



Earnings call presentation

Q4 2022 financial results

February 21, 2023

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 2021.

CONSOLIDATED PRO FORMA FINANCIAL RESULTS

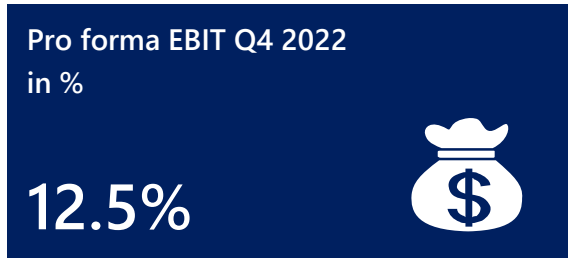
ADVA provides consolidated pro forma financial results in this presentation solely as supplemental financial information to help investors and the financial community make meaningful comparisons of ADVA’s operating results from one financial period to another. ADVA believes that these pro forma consolidated 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. Additionally, expenses related to M&A and restructuring measures are not included. These line items 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

Christoph Glingener, CEO

Q4 and full year 2022 financial highlights



Record revenues and solid demand while supply challenges continue

Recent highlights and press releases

ADVA adds time-sensitive networking to 100G edge solution

ADVA's new OSA 3350 SePRC™ optical cesium clock breaks records with industry's longest holdover

ADVA answers on-premises cloud demand with Ensemble Cloudlet

Adva Network Security Layer 2 encryption achieves German BSI approval

Shibuya chooses ADVA to deliver encrypted services to Nordic banks

ADVA Coherent 100ZR transceiver wins Layer123 sustainability award



Innovation – customer diversification – security – sustainability

Market environment



Investment in fiber and bandwidth

Fiber still viewed as long-term value investment (needed for 5G, etc.) – capacity demand keeps growing rapidly



Strong funding environment

\$42.5B BEAD project in U.S. set to launch in 2024; tens of billions of public funding in Europe for fiber broadband paired with robust private investment



High risk vendor replacement

U.S. expanding entity list restrictions on Chinese vendors; proposed Networks Act in U.S. has significant implications for operators continuing to deploy high risk vendors

Tailwinds

Headwinds



Economic outlook uncertainty

Inflation remains high, borrowing rates going up, recession risks remain high.



Supply chain risks improving but still challenging

Expedite fees and freight cost decrease, but critical components still challenging

Business combination with Adtran completed



Portfolio differentiation

- Optical core to customer premise
- End-to-end automation & insights
- Enhanced security and assurance



Customer diversity

- Balanced mix of national SPs, regional SPs, enterprise, and ICP customers
- Continued growth opportunities in each segment



Geographic diversity

- Balanced mix of U.S. and non-U.S. business
- Strong growth opportunities in focus regions



Strength in focus markets

- Full range of R&D, pre-sales, post-sales and services support in focus regions
- Strong market share in growth products in focus regions

Creating a scaled technology leader with a broad and diverse customer base

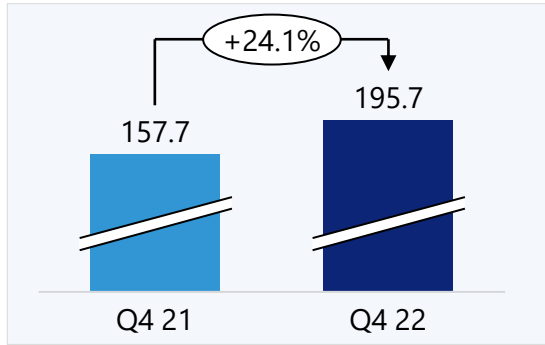


Financial performance

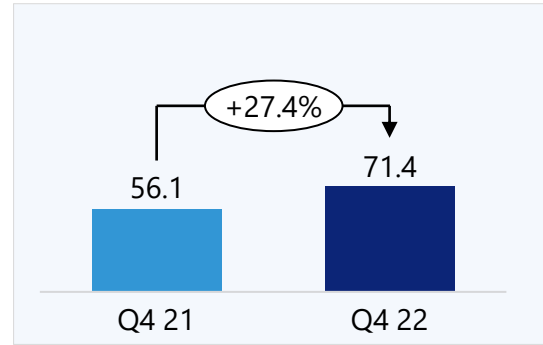
Ulrich Dopfer, CFO

Q4 2022 key financials

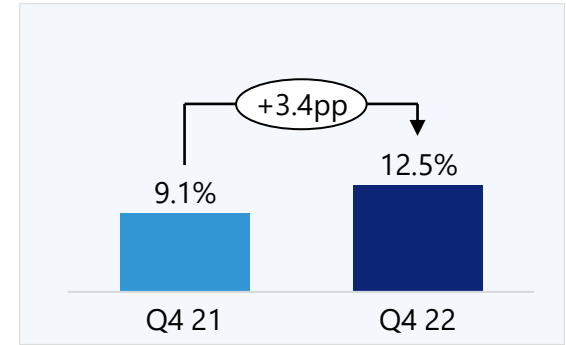
Revenues (m€)



