

Adtran

Building a secure tomorrow

QUARTERLY RELEASE AS OF 31 MARCH 2025

Overview of key financials for Q1 2025 in accordance with IFRS (unaudited)¹

Income statement

| (in thousands of EUR, except earnings per share and ratios) | Q1 2025 | Q1 2024* | Change |
|---|---------|----------|--------|
| Revenues | 114,119 | 109,606 | 4.1% |
| Pro forma gross profit | 39,171 | 36,917 | 6.1% |
| Pro forma gross profit margin in % | 34.3% | 33.7% | 0.6 pp |
| Pro forma EBIT ² | (4,791) | (9,045) | 47.0% |
| Pro forma EBIT margin in % | (4.2%) | (8.3%) | 4.1 pp |
| Operating income (loss) | (6,529) | (14,490) | 54.9% |
| Operating margin in % | (5.7%) | (13.2%) | 7.5 pp |

* Adjustment of prior-year figures as part of the preparation of the 2024 annual financial statements: In the course of finalizing the annual financial statements, the Management Board identified an adjustment to inventories that led to an increase in the cost of goods sold.

Cash flow statement

| (in thousands of EUR) | Q1 2025 | Q1 2024** | Change |
|-------------------------------------|----------|-----------|---------|
| Cash flow from operating activities | 24,532 | 24,912 | (1.5%) |
| Cash flow from investing activities | (15,376) | (18,524) | (17.0%) |

** Adjustment of prior-year figures as part of the preparation of the 2024 annual financial statements: In the course of preparing the annual financial statements, the disclosure of cash inflows and outflows in connection with the purchase of receivables from Adtran, Inc. was corrected. This led to a shift between cash flow from operating activities and cash flow from investing activities.

Balance sheet and financial ratios

| (in thousands of EUR, except ratios) | Mar. 30, 2025 | Dec. 31, 2024 | Change |
|---|---------------|----------------|---------------|
| Liabilities to banks | 61,653 | 68,420 | (9.9%) |
| Lease liabilities | 27,811 | 28,800 | (3.4%) |
| Financial debt | 89,464 | 97,220 | (8.0%) |
| Cash and cash equivalents | 33,352 | 27,040 | 23.3% |
| Receivables from Adtran Holdings, Inc. due to loss absorption | 42,071 | 47,103 | (10.7%) |
| Loans granted to Adtran, Inc. | 16,115 | 16,429 | (1.9%) |
| Net cash (debt)³ | 2,074 | (6,648) | n/a |
| Net working capital ⁴ | 144,618 | 151,139 | (4.3%) |
| Working capital ratio in % ⁵ | 31.2% | 34.6% | (3.4) pp |
| Equity | 376,580 | 388,166 | (3.0%) |
| Equity ratio in % | 56.1% | 57.9% | (1.8) pp |
| Capital employed ⁶ | 513,080 | 517,636 | (0.9%) |
| ROCE in % ⁷ | (7.9%) | (8.2%) | (0.3) pp |

Employees

| (at period end) | Mar. 30, 2025 | Dec. 31, 2024 | Change |
|-----------------|---------------|---------------|--------|
| | 2,147 | 2,118 | 1.4% |

¹ Potential difference due to rounding

² Pro forma EBIT is calculated prior to non-cash charges related to the stock compensation programs and amortization and impairment of goodwill and acquisition-related intangible assets. Additionally, non-recurring expenses related to M&A and restructuring measures are not included.

³ Net cash is calculated by subtracting total financial liabilities from cash and cash equivalents. Total cash and cash equivalents include in addition to bank balances and petty cash, receivables from Adtran Holdings, Inc. from the domination and profit and loss transfer agreement and from the issue of a loan. Total financial liabilities comprise current and non-current financial liabilities to banks, including factoring agreements, as well as current and non-current financial liabilities to Adtran Holdings, Inc. including those from the domination and profit and loss transfer agreement and current and non-current lease liabilities in accordance with IFRS 16 Leases. A negative calculation result is referred to as net debt.

⁴ Net working capital is defined as the sum of trade receivables and inventories less trade payables.

⁵ The working capital ratio shows the net working capital on the balance sheet date in relation to the revenues of current period.

⁶ The capital employed is the difference between the average balance sheet total and the average current liabilities of the period, calculated as the arithmetic average of the quarterly balance sheet date values.

⁷ ROCE is the operating result for the current period divided by the capital employed.

Results of operations, net assets and financial position

Revenue development and operational performance

Revenue in Q1 2025 was up 4.1% to EUR 114.1 million compared Q1 2024. The increase is driven by the gradual recovery in customer demand and the normalization of customer inventories.

Pro forma gross profit in Q1 2025 was up from EUR 36.9 million (33.7% of revenues) in Q1 2024 to EUR 39.2 million (34.3% of revenues).

