



NEWS RELEASE

## ADTRAN Holdings, Inc. reports preliminary fourth quarter 2023 financial results

2024-03-03

- Preliminary Q4 revenue at \$225.5 million and at mid-point of guidance
- Sequential improvement in preliminary GAAP and non-GAAP operating expenses in Q4, with a 7.6% reduction in GAAP operating expenses and a 15.1% reduction in non-GAAP operating expenses respectively

HUNTSVILLE, Ala.--(BUSINESS WIRE)-- ADTRAN Holdings, Inc. (NASDAQ: ADTN and FSE: QH9) ("ADTRAN Holdings" or the "Company") today announced its preliminary unaudited financial results for the fourth quarter of 2023. All results in this release are approximate due to the preliminary nature of the announcement.

Preliminary GAAP gross margin for the quarter was 34.8% and improved by 483 bps year-over-year and 754 bps quarter-over-quarter. Besides lower purchasing and transportation costs, the main driver for this improvement were lower acquisition-related expenses, amortizations and adjustments. Additionally, the current quarter was negatively impacted by an inventory write-off of \$3.3 million compared to a \$21 million inventory write-off in Q3 2023.

Preliminary non-GAAP gross margin of 41.9% was positively impacted by a favorable customer and product mix. This compares to 40.3% in Q3 2023 and 39.1% in the year-ago quarter representing an increase of 155 bps sequentially and 277 bps year over year.

Preliminary GAAP operating margin for the fourth quarter was negative 16.7%, and it was negatively impacted by lower revenue and acquisition-related expenses, amortizations and adjustments. The company reduced GAAP operating expenses by 7.6% sequentially and 17.0% year-over-year.



Preliminary non-GAAP operating margin for the quarter was negative 1.4%, which was at the upper end of the guidance range of between -7% and 0% of revenues. The Company reduced non-GAAP operating expenses by 15.1% sequentially and 17.7% year-over-year.

Preliminary GAAP net loss attributable to the Company for the fourth quarter of 2023 was \$109.9 million. Preliminary diluted loss per share attributable to the Company for the fourth quarter was \$1.40.

Preliminary non-GAAP net loss attributable to the Company for the fourth quarter of 2023 was \$85.9 million. Preliminary non-GAAP diluted loss per share attributable to the Company for the fourth quarter was \$1.09.

ADTRAN Holdings' Chairman and Chief Executive Officer Tom Stanton stated, "Preliminary Q4 revenue came in as expected with non-GAAP profitability at the upper end of our guidance driven by continued gross margin improvements and lower operating expenses. Although revenues continued to remain challenging due to the macroeconomic environment and elevated customer inventories, we believe the fundamental demand landscape remains unchanged. Service providers continue to pursue the same objectives of expanding their fiber footprint and enhancing bandwidth, necessitating global infrastructure buildouts. With the ongoing implementation of our cost improvement measures, we believe that we are transforming into a more streamlined and efficient company. We expect that this will position us well to excel when spending returns to normal levels."

The Company confirmed that it will hold a conference call to discuss its preliminary fourth quarter results on Tuesday, February 27, 2024, at 9:30 a.m. Central Time, or 4:30 p.m. Central European Summer Time. ADTRAN Holdings will webcast this conference call. To listen, simply visit our Investor Relations site at [investors.adtran.com](https://investors.adtran.com) approximately 10 minutes prior to the start of the call, click on the event "ADTRAN Holdings Releases 4<sup>th</sup> Quarter 2023 Financial Results and Earnings Call", and click on the webcast link.

An online replay of the Company's conference call, as well as the transcript of the Company's conference call, will be available on the Investor Relations site approximately 24 hours following the call and will remain available for at least 12 months. For more information, visit [investors.adtran.com](https://investors.adtran.com) or email [investor.relations@adtran.com](mailto:investor.relations@adtran.com).

## Cautionary Note Regarding Forward-Looking Statements

Statements contained in this press release which are not historical facts, such as those relating to expectations regarding earnings, expenses and margin; the ability of ADTRAN Holdings' to reduce expenses in the coming year and the amount thereof through the implementation of the business efficiency program; and ADTRAN Holdings' strategy and outlook, outlook and financial guidance, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can also generally be identified by the use of words such as "believe," "expect," "intend," "estimate," "anticipate," "will," "may," "could" and similar

