	61,381	-5.8%	48,595	19.0%
Net cash (+) / Net debt (-) ³	-28,442	-17,434	-63.1%	-33,457	15.0%

¹ Potential difference due to rounding

² Q3 2023 including EUR 6.3 million, Q2 2023 including EUR 1.7 million extraordinary expenses

³ Q3 2023 including EUR 53.6 million and Q2 2023 including EUR 53.0 million financial liabilities to Adtran Holdings, Inc.

Q3 2023 IFRS financial results

Revenue in Q3 2023 was down 14.4% to EUR 145.7 million from EUR 170.2 million in Q2 2023 and was also down 18.9% compared to EUR 179.6 million in Q3 2022. Q3 2023 revenue was impacted by a weakened macroeconomic environment and customers' ongoing inventory reduction.

Pro forma gross profit in Q3 2023 was down 8.4% to EUR 55.2 million (37.9% of revenues) from EUR 60.2 million (35.4% of revenues) in Q2 2023 and decreased by 9.3% from EUR 60.9 million (33.9% of revenues) in the year-ago quarter. The margin increase was due to lower purchasing and transportation costs.

Pro forma EBIT in Q3 2023 was EUR 8.7 million (6.0% of revenues), down 27.8% from EUR 12.1 million (7.1% of revenues) in Q2 2023. Compared to the year-ago quarter, pro forma operating income

decreased by 25.6% from EUR 11.7 million (6.5% of revenues). The decrease in pro forma EBIT is mainly due to the lower revenue levels, partially offset by the improvement in gross margin.

Operating income decreased by 98.1% from EUR 8.0 million in Q2 2023 to EUR 0.2 million in Q3 2023 and increased by 102.1% when compared to an operating loss of EUR 7.3 million in Q3 2022. Operating income for Q3 2023 was impacted by EUR 6.3 million extraordinary expenses (Q2 2023: EUR 1.7 million), which are tied to the synergy program associated with the business combination with Adtran, Inc.

Net income was EUR 1.3 million in Q3 2023, down 60.3% compared to EUR 3.3 million in Q2 2023 and up 48.1% compared to EUR 0.9 million in Q3 2022. The sequential decrease in net income was due, in addition to the lower top line, to higher extraordinary charges in Q3 2023.

The company's cash and cash equivalents increased by EUR 9.2 million to EUR 57.8 million compared to EUR 48.6 million at the end of Q2 2023 and decreased by EUR 3.5 million compared to EUR 61.3 million in Q3 2022.

The company's net debt decreased by EUR 5.0 million from EUR 33.5 million in Q2 2023 to EUR 28.4 million in Q3 2023 and increased by EUR 11.0 million from a net debt position of EUR 17.4 million in Q3 2022.

Outlook

The company expects for the business year 2023 revenue to decline in the high single-digit to low teens percentage range compared to the business year 2022 and the pro forma EBIT margin to be in the low single-digit percentage range.

Management commentary

“Our Q3 2023 results were in line with our expectations. We anticipate that the ongoing uncertainty affecting customer spending will extend into 2024,” said Tom Stanton, CEO of Adtran Networks SE. “Our strong market share position, particularly in EMEA and our comprehensive portfolio in Metro WDM, purpose-built DCI and access WDM, uniquely position us to benefit when spending returns to normalized levels.”

The company will publish its financial results for Q4 and full year 2023 on February 27, 2024.

The company is no longer required to and will not publish a nine-month 2023 report.

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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