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PRESENTATION

Operator

Good morning. My name is Kate, and I will be your conference operator. At this time, I would like to welcome everyone to ADTRAN Holdings second quarter 2025 financial results conference call. (Operator Instructions) Mr. Peter Schuman, Vice President, Investor relations. You may begin your conference call.

Peter Schuman - *ADTRAN Holdings Inc - Vice President, Investor Relations*

Thank you, Kate. Welcome and thank you for joining us today for ADTRAN Holdings second quarter 2025 financial results conference call, and welcome to all those joining by webcast. During the conference call, ADTRAN representatives will make forward-looking statements that reflect management's best judgment based on factors currently known.

However, these statements involve risk and uncertainties, including those detailed in our earnings release, our annual report on Form 10-K as amended, and other filings with the SEC. These risks and uncertainties could cause actual results to differ materially from those in our forward-looking statements which may be made during the call. We undertake no obligation to update any statements to reflect events that occur after this call.

During today's call, we will refer to certain non-GAAP financial measures, reconciliation of GAAP to non-GAAP measures, and certain additional information are also included in our investor presentation and our earnings release. We have not provided reconciliations of our third quarter 2025 outlook with regard to non-GAAP operating margin, because we cannot predict and quantify without unreasonable effort, all the adjustments that may occur during the period.

The investor relations presentation has been updated and is available for download on the ADTRAN Investor Relations website.

Turning to the agenda, Tom Stanton, ADTRAN Holdings' CEO and Chairman of the Board, will provide the key investment highlights for the second quarter of 2025. Tim Santo, our Senior Vice President and CFO, will review the quarterly financial performance in detail and provide our third quarter 2025 outlook, and then we will take any questions that you may have. I'd now like to turn the call over to Tom Stanton.

Thomas Stanton - *ADTRAN Holdings Inc - Chairman of the Board, Chief Executive Officer*

Thank you, Peter. Good morning, everyone. ADTRAN delivered solid second quarter results marked by stronger revenue performance, healthy profitability, and continued balance sheet improvements. As previously disclosed in our pre-announcement, revenue exceeded our expectations with sequential and year-over-year growth across all three of our revenue categories.

This performance reflects strong execution and market share gains coupled with an improving industry backdrop driven by renewed infrastructure investment, the normalization of service provider spending, and growing demand for advanced fiber and optical solutions. Importantly, cash generation remained healthy with \$32.2 million in cash from operations and \$18.3 million in free cash flow.

I'm encouraged by the improving demand environment across our key market segments. These demand trends not only supported our strong Q2 for performance but also increased our confidence in our outlook for continued growth over the coming quarters.

Turning to the quarterly results, ADTRAN's revenue of \$265.1 million was above the high end of our previous guidance range. All three revenue categories delivered sequential growth, and for the second straight quarter, each revenue category generated year-over-year gains. This broad-based momentum reinforces the strong competitive positioning of our optical transport, fiber access, and subscriber solutions portfolios.

As expected, the highest sequential revenue growth in the quarter came from our optical networking solutions, which grew 22% year-over-year and 15% sequentially. This growth was driven by demand in both the US and non-US regions, with the most significant gains coming from our US service provider customers.

New customer acquisition also remains strong with 18 new optical customers added during the quarter, including several cross-selling wins further validating the synergies with our optical transport and fiber access portfolios.

There are multiple application demand drivers fueling the investment in optical networks. These include the build out of private compute infrastructure, the expansion of wholesale service providers to connect AI infrastructure, ongoing 5G densification, and upgrading critical infrastructure. Combining these application demands with new customer wins and a return to more normalized service provider buying patterns gives us optimism for sustained growth in this category.

In access and aggregation, we followed a very strong first quarter with additional growth in the second quarter, growing an impressive 30% year-over-year for the quarter. This category was led by the strength of our large European service providers and small to mid-size US service providers, with many of these customers not only expanding their fiber footprint but also expanding their share of business with us.

New customer acquisition with our fiber access platforms also remained healthy. The ongoing success in our access and aggregation solutions is being driven by the technical leadership shown in our SDX portfolio and the corresponding Mosaic cloud software. In the last two years, more than 10 million homes have been passed with fiber using the SDX 6330 alone, highlighting the momentum of the flagship platform in our fiber access portfolio.

