



Financial analyst presentation

Q4 and FY 2020 earnings call

February 25, 2021

Disclaimer



FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements with words such as “believes”, “anticipates” and “expects” to describe expected revenues and earnings, anticipated demand for networking solutions, internal estimates and liquidity. These forward-looking statements involve a number of unknown risks, uncertainties and other factors that could cause actual results to differ materially. Unknown risks, uncertainties and other factors are discussed in the ‘risk and opportunity report’ section of ADVA Optical Networking’s annual report 2020.

CONSOLIDATED PRO FORMA FINANCIAL RESULTS

ADVA provides consolidated pro forma financial results in this presentation 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 stock compensation programs and amortization and impairment of goodwill and acquisition-related intangible assets, which are not reflective of the group’s operating results for the period presented. This pro forma information is not prepared in accordance with IFRS and should not be considered a substitute for historical information presented in accordance with IFRS.



Business update and outlook

Brian Protiva, CEO

2020: ADVA managed the pandemic well

Supply bottlenecks

Covid-19 related supply challenges in Q1, Q2 and Q4

Demand shifts

Cloud interconnect (WDM) demand was up by 15%
Cloud access (EAD*) slowed

*Ethernet access devices

ADVA
team
stood
strong

Freight cost challenges

Hong Kong to U.S. air freight tripled in price in April from \$4 to \$14/kg

Health and safety

Two confirmed Covid-19 cases (1 UK, 1 Germany) sent us into quarantine

Incredible commitment from our team delivered outstanding results

New market dynamics and opportunity expansion

Macro dynamics ...

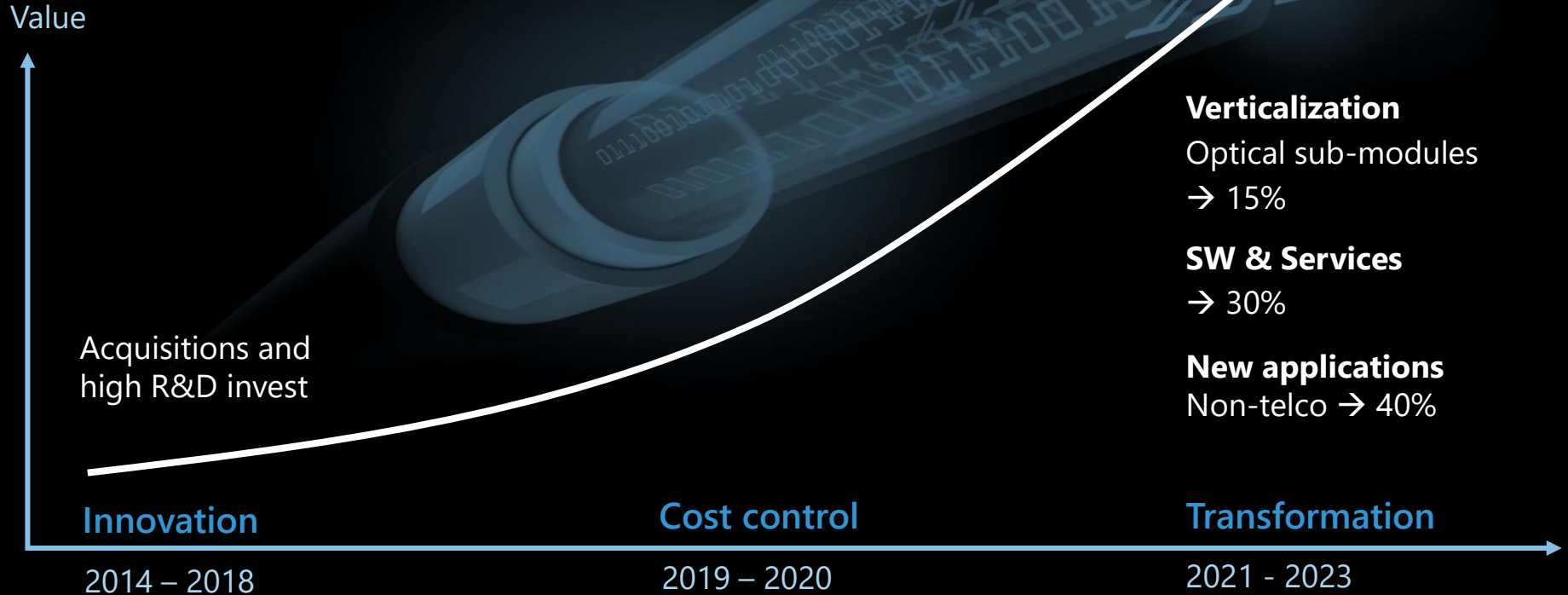
- Pandemic accelerates digitalization
- Deglobalization impacts vendor selection
- Industry consolidation reduces choice