expressions. In addition, ADTRAN Holdings, through its senior management, may from time to time make forward-looking public statements concerning the matters described herein. All such projections and other forward-looking information speak only as of the date hereof, and ADTRAN Holdings undertakes no duty to publicly update or revise such forward-looking information, whether as a result of new information, future events, or otherwise, except to the extent as may be required by law. All such forward-looking statements are necessarily estimates and reflect management's best judgment based upon current information. Actual events or results may differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. While it is impossible to identify all such factors, factors which have caused and may in the future cause actual events or results to differ materially from those estimated by ADTRAN Holdings include, but are not limited to: (i) risks and uncertainties relating to ADTRAN Holdings' ability to reduce expenditures and the impact of such reductions on its financial results and financial condition; (ii) the risk of fluctuations in revenue due to lengthy sales and approval processes required by major and other service providers for new products, as well as ongoing tighter inventory management of ADTRAN Holdings' customers; (iii) risks and uncertainties relating to the recent restatements of our previously issued consolidated financial statements and ongoing material weaknesses in our internal control over financial reporting; ; (iv) risks and uncertainties related to the completed business combination between the Company, ADTRAN, Inc. ("ADTRAN") and Adtran Networks SE ("Adtran Networks") and subsequent integration efforts;(v) the risk posed by potential breaches of information systems and cyber-attacks; (vi) the risk that ADTRAN Holdings may not be able to effectively compete, including through product improvements and development; and (vii) other risks set forth in ADTRAN Holdings' public filings made with the Securities and Exchange Commission ("SEC"), including its Annual Report on Form 10-K for the year ended December 31, 2022, as amended, and Form 10-Q for the quarterly period ended September 30, 2023, as well as its Form 10-K for the year ended December 31, 2023 to be filed with the SEC.

Additionally, the financial measures presented herein are preliminary estimates, remain subject to our internal controls and procedures, and are subject to risks and uncertainties, including, among others, changes in connection with quarter-end adjustments. Any variation between the Company's actual results and the preliminary financial information set forth herein may be material.

## Explanation of Use of Non-GAAP Financial Measures

Set forth in the tables below are reconciliations of gross profit, gross margin, operating expenses, operating loss, other (expense) income, net (loss) income inclusive of the non-controlling interest, net (loss) income attributable to the Company, net income (loss) attributable to the non-controlling interest, and (loss) earnings per share - basic and diluted, attributable to the Company, in each case as reported based on generally accepted accounting principles in the United States ("GAAP"), to non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating (loss) income, non-GAAP other (expense) income, non-GAAP net (loss) income inclusive of the non-

controlling interest, non-GAAP net (loss) income attributable to the Company, non-GAAP net income attributable to the non-controlling interest, and non-GAAP (loss) earnings per share - basic and diluted, attributable to the Company, respectively. Such non-GAAP measures exclude acquisition related expenses, amortization and adjustments (consisting of intangible amortization of backlog, developed technology, customer relationships, and trade names acquired in connection with business combinations and amortization of inventory fair value adjustments), stock-based compensation expense, amortization of pension actuarial losses, deferred compensation adjustments, integration expenses, restructuring expenses, asset and goodwill impairments, and the tax effect of these adjustments to net income. These measures are used by management in our ongoing planning and annual budgeting processes. Additionally, we believe the presentation of these non-GAAP measures when combined with the presentation of the most directly comparable GAAP financial measure, is beneficial to the overall understanding of ongoing operating performance of the Company.

These non-GAAP financial measures are not prepared in accordance with, or an alternative for, GAAP and therefore should not be considered in isolation or as a substitution for analysis of our results as reported under GAAP. Additionally, our calculation of non-GAAP measures may not be comparable to similar measures calculated by other companies.

## About Adtran

ADTRAN Holdings, Inc. (NASDAQ: ADTN and FSE: QH9) is the parent company of Adtran, Inc., a leading global provider of open, disaggregated networking and communications solutions that enable voice, data, video and internet communications across any network infrastructure. From the cloud edge to the subscriber edge, Adtran empowers communications service providers around the world to manage and scale services that connect people, places and things. Adtran solutions are used by service providers, private enterprises, government organizations and millions of individual users worldwide. ADTRAN Holdings, Inc. is also the largest shareholder of Adtran Networks SE, formerly ADVA Optical Networking SE. Find more at **Adtran**, **LinkedIn** and **Twitter**.

## Published by

ADTRAN Holdings, Inc.

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(In thousands)