Demonstrating our ongoing commitment to innovation, we recently connected the first commercial 50 gig PON customers in the UK using our new SDX 6400 series. These product investments paired with our strong regional presence in the US and Europe, new customer wins, and the continued demand for high-speed fiber-based broadband has us well positioned to sustain the success into the future.

Our Subscriber Solutions category grew 4% sequentially after a strong first quarter. Within this category, residential solutions perform particularly well, increasing 18% sequentially and 25% year-over-year. Importantly, new customer acquisitions remain strong, with 20 new service provider and government customers added for our Subscriber Solutions category during the quarter.

Subscriber Solutions revenue is growing due to expanded fiber connectivity, rising multi-gigabit demand, and service providers adopting bundled broadband solutions covering both access and in-home needs. Our broad Subscriber Solutions portfolio covers residential, enterprise, and wholesale fiber services and is being expanded to address the unique needs of SMB, MDU community Wi-Fi with the launch of our SDG 9000 series of products.

The expanded offering along with continued demand for high-speed fiber services and large-scale deployments of our complementary fiber access platform, is expected to result in further growth in this segment during this quarter. Our Mosaic software suite integrates our comprehensive fiber networking portfolio which covers everything from the optical core to the customer premise. Leveraging this extensive range of solutions and advanced software capabilities, we are well positioned to facilitate the industry's transition towards AI-driven network operations.

Live customers are currently in progress, featuring our new suite of AI applications, including advanced generative and agentic AI tools. These complement and enhance our Mosaic One offering. Early results highlight the ability of these applications to transform how networks are operated by substantially lowering network operating cost while improving the subscriber experience.

In summary, we are encouraged by the progress we made during the second quarter, both financially and strategically. We delivered growth across all major revenue categories and advanced our position in key technology domains. Our continued investments in next generation optical, fiber access, and subscriber solutions are translating into new customer wins and deeper engagement with existing accounts.

The ongoing expansion of AI infrastructure, especially as it moves closer to the network edge, plays directly to our strengths. Looking ahead, we remain confident in our outlook for the second half of the year. Strong customer demand and discipline execution position as well to deliver continued improvement in profitability and cash generation, both of which are central to our long-term strategy.

With a differentiated portfolio, expanding global presence, and increasing relevance in next generation network architectures, we believe ADTRAN is exceptionally well positioned for sustained success.

With that, I'll turn the call over to Tim, our CFO to walk you through our financial results for the second quarter, and then following Tim's remarks, we'll open the call to any questions you may have. Tim?

Timothy Santo - ADTRAN Holdings Inc - Chief Financial Officer, Senior Vice President - Finance

Thank you, Tom, and thank you for joining us this morning. As I shared last quarter, my focus remains on three key priorities: strengthening our capital structure, enhancing the capabilities of the finance organization, and deepening our engagement with stakeholders. These are fundamental to delivering long-term, sustainable value for our stockholders. We are making solid progress across each of these areas.

First, we are taking meaningful steps to improve our capital structure. We generated \$32.2 million in operating cash and \$18.3 million in free cash flow this quarter, with \$106 million of cash available on our balance sheet. We are advancing efforts to raise capital through the sale of non-core assets, including our Huntsville campus, which I will speak further shortly.

Meanwhile, availability on our revolving credit facility has more than doubled and will continue to expand as we grow non-GAAP EBIT and accelerate our free cash flow.

Second, we've strengthened our financial organization through strategic additions to my senior leadership team. These hires improve our ability to manage the complexities of our current structure and support execution. We will continue investing in talent to ensure finance remains a strategic asset of our business.

Finally, we've deepened our engagement with external stakeholders. We've expanded participation in investor and industry conferences and are pursuing broader research coverage. We remain committed to transparency, listening, and increased accessibility as we execute our strategy, and will continue to expand over the coming quarters.

With that, let's take a look at the financial results for the second quarter of 2025. ADTRAN's second quarter performance reflects an improving industry environment and our ability to deliver strong operating results. We are adding new customers and expanding our presence with existing ones, driving market share gains, and we are continuing to scale our business.

ADTRAN delivered second quarter revenue of \$265.1 million, up 17% year-over-year and 7% sequentially, exceeding the high end of our original guidance range and reinforcing strong execution and momentum. Our Network Solution segment contributed revenue of \$219.5 million accounting for approximately 83% of total revenue in Q2, compared to 79% in the prior year.