... have shifted the baseline

- Network infrastructure transitions from cheap commodity to strategic asset
- Government stimulus favors trusted suppliers
- Few remaining western suppliers that are profitable and have required credentials

Macroenvironment provides positive tailwinds for ADVA

Business transformation



Leveraging our investments of the last years to a higher margin model

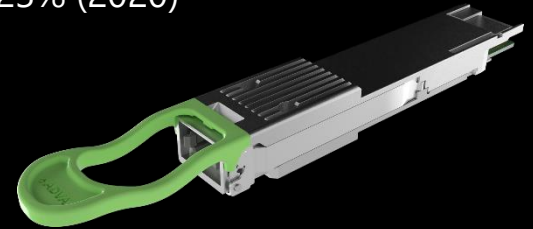
Transformation has started

to support our financials

New applications
Oscilloquartz CAGR >25%
Government wins
Enterprise IT

SW & Services
Accelerating growth
20% → 23% (2020)

Verticalization
MicroMux™ family
expansion



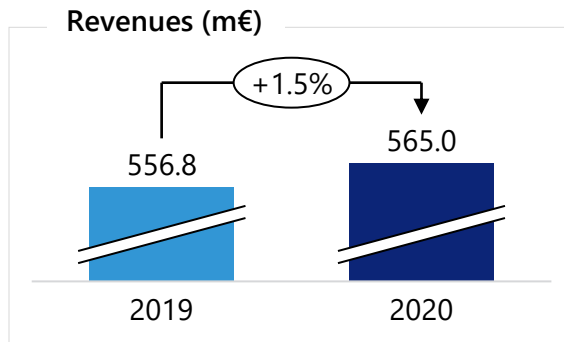
Driving operating results to new levels



Financial performance

Ulrich Dopfer, CFO

Financial year 2020 at a glance



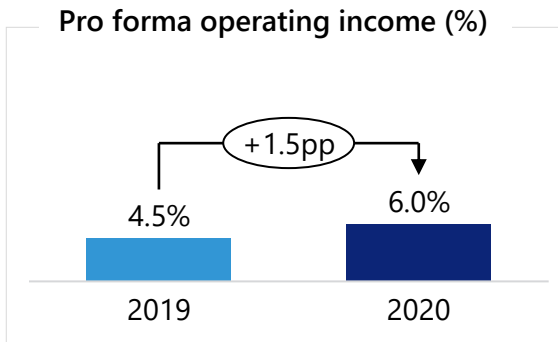
Revenues increased +1.5% y-o-y ...

- Despite pandemic, demand pleasingly robust
- Negative FX effect
- Again tightening lockdown measures in Q4 led to revenue shifts to Q1 2021

Target 2020

EUR 565m – 580m

565.0



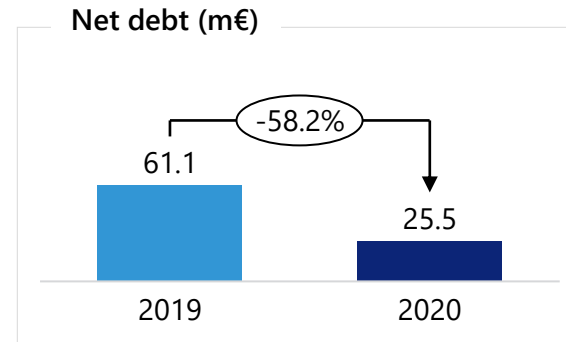
... with a margin at the top end of guidance

- Cost improvement measures
- Higher margin revenue expansion
- Pandemic driven less travel and marketing expenses
- Positive FX effect

Target 2020

5.0% – 6.0%

6.0%



Net debt significantly reduced by 58.2%

- Free cash flow generation of EUR 38.8m (2019: EUR 6.6m)
- Scheduled repayments of EUR 18.5m
- Early termination of covid-19 related governmental back-up line

