

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

EVENT DATE/TIME: FEBRUARY 23, 2017 / 2:00PM GMT



FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

## CORPORATE PARTICIPANTS

**Stephan Rettenberger** *ADVA Optical Networking - SVP Marketing and IR*

**Brian Protiva** *ADVA Optical Networking - CEO*

**Uli Dopfer** *ADVA Optical Networking - CFO*

## CONFERENCE CALL PARTICIPANTS

**Oliver Pucker** - *Analyst*

**Roman Brach** - *Analyst*

**Rob Sanders** *Deutsche Bank - Analyst*

**Tim Savageaux** *Northland Securities, Inc. - Analyst*

**Maura Garbero** *One Investments - Analyst*

**Alex Derbes** *Gilder Gagnon Howe & Co. LLC - Portfolio Manager*

## PRESENTATION

### Operator

Dear ladies and gentlemen, welcome to the Q4 2016 IFRS Financial Results Conference Call of ADVA Optical Networking.

(Operator Instructions)

I now hand over to Mr. Stephan Rettenberger, ADVA Optical Networking Senior Vice President Marketing and Investor Relations. Please go ahead, sir.

---

### Stephan Rettenberger - ADVA Optical Networking - SVP Marketing and IR

Thank you. And a warm welcome from my side. This earnings call builds on a presentation, which is available for download in PDF format from our home page under [www.advooptical.com](http://www.advooptical.com) in the about us/investor relations section. Should you not have the presentation in front of you, you may want to access it on the conference calls page in the financial results section of our Investor Relations website.

Before we will lead you through the presentation, as always, please be informed that this presentation contains forward-looking statements with words such as beliefs, anticipate and expect to describe expected revenues and earnings, anticipated demand for optic networking solutions, internal estimates and liquidity. These factors are discussed in greater detail in the risk report section of our annual report 2016.

Please also be reminded that we provide consolidate performance financial results in this presentation solely as a supplemental financial information to help the financial community make meaningful comparisons of our operating results from one financial period to another. This pro forma information is no prepared in accordance with IFRS and should not be considered as a substitute for historic information presented in accordance with IFRS.

We will target to limit this conf call to 60 minutes. As usual, Brian will start and provide a business update and outlook, then Uli will talk us through our Q4 2016 and our 2016 annual financials. And finally, we will have sufficient time for your questions, which we will be happy to answer them.

Brian, please go ahead with the business update.

---



## FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

### Brian Protiva - ADVA Optical Networking - CEO

Thank you, Stephan. And so, let us start with the business update and outlook and move to page four, Q4 2016 Review. Revenues rose by 14.6% versus the previous year, to EUR128 million. This result is within our guidance corridor. Our Q4 pro forma operating income was EUR9 million or 7% of revenues, at the top end of guidance, between 4% and 7% of revenues, helping us post our 12th consecutive quarter with year on year growth.

We have also consistently met revenue and profitability guidance during this period. We posted continued financial strengths with cash and cash equivalents as well as net liquidity at EUR84.9 million and EUR25.5 million respectively.

Our focus on open connectivity solutions for data center interconnect applications continues to deliver results and supported our record year with EUR566.7 million revenues for the full fiscal year, giving us 28.2% year on year annual growth from 2015 to 2016.

Much of this growth came from the ICP sector, whereby the revenue contribution from our ICP customers for the full year was in average close to 25%. As this segment was weak in Q4, it also contributed to our slower annual growth figures in Q4, when compared quarter on quarter from an annual perspective and our decline from Q3.

Page number 5, so what do our prospects for Q1 2017 look like? Our results and our forecast demonstrate further expected growth. At the midpoint of our guidance, we will achieve close to 15% annual growth. Our forecast is supported by the exponential growth of the cloud, which continues to drive demand for open connectivity solutions, creating further expansion opportunities in DCI and Metro Core applications.

In addition, we see stronger RFP activity in the cloud access space and very helpful cross selling opportunities between ex-Overture and traditional ADVA accounts, which will provide further opportunities for our expanded Ethernet access portfolio.

From a product perspective, we see our FSP 3000 CloudConnect ramping, Ensemble software architecture gaining traction and our Oscilloquartz portfolio resonating well with many tier one accounts as a solid basis for 2017.

And finally, our strong markets, our execution, more software products and tight control of operational expenses will result in increasing profitability in 2017.

Update on growth drivers page six, they are fully intact. Ovum sees strength in a number of applications and markets that will continue to add to the optical networking bandwidth demands driving an expanding market. In the cloud services segment, cloud bellwethers, Amazon Web Services (AWS) and Microsoft's Commercial Cloud are now exceeding an annualized \$20 billion run rate with projections for continued rapid growth as more sophisticated services are offered and it becomes that much easier for enterprises to move from a private cloud to a hybrid model or even full public cloud infrastructure.

The RAN market is moving into post 4G generations, and 5G is now being planned. Initial test beds, infrastructure and completely new networking architectures are being developed in order to meet the stringent needs of next gen latency requirements from autonomous driving, scale challenges of the Internet of Things network, as well as integrated timing capabilities within the transport layer. This all requires new investments.

In addition, centralizing architectures with scaled BBUs will drive more optical networking bandwidth, including fronthaul. Furthermore, video has continued to mandate ever more bandwidth as new standards evolve, such as 4K and now even 8K standards. This creates a cycle, which is actually ramping faster than existing networking technologies can keep up with. This promises incremental revenue for CSPs, communication service providers and further investment in ADVA Optical Networking technologies.

And finally, the web scale network builds: these will reshape optical networks around the data center paradigm, even pushing optical networks deep into the heart of the data center, creating new markets and opportunities for our technology platforms.



## FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

The optical networking market is on track to reach \$18 billion by 2020, and when you add other opportunities such as NFV, a multibillion dollar opportunity within the next years, sync and timing and Carrier Ethernet, we have a market closer to \$20 billion, which continues to grow as bandwidth and latency needs require our latest technologies, ever more scaled and more powerful networks.