Our Services and Support segment generated \$45.6 million of revenue, representing 17% of revenue in Q2 2025 compared to 21% in Q2 2024, largely resulting from the significant growth and outperformance in network solutions.

Moving on to product categories. Our optical networking solutions revenue was \$90.1 million or 34% of total revenue. As predicted, optical networking solutions revenue was higher, growing by 22% year-over-year. Access and aggregation delivered revenue of \$91.2 million or approximately 34% of total revenue and increased 30% year-over-year. Subscriber Solutions was \$83.8 million or 32% of total revenue, increasing 2% year-over-year.

Geographically, non-US revenue accounted for 55% of the total, while US revenue comprised 45%. Additionally, one customer represented more than 10% of our Q2 revenue. This quarter's non-GAAP gross margin was 41.4%. While gross margin was in line with previous trends, the quarter-over-quarter decline was primarily driven by product and customer mix, higher transportation costs, as we strategically reposition products to mitigate tariff exposure. We maintain our longer-term target ratio of 42% to 43%.

Non-GAAP operating expenses were \$101.7 million, up from \$95.5 million in Q1 and \$93 million in Q2 last year, mainly due to currency fluctuations and higher sales commissions. Non-GAAP operating profit was \$8 million or 3% of revenue above the midpoint of our 0% to 4% outlook. This compares to \$9.8 million or 3.9% of revenue in Q1 2025 and 1.4 million or 0.6% of revenue one year ago.

The year-over-year operating margin and profitability improvement was primarily driven by higher revenue. Although we tightly manage our costs, OpEx increased due to fluctuations in European currencies and higher sales-related expenses.

Currency fluctuations were a meaningful factor this quarter. While we are generally well positioned from a natural hedging standpoint on profitability, we believe that looking ahead currency will continue to play a role in our financial results. Since joining ADTRAN in March, I've prioritized strengthening FX management, taking early steps to build a more robust hedging strategy. These efforts support our broader goal of enhancing transparency and resilience in a more complex global environment.

Non-GAAP tax expense in Q2 2025 was \$628,000, reflecting higher taxable income in the US. We reported a non-GAAP net loss of \$256,000 or \$0.00 on an earnings per share basis. This compares to non-GAAP net income of \$0.03 per share in Q1 2025 and a net loss of \$0.13 per share in Q2 2024.

Turning to the balance sheet and cash flow statement. In the second quarter, we continued to make meaningful progress in strengthening our financial position. Net working capital improved by \$21.7 million sequentially, reaching \$226.6 million supported by a continued reduction in inventories and stronger collections. Trade accounts receivable were \$164.8 million at quarter end, resulting in DSO of 57 days, and improvement from 60 days in the prior quarter.

Inventory levels declined to \$240.1 million at the end of the quarter, a decrease of \$13.6 million sequentially. Correspondingly, day's inventory outstanding significantly decreased by 17 days to 135 days in Q2 2025. Accounts payable were \$178.3 million with days payable outstanding of 70 days. Strengthening our balance sheet remains a key strategic priority.

As mentioned before, operating cash flow was \$32.2 million, and we had free cash flow of \$18.3 million for Q2 2025. This is compared to \$24.5 million in Q1 2025 and \$3.9 million during Q2 2024. We ended Q2 with \$106.3 million in cash and cash equivalents, a \$5 million sequential increase reflecting solid improvement in our liquidity.

It is worth noting that this increase was achieved net of certain ADTRAN networks share repurchases under our DPLTA agreement. Underscoring our discipline, cash management, and strong operational execution. We remain focused on materially strengthening our financial position in 2025 with the ultimate goal of achieving a positive net cash position.

As mentioned earlier, we continue to evaluate opportunities to monetize certain non-core assets, including some of our Huntsville properties. Although we were close to closing a deal this past quarter, that deal is not yet finalized and we continue to work on finding additional purchases for this unique property. Further, with our improved credit positioning, we are evaluating a sale leaseback transaction on our East Tower.

We are approaching these decisions thoughtfully and increasingly from a position of strength. We are pleased with our second quarter performance and encouraged by the signs of continued improvement across the industry. We are beginning to experience the benefits of scale and expect that momentum to build in the second half as revenue growth continues.

