



Financial analyst presentation

Q1 2021 earnings call

April 22, 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

Q1 2021 highlights



Revenues Q1 2021
y-o-y

+ 8.9%



Pro forma operating income Q1 2021
y-o-y

+ EUR 14.5m



Pro forma operating income Q1 2021
in %

8.9%



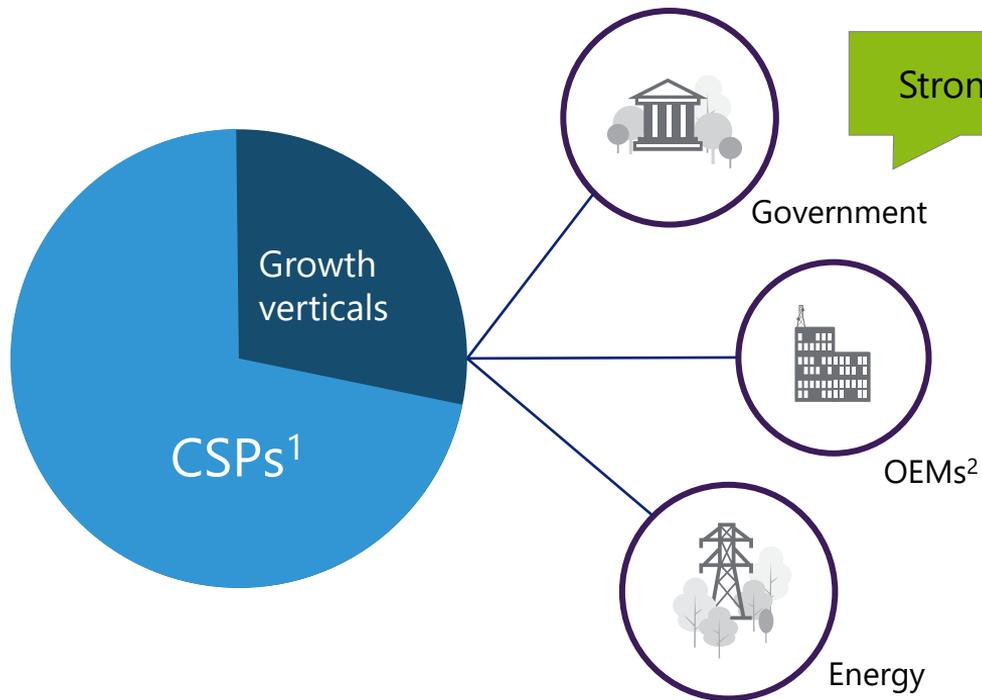
Net debt reduction Q1 2021
y-o-y

EUR 57.1m



Today we report the best Q1 in ADVA's history

Accelerating traction in growth applications



1) Communication service providers
2) Original equipment manufacturers

Revenue growth

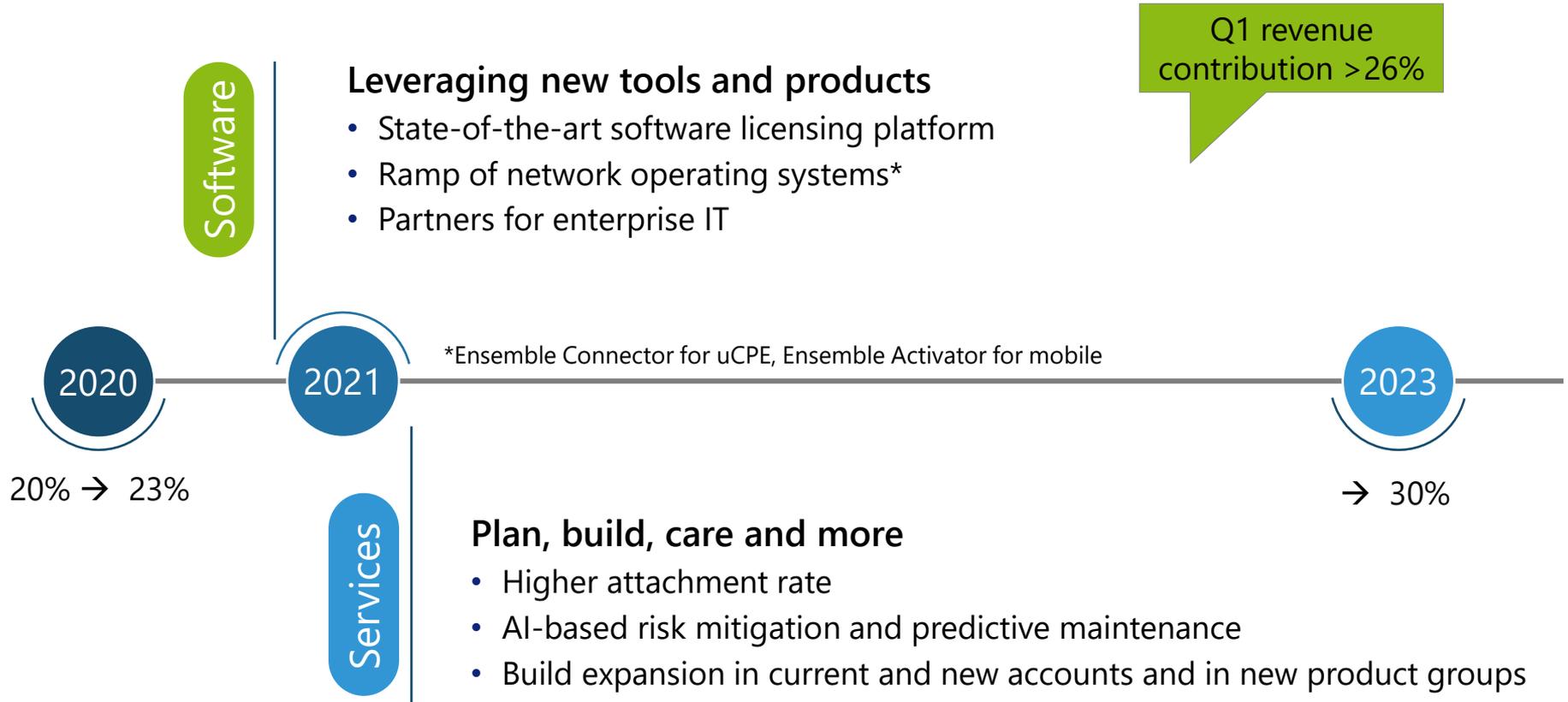
- **CSPs continue to grow**
 - Mobile, wholesale, strength in Europe
- **Partner expansion**
 - Dell, IBM, NEC
- **Expanding and upskilling sales force in growth areas**

→ 40% revenue contribution by 2023

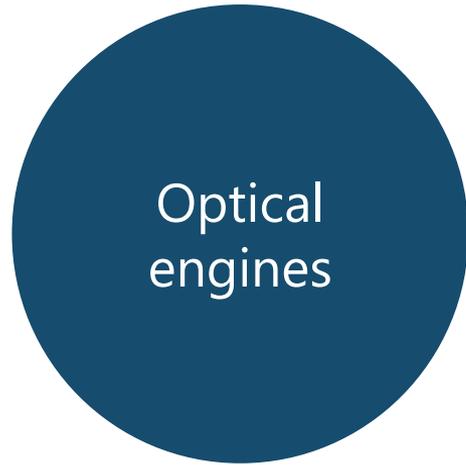
Leveraging our innovation leadership in synchronization, security and NOS*