| ASSETS   | December 31,        |                     |
|--|---------------------|---------------------|
|  | 2023                | 2022                |
| <b>Current Assets</b>                              |                     |                     |
| Cash and cash equivalents                          | \$ 87,167           | \$ 108,644          |
| Short-term investments                             | —                   | 340                 |
| Accounts receivable, net                           | 216,445             | 279,435             |
| Other receivables                                  | 22,408              | 32,831              |
| Inventory, net                                     | 362,295             | 427,531             |
| Prepaid expenses and other current assets          | 45,565              | 33,577              |
| <b>Total Current Assets</b>                        | <b>733,880</b>      | <b>882,358</b>      |
| Property, plant and equipment, net                 | 123,020             | 110,699             |
| Deferred tax assets, net                           | 25,787              | 67,839              |
| Goodwill   | 353,415             | 381,724             |
| Intangibles, net                                   | 327,985             | 401,211             |
| Other non-current assets                           | 87,706              | 66,998              |
| Long-term investments                              | 27,743              | 32,665              |
| <b>Total Assets</b>                                | <b>\$ 1,679,536</b> | <b>\$ 1,943,494</b> |
| <b>LIABILITIES AND EQUITY</b>                      |                     |                     |
| <b>Current Liabilities</b>                         |                     |                     |
| Accounts payable                                   | \$ 162,922          | \$ 237,699          |
| Revolving credit agreements outstanding            | —                   | 35,936              |
| Notes payable                                      | —                   | 24,598              |
| Unearned revenue                                   | 46,731              | 41,193              |
| Accrued expenses and other liabilities             | 37,607              | 35,235              |
| Accrued wages and benefits                         | 27,030              | 44,882              |
| Income tax payable, net                            | 2,245               | 9,032               |
| <b>Total Current Liabilities</b>                   | <b>276,535</b>      | <b>428,575</b>      |
| Non-current revolving credit agreement outstanding | 195,000             | 60,000              |
| Deferred tax liabilities                           | 35,655              | 61,629              |
| Non-current unearned revenue                       | 25,109              | 19,239              |
| Non-current pension liability                      | 12,543              | 10,624              |
| Deferred compensation liability                    | 29,039              | 26,668              |
| Non-current lease obligations                      | 31,420              | 22,807              |
| Other non-current liabilities                      | 28,657              | 10,339              |
| <b>Total Liabilities</b>                           | <b>633,958</b>      | <b>639,881</b>      |
| Redeemable Non-Controlling Interest                | 451,756             | —                   |
| <b>Equity</b>                                      |                     |                     |
| Common stock                                       | 790                 | 781                 |
| Additional paid-in capital                         | 774,579             | 895,834             |
| Accumulated other comprehensive income             | 68,186              | 46,713              |
| Retained (deficit) earnings                        | (243,908)           | 55,338              |
| Treasury stock                                     | (5,825)             | (4,125)             |
| Non-controlling interest                           | —                   | 309,072             |
| <b>Total Equity</b>                                | <b>593,822</b>      | <b>1,303,613</b>    |
| <b>Total Liabilities and Equity</b>                | <b>\$ 1,679,536</b> | <b>\$ 1,943,494</b> |

Condensed Consolidated Statements of (Loss) Income  
(Preliminary, Unaudited)  
(In thousands, except per share amounts)

|  | Three Months Ended |                | Twelve Months Ended |                  |
|--|--------------------|----------------|---------------------|------------------|
|  | December 31,       |                | December 31,        |                  |
|  | 2023               | 2022           | 2023                | 2022             |
| <b>Revenue</b>                           |                    |                |                     |                  |
| Network Solutions                        | \$ 180,405         | \$ 317,487     | \$ 974,389          | \$ 916,793       |
| Services & Support                       | 45,074             | 40,784         | 174,711             | 108,743          |
| <b>Total Revenue</b>                     | <b>225,479</b>     | <b>358,271</b> | <b>1,149,100</b>    | <b>1,025,536</b> |
| <b>Cost of Revenue</b>                   |                    |                |                     |                  |
| Network Solutions                        | 126,248            | 233,925        | 722,582             | 647,105          |
| Network Solutions - Inventory Write Down | 3,270              | —              | 24,313              | —                |
| Services & Support                       | 17,496             | 16,943         | 69,142              | 51,179           |
| <b>Total Cost of Revenue</b>             | <b>147,014</b>     | <b>250,868</b> | <b>816,037</b>      | <b>698,284</b>   |

|  |              |           |              |            |
|--|--------------|-----------|--------------|------------|
| Gross Profit   | 78,465       | 107,403   | 333,063      | 327,252    |
| Selling, general and administrative expenses                                     | 61,262       | 78,243    | 258,149      | 208,889    |
| Research and development expenses  | 54,818       | 61,570    | 258,311      | 173,757    |
| Asset impairment   | —            | 464       | —            | 17,433     |
| Goodwill impairment  | —            | —         | 37,874       | —          |
| Operating Loss   | (37,615)     | (32,874)  | (221,271)    | (72,827)   |
| Interest and dividend income   | 1,157        | 1,355     | 2,340        | 2,123      |
| Interest expense   | (4,441)      | (2,010)   | (16,299)     | (3,437)    |
| Net investment gain (loss)   | 1,683        | (587)     | 2,754        | (11,339)   |
| Other income, net  | (3,448)      | 11,568    | 1,266        | 14,517     |
| Loss Before Income Taxes   | (42,664)     | (22,548)  | (231,210)    | (70,963)   |
| Income tax (expense) benefit   | (64,362)     | 57,503    | (28,133)     | 62,075     |
| Net (Loss) Income  | \$ (107,026) | \$ 34,955 | \$ (259,343) | \$ (8,888) |
| Net Income (loss) attributable to non-controlling interest                       | 2,919        | (3,926)   | 8,345        | (6,851)    |
| Net (Loss) Income attributable to ADTRAN Holdings, Inc.                          | \$ (109,945) | \$ 38,881 | \$ (267,688) | \$ (2,037) |
| Weighted average shares outstanding – basic                                      | 78,530       | 77,659    | 78,416       | 62,346     |
| Weighted average shares outstanding – diluted                                    | 78,530       | 79,243    | 78,416       | 62,346     |
| (Loss) Earnings per common share attributable to ADTRAN Holdings, Inc. – basic   | \$ (1.40)    | \$ 0.50   | \$ (3.41)    | \$ (0.03)  |
| (Loss) Earnings per common share attributable to ADTRAN Holdings, Inc. – diluted | \$ (1.40)    | \$ 0.49   | \$ (3.41)    | \$ (0.03)  |