Foreign exchange has generally had a positive impact on our business in Q2, although it contributed to slightly higher operating expenses, largely due to the weaker US dollar relative to the Euro. On a constant currency basis, we expect OpEx to remain consistent with prior quarter levels. As I mentioned since joining in March, I prioritize building stronger FX management and reporting capabilities.

Our capital allocation remains focused on deleveraging and continuing to evaluate opportunities to streamline the portfolio. Before turning to our outlook for the third quarter, I want to briefly address our approach to guidance.

A few weeks ago, we issued a press release pre-announcing that Q2 revenue would exceed our prior guidance range. While that intraday disclosure update may have seemed atypical, it was required under German disclosure rules we inherited through the ADVA merger. These regulations mandate rapid public disclosure of any material deviation, positive or negative, from previously issued guidance.

As such, we provide quarterly guidance rather than annual guidance to remain compliant and avoid unnecessary disclosure burdens.

Looking ahead to the third quarter of 2025, we expect revenue between \$270 million and \$280 million and anticipate a non-GAAP operating margin of 3% to 7%. This outlook excludes potential tariff impacts due to ongoing uncertainty surrounding global trade policy and broader macroeconomic conditions. Additional financial details are available at investors.adtran.com.

This concludes our prepared remarks. I'll now turn the call back to the operator for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Ryan Koontz, Needham & Company.

Ryan Koontz - Needham & Company LLC - Analyst

Great guys, thanks for the question and nice results there. You had some real strength in your large SPs. I assume that's coming from Europe and Tom, can you maybe lay out the trends you're seeing there either in some of your larger existing accounts or some of the new ones you're actively ramping in Europe?

Thomas Stanton - ADTRAN Holdings Inc - Chairman of the Board, Chief Executive Officer

Yeah, sure. First of all, you're right, there was a lot of strength in Europe. And, yeah, I mean the large accounts did well, but we also saw strength specifically in optical in the US large service providers as well, so that was kind of -- that was good to see.

In general, the strength there is -- just the momentum there is just continuing to grow. I mean, we really don't see any slowdown. We think that the German carriers are getting or German customer is getting stronger, and more able to deploy, what's going on in the UK. I think you're aware of this continuing to really kind of beat where we had hoped it to be. So it's just continuing to move upward.

The market itself is continuing to move towards, say, more and more towards, making sure that they have the right vendor base, right, and removing eastern vendors. We announced a -- when last quarter and I think we call it a Southern European, it was in Italy and we actually -- that's been quick. So we've actually started shipping towards the tail end of that quarter some optical gear to that customer as well. So, yeah, I would say, everything looked positive.

Ryan Koontz - *Needham & Company LLC - Analyst*

That's great, and maybe another kind of business topic here around data centers which you talked about in the prepared remarks. When we were at OFC, we heard a little bit about deep emerging DCI opportunities and this concept of MOFN networks where the big cloud providers are contracting local SPs to build.

Can you update us on that? Are you seeing that as an important trend? Is it meaningful at this point and how would you characterize that opportunity for you?

Thomas Stanton - *ADTRAN Holdings Inc - Chairman of the Board, Chief Executive Officer*

Yeah. There is a host of different RFPs out there right now with service providers who are -- and some of these are actually customer-driven, so some of these are -- you may have the big ICP coming in and saying that they want to be able to cover this. Then there are others that are just kind of more opportunistic and trying to make sure that their network is ready.

But there's a ton of activity. I would say, we have won some business there, but I would say it's still early, that there's just a lot of activity right now.

Ryan Koontz - *Needham & Company LLC - Analyst*

Got it. Great. And maybe just one last if I could on the balance sheet. Looks like there were some redemptions of ADVA shares, how should investors think about that relative to your expectations?

Thomas Stanton - *ADTRAN Holdings Inc - Chairman of the Board, Chief Executive Officer*

Yeah, let me touch on that and see if there's anything else to add to it, Tim. About half of that was actually we disclosed last quarter and then half of that was of this quarter disclosure. And in that case, it was the same person. We have been in discussions with them for quarters and I would say, it was very well managed, and I think we were glad to be able to get those shares back at the price that we were able to get those shares back at. Anything else, Tim?

Timothy Santo - *ADTRAN Holdings Inc - Chief Financial Officer, Senior Vice President - Finance*

I would just say that, that was largely an orderly transaction. Again, we're in contact with these investors. And done in an orderly way, it reduces the shares outstanding which long term is a very positive thing.