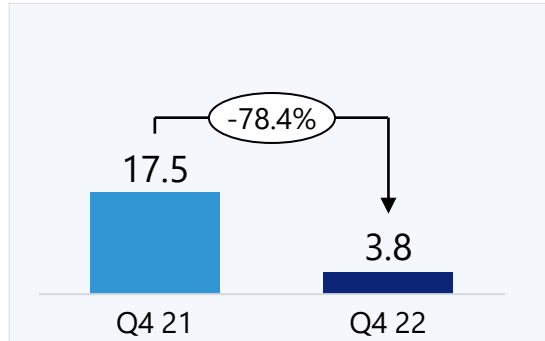
Pro forma gross profit (m€)



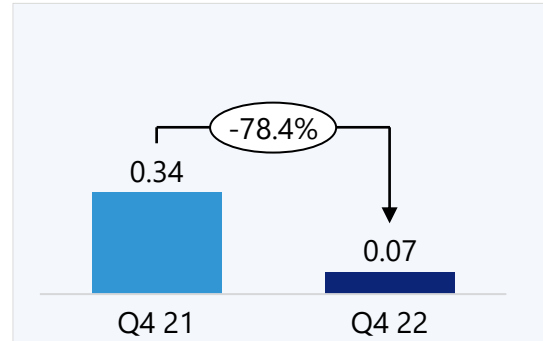
Pro forma EBIT (%)



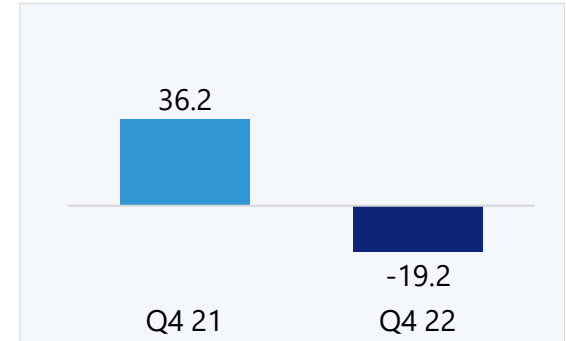
Net income (m€)



Diluted EPS (€)