Page 7, this market environment gives us a solid basis for more growth and profitability. When coupled with the complete upgrade of every product in our product portfolio, we have a huge opportunity to connect, extend and assure the cloud for new customers allowing us to grow with the market, as seen from the last slide, market growth, and at the same time, win new market share. This will support further strong performance and growth.

More specifically, we are now starting to ramp our FSP 3000 CloudConnect solutions, as seen by the bookings of double digit millions of orders in Q4, 2016. We are still challenged with the ramp up of manufacturing, but this is within the standard challenges of bringing on cutting edge technologies and ramping growth with these new technologies within a very short period of time. For our carrier customers, we are bringing new -- for our carry customers, we are bringing new and innovative solutions like our MicroConnect to market, which will help them resolve the capacity bottlenecks in their Metro Core infrastructure.

The long anticipated upgrade cycle has started and more flexibility, ease of use and cost efficiency in the optical layer will help carriers gain a much needed efficiency and agility in this mission critical part of their network.

With our One Network Edge solutions, we have completely upgraded all of our Carrier Ethernet portfolio. Presently, we're seeing more RFP activity than at any time in the last five years. This market segment remains very competitive, but having state of the art technology platforms, combined with our global leadership within the Carrier Ethernet segment allows for us to win new footprints and drive further innovation.

Now, looking at the fourth bullet Ensemble, the strategic reason for our Overture acquisition in early 2016 is now enabling us to win leading customers. We will be announcing our first US tier one account soon, where we have now won a handful of accounts with more than 20 POC field trials and outstanding RFP decisions in process, which can help us move from the initial stage of a future multibillion dollar opportunity into the second stage where revenues begin to flow.

Our investments in this portfolio will return investment capital to our shareholders in 2018. For NFV, 2017 is the year where we will continue to invest and win many new customers. We are one of the global leaders in this space and offer more choice, a better ecosystem and an architecture which works. My personal view is that we have little competition from the product side of things, but politics will prevent us from winning all the RFPs. Nonetheless, we will win many.

And finally, we have spent the better part of the last two years upgrading the entire of Oscilloquartz architecture. We are winning new footprint each month. We plan on moving from an investment mode to a driving returns for shareholder mode in 2017. With all this new technology, we are more competitive than ever. We are connecting, extending and assuring the cloud, while video, mobility and new applications continue to keep our industry expanding and exciting.

And with this, I would now like to pass up to Uli who will cover our financial performance. Thank you, Uli.

---

### **Uli Dopfer** - ADVA Optical Networking - CFO

Thank you, Brian. And hello, everybody. Let us start with the financial highlights for Q4 2016 according to IFRS. The pro forma numbers presented here are calculated prior to non-cash charges related to stock based compensation and amortization and impairment of goodwill and the acquisition-related intangible assets. Unless stated otherwise, all numbers are presented in euro.

Let's move to Slide 9, please. IFRS quarterly revenue and pro forma profitability. As already stated, we ended Q4 2016 with revenues of EUR128 million, representing our strongest Q4 ever. This result is at the lower half of our revenue guidance, range of EUR125 million and EUR140 million and still represents 14.6% increase year over year. Again, this marks the twelfth consecutive quarter with year on year growth.



## FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

The year on year increase in the revenues was mainly driven by the continued push for 100G in metro and regional networks. The revenue contribution for the ICP segment was lower than in the previous quarter -- previous quarters. This explains the corresponding decrease compared to Q3, however this mix shift also drove the significantly higher gross profit margin of 33.1% of revenues.

Pro forma operating income in Q4 2016 was at EUR9 millions, about 7% of revenues. This is at the top end of our guidance of between 4% and 7% of revenues and compares to 8.1% in Q4 2015.

Let's move on to the next slide, please. IFRS Annual Revenues and pro forma profitability. We ended 2016 with a record high in revenues of EUR566.7 million. In 2016, pro forma gross margin at 29.7% came in lower than the 35.6% achieved in 2015. As already stated in previous calls, our profitability was mainly impacted by two factors: First the large portion of lower margin ICP business; and second, the weakening of the British pound after the Brexit vote in June 2016.

Pro forma operating income in 2016 was at EUR23.4 million or 4.1% of revenues. This compares to EUR30 million in 2015 or 6.8% of revenues. The decrease in profitability also reflects one time integration costs for our Overture acquisition, especially in the first half of the year. It is important to note that without the above mentioned currency impact, our pro forma operating income in absolute terms would have been higher than in 2015.

Next slide, please. IFRS profitability below the pro forma operating income line. In Q4 2016, IFRS operating income was at EUR8.1 million or 6.3% of revenues, up from EUR7.5 million or 6.7% in Q4 2015. Key driver for this development are lower compensation expenses, partially offset by higher amortization of intangibles from acquisition.

Our Q4 2016 net income was at EUR13.6 million or 10.6% of revenues. This result was impacted by positive FX effects caused by the strengthening dollar at the end of December. The Q4 tax benefit predominantly results from the recognition of tax loss carry forwards especially in Europe.

For the full year 2016, our net income was at EUR21.5 million. As the number of weighted average shares outstanding has not changed significantly, diluted EPS, developed in proportion with IFRS net income to EUR0.27 per share.

Next slide, Slide number 12, Quarterly Revenues Per Region. Due to the seasonality in the ICP business in the Americas and a strong business in EMEA, EMEA returned to be the strongest region within ADVA in Q4 2016. EMEA recorded revenues of EUR65.8 million, a EUR14 million increase from the EUR52.2 million in the previous quarter, and representing 51% of our total revenues.

After a very strong Q2 and Q3 in the Americas, a temporary weakening in the ICP sales resulted in lower revenues in Q4. Still the EUR52.3 million achieved in Q4 2016 represent a 44% increase compared to the EUR36.2 million we saw in Q4 2015. Asia Pacific revenues were at EUR9.9 million or 8% of sales, which represents a 5% increase year over year.

Next slide, please. Annual Revenues Per Region. This slide shows the strong development of revenues from 2013 to 2016, reflecting an 82% growth within three years. While the regional split remained relatively stable in 2013 to 2015, the Americas accelerated in 2016, now representing nearly half of our annual revenues.