*network operating systems

Expanding software and services



New revenue streams through verticalization



Optical engines

Pluggable transceivers

MicroMux™

Submodules



MicroMux™
Nano ramping

Revenue growth

- **New OEM¹ customers**
 - Switching & Routing
 - Mobile
- **Sales team expansion**
 - Business development
 - Account management

→ 15% revenue contribution by 2025

1) Original equipment manufacturers

Targeted at OEMs and as a pull through differentiator for our own systems

Macro dynamics: Opportunities and challenges

Tailwinds

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

Headwinds

- Semiconductor shortage
→ risk orders and higher inventories
- Elevated freight cost

Strong demand environment with some challenges to conquer

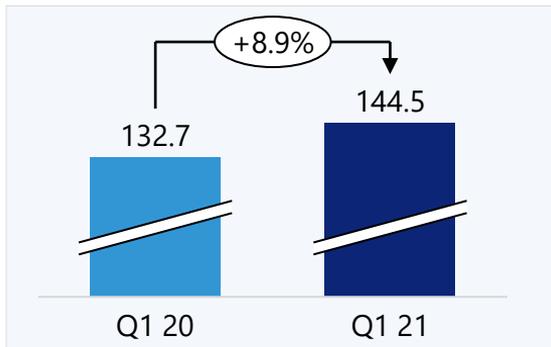


Financial performance

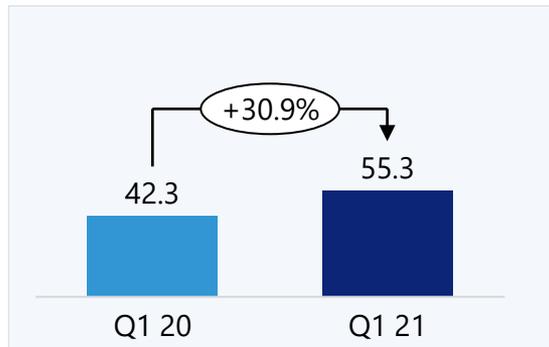
Ulrich Dopfer, CFO

Q1 2021 key financials

Revenues (m€)



