



**PRESS RELEASE**  
**For immediate release**

## **EXFO reports third quarter results for fiscal 2021**

- **Sales reached US\$72.6 million**
- **Bookings attained US\$87.0 million, book-to-bill ratio of 1.20**
- **IFRS net loss totaled US\$3.7 million**
- **Adjusted EBITDA amounted to US\$4.3 million**
- **Proxy circular forthcoming on board-approved, going-private transaction**

QUEBEC CITY, CANADA, July 14, 2021 — EXFO Inc. (NASDAQ: EXFO; TSX: EXF), the communications industry's test, monitoring and analytics experts, reported today financial results for the third quarter ended May 31, 2021.

"In the third quarter of 2021, EXFO delivered sales and adjusted EBITDA consistent with expectations while strong bookings were mainly driven by a recovery from the coronavirus pandemic and a good performance in EMEA," said EXFO's CEO Philippe Morin.

### **Third Quarter Highlights**

- **Sales.** Sales improved 9.8% year-over-year in the third quarter of 2021 mainly due to increased spending on fiber deployments in the Americas and Europe, Middle East and Africa (EMEA) following a period of reduced investments caused by the coronavirus pandemic in 2020. Test and Measurement (T&M) sales grew 13.9% year-over-year in the third quarter of 2021, while Service Assurance, Systems and Services (SASS) sales dropped 9.6%. Sales in the Americas and EMEA increased 18.4% and 20.6% year-over-year, respectively, while sales in the Asia-Pacific region fell 23.8%. EXFO's top customer accounted for 5.6% of sales, while the top three represented 14.1%.
- **Profitability.** IFRS net loss totaled US\$3.7 million, or -US\$0.07 per share, in the third quarter of 2021, while adjusted EBITDA\* amounted to US\$4.3 million, or 5.9% of sales.





**Selected Financial Information**  
(In thousands of US dollars)

	Three months ended May 31, 2021	Three months ended May 31, 2020	Nine months ended May 31, 2021	Nine months ended May 31, 2020
Test and Measurement sales	\$ 57,295	\$ 50,309	\$ 159,045	\$ 143,733
Service Assurance, Systems and Services sales	14,780	16,352	53,391	52,036
Foreign exchange losses on forward exchange contracts	(569)	(514)	(974)	(758)
<b>Total sales</b>	<b>\$ 72,644</b>	<b>\$ 66,147</b>	<b>\$ 213,410</b>	<b>\$ 195,011</b>
Test and Measurement bookings	\$ 59,671	\$ 46,634	\$ 164,584	\$ 153,646
Service Assurance, Systems and Services bookings	26,766	12,988	69,840	49,000
Foreign exchange losses on forward exchange contracts	(569)	(514)	(974)	(758)
<b>Total bookings</b>	<b>\$ 87,006</b>	<b>\$ 59,108</b>	<b>\$ 235,398</b>	<b>\$ 201,888</b>
Book-to-bill ratio (bookings/sales)	1.20	0.89	1.10	1.04
Gross margin before depreciation and amortization*	\$ 42,346 58.3%	\$ 38,199 57.7%	\$ 122,820 57.6%	\$ 113,026 58.0%
<b>Other selected information:</b>				
IFRS net earnings (loss)	\$ (3,682)	\$ 3,177	\$ (2,567)	\$ (5,907)
Amortization of intangible assets	\$ 1,774	\$ 1,698	\$ 6,310	\$ 5,025
Stock-based compensation costs	\$ 1,193	\$ 523	\$ 2,778	\$ 1,446
Restructuring charges	\$ 108	\$ –	\$ 651	\$ –
Net income tax effect of the above items	\$ (307)	\$ (257)	\$ (1,135)	\$ (760)
Foreign exchange loss	\$ 826	\$ 141	\$ 1,199	\$ 649
Adjusted EBITDA*	\$ 4,288	\$ 10,656	\$ 17,644	\$ 13,284

**Quarterly Overview**

Sales increased 9.8% to US\$72.6 million in the third quarter of fiscal 2021 from US\$66.1 million in third quarter of 2020 which had been affected by the coronavirus pandemic.