It is important to point out that EMEA includes all of Europe, Middle East and Africa. The good performance of Central Europe was offset by weaker revenue developments in the other sub regions. Furthermore, close to one-third of the EMEA revenues was impacted by the weakness of the British pound following the Brexit. APAC remains a small but stable source of revenues with a 6% revenue share.

Next slide, please, IFRS Consolidated Balance Sheet. Cash remained strong at EUR84.9 million, bringing net liquidity up to EUR25.5 million. Overall, net working capital of EUR98 million remained stable compared to the EUR96.6 million reported at the end of Q3. This is slightly below the EUR99.6 million at the end of 2015. The lower revenues in Q4 result in a decrease of our trade account receivables to EUR78.5 million, compared to EUR112.1 million at the end of Q3. DSOs increased slightly to 68.5 days.

## FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

Inventories increased at December 2016 to EUR92.8 million, mainly caused by the timing of orders. If you recall, as we -- we always said, we either hit the higher end of our revenue guidance or we hit the lower of our revenue guidance, and as a result, we just -- we ended up at the lower end of our revenue guidance, but the result was that the inventories came in a little higher.

Trade accounts payables of EUR73.3 million decreased from EUR87.7 million in the previous quarter, however driven by lower COGS, DPOs increased to 85.9 days.

Stockholders equity, of EUR238.9 million is slightly up from EUR220.6 million versus the end of last quarter. We continue to maintain a strong equity ratio of close to 50%.

Next slide, please, IFRS Consolidated Cash Flow. Cash flow from operating activities amounted to EUR21.2 million, up from the EUR10.7 million reported in Q4 2015, and also up from the EUR15.7 million reported in Q3 2016. The increase from Q3 to Q4 was mainly driven by net income.

Cash flow used for investing activities is slightly higher than historical levels, reflecting our investments in future technologies. Cash flow from financing activities in Q4 2016 was at negative EUR1.7 million, mainly consisting of servicing existing loans. Accordingly, free cash flow came in at EUR16.4 million, versus EUR8.1 million reported in the prior year quarter.

Now, I would like to share our guidance for Q1 2017. Next slide, please. We are committed to improving visibility and predictability of our business. As in the past, we will continue to provide projections for the current quarter only. Market growth drivers continue to be intact. Cloud and mobility continue to drive data center builds and expansions, thus driving demand for more interconnect capacity. Our long term growth drivers and growth prospects continue to be strong.

As previously communicated, there are both risks and opportunities in realizing revenue, particularly in the infrastructure business. We remain committed to a flexible cost and operating model that allows us to quickly adapt to changing market conditions. We will continue to drive operational efficiencies within all facets of the organization.

We consequently project Q1 2017 revenues of between EUR135 million and EUR145 million, with pro forma operating income to range between 3% and 5% of revenue. We will continue to perform detailed reviews of the expected business development in respect of all intangible assets, including capitalized development projects. In case of highly adverse business prospects, such a review may result in non-cash impairment charges in Q1 2017 and beyond. The pro forma operating income guidance we've provided today excludes any such potential impairment charges.

With that, I'd like to summarize today's call. Slide 17, our strong topline growth continues and we will continue to outperform the market. We have indication that the Metro Core upgrade cycle is picking up, a part of carrier infrastructure that we address well. Q4 has already shown that we are returning to better profitability levels. The customer and product mix is healthy with the FSP 3000 CloudConnect ramping and our higher margin products contributing to the overall mix.

Network Function Virtualization, NFV, continues to be the hot topic in our industry, and disrupts the service delivery model for communication service providers. Innovation is more important than ever. We have built thought leadership in this space through Ensemble, our strategic division focused on network function virtualization. With Ensemble, we are now in more than 20 active customer engagements with carriers around the globe. Ensemble also opens doors for other innovative solutions we are offering to the market. Overall, our broader solution offering and ability to innovate brings traction in new accounts.

Thank you all for your participation in today's call. And with that, I'd like to return the call back to the operator to begin the Q&A session.



FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

## QUESTIONS AND ANSWERS

### Operator

Thank you very much. (Operator Instructions)

The first question comes from Mr. Oliver Pucker. Your line is now open.

### Oliver Pucker - - Analyst

Yes, good evening, ladies and gentlemen, thanks a lot for taking my question. My first question is for Brian, on the CloudConnect, can you give us the revenue figure for Q4 and maybe also an outlook for Q1 in 2017 in terms of revenues? And also, what has the customer feedback been so far for the first deliveries?

### Brian Protiva - ADVA Optical Networking - CEO

So, revenue figures, we said low millions of revenue. That happened. What we did announce is double digit millions of orders. Now, in Q1, it really depends on our ability to ramp manufacturing from a couple million into double digit. I would imagine and what we'd originally said is high single digits, low double digit millions in Q1 if things go well. If things don't go so well, they might be a little less than that in the -- in the mid single digits. But I think we're getting our hands around those things, as mentioned in my presentation piece.

### Oliver Pucker - - Analyst

Okay, got it. Maybe on the margin side of the CloudConnect, you already see an improvements on the CloudConnect in terms of margins with the first deliveries or do you need a certain scale to see a positive margin development in the ICP space?

### Brian Protiva - ADVA Optical Networking - CEO

In general, margins are fine. But yes, with scales, you get the really big difference. So, it's a -- it's a much more cost effective product for 100Gs than our old products; a matter of factors, so it's going to give us good margins, but scale is very important in the beginning of a product launch. It takes some time to really get those cost efficiencies.

### Oliver Pucker - - Analyst

Okay. And maybe on the ICP business in general, in Q4, the revenue share of ICP customer was obviously significantly lower than 25%, so what revenue share can we expect for 2017?

### Brian Protiva - ADVA Optical Networking - CEO

Well, with a fast moving market, I think we won a major ICP with our new architecture. We continually get surprised by orders all along, very hard to forecast, and therefore, I'm going to give you a range. I'm going to say that it's going to be between 12 and 30. But the likely 25; this was very strong year, you know, that's what we'd love to shoot for. But it is very -- it is not easily plannable.

They're fast moving organizations making rapid decisions, making decisions for pieces of architectures or features and then changing their mind quickly because they can, you small teams, very flexible, very technology driven, moving rapidly. And therefore, it is -- they can't forecast like that, therefore, we can't forecast either.



## FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

**Oliver Pucker** -- Analyst

Okay, got it. And maybe on the guidance, so the range of the margin guidance is lower than in the previous quarter, around 200 basis points. So before we always saw a range of 300 to 400 basis points, so what did change that now you seem to have a higher visibility on the margin side?

**Uli Dopfer** - ADVA Optical Networking - CFO

Well, we just feel -- this is Uli, we just feel comfortable that we -- what we can achieve that, that we will be in this range and that's why we felt we wanted to give you the feedback as well that we are confident with that range, and that's why we narrowed it again as we -- as we did with the revenue range. We increased the revenue range for Q4 due to the volatility of the ICP segment, and now we decrease it again to EUR10 million.

**Oliver Pucker** -- Analyst

Yes, and is there any specific reasons why you have a higher confidence in the -- in the -- yes, in the -- yes, in the -- yes, more narrow range?

**Uli Dopfer** - ADVA Optical Networking - CFO

It's very simply because we are already half way through the quarter whereas in other quarters, we are -- we are only one way -- one month through the quarter basically.

**Oliver Pucker** -- Analyst

Okay. Got it. Then maybe -- yes, a couple of questions for Uli. So you mentioned during the call that there was a strong negative FX effect on the EBIT margin level in Q4 due to the stronger US dollar, so --

**Uli Dopfer** - ADVA Optical Networking - CFO

So roughly this was for the whole year, the statement.

**Oliver Pucker** -- Analyst

Yes, yes, but if you -- if you let's say just talk about Q4 --

**Uli Dopfer** - ADVA Optical Networking - CFO

Okay.

**Oliver Pucker** -- Analyst

-- so how much of this EUR4.8 million that you show in Q4 in the other financial gains and losses, how much would -- could we add let's say if we assume a flat US dollar?





## FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

**Uli Dopfer** - ADVA Optical Networking - CFO

So, this is a good question because it's definitely not the complete EUR4.8 million because this -- it applies for other quarters as well, and if you know this, is -- consists of some realized gains and unrealized gains but I would give a rough range of EUR1 million to EUR2 million maybe in this range.

**Oliver Pucker** - - Analyst

Okay, so the underlying --

**Uli Dopfer** - ADVA Optical Networking - CFO

Maybe even higher, maybe even though it's a little higher.

**Oliver Pucker** - - Analyst

Okay. So, the underlying EBIT margin so to speak would have been significantly higher?

**Uli Dopfer** - ADVA Optical Networking - CFO

Absolutely, yes. Yes, it's safe to say.

**Oliver Pucker** - - Analyst

And maybe a housekeeping question on Overture, so what was the revenue contribution in Q4? Was it again around EUR10 million?

**Uli Dopfer** - ADVA Optical Networking - CFO

Overture revenue contribution, yes, was a little higher than EUR10 million.

**Oliver Pucker** - - Analyst

Okay. And also maybe looking at your annual report, so there was a release of provisions of EUR3.3 million in 2016 with a positive effect, so what is -- what is the story behind that?

**Uli Dopfer** - ADVA Optical Networking - CFO

There are multiple effects, so there is one that we have accrued a couple of years ago for a customer who went bankrupt. We could reverse this accrual. Then we have some accrual that was related to the earnout of the Overture business, so we did not achieve the earnout or the levels that were based on -- for the -- or necessary to get the earnouts, so we could release this one as well, and then a few minor things.

**Oliver Pucker** - - Analyst

Okay, great. Then maybe last question from my side on the -- on the gross margin, so we saw a strong increase in Q4 versus Q3, gross margin was up 620 basis points, so what are the -- what are the key reasons for the -- for the very strange development?



## FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

**Uli Dopfer** - ADVA Optical Networking - CFO

It's basically a shift in customer mix and products, that's it. I mean we have less ICP portion and that's why the other -- the other customer segments like enterprise -- just -- is more -- the impact is higher.

**Oliver Pucker** - - Analyst

Okay. So the main reason is likely lower revenue share from ICP?

**Uli Dopfer** - ADVA Optical Networking - CFO

Yes.

**Oliver Pucker** - - Analyst

Okay. Got it. Okay, thanks a lot.

**Operator**

Thank you. (Operator Instructions) We received another question from Mr. [Roman Brach]. Your line's now open.

**Roman Brach** - - Analyst

Yes, hello and thank you for taking my question. I have a question concerning of the CloudConnect business, especially for Q1 now, I guess there was some orders that came in in Q1 that were expected in Q4, but are those driving down the margin in Q1? And how is your expectations for the upcoming year, how much the margin will be positively or negatively affected by CloudConnect?

**Brian Protiva** - ADVA Optical Networking - CEO

So, the orders that we got in Q4, I mean -- again, we believe that the CloudConnect is much more effective in the application that's -- application that it addresses, so that we will get better average margins. The reason for lower margins in 2016 were we were selling older technology, addressing existing competitors and addressing customers' opportunities, that drove the average margins down, and we think with the CloudConnect, we're much better positioned.

But let's -- be honest, it's a continual rat race of driving newer technologies, better costing as the bandwidth demands increase. So, we are comfortable with the statements we've always made, the CloudConnect will help us to expand our margins. The orders that we're getting from many different customers are good, rock solid business because we have a state of the art technology platform that allows us to price accordingly.

So, no news, all positives, continue to rollout. I think the only thing that's new -- is new is -- three months ago in our last calls or a little bit longer, four months ago when we had said we're a month -- a quarter behind kind of evolving, but I think we have everything under control, and all is good.

**Roman Brach** - - Analyst

Thank you.



FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

## Operator

Thank you. Our next question comes from Rob Sanders of Deutsche Bank. Your line is now open.

## Rob Sanders - Deutsche Bank - Analyst

Yes, hi. Good afternoon, gentlemen. I just had a question around CloudConnect, you seem to be moving to a modular approach here, rather than the previous approach with the FSP 3000 where you used a solution from Acacia, it seems like you're using this modular approach now using internally developed components. I was just wondering what that -- does that affect your uncertainty level around the ramp of CloudConnect? That would be my first question.