Ryan Koontz - *Needham & Company LLC - Analyst*

That's great. Thanks for the questions and nice job on the quarter.

Thomas Stanton - ADTRAN Holdings Inc - Chairman of the Board, Chief Executive Officer

Thank you.

Operator

Michael Genovese, Rosenblatt Securities.

Mike Genovese - Rosenblatt Securities Inc - Equity Analyst

Great, thanks very much. Tom, you mentioned a couple of times in the script, you talked about market share gains. So could we just double click on that and get some more thoughts on what you're seeing there?

Thomas Stanton - ADTRAN Holdings Inc - Chairman of the Board, Chief Executive Officer

Yeah. You know what's going on in Europe, and I would say, there's probably nothing big there that changed other than the Italian one that we brought on. We picked up market share in the, I'll call it the Tier 2 space, but the kind of competitive carrier space here in the US as we won some additional optical business. But I'm going to guess here, about 50% of that new business was where we added a customer that was buying either optical or fiber access and then, they joined on with buying the other piece that they were not buying.

And that was really good to see because that was kind of the premise of the acquisition that we did three quarters ago or three years ago. Tier 2s, Tier 1s, -- Tier 3s, we added somewhere around 10 or 11 carriers during the quarter just for fiber access alone and I mentioned we added 20 customers on the subscriber space. The majority of those were carriers, and then the next largest segment was in government municipalities. So that space as you go there, continues to be very active.

Mike Genovese - Rosenblatt Securities Inc - Equity Analyst

Great, thanks. And then, if we go back a couple of quarters ago on your reporting, there was a big emphasis on operating leverage, and then last quarter, we had the Forex pop up. But it sounds like you're hedging that again, or hedging that out now.

So I guess my question is, are we going to start -- do you expect to start talking about operating leverage again as being a key part of the story, because, again, we had that thread and it kind of got lost and I've been waiting for it to come back. So any thoughts on that issue would be helpful. Thank you.

Timothy Santo - ADTRAN Holdings Inc - Chief Financial Officer, Senior Vice President - Finance

I think I'll highlight just on the forex side, it was generally EPS neutral because we are largely naturally hedged. What I'm working on internally with our bank groups and with some of our advisors is a hedging strategy that keeps it that way. The challenge is, you do see some volatility in the individual line items. Again, back to FX is -- I'm sorry, OpEx, if you back out, the impact of currency we are largely flat. But at an EPS level, it was neutral, slightly positive for the company.

So what we really want to do is hedge against any changes, further changes in the US dollar, which is active strategy. Ideally, what I have is a constant currency model, which again, I've been here a quarter, so we're still working some things internally and building out some additional capabilities within my team. But with a constant currency reporting, there will be more transparency to the true impact of FX and the benefits of our hedging strategies.

Thomas Stanton - ADTRAN Holdings Inc - Chairman of the Board, Chief Executive Officer

And just on a percentage basis, right, we are starting to see that this quarter, if you take a look at the midpoint of our guidance on our EBIT, you'll see that that's moving up from where we ended up and where we were guiding to last quarter. So I think we're right at that tipping point now to where you'll start seeing that leverage, FX or no-FX, you'll see that leverage so. Yeah, we don't want to get too ahead on what we're projecting because things happen, but I would say, we're right at that point right now.

Mike Genovese - Rosenblatt Securities Inc - Equity Analyst

Okay, that's good. That's great for me. I'll pass it on. Thanks again.

Operator

Christian Schwab, Craig-Hallum Capital Group.

Christian Schwab - Craig-Hallum Holdings LLC - Senior Research Analyst

Thank you for staying with me. Just a follow up on the currency question. In the hedging, you assume constant currency. Can you just tell us your assumption for the dollar to Euro exchange rate for the quarter, which you're assuming it will be until all your hedge strategies are in place?

Timothy Santo - ADTRAN Holdings Inc - Chief Financial Officer, Senior Vice President - Finance

Well, again, on an EPS basis, we're largely naturally hedged, so I expect on an EPS basis to remain relatively neutral. We are net positioning a strong improvement in the dollar, but no material movements in the next three months.

Christian Schwab - Craig-Hallum Holdings LLC - Senior Research Analyst

Great, and then my second question is regarding the US revenue strength. Are you guys benefiting this quarter and do you anticipate benefiting in the second half of the year due to the bankruptcy of DZS?