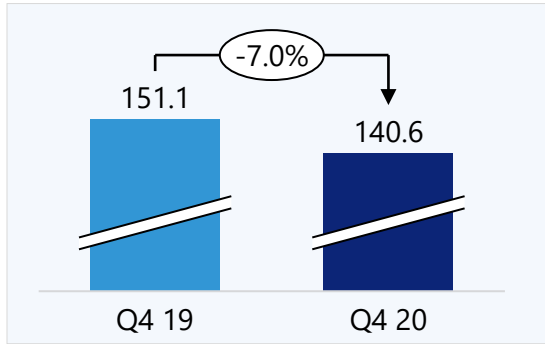
Target 2020

Reduction in the single-digit percentage range

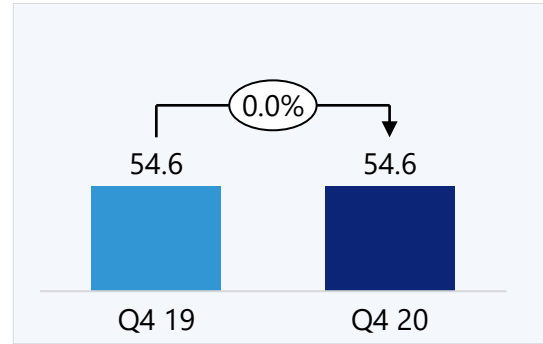
-58.2%

Q4 2020 key financials

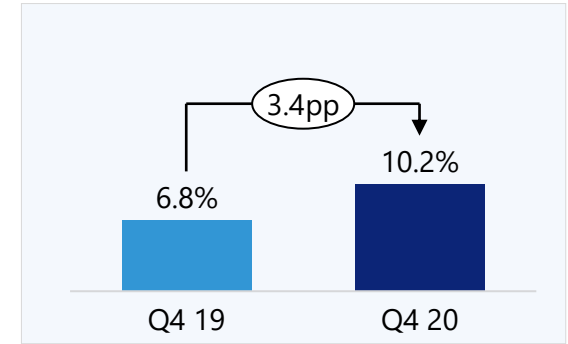
Revenues (m€)



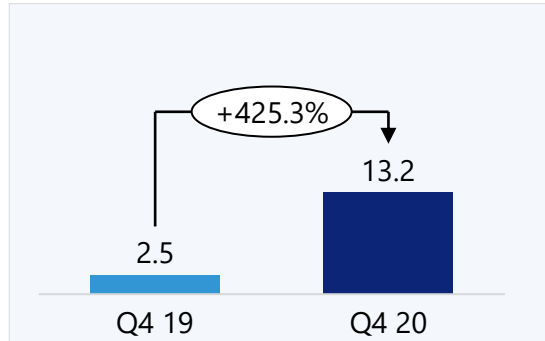
Pro forma gross profit (m€)



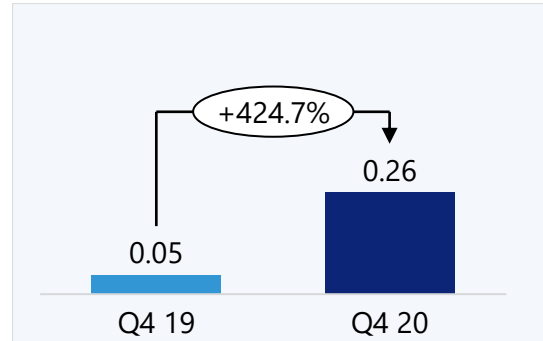
Pro forma operating income (%)



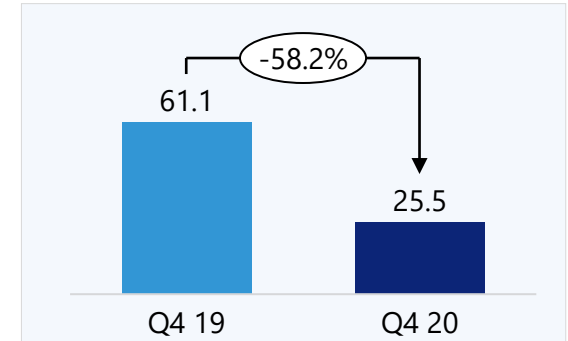
Net income (m€)



Diluted EPS (€)