Bookings improved 47.2% to US\$87.0 million in the third quarter of fiscal 2021 from US\$59.1 million in the same period in 2020, driven by fiber deployment projects that had been delayed due to the pandemic and a good performance in EMEA. The company's book-to-bill ratio was 1.20 in the third quarter of 2021. A previously announced service assurance lab evaluation with a tier-1 US network operator is ongoing, but it is taking longer than expected due to the level of transformation and functionality required.

Gross margin before depreciation and amortization\* amounted to 58.3% of sales in the third quarter of fiscal 2021 compared to 57.7% in the third quarter of 2020.

Selling and administrative expenses totaled US\$25.0 million, or 34.4% of sales in the third quarter of fiscal 2021 compared to US\$18.9 million, or 28.6% of sales, in the third quarter of 2020.

Net R&D expenses attained US\$14.4 million, or 19.8% of sales, in the third quarter of fiscal 2021 compared to US\$9.2 million, or 13.9% of sales, in the same period last year.





IFRS net loss totaled US\$3.7 million, or -US\$0.07 per share, in the third quarter of fiscal 2021 compared to net earnings of US\$3.2 million, or US\$0.06 per share, in the third quarter of 2020. IFRS net loss in the third quarter of 2021 included US\$1.8 million in amortization of intangible assets, US\$1.2 million in stock-based compensation costs, US\$0.1 million in restructuring charges, US\$0.8 million in foreign exchange loss, and an income tax effect of the above items of US\$0.3 million. Net loss for the third quarter of 2021 also included US\$0.4 million for an after-tax wage subsidy by the Canadian government to help companies mitigate the impact of the coronavirus pandemic.

Adjusted EBITDA\* amounted to US\$4.3 million, or 5.9% of sales, in the third quarter of fiscal 2021 compared to US\$10.7 million, or 16.1% of sales, in the third quarter of 2020.

### **Going-Private Transaction**

On June 7, EXFO announced a going-private transaction, where Holders of Subordinate Voting Shares (other than the Excluded Shares) will receive US\$6.00 per Subordinate Voting Share in cash, representing a 62% premium to the closing price per Subordinate Voting Share on the Nasdaq Global Select Market on June 4, 2021, and a 63% premium to the 20-day volume-weighted average trading price for the Subordinate Voting Shares on the Nasdaq Global Select Market for the period ending on June 4, 2021, the last trading day prior to the date of the announcement.

“A Special Committee comprised of independent Directors and the Board of Directors unanimously recommended that shareholders support the transaction. A proxy circular which includes full details regarding the offer will be issued and distributed to shareholders shortly,” said Claude Séguin, Chair of EXFO’s Special Committee of the Board.

### **Conference Call and Webcast**

Given a going-private transaction has been initiated, no conference call/webcast will be held.

### **About EXFO**

EXFO (NASDAQ: EXFO) (TSX: EXF) develops smarter test, monitoring and analytics solutions for fixed and mobile network operators, webscale companies and equipment manufacturers in the global communications industry. Our customers count on us to deliver superior network performance, service reliability and subscriber insights. They count on our unique blend of equipment, software and services to accelerate digital transformations related to fiber, 4G/LTE and 5G deployments. They count on our expertise with automation, real-time troubleshooting and big data analytics, which are critical to their business performance. We’ve spent over 30 years earning this trust, and today 1,900 EXFO employees in over 25 countries work side by side with our customers in the lab, field, data center and beyond.