Pro forma EBIT in Q1 2025 was negative EUR 4.8 million (negative 4.2% of revenues) compared to negative EUR 9.0 million (8.3% of revenues) in Q1 2024.

Operating loss for Q1 2025 was EUR 6.5 million compared to an operating loss of EUR 14.5 million in Q1 2024. The reduction in operating loss is primarily due to increased sales. In addition, restructuring expenses and expenses in relation to integration of the Adtran Networks Group into the Adtran Holdings, Inc. group were included in 2024.

Net assets and financial position

Cash flow from operating activities was positive EUR 24.5 million in Q1 2025 compared to positive EUR 24.9 million in Q1 2024.

Cash flow from investing activities amounted to negative EUR 15.4 million in Q1 2025 after negative EUR 18.5 million in Q1 2024. The decreased use of funds for investing activities is mainly due to reduced purchase of receivables from Adtran Inc. as part of the joint factoring agreement.

The company's cash and cash equivalents as of March 31, 2025, amounted to EUR 33.4 million compared to EUR 27.0 million as of December 31, 2024, representing an increase of EUR 6.4 million.

At the end of the first quarter of 2025, the Group reported net liquidity of EUR 2.1 million, which corresponds to an improvement in the liquidity position of EUR 8.7 million compared to the net debt of EUR 6.6 million on December 31, 2024. Bank liabilities decreased from EUR 68.4 million to EUR 61.7 million. This improvement is due to favorable exchange rate movements impacting the USD-denominated loan from Wells Fargo Bank, as well as a reduction in factoring volume. At the end of the reporting period, the company had granted Adtran, Inc. a loan amounting to EUR 16.1 million (previous year-end: EUR 16.4 million).

Opportunity and risk report

Adtran Networks' future development offers a broad variety of opportunities. It is however also subject to risks, which in certain cases could endanger the group's continued existence. The management board has implemented a comprehensive risk management and internal control system that enables the detection of risks in a timely manner and allows the group to take corrective action and to benefit from identified opportunities. An integral aspect of the group's strategy is its ability to anticipate developments in the marketplace and future customer needs. Special emphasis is given to product development, the quality of the group's products and the validation, selection and oversight of key business partners.

The risks and uncertainties as reported in the "risk and opportunity report" section of the combined management report 2024 remain unchanged.

Outlook

Looking ahead to business development in 2025, the management board expects an improvement in general demand across all product areas. While the still tense political climate, the new US administration's tariff policies, and the comparatively high interest rate level as well as exchange rate volatility continue to cause uncertainty in the market, it is imperative that progress is made in expanding the communications infrastructure and securing critical infrastructure. Furthermore, new technologies and business models, such as the growing use of generative AI, are generating additional bandwidth requirements in data networks that can only be met through further investments in network expansion.

In recent years, Adtran Networks has increasingly focused and comprehensively prepared itself technologically for the transformation of networks with the aspects of AI, cloud, mobility, automation and security. In addition to the high-quality performance features of optical data transmission, precise network synchronization technology and programmable cloud access solutions, the service portfolio also delivers increasing added value. Adtran Networks develops, produces and delivers communication technology for the digital future. According to estimates by industry analysts, the total addressable market for the company was around USD 10.3 billion in 2024 and will grow to USD 12.5 billion by 2028.

Against the backdrop of the aforementioned factors and taking into account the planning parameters, personnel, and exchange rates, the management board expects a revenue growth in the high single-digit or low double-digit percentage range for 2025 for the Adtran Networks group. The Management Board further assumes that, due to the OPEX adjustments achieved in 2024 and ongoing, strict cost control, pro forma EBIT will grow from a negative single-digit percentage in 2024 to a positive single-digit percentage in 2025. The company's objective is rapid debt reduction and consistent compliance with the defined capital management objectives, in particular ensuring the continued existence of the company and optimization of its capital structure to reduce its cost of capital. The management board expects the net debt of EUR 6.6 million as of December 31, 2024, to be reduced, or to convert it into a net liquidity position in 2025.

Meiningen, May 15, 2025

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Forward-looking statements

This document contains forward-looking statements using words such as “believes”, “anticipates” and “expects” to describe expected revenues, costs and earnings, anticipated demand for optical networking solutions and anticipated liquidity from which internal estimates may be inferred. These forward-looking statements are based on the beliefs of the Management Board and respective assumptions made, and involve a number of unknown risks, uncertainties and other factors, many of which are beyond Adtran Networks' control. If one or more of these uncertainties or risks materializes, or if the underlying assumptions of the Management Board prove incorrect, actual results can differ materially from those described in or inferred from forward-looking statements and information. Unknown risks and uncertainties are discussed in the “risk and opportunity report” section of the Group Management Report 2024.

Impressum

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Adtran Networks on the web

More information about Adtran Networks, including solutions, technologies and products, can be found on the company's website at www.adtran.com.

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