And secondly, just on the FSP 3000, how fast will this FSP 3000 revenue contribution ramp down as you -- as you ramp CloudConnect up? Or maybe it doesn't at all.

[Third] question would just be on the level of pricing aggression we're seeing -- you're seeing from the Chinese? I remember in the first half -- last year, you talked about them being quite aggressive in Europe?

And then -- and then lastly would just be, you said in the past you're shipping to 4 of the top 10 cloud guys, I was just wondering if in your order book, you were still seeing 4 of the top 10 or if you managed to get that upwards from where you are today. Thank you.

## Operator

Has your question been answered?

## Brian Protiva - ADVA Optical Networking - CEO

So, the first one -- the first part of the question -- I was on mute, sorry -- for the first part of the question was in modular -- yes, I mean modular, yes. The CloudConnect is a part of our FSP 3000 architecture. We have a hybrid model. It can be used in a very smooth transformation for ADVA. All our customers can take it in. You can manage it with our network manager. You can integrate it. Yet on the other side, it's a holistically new platform, which can be a standalone architecture with brand new capabilities, software -- all sorts of new software capabilities, et cetera.

So, I think we spent a lot of time and energy developing the product, and it's a -- it's an FSP 3000 so that when you say, how it ramps, CloudConnect is just one part of the 3000 architecture. And yes, as people move more to the 100 gig layer, you have more and more CloudConnect being purchased, so we have very smooth transformation.

The modular piece is though when you say modular, yes, we still -- we're not going to design our own DSPs. We still believe in the merchant chip concept. And that means that we will partner -- we will partner with the leading company in that -- in that space. And our people picked Acacia very early in the last round because -- we did due diligence and felt that the chip and capabilities of the team were outstanding. And they met our expectations. We were able to go to -- go to market with them and be very competitive.

Remember, they have -- we're spending \$100 million in R&D. They're spending \$100 million plus in R&D. It's a -- it's a -- it's a very -- a very strong partnership, yet there are other people that are -- that are spending money. So, there are new companies answering there or acquisitions happening in that space, and we have to see who the leader is, but we do believe in the merchant piece. So, no risk of us developing our own DSPs and not meeting timelines, so we feel very comfortable with the timelines.

From a competitive landscape, the Chinese, they come and go. They're big and strong and have lots of financing support and therefore, they can always rear their heads and get very aggressive. We don't see them though methodically trying to change the market on a pricing structure, and



## FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

we haven't seen that for multiple years. So, it comes and goes, depending on which customer, which RFP, and how strategic it is for a Chinese vendor.

Having said that, we are one of two vendors, with the Chinese vendor being the other in many of our accounts, in many of our tier one accounts. So, we don't see any change there. They get a part of the business, we get a part of the business. So, I'm not sure if I answered all the questions, but I think I covered most of them.

---

### **Rob Sanders** - Deutsche Bank - Analyst

Yes, thanks, Brian. Actually, the last -- just a follow up and then -- and then there was one question you missed which was -- the follow up would just be -- you talked about -- yes, I wasn't talking about the DS -- the [kit] here in DSP, merchant solutions that you would build at the main house, but the mod -- the other components around there. But I mean how do you -- how do you see now and clarify, for example, do you see them as more credible now than they were given it clearly -- Acacia's IPO and success has grabbed a lot of attention.

And then just the other question you didn't answer was, yes, the [leads] was 4 of the top 10 previously you'd said you were shipping into 4 of the top 10 cloud service providers, in your order book today, have you managed to get that number up from four? That'd be great, thanks.

---

### **Brian Protiva** - ADVA Optical Networking - CEO

So, you're referring not to the DSP then the -- kind of the optical gold box kind of approach. Well, we will partner with -- again, they're the leading company there, so no risk. We do design our products differently than other people, and we look at things like integration, heat management and all sorts of issues when we address how we're going to design our products. And therefore, if -- Acacia's the leading provider of that optical gold box or somebody else is, we will partner with the person who's leading. I think we have excellent relationships with all of the suppliers in that space. So, it's really about performance.

And clarify being (inaudible) and having a stronger balance sheet and a publicly listed company makes them a more viable competitor, yet I'm not sure that they'll necessarily really focus on the same things going forward. Let's see how that evolves. I think ADVA is very open minded. Clearly, we're loyal. We support our suppliers wherever possible, but we are going to move to work with the merchant provider that has the best price performance. And that will allow us to differentiate ourselves from the in-house developments out there.

So, think it's a -- it's a good thing for the industry. There's -- means there's more competition. It doesn't mean that -- that there's necessarily a shift in competitive metrics out there, that's really dependent on execution of those companies themselves.

And the final thing I think, 4 of the top 10, where you said -- you said ICP the first time around and now you said CSP, so you were referring to (multiple speakers) --

---

### **Operator**

Please hold.

---

### **Brian Protiva** - ADVA Optical Networking - CEO

You were referring to ICPs, is that correct? Hello?

---

### **Operator**

Mr. Sanders, can you hear us? I think Mr. Sanders can no longer hear us.



## FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

**Rob Sanders** - *Deutsche Bank - Analyst*

Sorry, I got disconnected, could you just repeat, Brian, the last point -- sorry, my apologies.

**Brian Protiva** - *ADVA Optical Networking - CEO*

The last piece was you said 4 of 10, I think the first time you had mentioned ICPs, but on the last time when you restated the question, you said CSPs, you were --

**Rob Sanders** - *Deutsche Bank - Analyst*

Yes. Yes, I'm thinking about the Amazon, Facebook, Googles, I mean the terminology you used I think is ICP for internet content providers, but I mean I'm thinking of whatever you call Amazon, Google, Facebook, Apple et cetera.

**Brian Protiva** - *ADVA Optical Networking - CEO*

So, the large [quanta], I would say we're pretty stable as far as from a customer base right now, but we are attacking and looking at positioning ourselves in other footprints step by step. I think we feel very good about different products, in fact, not always the CloudConnect, in fact different products in different applications. So, it's a big market segment. We will continue to address it. And we think we can continue to build opportunity there.