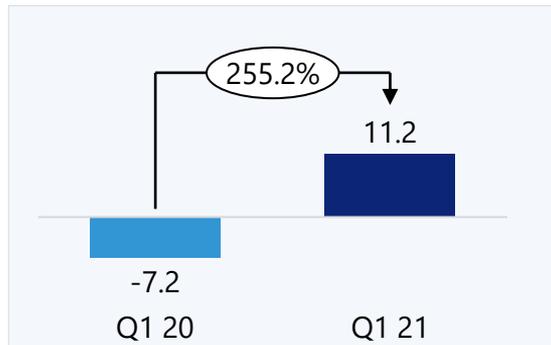
Pro forma gross profit (m€)



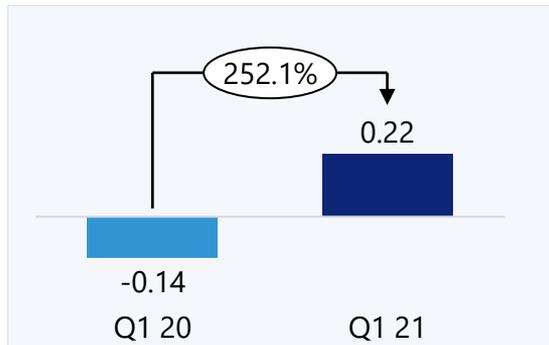
Pro forma operating income (%)



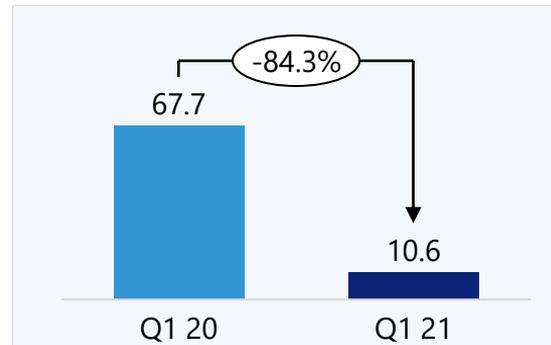
Net income (m€)



Diluted EPS (€)



Net debt (m€)*

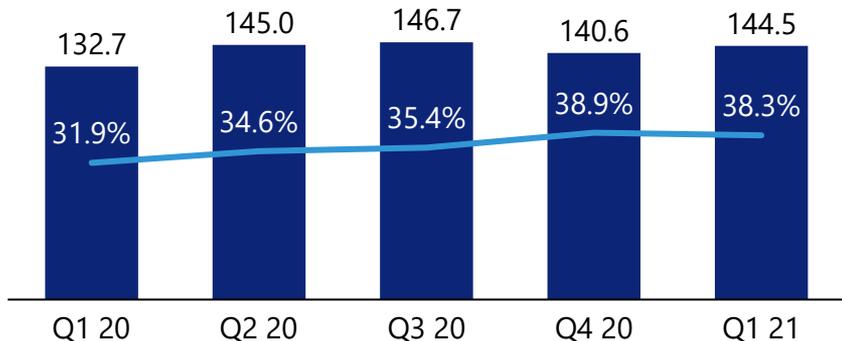


*Note: Net debt Q1 2021 includes EUR 27.0 million lease liabilities due to IFRS 16

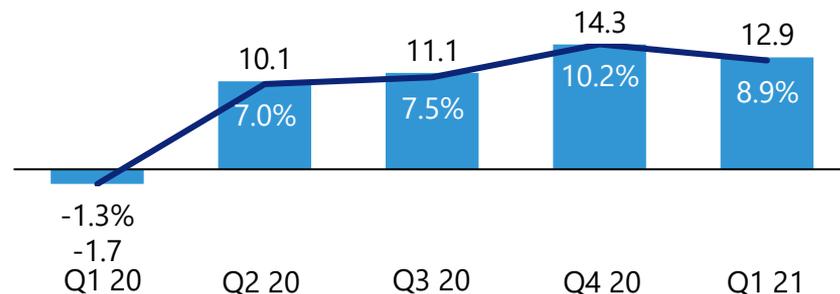
IFRS vs US GAAP comparison (pro forma)

(in millions of EUR, in % of revenues)