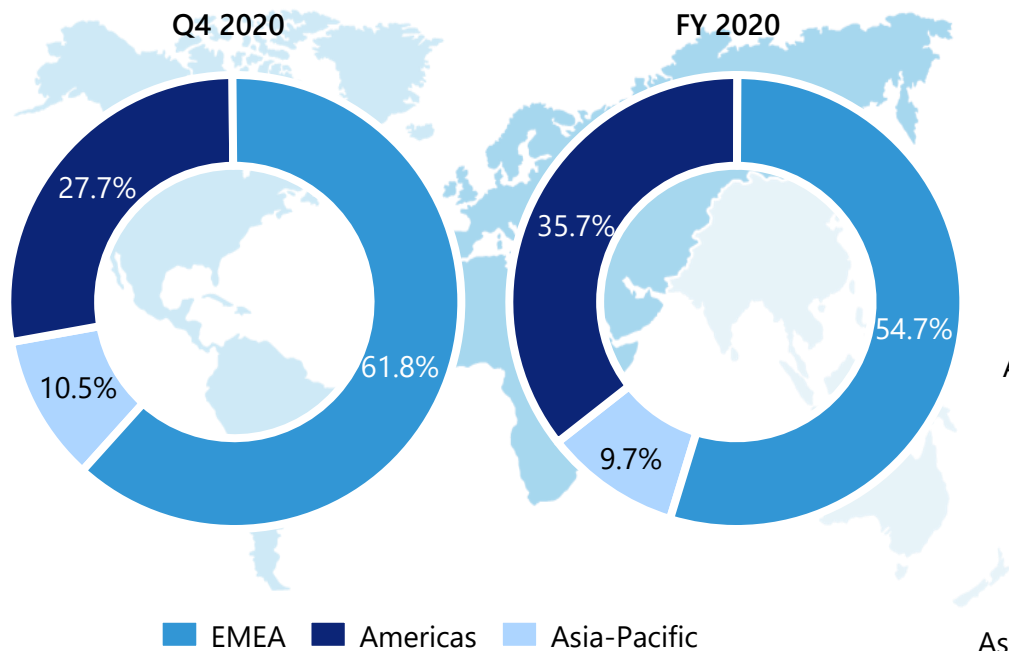
Net debt (m€)*



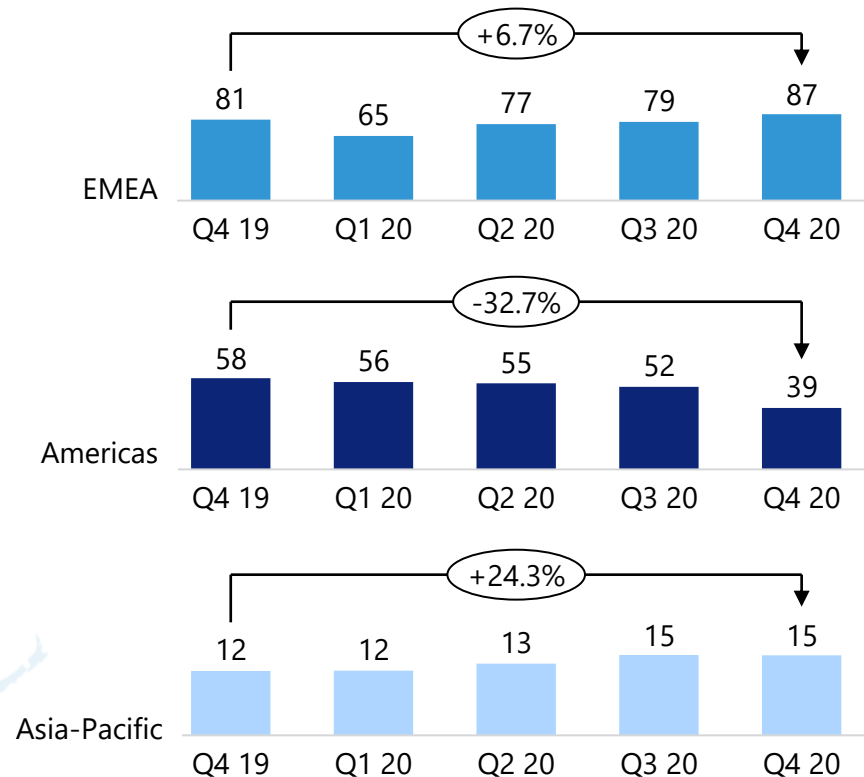
*Note: Net debt Q4 2020 includes EUR 27.8 million lease liabilities due to IFRS 16