**Rob Sanders** - *Deutsche Bank - Analyst*

Got it. And are any -- are any of those big guys more than 10% customers today?

**Brian Protiva** - *ADVA Optical Networking - CEO*

Yes, Q4 and Q1, Uli?

**Uli Dopfer** - *ADVA Optical Networking - CFO*

If you look at -- if I look on an annualized basis, and then I would say yes.

**Rob Sanders** - *Deutsche Bank - Analyst*

Okay, great. Thank you very much and for the questions -- answers.

**Operator**

Thank you. Our next question comes from Tim Savageaux. Your line is now open.

**Tim Savageaux** - *Northland Securities, Inc. - Analyst*

Hi, good morning -- at least from my perspective, and congratulations on a -- both strong guidance going forward as well as the bottom line execution. I had a couple of questions about the quarter and the outlook.



## FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

First, with regard to Q4, you did see quite a bounce back in EMEA and in Germany in particular, I wonder if you could characterize that from a product line standpoint. Is that -- infrastructure heading into the carrier market in Europe, sort of in the kind of metro 100 gig area? Or sometimes -- in some cases we've seen cloud guys extending into Europe as well. I'm wondering if you could give us a little more color about your strength in EMEA in Q4?

---

**Brian Protiva** - ADVA Optical Networking - CEO

So, since the cloud guys buy very centralized approaches and not -- they are not always transparent on where the products go, we do centralize that in the North America piece. So it's not that ICP driving that European business. I think we have actual breadth in enterprise, in carriers across the board. And you know we said that in -- going into the quarter Q4, we said, we feel that Europe's coming back for us after a slow period and that we think it's going to last a bit, so because of the breadth. We've won some new footprint, combined with existing customers bringing on and some of them having waited for our new architecture.

Remember, we not only introduced the FSP 3000 CloudConnect, but we've upgraded all of our carry Ethernet products, we've upgraded our Oscilloquartz products as already indicated and are also adding pieces like our micro-connect, so continually bringing in new products and sometimes people wait for the next and greatest technology. So, we feel -- pretty good about the breadth of business right now in EMEA. But who knows, we've been in the industry long enough (inaudible) change, but the tide is coming in for us right now.

---

**Tim Savageaux** - Northland Securities, Inc. - Analyst

Yes, and thanks for that reminder, Brian. On Q1 guidance, given what we typically see again in the EMEA region, which is pretty sharp seasonal declines, I imagine in order to guide kind of nearly up 10% sequential as you're doing for Q1 that the real -- any European seasonality is likely being more than offset by a bounce back in US cloud business kind of inline with seasonality there. Is that a fair way to look at the puts and takes or your topline guidance for Q1?

---

**Brian Protiva** - ADVA Optical Networking - CEO

No, not necessarily. I'll let Uli maybe add some flavor there, but I think we feel that we have very nice breadth -- very nice breadth. And we said last time around, was talking about margin expansion. I think Uli in his presentation today indicated that as well. And clearly, the ICPs are - revenues is great, but margins are always very challenged. So when we gave the -- in our forecast and both if you look at -- from a revenue perspective and if you look at relative profitability, Q1 2017 forecast to Q1 2016, it's quite good.

So, I would say breadth across the board is giving us confidence moving into Q1 -- or moving through Q1. Uli, comments?

---

**Uli Dopfer** - ADVA Optical Networking - CFO

Yes, I would just add that because I guess the Europe question is interesting, Europe will be -- will be strong in Q1 -- will remain strong in Q1.

---

**Tim Savageaux** - Northland Securities, Inc. - Analyst

Okay. I want to shift over to the kind of inventory question. I think it's notable that you've built inventory pretty substantially despite the decline in revenue. I imagine that speaks to pretty strong orders in the quarter. But if you can discuss kind of overall component and technology availability, and assuming that is your primary manufacturing constraint that you referenced or please let me know, if there are others and particularly around 400 gig or 2 by 200 gig availability, does that remain kind of a gating factor for the -- for the CloudConnect and was that the real key driver of the inventory ramp there?



## FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

**Brian Protiva** - ADVA Optical Networking - CEO

Uli, you want to -- you want to take that or you want me to take it?

**Uli Dopfer** - ADVA Optical Networking - CFO

You can take it and I can add something.

**Brian Protiva** - ADVA Optical Networking - CEO

Okay, so in general, [our] CloudConnect, I think from the inventory ramp is more ready for some large customers, and specifically ICPs and we've mentioned that in Q4, we had - seasonably less business from that market segment. And we were prepared, we've got the -- it's all 100G type of business. The issue with the 200 -- 200 gig waves, and/or other newer technologies, so I think we're making good progress. Some of the things took longer than expected from both our own engineering, but also specifically some of our suppliers there. But I don't think that's the fundamental issue there. Not, it's not -- it's not a big technology challenge at this point. I think we're moving forward, rocking forward, no risks there. And inventory, I think we have very much under control. And you'll see us managing the turn effectively from a Q1 perspective.

Uli comments?

**Uli Dopfer** - ADVA Optical Networking - CFO

I guess if I may -- I would -- I would add that for certain components, maybe the lead times are a little longer than we're used to and that's why we just have to account for that in order to make payment flexibility and to fulfill orders quickly. And that's why we increased some -- for some components the inventory levels as well.

**Tim Savageaux** - Northland Securities, Inc. - Analyst

Got it. That makes sense. And then I'll close by trying to kind of take all these puts and takes here, you know, relative strength in Europe, but looking like a building pipeline to replenish cloud. Along with your commentary about Ethernet access, RFPs and relative strength there, I guess most of -- and the CloudConnect ramp, most of this sounds kind of accretive to gross margins, maybe not from Q4 levels, but for fiscal year 16 levels, it sounds like you have potentially a number of margin tailwinds and reasons to believe that gross margins ought to expand in 2017, is that a -- is that a fair thing to say?