Condensed Consolidated Statements of Cash Flows  
(Preliminary, Unaudited)  
(In thousands)

|   | Twelve Months Ended  |                      |
|---|----------------------|----------------------|
|   | December 31,<br>2023 | December 31,<br>2022 |
| Cash flows from operating activities:                                       |                      |                      |
| Net Loss  | \$ (259,343)         | \$ (8,888)           |
| Adjustments to reconcile net loss to net cash used in operating activities: |                      |                      |
| Depreciation and amortization   | 112,949              | 67,553               |
| Asset impairment  | —                    | 17,433               |
| Goodwill impairment   | 37,874               | —                    |
| Amortization of debt issuance cost  | 862                  | 288                  |
| (Accretion) amortization on available-for-sale investments, net             | (22)                 | 19                   |
| (Gain) loss on investments  | (2,900)              | 9,826                |
| Net loss on disposal of property, plant and equipment                       | 458                  | 152                  |
| Stock-based compensation expense  | 16,016               | 28,322               |
| Deferred income taxes   | 15,558               | (62,388)             |
| Inventory write down  | 24,313               | —                    |
| Inventory reserves  | 25,546               | (2,363)              |
| Other, net  | (2,942)              | —                    |
| Change in operating assets and liabilities:                                 |                      |                      |
| Accounts receivable, net  | 58,283               | 788                  |
| Other receivables   | 10,560               | (20,088)             |
| Inventory   | 20,537               | (73,237)             |
| Prepaid expenses other current assets and other assets                      | (29,883)             | (7,116)              |
| Accounts payable  | (91,907)             | 28,105               |
| Accrued expenses and other liabilities                                      | 17,929               | (20,483)             |
| Income taxes payable, net   | (6,820)              | (2,151)              |
| Net cash used in operating activities                                       | <u>(52,932)</u>      | <u>(44,228)</u>      |
| Cash flows from investing activities:                                       |                      |                      |
| Purchases of property, plant and equipment                                  | (43,121)             | (17,072)             |
| Proceeds from sales and maturities of available-for-sale investments        | 10,567               | 51,661               |
| Purchases of available-for-sale investments                                 | (868)                | (23,899)             |
| Proceeds from beneficial interests in securitized accounts receivable       | 8,547                | 1,126                |
| Proceeds from disposals of property, plant and equipment                    | —                    | 12                   |
| Insurance proceeds received   | —                    | —                    |
| Acquisition of business, net of cash acquired                               | —                    | 44,003               |
| Net cash (used in) provided by investing activities                         | <u>(24,875)</u>      | <u>55,831</u>        |
| Cash flows from financing activities:                                       |                      |                      |
| Tax withholdings related to stock-based compensation settlements            | (6,459)              | (4,253)              |

|   |                  |                   |
|---|------------------|-------------------|
| Proceeds from stock option exercises                                    | 540              | 6,904             |
| Dividend payments   | (21,237)         | (22,885)          |
| Proceeds from receivables purchase agreement                            | 14,099           | —                 |
| Proceeds from draw on revolving credit agreements                       | 163,733          | 141,887           |
| Repayment of revolving credit agreements                                | (64,987)         | (48,000)          |
| Redemption of redeemable non-controlling interest                       | (1,224)          | —                 |
| Payment of debt issuance cost   | (708)            | (3,015)           |
| Repayment of notes payable  | (24,891)         | (17,702)          |
| <b>Net cash provided by financing activities</b>                        | <b>58,866</b>    | <b>52,936</b>     |
| Net (decrease) increase in cash and cash equivalents                    | (18,941)         | 64,539            |
| Effect of exchange rate changes   | (2,536)          | (12,713)          |
| Cash and cash equivalents, beginning of year                            | 108,644          | 56,818            |
| <b>Cash and cash equivalents, end of year</b>                           | <b>\$ 87,167</b> | <b>\$ 108,644</b> |
| Supplemental disclosure of cash financing activities                    |                  |                   |
| Cash paid for interest  | \$ 12,596        | \$ 1,728          |
| Cash paid for income taxes  | \$ 18,552        | \$ 3,832          |
| Cash used in operating activities related to operating leases           | \$ 9,682         | \$ 5,229          |
| Supplemental disclosure of non-cash investing activities                |                  |                   |
| Right-of-use assets obtained in exchange for lease obligations          | \$ 17,865        | \$ 3,410          |
| Purchases of property, plant and equipment included in accounts payable | \$ 1,298         | \$ 1,165          |
| Adtran Networks common shares exchanged in acquisition                  | \$ —             | \$ 565,491        |
| Adtran Networks options assumed in acquisition                          | \$ —             | \$ 12,769         |
| Non-controlling interest related to Adtran Networks                     | \$ —             | \$ 316,415        |