Thomas Stanton - ADTRAN Holdings Inc - Chairman of the Board, Chief Executive Officer

Yeah, we right off of the bat, started getting calls. We started shipping to multiple customers now in the US. Predominantly in the US, I think we have some international business as well, but that's affected. That'll be a positive movement for us both on the OLT side, on the infrastructure side, as well as on the subscriber side. It already has been, it's already started impacting us.

Christian Schwab - Craig-Hallum Holdings LLC - Senior Research Analyst

And then could you quantify that opportunity over multiple quarters to come or the positive impact that you received this quarter?

Thomas Stanton - ADTRAN Holdings Inc - Chairman of the Board, Chief Executive Officer

I don't really have that number. That's getting pretty granular. I would say, across the business, it's probably in the \$10-ish million, but that's when it is all rolling, but some of these things are still competitive. They're going out to RFP. Some of them -- we have interoperable products, so we're an easy plug in. So where people were really in a bind, they called us. But yeah -- I would say it's probably material, but it's not overly so.

Christian Schwab - *Craig-Hallum Holdings LLC - Senior Research Analyst*

All right, great. No other questions. Thank you.

Thomas Stanton - *ADTRAN Holdings Inc - Chairman of the Board, Chief Executive Officer*

Okay.

Operator

George Notter, Wolfe Research.

George Notter - *Wolfe Research LLC - Analyst*

Hi, thanks a lot guys. Tim, I think you mentioned your efforts on the sale of the North South Tower. It sounds like from your comments that that's -- you've had a particular buyer kind of walk away from the process. Is that correct? And what do you think the outlook is for getting a transaction done there? Thanks.

Thomas Stanton - *ADTRAN Holdings Inc - Chairman of the Board, Chief Executive Officer*

Yeah, let me start with the first piece and then I'll turn back over to Tim. We didn't have a buyer walk away. We had a buyer that has been closed, slow to close, so they are still actively trying to get their side of the deal done, but based off of the timing differential, we're now looking at offering it to other people.

And before that, for a period of time we were not. We had taken it off and we're trying to close the deal. That's still an active negotiation, but we are now looking at other offers as well. Tim, anything you want to add to that?

Timothy Santo - *ADTRAN Holdings Inc - Chief Financial Officer, Senior Vice President - Finance*

I would just say, we're exactly -- we're under an exclusivity period. We were -- we have an inked deal, but there's contingencies that have kept us from moving that forward and those remain in place. We're tired as you are with some of these things moving. So it's a unique property. It's a tough property, but it's a gorgeous property.

So, we're not willing to give the property away for an amount that's at a fire sale, and we're also very selfishly aware of who's going to be our neighbor. So we're working with some new parties to help us remarket the facility in parallel and also, I mentioned re-exploring with our renewed strength and capital position, a sale leaseback transaction on the East Tower.

George Notter - *Wolfe Research LLC - Analyst*

Thank you.

Operator

Tim Savageaux, Northland Capital Markets.

Tim Savageaux - Northland Securities Inc - Analyst

Hey, good morning, and congrats on the outlook in particular and some of that operating leverage that you're starting to show. And along those lines, I think you mentioned an expectation for Subscriber Solutions to grow in Q3, but I'd be looking for any other color from a segment or geographic perspective about where you expect that sequential growth to come from? I can follow up from there.

Thomas Stanton - ADTRAN Holdings Inc - Chairman of the Board, Chief Executive Officer

Yeah. We explicitly -- you're right, I explicitly did point out Subscriber Solutions and that's just -- backlog in that area continues to grow. So, we have more visibility as to what we expect there. Optical will probably have a very good strong quarter as well, that business and that backlog continues to grow and access continues. Backlog is probably not as big because we do have lumpy order patterning, but, yeah, it's positive.

I mean, the business itself is definitely trending positive. I don't -- our visibility as you know is usually strongest in the next quarter and then it gets a little weaker and a little weaker. All of the signs that we have right now are looking upwards so. Yeah, and I would say across all the product segments.

Probably the strongest single area right now is optical because they have the most ground to make up. They had the inventory depletion cure itself, the latest. At this point in time, I would say it's cured, and we're just seeing strong activity there. Did that answer your question? Hopefully?