**Brian Protiva** - ADVA Optical Networking - CEO

Very much, very much a fair thing to say. I think that's what we've been stating. When you really look back at 2016 and there was a great revenue growth, came from -- mostly from one segment, the market was slow in multiple different areas and regions and we do feel over the past six months that things have strengthened for us. We're still trying to understand is it customer specific -- I mean sorry, is it company specific or is it the industry as a whole? But the breadth of things that we're working on and the -- we still have a huge amount of money in technology and not just in optical, a number of those things are slowly evolving, and yes, the concept of better margins off some of these other opportunities is absolutely there.

So, knock on wood, we feel good about -- right now, on the statements that we made four months ago on our last call, about expanding gross margins and -- but let's hope that that moves through the whole year like we are at this point.



## FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

**Tim Savageaux** - Northland Securities, Inc. - Analyst

Great. And if I can -- sorry, just sneak one more in, and this really has to do with obviously the extraordinary growth that you saw in the US in 2016. I mean I guess do you feel like it's possible to grow in '17 from those levels given that sort of --

**Brian Protiva** - ADVA Optical Networking - CEO

I'm just (multiple speakers) --

**Tim Savageaux** - Northland Securities, Inc. - Analyst

-- [extreme] degree of strength?

**Brian Protiva** - ADVA Optical Networking - CEO

So now from a revenue perspective, I mean from a margin perspective, I think we can -- we can -- expand our margins. From a revenue perspective, relative to revenue -- to sales revenues, yes, but we've got to see. That's why I say it's all over the map. You don't really -- you don't really know because planning's much different in this very fast [lit] space. And therefore, we don't want to hang that out there too much --

**Tim Savageaux** - Northland Securities, Inc. - Analyst

Yes.

**Brian Protiva** - ADVA Optical Networking - CEO

-- we haven't been saying that we're going to grow 30% this year. What we've been saying is that we believe that we can outgrow the markets nicely this year. You see Q1 coming in at mid point of 15%. And therefore, it could be anywhere from [12 to 30]. Really depending on how much of the pieces we get, how we're successfully moving our new architectures, how people spend, and we do believe that spending will continue strong in that space, but there's so many variables, I don't think we can make that statement at this point and say this is exactly what's going to be. And so I guess --

**Tim Savageaux** - Northland Securities, Inc. - Analyst

Okay.

**Brian Protiva** - ADVA Optical Networking - CEO

-- I go back to the 12 to 30. We're hoping for nice growth in that market segments. Having said that, you know, from a profitability perspective, there are many other segment that are -- that will help our profitability a lot more, and those segments are healthy right now.

**Tim Savageaux** - Northland Securities, Inc. - Analyst

Okay. And I'm sorry to keep going here, but I took the 12 to 30 to be an -- like an answer to a question about percentage of revenues out of ICPs, was that a growth rate range instead or what's that?





## FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

**Brian Protiva** - *ADVA Optical Networking - CEO*

No, that was -- that was -- it was a -- that was a range of revenues because it's the -- and remember we, as a company are growing, so that could be --

**Tim Savageaux** - *Northland Securities, Inc. - Analyst*

Yes.

**Brian Protiva** - *ADVA Optical Networking - CEO*

-- that could mean major growth, and that could be not declining growth. That's what we're saying there's -- we can't -- we can't commit to that. We can't commit to one or other. You know, looking at Q4, Q4 was lighter all of a sudden.

**Tim Savageaux** - *Northland Securities, Inc. - Analyst*

Yes.

**Brian Protiva** - *ADVA Optical Networking - CEO*

But things are moving forward again. Things keep coming. So we really need to see where we end up there. I don't want to create expectations up and (inaudible) this -- that's where it's going to be, but we feel comfortable, and we're hoping for growth. That's what we're moving for. That's what we're focused on. And I think there's that opportunity as well.

**Tim Savageaux** - *Northland Securities, Inc. - Analyst*

Yes, no, that's understood. Anywhere from 12 to 30 would be fine. And congrats once again on the results.

**Brian Protiva** - *ADVA Optical Networking - CEO*

Thank you.

**Operator**

Thank you. Our next question comes from Maura Garbero from One Investments. Your line is now open.

**Maura Garbero** - *One Investments - Analyst*

Good afternoon, and thanks for taking my question. Can you please share with us where do you stand in terms of 3000 CloudConnect ramp up. At the previous conference call, you mentioned that you were facing some issues with the supply chain. So, I was wondering if that is still the case or that has been sorted out. That's the first question.

**Brian Protiva** - *ADVA Optical Networking - CEO*

So, we feel -- we feel fine. I mean supply chain in general's very tight. And that's one -- one of the things that we've said about our inventory is that we've gone to take it be a little bit more aggressive. But does that continue or not, that's really dependent on the strength of the market as a whole.



## FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

From a CloudConnect and technology perspective, I think I answered that already, and that was no we don't see anything standing in our way at this point where there's any technology risk around the CloudConnect.

And then I think I answered the other questions about where we were at -- we did revenues in Q4. We booked double digit millions of orders. As we ramped, we would be expecting high single digits for Q1 to be mid single digits kind of thing. It could be -- it could more. But there's nothing fundamental about that. Also some of it is just scaling when you're moving in, moving something from a few millions to double digit millions to a mid -- mid double digit millions takes time and energy et cetera, so no risks there.

---

**Maura Garbero** - *One Investments - Analyst*

Okay. And then regarding Europe, you made a comment on the EMEA regarding the first quarter, but can you maybe give us a sense of what your are expecting for the full year as a whole after just scanning back from a slowdown in 2016 in terms of revenues? I mean are you -- are you expecting these, let's say, positive view of the trend of Q1 to continue or not?

---

**Uli Dopfer** - *ADVA Optical Networking - CFO*

I guess we can -- we can say without -- we're not giving a guidance here, but I guess we see good signs that market is strengthening in Europe.

---

**Maura Garbero** - *One Investments - Analyst*

Okay. And when you say that, I mean that means that that overall -- I mean in the sense that developed countries will more than offset any sort of weakness still remaining in the emerging part of Europe?

---

**Uli Dopfer** - *ADVA Optical Networking - CFO*

Yes, probably.

---

**Maura Garbero** - *One Investments - Analyst*

Okay.