## Forward-Looking Statements

This news release contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, and we intend that such forward-looking statements be subject to the safe harbors created thereby. Forward-looking statements are statements other than historical information or statements of current condition. Words such as may, expect, believe, plan, anticipate, intend, could, estimate, continue, or similar expressions or the negative of such expressions are intended to identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events and circumstances are considered forward-looking statements. They are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those in forward-looking statements due to various factors including, but not limited to, macroeconomic uncertainty, namely the impact of the coronavirus pandemic on our employees, customers and global operations, including the ability of our suppliers to fulfil raw material requirements and services and our ability to manufacture and deliver our products and services to our customers; the effects of emergency measures related to isolation periods for individuals in affected areas, lockdown restrictions imposed by national governments on businesses in countries where we operate and have employees, and limitations on travel to attract new customers and serve existing ones; deteriorating financial and market conditions as well as a potential recession; trade wars, and our ability to successfully integrate businesses that we acquire; capital spending and network deployment levels in the communications industry (including our ability to quickly adapt cost structures to anticipated levels of business and our ability to manage inventory levels with market demand); future economic, competitive, financial and market conditions; consolidation in the global communications test, monitoring and analytics solutions markets and increased competition among vendors; capacity to adapt our future product offering to future technological changes; limited visibility with regard to the timing and nature of customer orders; delay in revenue recognition due to longer sales cycles for complex systems involving customers' acceptance; fluctuating exchange rates; concentration of sales; timely release and market acceptance of our new products and other upcoming products; our ability to successfully expand international operations and to conduct business internationally; and the retention of key technical and management personnel. Assumptions relating to the foregoing involve judgments and risks, all of which are difficult or impossible to predict and many of which are beyond our control. Other risk factors that may affect our future performance and operations are detailed in our Annual Report, on Form 20-F, and our other filings with the U.S. Securities and Exchange Commission and the Canadian securities commissions. We believe that the expectations reflected in the forward-looking statements are reasonable based on information currently available to us, but we cannot assure you that the expectations will prove to have been correct. Accordingly, you should not place undue reliance on these forward-looking statements. These statements speak only as of the date of this document. Unless required by law or applicable regulations, we undertake no obligation to revise or update any of them to reflect events or circumstances that occur after the date of this document.



### **\*Non-IFRS Measures**

EXFO provides non-IFRS measures (gross margin before depreciation and amortization and adjusted EBITDA) as supplemental information regarding its operational performance. Gross margin before depreciation and amortization represents sales, less cost of sales, excluding depreciation and amortization. Adjusted EBITDA represent net earnings (loss) before interest and other income/expense, income taxes, depreciation and amortization, stock-based compensation costs, restructuring charges, and foreign exchange loss.

These non-IFRS measures eliminate the effect on IFRS results of non-cash statement of earnings elements, restructuring charges as well as elements subject to significant volatility such as foreign exchange gain or loss. EXFO uses these measures for evaluating historical and prospective financial performance, as well as its performance relative to competitors. These non-IFRS measures are also used by financial analysts to evaluate and compare EXFO's performance against that of competitors and industry players in the company's sector.

Finally, these measures help EXFO plan and forecast future periods as well as make operational and strategic decisions. EXFO believes that providing this information, in addition to the IFRS measures, allows investors to see the company's results through the eyes of management, and to better understand historical and future financial performance. More importantly, it enables the comparison of EXFO's performance on a relatively similar basis against that of other public and private companies in the industry worldwide.

The presentation of this additional information is not prepared in accordance with IFRS. Therefore, the information may not necessarily be comparable to that of other companies and should be considered as a supplement to, not a substitute for, the corresponding measures calculated in accordance with IFRS.



The following table summarizes the reconciliation of adjusted EBITDA to IFRS net earnings (loss), in thousands of US dollars:

### Adjusted EBITDA

	Three months ended May 31, 2021	Three months ended May 31, 2020	Nine months ended May 31, 2021	Nine months ended May 31, 2020
IFRS net earnings (loss) for the period	\$ (3,682)	\$ 3,177	\$ (2,567)	\$ (5,907)
Add (deduct):				
Depreciation and amortization	3,898	3,833	12,857	11,732
Interest and other (income) expense	396	291	(1,607)	975
Income taxes	1,549	2,691	4,333	4,389
Stock-based compensation costs	1,193	523	2,778	1,446
Restructuring charges	108	-	651	-
Foreign exchange loss	826	141	1,199	649
Adjusted EBITDA for the period	\$ 4,288	\$ 10,656	\$ 17,644	\$ 13,284
Adjusted EBITDA as a percentage of sales	5.9%	16.1%	8.3%	6.8%

### For more information

Vance Oliver

Director, Investor Relations

(418) 683-0913, Ext. 23733

[vance.oliver@exfo.com](mailto:vance.oliver@exfo.com)