Tim Savageaux - Northland Securities Inc - Analyst

Sure did and leads very well into the next one, which is, Tom, you've mentioned or maybe, both of you guys have mentioned continued momentum in the second half in terms of revenues and cash flow. I mean, should we take that as implying an expectation for continued sequential growth into Q4? You do at times have some seasonal headwinds there. I know it's early, but I want to see if I'm interpreting that correctly.

Thomas Stanton - ADTRAN Holdings Inc - Chairman of the Board, Chief Executive Officer

Yeah, I'm going to -- we don't give, as you know, guidance past the quarter, but I would say the momentum is strong enough to where I would not be surprised if we were to overcome any seasonal patterns at this point.

Tim Savageaux - Northland Securities Inc - Analyst

Great. And maybe the last one for me. You did see a good amount of sequential growth in the US this quarter and have talked about that to some degree. But should we -- to what extent should we associate that with inventory burning off versus maybe some of the new wins you announced last quarter with the Tier 2's in the US or what mix of factors would you say is driving that US growth in particular?

Thomas Stanton - ADTRAN Holdings Inc - Chairman of the Board, Chief Executive Officer

Yeah, I think you literally hit the mix. I think we did win some Tier 3s as well, but they tend to be smaller buyers, so you have to really have a big mass, and I would say we don't have a big mass yet. Tier 2s can move the needle. They have started buying our optical products as well. So, it was Tier 2s and the Tier 1s here in the US probably are what drove the most. Enterprise also did good, but those two drove the most -- I'm trying to think of the numbers. Those two definitely had the biggest impact.

Tim Savageaux - Northland Securities Inc - Analyst

Okay, thanks very much.

Operator

[Bill Develin, Titan Capital].

Unidentified Participant

Thank you. Relative to the strength that you were talking about really around the globe, are you able to either rank or highlight what's the true driver between the expanding bandwidth, the AI, the data centers, vendor replacement. There are all these factors that I think you've highlighted are favorable contributors, but are there one or two that are truly the meaningful drivers?

Thomas Stanton - ADTRAN Holdings Inc - Chairman of the Board, Chief Executive Officer

I would say the biggest driver right now is upgrade of the network, at least for us, right, is upgrade of the network for residential broadband. That's driving the biggest piece of our revenue growth over the last few quarters. The next biggest driver -- it gets -- optical returning to normality would definitely be the next one, and I would tell you, like I said, we're expecting a strong second half there.

In that normality -- it's not just normality, it's new application win. So, I mentioned we won some in Europe. We won some additional projects in Europe that include 5G gentrification, for instance, which is kind of nice to see.

And then we're seeing some of the work and have won some business around getting just general bandwidth upgrades and some of that is AI driven. So it's kind of hard -- opticals, multiple different things affecting optical. But I would -- so if you just let me just say, fiber to the prem plus optical, that would be the right answer because the fiber to the prem is also affecting our Subscriber business, of course.

Unidentified Participant

That's helpful. Thank you, Tom. And then in the US, do you see any opportunity to crack into any of the Tier 1s that you are not currently a meaningful player with?

Thomas Stanton - ADTRAN Holdings Inc - Chairman of the Board, Chief Executive Officer

We sell to the other -- well, let me define Tier 1 for you if you don't mind. Tier 1 carrier customers, telco customers, we sell to them, but I don't see any real big change in trajectory in the near term there. For MSO customers, I think there's a difference. I think that we have products well positioned and the larger MSOs here and we could see some movement there. Did that answer your question?

Unidentified Participant

Yes, but it certainly does lead to another -- to expand on that last comment about winning additional -- sounds like a large MSO business.

Thomas Stanton - ADTRAN Holdings Inc - Chairman of the Board, Chief Executive Officer

Right, we're working at it. We have some approvals that we've gotten and I think we're well positioned. We won't -- until I see that big PO coming in, I'm not going to really [caught up]. But, we're approved and ready to go.

Unidentified Participant

All right, great. Congratulations on a really nice quarter.

Thomas Stanton - ADTRAN Holdings Inc - Chairman of the Board, Chief Executive Officer

All right, thank you very much. I think with that, we are out of questions for today. So I appreciate everybody joining us on the call today, and we look forward to talking to you next quarter.

Operator

Ladies and gentlemen, that concludes today's call. Thank you for your participation. You may now log off.

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