**Supplemental Information**  
**Reconciliation of Preliminary Gross Profit and Preliminary Gross Margin to**  
**Preliminary Non-GAAP Gross Profit and Preliminary Non-GAAP Gross Margin**  
**(Unaudited)**  
**(In thousands)**

|   | Three Months Ended   |                       |                      | Twelve Months Ended  |                      |
|---|----------------------|-----------------------|----------------------|----------------------|----------------------|
|   | December 31,<br>2023 | September 30,<br>2023 | December 31,<br>2022 | December 31,<br>2023 | December 31,<br>2022 |
| Total Revenue   | \$ 225,479           | \$ 272,331            | \$ 358,271           | \$ 1,149,100         | \$ 1,025,536         |
| Cost of Revenue   | \$ 147,014           | \$ 198,094            | \$ 250,868           | \$ 816,037           | \$ 698,284           |
| Acquisition-related expenses, amortization and adjustments <sup>(1)</sup> | (10,048)             | (13,537)              | (31,577)             | (89,602)             | (57,108)             |
| Stock-based compensation expense  | (440)                | (279)                 | (1,287)              | (1,294)              | (2,876)              |
| Pension adjustments   | —                    | —                     | 144                  | —                    | 85                   |
| Restructuring expenses <sup>(2)</sup>                                     | (5,517)              | (21,630)              | (8)                  | (27,223)             | (8)                  |
| Integration expenses <sup>(3)</sup>                                       | 39                   | (154)                 | —                    | (115)                | —                    |
| <b>Non-GAAP Cost of Revenue</b>   | <b>\$ 131,048</b>    | <b>\$ 162,494</b>     | <b>\$ 218,140</b>    | <b>\$ 697,803</b>    | <b>\$ 638,377</b>    |
| Gross Profit  | \$ 78,465            | \$ 74,237             | \$ 107,403           | \$ 333,063           | \$ 327,252           |
| Non-GAAP Gross Profit   | \$ 94,431            | \$ 109,837            | \$ 140,131           | \$ 451,297           | \$ 387,159           |
| Gross Margin  | 34.8%                | 27.3%                 | 30.0%                | 29.0%                | 31.9%                |
| Non-GAAP Gross Margin   | 41.9%                | 40.3%                 | 39.1%                | 39.3%                | 37.8%                |

(1) Includes intangible amortization of backlog, inventory fair value adjustments, developed technology, customer relationships, and trade names acquired in connection with business combinations. Includes stock-based compensation expense for the program.

(2) Includes restructuring expenses related to the business combination with Adtran Networks SE and business processes following the business combination with Adtran Networks SE. The restructuring program includes stock-based compensation expense for the program.

(3) Includes integration expenses related to the business combination with Adtran Networks SE and business processes following the business combination with Adtran Networks SE.

**Supplemental Information**  
**Reconciliation of Preliminary Operating Expenses to Preliminary Non-GAAP Operating Expenses**  
**(Unaudited)**  
**(In thousands)**

|  | Three Months Ended |               |               | Twelve Months Ended |               |
|--|--------------------|---------------|---------------|---------------------|---------------|
|  | December 31,       | September 30, | December 31,  | December 31,        | December 31,  |
|  | 2023               | 2023          | 2022          | 2023                | 2022          |
| Operating Expenses   | \$ 116,080         | \$ 125,659    | \$ 139,813    | \$ 516,460          | \$ 382,646    |
| Acquisition-related expenses, amortization and adjustments | (4,150) (1)        | (4,534) (6)   | (8,328) (10)  | (17,666) (14)       | (27,561) (18) |
| Stock-based compensation expense                           | (3,181) (2)        | (3,251) (7)   | (11,095) (11) | (13,864) (15)       | (25,418) (19) |
| Restructuring expenses                                     | (7,859) (3)        | (3,243) (8)   | (1,618) (12)  | (19,331) (16)       | (1,620) (20)  |
| Integration expenses                                       | (1,928) (4)        | (1,485) (9)   | —             | (4,825) (17)        | —             |
| Pension adjustments  | —                  | —             | 43 (13)       | —                   | (142) (21)    |
| Deferred compensation adjustments <sup>(5)</sup>           | (1,324)            | 1,801         | (168)         | 390                 | 7,005         |
| Non-GAAP Operating Expenses                                | \$ 97,638          | \$ 114,947    | \$ 118,647    | \$ 461,164          | \$ 334,910    |