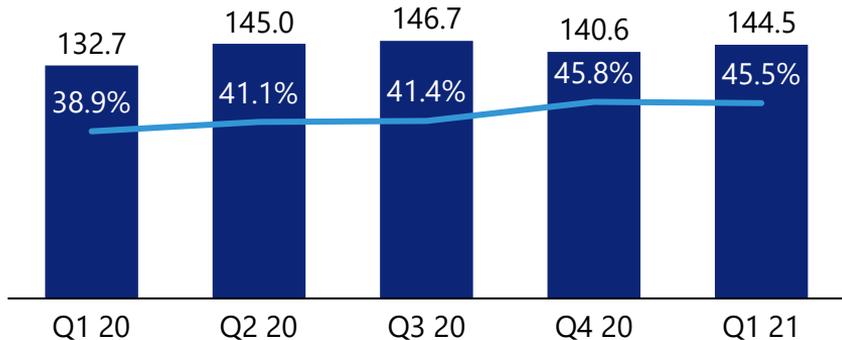
Revenue & pro forma gross margin (IFRS)



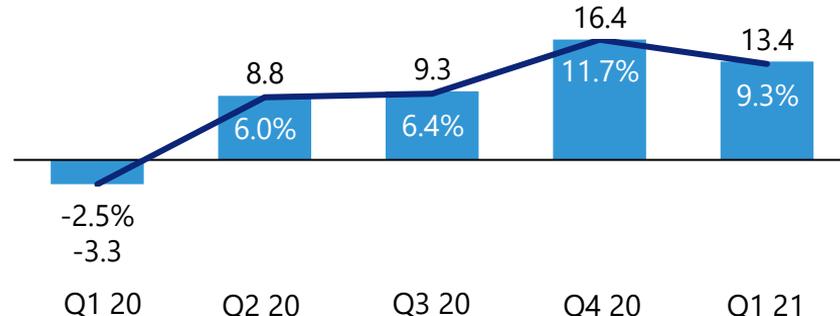
Pro forma operating income & margin (IFRS)



Revenue & pro forma gross margin (US GAAP)



Pro forma operating income & margin (US GAAP)

