



April 18, 2016

Applied Optoelectronics Announces Preliminary First Quarter 2016 Results

SUGAR LAND, Texas, April 18, 2016 (GLOBE NEWSWIRE) -- **Applied Optoelectronics, Inc.** (NASDAQ:AAOI), a leading provider of fiber-optic access network products for the internet datacenter, cable broadband, and fiber-to-the-home markets, today announced certain preliminary financial results for its first quarter ended March 31, 2016.

"We expect first quarter revenue to be within our guided range, representing at least 65% year-over-year growth, however our bottom line results were impacted by higher than expected cost of goods sold and research and development costs. These additional costs were incurred due to lower than anticipated yields on certain longer-reach 40G light engines and redesign activities associated with manufacturing cost reduction efforts," said Dr. Thompson Lin, Applied Optoelectronics, Inc. founder, Chairman and CEO.

Total revenue in the first quarter 2016 is expected to be between \$50.0 million and \$50.5 million, within the company's guidance range of \$50 million to \$54 million.

The company expects to report GAAP and non-GAAP gross margin in the first quarter 2016 in the range of 28.0% to 28.5%, compared with prior non-GAAP guidance of 31.0% to 32.5%.

The company expects to report a GAAP net loss in the first quarter 2016 between \$1.5 million and \$1.8 million, or \$0.09 and \$0.11 per basic share. On a non-GAAP basis, the company expects a net loss between \$0.7 million and \$1.0 million, or \$0.04 and \$0.06 per basic share, using approximately 16.9 million shares. This is below the previous non-GAAP net income guidance range of \$3.8 million to \$5.0 million, and non-GAAP fully diluted earnings per share guidance range of \$0.21 to \$0.28, which was based on approximately 17.8 million shares.

These are preliminary results and remain subject to the completion of the company's customary quarterly close and review procedures. Material adjustments may arise between the date of this press release and the dates on which Applied Optoelectronics announces its full first quarter 2016 results and files its Form 10-Q for the first quarter with the SEC.

First Quarter 2016 Conference Call

Applied Optoelectronics will release its full financial results for the first quarter 2016 after U.S. markets close on Monday, May 9, 2016.

The company will host a conference call and webcast for analysts and investors to discuss its first quarter results and outlook for its second quarter of 2016 at 4:30 p.m. Eastern time / 3:30 p.m. Central time. Open to the public, investors may access the call by dialing (412) 317-6789.

A live webcast of the conference call and supplemental financials will be accessible from the company's website at investors.ao-inc.com. Following the webcast, an archived version will be available on the website for one year. A telephonic replay of the call will be available two hours after the call and will run for five business days and may be accessed by dialing (412) 317-0088 and entering passcode 10083549.

Forward-Looking Information

This press release contains forward-looking statements. These forward-looking statements involve risks and uncertainties, as well as assumptions and current expectations, which could cause the company's actual results to differ materially from those anticipated in such forward-looking statements. These risks and uncertainties include but are not limited to: reduction in the size or quantity of customer orders; change in demand for the company's products due to industry conditions; changes in manufacturing operations; volatility in manufacturing costs; delays in shipments of products; disruptions in the supply chain; change in the rate of design wins or the rate of customer acceptance of new products; the company's reliance on a small number of customers for a substantial portion of its revenues; potential pricing pressure; a decline in demand for our customers' products or their rate of deployment of their products; general conditions in the internet datacenter, CATV or FTTH markets; changes in the world economy (particularly in the United States and China); the negative effects of seasonality; and other risks and uncertainties described more fully in the company's documents filed with or furnished to the

Securities and Exchange Commission. More information about these and other risks that may impact the company's business are set forth in the "Risk Factors" section of the company's quarterly and annual reports on file with the Securities and Exchange Commission. In some cases, you can identify forward-looking statements by terminology such as "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "could," "would," "target," "seek," "aim," "believe," "predicts," "think," "objectives," "optimistic," "new," "goal," "strategy," "potential," "is likely," "will," "expect," "plan" "project," "permit" or by other similar expressions that convey uncertainty of future events or outcomes. You should not rely on forward-looking statements as predictions of future events. All forward-looking statements in this press release are based upon information available to us as of the date hereof, and qualified in their entirety by this cautionary statement. Except as required by law, we assume no obligation to update forward-looking statements for any reason after the date of this press release to conform these statements to actual results or to changes in the company's expectations.

Non-GAAP Financial Measures

We provide non-GAAP gross margin, non-GAAP net income (loss), non-GAAP earnings per share, and other non-GAAP measures to eliminate the impact of items that we do not consider indicative of our overall operating performance. To arrive at our non-GAAP gross profit, we exclude stock-based compensation expense and non-recurring expenses, if any, from our GAAP gross profit. To arrive at our non-GAAP income (loss) from operations, we exclude all amortization of intangible assets, stock-based compensation expense and non-recurring expenses, if any, from our GAAP net income (loss) from operations. Included in our non-recurring expenses for Q1 of 2016 are items related to the relocation of our Sugar Land plant, certain employee severance payments, as well as certain consulting fees. We believe that our non-GAAP measures are useful to investors in evaluating our operating performance for the following reasons:

- 1 We believe that elimination of items such as stock-based compensation expense, non-recurring expenses, amortization and tax is appropriate because treatment of these items may vary for reasons unrelated to our overall operating performance;
- 1 We believe that non-GAAP measures provide better comparability with our past financial performance, period-to-period results and with our peer companies, many of which also use similar non-GAAP financial measures; and
- 1 We anticipate that investors and securities analysts will utilize non-GAAP measures in conjunction with comparable GAAP measures to evaluate our overall operating performance.

Non-GAAP measures should not be considered as an alternative to gross profit, income (loss) from operations, net income (loss) or any other measure of financial performance calculated and presented in accordance with GAAP. Our non-GAAP measures may not be comparable to similarly titled measures of other organizations because other organizations may not calculate such other non-GAAP measures in the same manner.

About Applied Optoelectronics

Applied Optoelectronics, Inc. (AOI) is a leading developer and manufacturer of advanced optical products, including components, modules, and equipment. AOI's products are the building blocks for broadband fiber access networks around the world, where they are used in the internet datacenter, CATV broadband and fiber-to-the-home markets. AOI supplies optical networking lasers, components and equipment to tier-1 customers in all three of these markets. In addition to its corporate headquarters, wafer fab and advanced engineering and production facilities in Sugar Land, TX, AOI has engineering and manufacturing facilities in Taipei, Taiwan and Ningbo, China. For additional information, visit www.aoi-inc.com.

SOURCE: Applied Optoelectronics, Inc.

Applied Optoelectronics, Inc.
Reconciliation of GAAP and Non-GAAP net loss
Current Expectations
(In thousands, except per share data)
(Unaudited)

	Three months ended March 31, 2016	
	Low end of range	High end of range
GAAP net loss	\$ (1,800)	\$ (1,500)
Adjustments:		
Amortization of intangible assets	110	110
Share-based compensation expense	808	808
Non recurring expense	173	173
Unrealized exchange loss	(335)	(335)
Non-GAAP net loss	\$ (1,044)	\$ (744)

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Source: Applied Optoelectronics, Inc.

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