(1) Includes intangible amortization of developed technology, customer relationships, and trade names acquired in connection with business combinations, of which \$3.7 million is included in selling, general and administrative expenses and \$2.2 million is included in research and development expenses of the condensed consolidated statements of loss. (2) Includes stock-based compensation expense, of which \$2.1 million is included in selling, general and administrative expenses and \$1.1 million is included in research and development expenses of the condensed consolidated statements of loss. (3) Includes restructuring expenses, of which \$7.8 million is included in selling, general and administrative expenses and \$1.1 million is included in research and development expenses of the condensed consolidated statements of loss. (4) Includes integration expenses, of which \$1.9 million is included in selling, general and administrative expenses and \$0.6 million is included in research and development expenses of the condensed consolidated statements of loss. (5) Includes deferred compensation adjustments, of which \$1.3 million is included in selling, general and administrative expenses and \$0.5 million is included in research and development expenses of the condensed consolidated statements of loss. (6) Includes acquisition-related expenses, of which \$4.5 million is included in selling, general and administrative expenses and \$0.1 million is included in research and development expenses of the condensed consolidated statements of loss. (7) Includes restructuring expenses, of which \$3.2 million is included in selling, general and administrative expenses and \$0.1 million is included in research and development expenses of the condensed consolidated statements of loss. (8) Includes restructuring expenses, of which \$3.2 million is included in selling, general and administrative expenses and \$0.1 million is included in research and development expenses of the condensed consolidated statements of loss. (9) Includes integration expenses, of which \$1.5 million is included in selling, general and administrative expenses and \$0.1 million is included in research and development expenses of the condensed consolidated statements of loss. (10) Includes acquisition-related expenses, of which \$8.3 million is included in selling, general and administrative expenses and \$0.1 million is included in research and development expenses of the condensed consolidated statements of loss. (11) Includes stock-based compensation expense, of which \$11.1 million is included in selling, general and administrative expenses and \$0.1 million is included in research and development expenses of the condensed consolidated statements of loss. (12) Includes restructuring expenses, of which \$1.6 million is included in selling, general and administrative expenses and \$0.1 million is included in research and development expenses of the condensed consolidated statements of loss. (13) Includes pension adjustments, of which \$0.04 million is included in selling, general and administrative expenses and \$0.04 million is included in research and development expenses of the condensed consolidated statements of loss. (14) Includes acquisition-related expenses, of which \$17.7 million is included in selling, general and administrative expenses and \$0.1 million is included in research and development expenses of the condensed consolidated statements of loss. (15) Includes stock-based compensation expense, of which \$13.9 million is included in selling, general and administrative expenses and \$0.1 million is included in research and development expenses of the condensed consolidated statements of loss. (16) Includes restructuring expenses, of which \$19.3 million is included in selling, general and administrative expenses and \$0.1 million is included in research and development expenses of the condensed consolidated statements of loss. (17) Includes integration expenses, of which \$4.8 million is included in selling, general and administrative expenses and \$0.1 million is included in research and development expenses of the condensed consolidated statements of loss. (18) Includes acquisition-related expenses, of which \$27.6 million is included in selling, general and administrative expenses and \$0.1 million is included in research and development expenses of the condensed consolidated statements of loss. (19) Includes stock-based compensation expense, of which \$25.4 million is included in selling, general and administrative expenses and \$0.1 million is included in research and development expenses of the condensed consolidated statements of loss. (20) Includes restructuring expenses, of which \$1.6 million is included in selling, general and administrative expenses and \$0.1 million is included in research and development expenses of the condensed consolidated statements of loss. (21) Includes pension adjustments, of which \$0.14 million is included in selling, general and administrative expenses and \$0.14 million is included in research and development expenses of the condensed consolidated statements of loss.

### Supplemental Information Reconciliation of Preliminary Operating Loss to Preliminary Non-GAAP Operating (Loss) Income (Unaudited) (In thousands)

|  | Three Months Ended |               |              | Twelve Months Ended |              |
|--|--------------------|---------------|--------------|---------------------|--------------|
|  | December 31,       | September 30, | December 31, | December 31,        | December 31, |
|  | 2023               | 2023          | 2022         | 2023                | 2022         |
| Operating Loss   | \$ (37,615)        | \$ (89,296)   | \$ (32,874)  | \$ (221,271)        | \$ (72,827)  |
| Acquisition related expenses, amortizations and adjustments <sup>(1)</sup> | 14,198             | 18,070        | 39,904       | 107,267             | 84,667       |
| Asset impairments <sup>(2)</sup>   | —                  | —             | 463          | —                   | 17,432       |
| Stock-based compensation expense   | 3,621              | 3,530         | 12,383       | 15,158              | 28,295       |
| Pension adjustments  | —                  | —             | (187)        | —                   | 57           |
| Restructuring expenses <sup>(3)</sup>                                      | 13,376             | 24,873        | 1,627        | 46,554              | 1,629        |
| Integration expenses <sup>(4)</sup>  | 1,890              | 1,639         | —            | 4,941               | —            |
| Deferred compensation adjustments <sup>(5)</sup>                           | 1,324              | (1,801)       | 168          | (390)               | (7,005)      |
| Goodwill impairment <sup>(6)</sup>   | —                  | 37,874        | —            | 37,874              | —            |
| Non-GAAP Operating (Loss) Income   | \$ (3,206)         | \$ (5,111)    | \$ 21,484    | \$ (9,867)          | \$ 52,248    |

