

# ADVA posts annual revenues of EUR 514.5 million for 2017

- Annual revenues down 9.2% to EUR 514.5 million
- Pro forma operating income of EUR 19.5 million (3.8% of revenues)
- Q1 2018 outlook: revenues EUR 115 - 130 million;  
Pro forma operating income -1% - 4% of revenues

**Munich, Germany. February 22, 2018.** ADVA Optical Networking (ISIN: DE0005103006, WKN 510300), a leading provider of open networking solutions for the delivery of cloud and mobile services, reported financial results for Q4 and full year 2017 ended on December 31, 2017. The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

## Q4 2017 financial summary and other operational metrics\*

(in thousands of EUR)	Q4 2017	Q4 2016	Change	Q3 2017	Change
<b>Revenues</b>	<b>117,238</b>	<b>128,028</b>	<b>-8.4%</b>	<b>111,173</b>	<b>5.5%</b>
Pro forma gross profit	42,465	42,348	0.3%	39,107	8.6%
<b>in % of revenues</b>	<b>36.2%</b>	<b>33.1%</b>	<b>3.1pp</b>	<b>35.2%</b>	<b>1.0pp</b>
Pro forma operating income	4,496	8,956	-49.8%	-806	n/a
<b>in % of revenues</b>	<b>3.8%</b>	<b>7.0%</b>	<b>-3.2pp</b>	<b>-0.7%</b>	<b>4.5pp</b>
Operating income	2,294	8,122	-71.8%	-11,484	n/a
Net income	-948	13,628	-107.0%	-13,989	n/a

  

(in thousands of EUR)	Dec. 31 2017	Dec. 31 2016	Change	Sep. 30 2017	Change
Cash and cash equivalents	58,376	84,871	-31.2%	57,150	2.1%
Net liquidity	-38,185	25,506	-249.7%	-44,097	n/a

\*Potential differences due to rounding

## Q4 2017 IFRS financial results

Revenues for Q4 2017 increased sequentially by 5.5% to EUR 117.2 million from EUR 111.2 in Q3 2017 and decreased by 8.4% from EUR 128.0 million in the same year-ago period. Revenues for Q4 2017 were within the guidance forecast the company provided on October 26, 2017.

Pro forma operating income for Q4 2017 was EUR 4.5 million (3.8% of revenues), compared to negative EUR 0.8 million (-0.7% of revenues) in Q3 2017 and EUR 9.0 million (7.0% of revenues) in the same year-ago period. Therefore pro forma operating income for Q4 2017 was above mid-point of the company's guidance.

Operating income for Q4 2017 was positive at EUR 2.3 million, compared to an operating loss of EUR 11.5 million reported for Q3 2017, and down 71.8% from EUR 8.1 million in the same year-ago period.

Net income for Q4 2017 decreased to negative EUR 0.9 million compared to EUR 13.6 million in the same year-ago period.

At quarter-end, the company's cash and cash equivalents increased by 2.1% to EUR 58.4 million compared to EUR 57.2 million in Q3 2017.

The company's net liquidity increased by EUR 5.9 million to EUR -38.2 million from EUR -44.1 million at the end of the prior quarter.

Net working capital at quarter-end was EUR 123.8 million compared to EUR 136.2 million at the end of Q3 2017.

## 2017 annual financial summary and other operational metrics\*

(in thousands of EUR)	2017	2016	Change
<b>Revenues</b>	<b>514,471</b>	<b>566,686</b>	<b>-9.2%</b>
Pro forma gross profit	174,377	168,525	3.5%
<b>in % of revenues</b>	<b>33.9%</b>	<b>29.7%</b>	<b>4.2pp</b>
Pro forma operating income	19,522	23,414	-16.6%
<b>in % of revenues</b>	<b>3.8%</b>	<b>4.1%</b>	<b>-0.3pp</b>
Operating income	4,403	19,367	-77.3%
Net income	-4,228	21,532	-119.6%
(in thousands of EUR)	Dec. 31, 2017	Dec. 31, 2016	Change
Cash and cash equivalents	58,376	84,871	-31.2%
Net liquidity	-38,185	25,506	-249.7%

\*Potential differences due to rounding

**2017 IFRS annual results**

For the full year 2017, revenues decreased by 9.2% to EUR 514.5 million from EUR 566.7 million in 2016. The decrease in revenues mainly resulted from the weaker demand from two large US-based customers impacting the second half of 2017.

Pro forma operating income for 2017 was EUR 19.5 million (3.8% of revenues), compared to EUR 23.4 million (4.1% of revenues) in 2016.