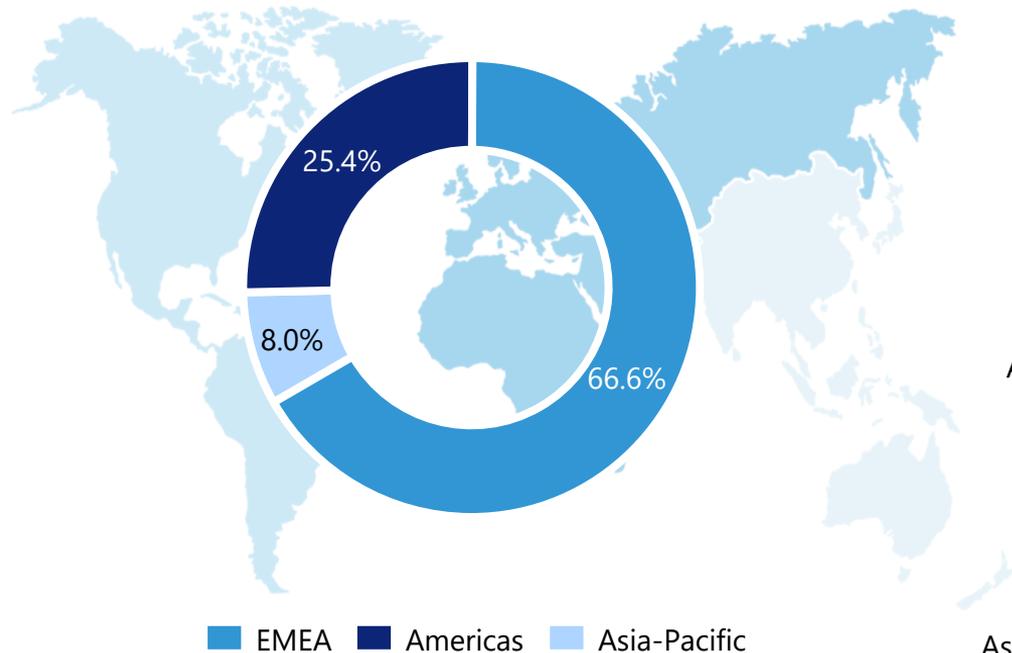


■ Revenue — Pro forma gross margin

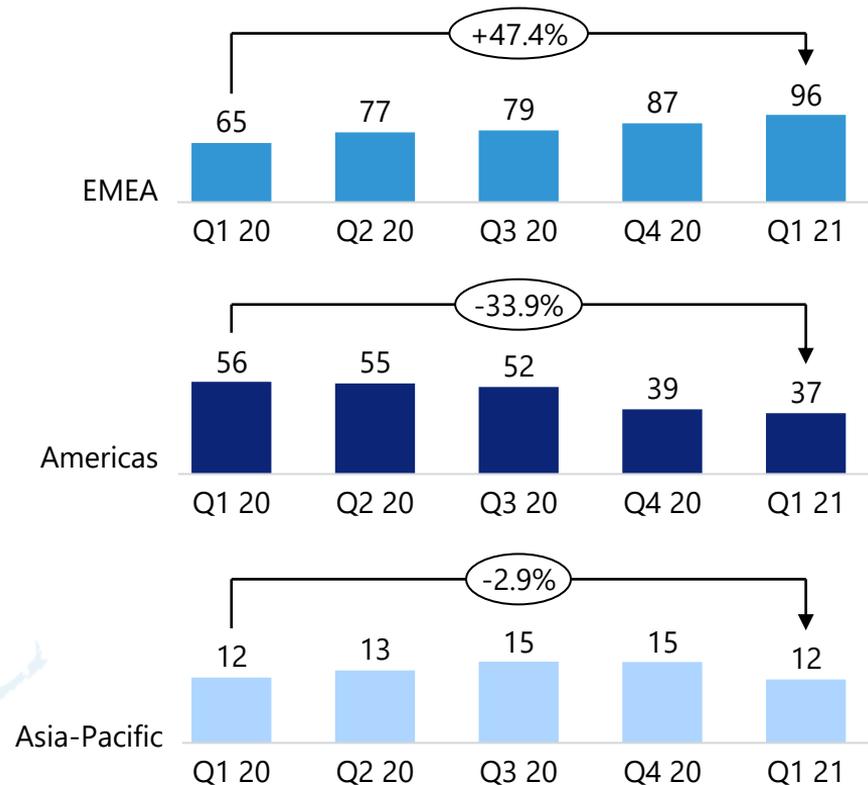
■ Pro forma operating income — margin

Regional revenue development Q1 2021

Revenue Split Q1 2021 (%)



Revenue development per region Q1 20 – Q1 21 (m€)

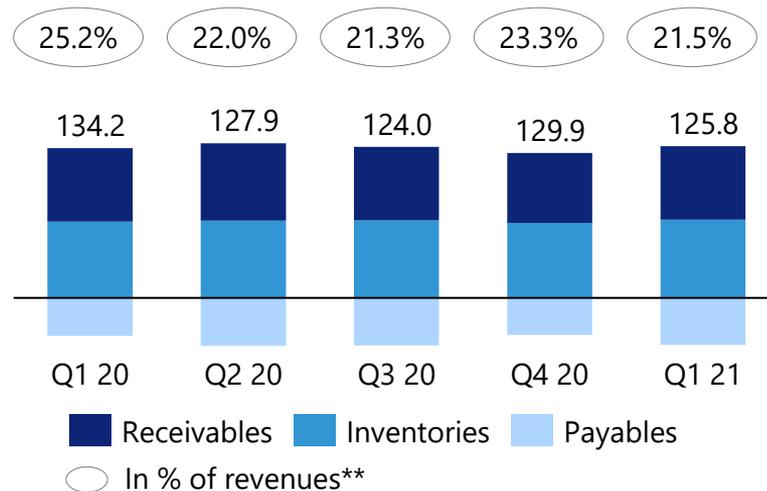


Cash flow and balance sheet

Cash flow breakdown (m€)

	Q1	
	2020	2021
Earnings before taxes	-5.8	11.9
Depreciation & Amortization	16.4	17.0
Change in working capital	-6.1	4.0
Other changes	6.8	-5.5
Operating Cash Flow	11.3	27.4
R&D	-11.0	-9.9
Other investing cash flow	-6.5	-2.4
Investing Cash Flow	-17.5	-12.3
Free Cash Flow	-6.2	15.1
Gross cash end of period	52.8	79.1
Net debt end of period	67.7	10.6

Working capital development (m€; %)



Equity ratio

53.3%

Leverage LTM***

0.6x

ROCE YTD

12.4%

* 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

Revenues (m€)	580m – 610m
Pro forma operating income (%)	6.0% – 10.0%

Supported by:



Market opportunity is expanding

Digitalization – deglobalization – data security



Technologies are perfectly aligned

Open optical networks – programmable edge cloud – synchronization



Business transformation progressing

Software & services – non-telco expansion – verticalization



Thank you

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