(1) Includes intangible amortization of backlog, inventory fair value adjustments, developed technology, customer relationships, and trade names acquired in connection with business combinations, of which \$14.2 million is included in selling, general and administrative expenses and \$0.1 million is included in research and development expenses of the condensed consolidated statements of loss. (2) Includes asset impairments, of which \$0.5 million is included in selling, general and administrative expenses of the condensed consolidated statements of loss. (3) Includes restructuring expenses, of which \$13.4 million is included in selling, general and administrative expenses and \$0.1 million is included in research and development expenses of the condensed consolidated statements of loss. (4) Includes integration expenses, of which \$1.9 million is included in selling, general and administrative expenses and \$0.1 million is included in research and development expenses of the condensed consolidated statements of loss. (5) Includes deferred compensation adjustments, of which \$1.3 million is included in selling, general and administrative expenses and \$0.5 million is included in research and development expenses of the condensed consolidated statements of loss. (6) Includes goodwill impairment charge related to our Services and Support reporting unit. The impairment primarily resulted from a decrease in projected revenue growth rates and EBITDA margins.

### Supplemental Information Reconciliation of Preliminary Other (Expense) Income to Preliminary Non-GAAP Other (Expense) Income (Unaudited) (In thousands)

|  | Three Months Ended | Twelve Months Ended |
|--|--------------------|---------------------|
|--|--------------------|---------------------|

|  | December 31,<br>2023 | September 30,<br>2023 | December 31,<br>2022 | December 31,<br>2023 | December 31,<br>2022 |
|--|----------------------|-----------------------|----------------------|----------------------|----------------------|
| Interest and dividend income           | \$ 1,157             | \$ 521                | \$ 1,355             | \$ 2,340             | \$ 2,123             |
| Interest expense                       | (4,441)              | (4,507)               | (2,010)              | (16,299)             | (3,437)              |
| Net investment gain (loss)             | 1,683                | (1,443)               | (587)                | 2,754                | (11,339)             |
| Other (expense) income, net            | (3,448)              | 2,523                 | 11,568               | 1,266                | 14,517               |
| <b>Total Other (Expense) Income</b>    | <b>\$ (5,049)</b>    | <b>\$ (2,906)</b>     | <b>\$ 10,326</b>     | <b>\$ (9,939)</b>    | <b>\$ 1,864</b>      |
| Deferred compensation adjustments      | (1,590)              | 1,117                 | (349)                | (2,977)              | 6,211                |
| Pension expense <sup>(2)</sup>         | 6                    | 7                     | 77                   | 26                   | 333                  |
| <b>Non-GAAP Other (Expense) Income</b> | <b>\$ (6,633)</b>    | <b>\$ (1,782)</b>     | <b>\$ 10,054</b>     | <b>\$ (12,890)</b>   | <b>\$ 8,408</b>      |

(2) Includes amortization of intangible assets related to the company's pension plan for employees in certain foreign countries.

Supplemental Information  
Reconciliation of Preliminary Net (Loss) Income inclusive of Non-Controlling Interest to  
Preliminary Non-GAAP Net (Loss) Income inclusive of Non-Controlling Interest  
(Unaudited)  
and  
Reconciliation of Preliminary Net Income (Loss) attributable to Non-Controlling Interest to  
Preliminary Non-GAAP Net Income attributable to Non-Controlling Interest  
(Unaudited)  
and  
Reconciliation of Preliminary Net (Loss) Income attributable to ADTRAN Holdings, Inc. and  
Preliminary (Loss) Earnings per Common Share attributable to ADTRAN Holdings, Inc. – Basic and Diluted to  
Preliminary Non-GAAP Net (Loss) Income attributable to ADTRAN Holdings, Inc. and  
Preliminary Non-GAAP (Loss) Earnings per Common Share attributable to ADTRAN Holdings, Inc. – Basic and Diluted  
(Unaudited)

(In thousands, except per share amounts)