Operating income for 2017 was EUR 4.4 million compared to EUR 19.4 million in 2016. Although revenues declined in 2017, the company was able to maintain last year's gross profit level of EUR 166.2 million. The main reason for the reduced operating income relates predominantly to the increased operating expenses incurred by the acquisition of MRV Communications, as well as one-time restructuring expenses.

In 2017, ADVA generated a loss of EUR 4.2 million, after a profit of EUR 21.5 million in the prior year. The main driver for the negative result in 2017 was the significantly reduced operating result of EUR 4.4 million in 2017 versus EUR 19.4 million in 2016. Furthermore, the 2017 result was negatively impacted by FX-effects and income tax expenses.

Basic and diluted earnings per share in 2017 amounted to EUR -0.09 compared to basic earnings per share of EUR 0.44 and diluted earnings per share of EUR 0.43 in 2016.

**Management commentary**

Ulrich Dopfer, CFO, ADVA, commented, "In our 24-year history, we have had a few setbacks; however, they were mostly short-lived. In 2017, in particular, we had two customer-specific events in North America, one of which was due to M&A activity beyond our control, which negatively affected us in the second half of the year. Nevertheless, we reacted promptly to the new boundary conditions by adjusting our cost structure and returning to profitability in Q4. With our realigned model we have a solid foundation for growth and increased profitability in 2018."

Brian Protiva, CEO, ADVA, commented, "With the strategic acquisition of our US rival MRV in August 2017, we now have more customers, better revenue diversification and a broader solutions portfolio than ever before. The synergy effects are significant, with the acquisition being immediately accretive in 2018. In addition, with the appointment of MRV executive Scott St. John as our new chief marketing and sales officer, we have a strengthened leadership team, which we believe will successfully bring our international growth strategy to fruition. Longer term, we believe we are ideally positioned for continued success based on the strategic investments we have made in our business, including developing a new architecture for programmable, open, optical networks; establishing differentiated solutions for virtualizing network functions; extending our customer base for cloud access solutions; advancing our technology leadership in network synchronization; as well as, increasing our presence among large network operators."

**Q1 2018 financial outlook**

For Q1 2018, ADVA expects revenues to be in the range of EUR 115 million and EUR 130 million and a pro forma operating income of between -1% and 4% of revenues.

ADVA performs quarterly reviews of expected business development with respect to all intangible assets, including capitalized development expenses. In case of adverse business prospects, these reviews may result in non-cash impairment charges in Q1 2018 and beyond, which are excluded from the above guidance.

The company will publish its financial results for Q1 2018 on April 26, 2018.

**Conference call details**

ADVA will hold a conference call for analysts and investors today (February 22, 2018) to discuss these results and management's outlook. The company's CEO, Brian Protiva, and CFO, Ulrich Dopfer, will host the call at 3:00 p.m. CET (9:00 a.m. EST). A question and answer session will follow management presentations.

To participate, please dial the appropriate number at least five minutes prior to the start time, and ask for the ADVA conference call.

International number: +49 69 201 744 210

US number: +1 877 423 0830

Pin code: 463 830 03#

A corresponding presentation and a replay of the call is available on ADVA's [website](https://www.advaoptical.com/en/about-us/investors/financial-results/conference-calls):

<https://www.advaoptical.com/en/about-us/investors/financial-results/conference-calls>

The complete 2017 Annual Report (January – December) is available as a PDF here:

[www.advaoptical.com/en/about-us/investor-relations/financial-results/financial-statements.aspx](https://www.advaoptical.com/en/about-us/investor-relations/financial-results/financial-statements.aspx)

**Forward-looking statements**

The economic projections and forward-looking statements contained in this document relate to future facts. Such projections and forward-looking statements are subject to risks that cannot be foreseen and that are beyond the control of ADVA. ADVA is therefore not in a position to make any representation as to the accuracy of economic projections and forward-looking statements or their impact on the financial situation of ADVA or the market in the shares of ADVA.

**Use of pro forma financial information**

ADVA provides consolidated pro forma financial results in this press release 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 the stock option programs and amortization and impairment of goodwill and acquisition-related intangible assets, which are not reflective of the company'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.

**About ADVA Optical Networking**

ADVA Optical Networking is a company founded on innovation and driven to help our customers succeed. For over two decades, our technology has empowered networks across the globe. We're continually developing breakthrough hardware and software that leads the networking industry and creates new business opportunities. It's these open connectivity solutions that enable our customers to deliver the cloud and mobile services that are vital to today's society and for imagining new tomorrows. Together, we're building a truly connected and sustainable future. For more information on how we can help you, please visit us at:

[www.advaoptical.com](http://www.advaoptical.com)

**Published by:**

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