Regional revenue development 2020

Revenue Split 2020 (%)



Revenue development per region Q4 19 – Q4 20 (m€)

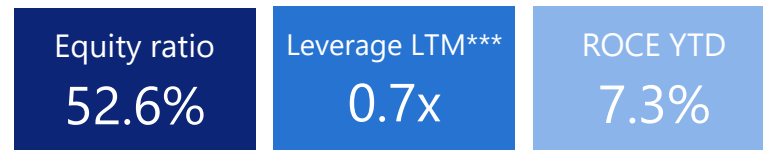
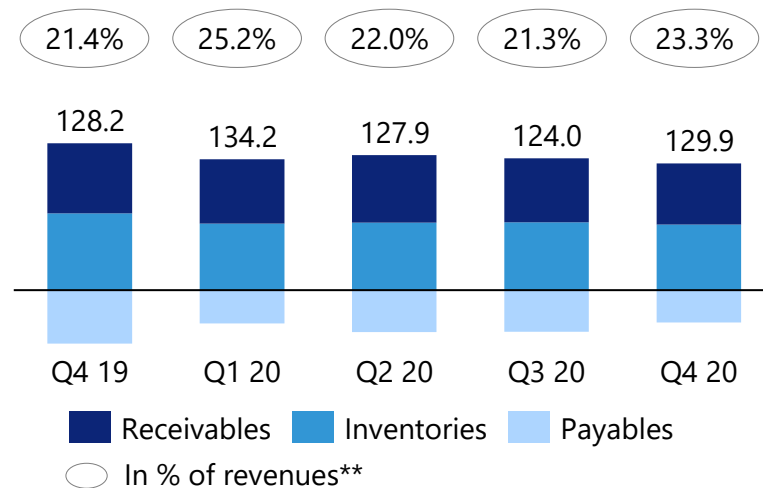


Cash flow and balance sheet

Cash flow breakdown (m€)*

	Q4		Financial Year	
	2020	2019	2020	2019
Earnings before taxes	14.2	2.6	24.8	8.9
Depreciation & Amortization	16.8	16.3	65.1	62.2
Change in working capital	-5.7	9.2	-1.5	-8.0
Other changes	-2.3	1.5	8.7	3.8
Operating Cash Flow	23.0	29.6	97.1	66.9
R&D	-7.6	-9.7	-40.0	-42.4
Other investing cash flow	-5.0	-5.5	-18.4	-17.9
Investing Cash Flow	-12.6	-15.2	-58.4	-60.3
Free Cash Flow	10.4	14.4	38.8	6.6
Gross cash end of period			64.9	54.3
Net debt end of period			25.5	61.1

Working capital development (m€; %)



* Potential differences due to rounding

** Calculated on a quarterly basis

*** Leverage is calculated as total bank debt divided by EBITDA. EBITDA is calculated as operating income plus depreciation and amortization of non-current assets. Impacts from IFRS 16 are excluded from leverage calculation.

Outlook

	FY 2021	Q1 2021
Revenues (m€)	580m – 610m	143m – 148m
Pro forma operating income (%)	6.0% – 9.0%	7.0% – 9.0%

Supported by:



Market opportunity is expanding

Digitalization – deglobalization – data security



Technologies are perfectly aligned

Open optical networks – programmable edge cloud – synchronization

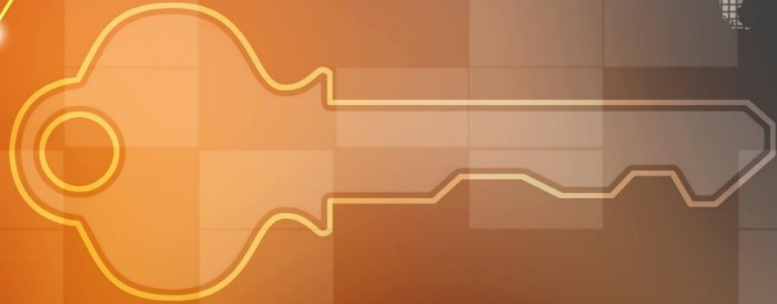


Business transformation has started

Software & services – non-telco expansion – verticalization

Please join our capital markets day

on March 23, 2021





Thank you

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