|   | Three Months Ended<br>September 30, |                    |                      | Twelve Months Ended  |                      |
|---|-------------------------------------|--------------------|----------------------|----------------------|----------------------|
|   | December 31,<br>2023                | 2023<br>(Revised)  | December 31,<br>2022 | December 31,<br>2023 | December 31,<br>2022 |
| Net (Loss) income attributable to ADTRAN Holdings, Inc.                   | \$ (109,945)                        | \$ (78,563)        | \$ 38,881            | \$ (267,688)         | \$ (2,037)           |
| Net Income (loss) attributable to non-controlling interest <sup>(1)</sup> | 2,919                               | 2,914              | (3,926)              | 8,345                | (6,851)              |
| <b>Net (Loss) income inclusive of non-controlling interest</b>            | <b>\$ (107,026)</b>                 | <b>\$ (75,649)</b> | <b>\$ 34,955</b>     | <b>\$ (259,343)</b>  | <b>\$ (8,888)</b>    |
| Acquisition related expenses, amortization and adjustments                | 14,198                              | 18,070             | 39,904               | 107,267              | 84,667               |
| Asset impairments   | —                                   | —                  | 463                  | —                    | 17,432               |
| Stock-based compensation expense  | 3,621                               | 3,530              | 12,383               | 15,158               | 28,295               |
| Deferred compensation adjustments <sup>(2)</sup>                          | (267)                               | (684)              | (182)                | (3,368)              | (794)                |
| Pension adjustments <sup>(3)</sup>  | 6                                   | 7                  | (109)                | 26                   | 390                  |
| Restructuring expenses  | 13,376                              | 24,873             | 1,627                | 46,554               | 1,629                |
| Integration expenses  | 1,890                               | 1,639              | —                    | 4,941                | —                    |
| Goodwill impairment   | —                                   | 37,874             | —                    | 37,874               | —                    |
| Tax effect of adjustments to net (loss) income                            | (8,735)                             | (23,366)           | (12,463)             | (57,834)             | (29,892)             |
| <b>Non-GAAP Net (Loss) income inclusive of non-controlling interest</b>   | <b>\$ (82,937)</b>                  | <b>\$ (13,706)</b> | <b>\$ 76,578</b>     | <b>\$ (108,725)</b>  | <b>\$ 92,839</b>     |
| Net Income attributable to non-controlling interest <sup>(1)</sup>        | 2,919                               | 2,914              | 5,769                | 9,874                | 10,255               |
| <b>Non-GAAP Net (Loss) income attributable to ADTRAN Holdings, Inc.</b>   | <b>\$ (85,856)</b>                  | <b>\$ (16,620)</b> | <b>\$ 70,809</b>     | <b>\$ (118,599)</b>  | <b>\$ 82,584</b>     |

GAAP Net Income (loss) attributable to non-controlling

|   |           |              |           |              |           |              |           |              |           |               |
|---|-----------|--------------|-----------|--------------|-----------|--------------|-----------|--------------|-----------|---------------|
| Interest <sup>(1)</sup>   | \$        | 2,919        | \$        | 2,914        | \$        | (3,926)      | \$        | 8,345        | \$        | (6,851)       |
| Acquisition related expenses, amortizations and adjustments                               |           | —            |           | —            |           | 9,039        |           | 1,457        |           | 16,159        |
| Restructuring expenses  |           | —            |           | —            |           | 402          |           | 29           |           | 402           |
| Integration expenses  |           | —            |           | —            |           | —            |           | 6            |           | —             |
| Stock-based compensation expense  |           | —            |           | —            |           | 300          |           | 37           |           | 531           |
| Pension adjustments <sup>(3)</sup>  |           | —            |           | —            |           | (46)         |           | —            |           | 14            |
| <b>Non-GAAP Net Income attributable to non-controlling interest <sup>(1)</sup></b>        | <b>\$</b> | <b>2,919</b> | <b>\$</b> | <b>2,914</b> | <b>\$</b> | <b>5,769</b> | <b>\$</b> | <b>9,874</b> | <b>\$</b> | <b>10,255</b> |
| Weighted average shares outstanding – basic   |           | 78,530       |           | 78,389       |           | 77,659       |           | 78,416       |           | 62,346        |
| Weighted average shares outstanding – diluted   |           | 78,530       |           | 78,389       |           | 79,243       |           | 78,416       |           | 62,346        |
| (Loss) earnings per common share attributable to ADTRAN Holdings, Inc. - basic            | \$        | (1.40)       | \$        | (1.00)       | \$        | 0.50         | \$        | (3.41)       | \$        | (0.03)        |
| (Loss) earnings per common share attributable to ADTRAN Holdings, Inc. - diluted          | \$        | (1.40)       | \$        | (1.00)       | \$        | 0.49         | \$        | (3.41)       | \$        | (0.03)        |
| Non-GAAP (Loss) earnings per common share attributable to ADTRAN Holdings, Inc. - basic   | \$        | (1.09)       | \$        | (0.21)       | \$        | 0.91         | \$        | (1.51)       | \$        | 1.32          |
| Non-GAAP (Loss) earnings per common share attributable to ADTRAN Holdings, Inc. - diluted | \$        | (1.09)       | \$        | (0.21)       | \$        | 0.89         | \$        | (1.51)       | \$        | 1.32          |

(1) Represents the non-controlling interest portion of the Company's ownership of Adtran Networks pre-DPLTA and the annual recurring compensation earned by redeemable non-controlling interests and interests in the Company post-DPLTA. If equity investments held in Adtran Networks are classified as equity, the compensation will be recorded in equity.

(3) Includes amortization of actuarial losses related to the Company's pension plan for employees in certain jurisdictions.

## For media

Gareth Spence

+44 1904 699 358

[public.relations@adtran.com](mailto:public.relations@adtran.com)

## For investors

Steven Williams

+49 89 890 665 918

[investor@adtran.com](mailto:investor@adtran.com)

Source: ADTRAN Holdings, Inc.