---

**Uli Dopfer** - *ADVA Optical Networking - CFO*

We see a very strong enterprise systems in Europe and we also see an uptick in the carrier segment so -- and hopefully this can offset the weakness in the emerging markets. But you also have some opportunities in the emerging market, it's just more project driven and it's a win or lose type of thing.

---

**Maura Garbero** - *One Investments - Analyst*

Okay. And the final question, if I may --

---

**Brian Protiva** - *ADVA Optical Networking - CEO*

And maybe one other thing is that we don't expect the pound to get so much weaker (multiple speakers) as well.



## FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

**Maura Garbero** - *One Investments - Analyst*

Okay. So I guess the region -- let's say that what we've seen is the bottom, can we say that?

**Brian Protiva** - *ADVA Optical Networking - CEO*

Well, I don't know about the pound, I'm just saying the other factor that hurt us in 2016 is we're very strong in the pound region and the pound got a lot weaker --

**Maura Garbero** - *One Investments - Analyst*

Yes.

**Brian Protiva** - *ADVA Optical Networking - CEO*

-- hurting both our revenues and our -- and our profitability of that sector, we don't see that getting that much weaker. Could it get weaker? Yes, it could, but I don't think at the same rate. Could it get stronger? Yes, it could, but I think that exposure is much less this year, in 2017 than in '16.

**Maura Garbero** - *One Investments - Analyst*

Sure. And on Overture, can you maybe tell us something about the performance in 2017? You've mentioned about potential cross selling, so what sort of growth rate shall we pencil in, please?

**Brian Protiva** - *ADVA Optical Networking - CEO*

Cross selling?

**Maura Garbero** - *One Investments - Analyst*

Yes.

**Brian Protiva** - *ADVA Optical Networking - CEO*

We haven't given any -- we haven't given any of those type data. We don't want to get too granular here and have too many (multiple speakers) --

**Maura Garbero** - *One Investments - Analyst*

No, no, no, I didn't mean that you've mentioned a number or you are committing on a number, but that you said that there were some opportunities and there are some opportunities, so I was wondering if you can share a little bit more color on Overture in 2017, please.

**Brian Protiva** - *ADVA Optical Networking - CEO*

Okay. So what the cross -- we really -- the number of cross-selling possibilities at this point, that means optical into Carrier Ethernet -- Carrier Ethernet and optical, but we also have sync and timing as well as our Ensemble architecture. And when you see, surprisingly enough, we're winning new



## FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

footprints with the sync and timing business. There's really only two architectures out there that are good, so we're winning new footprint big customers, which allows us to have a contract in place, have relationships and allows us to go push for other solutions.

And the same goes for Ensemble as it were, we're winning some now new types of customers that we [would] address for carry Ethernet optical and/or for even sync and timing. And therefore, cross-selling is something that we're focused on. And in fact, even in our sales strategy, it's a very large focus of ADVA to say we should be able to leverage contracts that we have with customers to be able to push and/or gather new and very competitive architectures, product portfolio pieces.

So, that's why we mentioned it today, as Uli said, that's one of our focuses in sales. And we think because we have -- everything is new in our product portfolio that we can very aggressively compete to win cross-selling initiatives or opportunities footprints.

---

**Maura Garbero** - *One Investments - Analyst*

Thank you very much.

---

**Operator**

Thank you. There are no further questions at the moment. (Operator Instructions)

---

**Brian Protiva** - *ADVA Optical Networking - CEO*

Okay, well that's actually one hour. If there are no other further questions, Uli.

---

**Uli Dopfer** - *ADVA Optical Networking - CFO*

Yes.

---

**Operator**

We've received another question actually --

---

**Brian Protiva** - *ADVA Optical Networking - CEO*

Okay, okay.

---

**Operator**

-- from Alex, please introduce yourself. Your line is now open.

---

**Alex Derbes** - *Gilder Gagnon Howe & Co. LLC - Portfolio Manager*

Hi, this is Alex Derbes with Gilder, Gagnon, Howe & Company, thanks so much for taking my call. I was interested in your perspective on the relative performance of discreet components versus silicon photonics as you're developing these modules in-house, and how you see the tradeoffs in terms of cost and performance there?



## FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

**Brian Protiva** - *ADVA Optical Networking - CEO*

So, I guess you have to promise me that you're also investing in ADVA not just in our supply chain.

**Alex Derbes** - *Gilder Gagnon Howe & Co. LLC - Portfolio Manager*

I actually -- we've met -- we met most recently at the Needham conference and yes, we are -- we are investors.

**Brian Protiva** - *ADVA Optical Networking - CEO*

Good, good, good. So my view -- I was -- I was just joking, of course I'm going to answer your question (inaudible). So discrete versus kind of silicon photonics and module. So I guess we are very flexible as an organization, ADVA, we see advantages in some designs to go discrete and others where we see we're the whole box, where we take everything. I think that's -- we have -- it's a -- it's a past performance issue for us, number one. And number two, sometimes -- what I had mentioned earlier, it's like a density scalability where we feel that we can -- we can -- we can build something differently by let's say going discrete or using a certain kind of module.

So, in general, I would think there is more of a movement in our industry to -- kind of a modular approach, gold boxes, silicon photonics, integrated architectures, that is happening, but it's not always the best fit and the best solution. So, I wouldn't -- we're not religious about it. We're going to go take the best solution, the best performance, and we work with all of the players. We track -- we have relationships with all the suppliers, and we're going to use what's best at the right -- or at the right pricing.

**Alex Derbes** - *Gilder Gagnon Howe & Co. LLC - Portfolio Manager*

Thank you so much.

**Operator**

Thank you. There are no further questions at the moment. I hand back to the presenters.

**Uli Dopfer** - *ADVA Optical Networking - CFO*

Thank you. I guess we should conclude the call then right, Stephan? Thanks, everybody for joining and hope to see you soon.

**Brian Protiva** - *ADVA Optical Networking - CEO*

Thank you, everybody.

**Operator**

Ladies and gentlemen, thank you for your attendance. This call has been concluded. You may disconnect.



## FEBRUARY 23, 2017 / 2:00PM, ADV.DE - Q4 2016 Adva Optical Networking SE Earnings Call

**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2017, Thomson Reuters. All Rights Reserved.