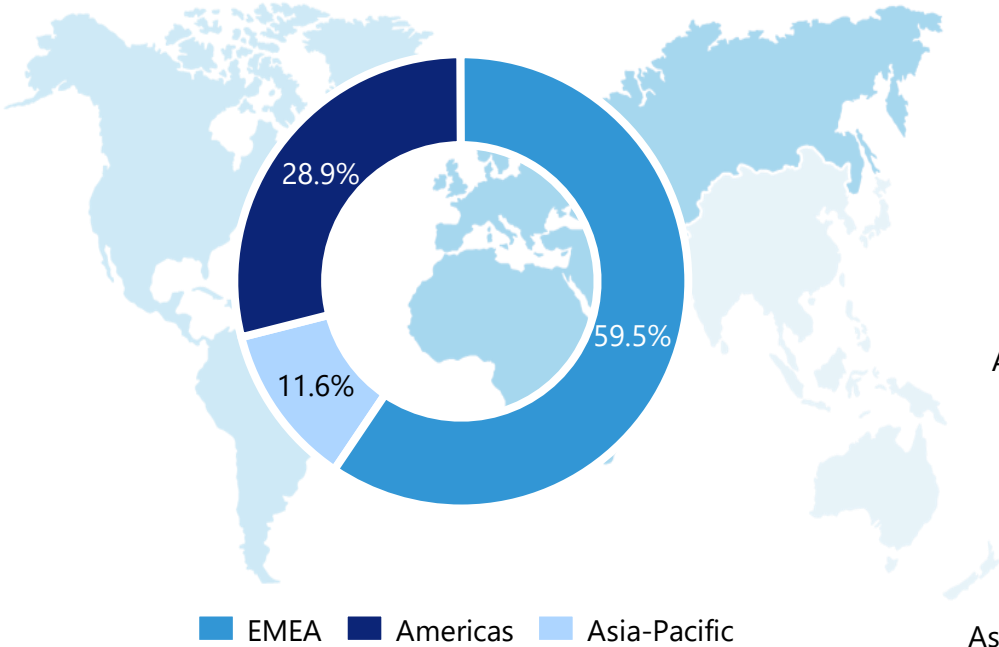
Net cash (+) / debt (-) (m€)*



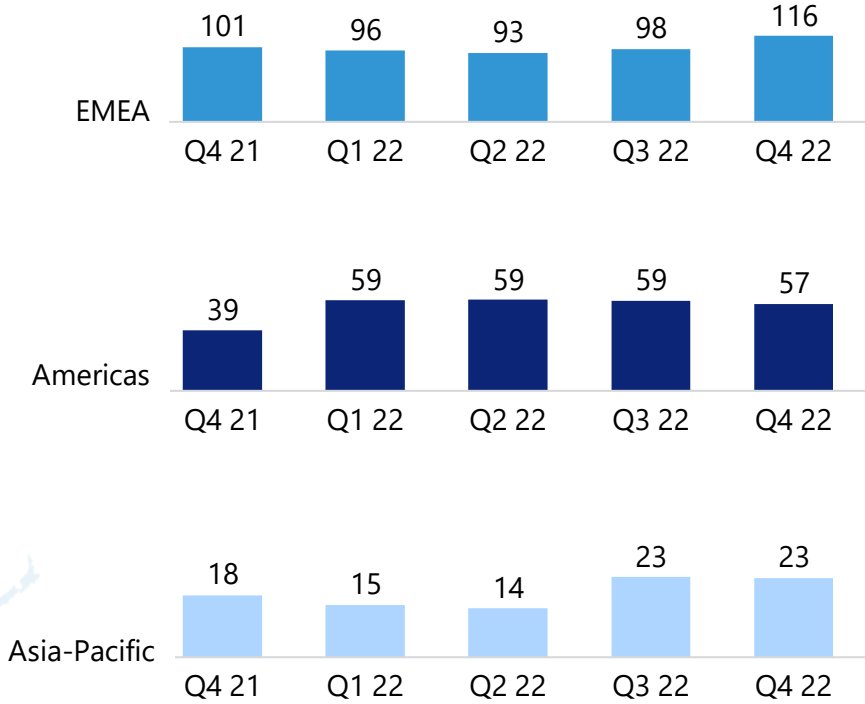
*Note: Net cash Q4 2022 includes EUR 21.2 million lease liabilities due to IFRS 16 (Q4 2021: EUR 25.0 million)

Regional revenue development Q4 2022

Revenue split Q4 2022 (%)



Revenue development per region Q4 21 – Q4 22 (m€)

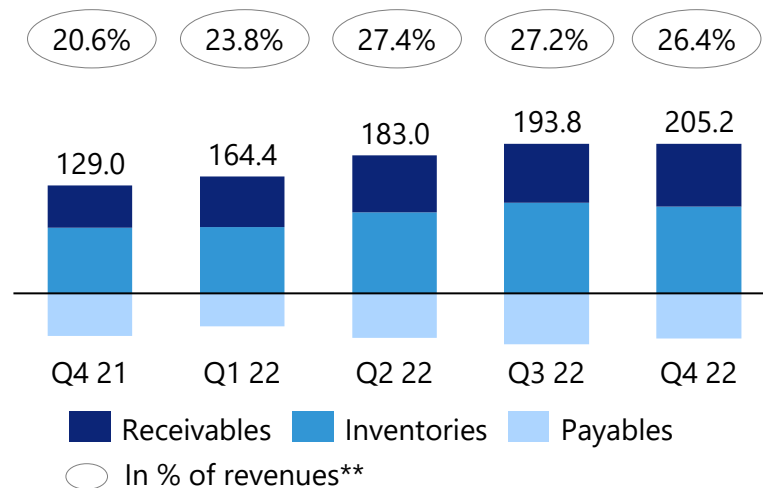


Cash flow and balance sheet

Cash flow breakdown (m€)*

	Q4	
	2021	2022
Earnings before taxes	12.3	9.2
Depreciation & Amortization	18.3	20.3
Increase (-) / decrease (+) in working capital	1.8	-12.7
Increase (-) / decrease (+) in other items	3.3	3.6
Operating cash flow	35.7	20.4
R&D	-11.6	-9.5
Other investing cash flow	-8.1	-11.3
Investing cash flow	-19.7	-20.8
Free cash flow	16.0	-0.4
Gross cash end of period	109.0	58.4
Net cash end of period	36.2	-19.2

Working capital development (m€; %)



Equity ratio

57.0%

Leverage LTM***

0.7x

ROCE LTM

4.4%

* 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.



Thank you

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